LOOK SEE

About this report

This is our first Integrated Report. Through it we wish to demonstrate the strategies that shaped the business during the reporting period and the opportunities we look to garner to create greater value and wealth across stakeholder groups. As our business re-shaped through strategic reconfiguration in 2013/14, the discussions and disclosures in our Annual Report pivot around them. As such, the performance highlights, management discussion, sustainability, governance & risk reports illustrate our position consequent to the re-configuration. This Integrated Report has been prepared in accordance with the GRI G4 guidelines and has been externally audited for GRI compliance.

Our Integrated Annual Report has been prepared to assist all stakeholders – our shareholders, potential investors, the broader investment community, employees, customers, valued business partners and the society at large – understand our strategic trajectory and make informed assessments of Expolanka's potential to garner and sustain value.

This Report is available on CD format and on our website www.expolanka.com

Forward Looking Statements

This Integrated Annual Report contains forward looking statements that relate to the financial position and operations of the Group based on the vivacity of the global and local economies. The statements are purely based on projected economic performances and by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may occur in the future. These forward-looking statements have not been reviewed or reported on by the Group's External Auditors.

LOOK SEE

Having a vision doesn't just mean that we look at the future and formulate our plans, we really SEE the possibilities, and what it has to offer. In this Annual Report we invite you to not just look at our eventful year, but to see what we have achieved. To look beyond the numbers and see what lies at the heart of our performance; the passion of our team and the pioneering spirit that unites us and not merely look at our business but to really see what we stand for, what drives us and what lies ahead as we take on the world.

exp

Business Beyond Borders

Annual Report 2013/14

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COVENANT

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

++ EXPOLANKA CORE VALUES

We will always follow ethical business principles in transacting & managing business

Caring for stakeholder's interests

Commitment to Excellence

Innovation & Entrepreneurship

WHO WE ARE

The story of Expolanka starts in 1978 as the Sri Lankan economy was liberalised 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.

The Group has diversified into exports, imports and trading, freight forwarding & logistics, manufacturing, airline representation & operation, travels & tours and information technology over the years. Today, Expolanka is a market leader in some of these fields with strong international connections.

Customer service excellence, high business ethics and a committed workforce has brought Expolanka success today. We believe that sustaining these will build up resilient growth tomorrow. This sound philosophy has enhanced our excellent industry standing and reputation which continues to mature.

EXPOLANKA 360°

- Expolanka has been in operation since 1978
- We are headquartered in Colombo, Sri Lanka
- Our workforce is 2,789 and growing
- Our network spans more than 17 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"

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.

KEY MILESTONES OF EXPOLANKA GROUP

Expolanka has come a long way on an incredible journey of success. Thirty four years ago, Expolanka started out as a fruit and vegetable exporter and since then the Group has expanded into various industries and made its steady mark in the global arena. These Key Milestones indicate important junctures in our journey.

1978
- Expolanka commences operations with the Incorporation of Expolanka (Pvt) Limited to export Fresh Produce

1982
- Expolanka ventures 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 represented Virgin Airlines Cargo operations

1989
- Diversifies into the Tea Export business with Expolanka Teas (Pvt) Ltd

1990
- Commences Retail & Wholesale Commodity Distribution with Expolanka Commodities

1993
- Expolanka incorporates Bio Extracts to venture into Herbal Pharmaceuticals
- Incorporation of Neptune Papers with a vision towards Recycled Paper

1994
- Expolanka ventures into the Travel Agency business with the incorporation of Classic Travel
- Expolanka commences operation of airlines with Expo Aviation
- Expolanka is awarded the GSA of Saudi Air Cargo & Incorporates Globe Air Limited

1995
- The Group moves into the Garment Manufacture Industry with Denshun Industries

1998
- Expolanka Receives the GSA for Royal Jordanian Airlines

1999
- Virgin Atlantic Passenger, KLM & Czech Airlines grant Cargo GSA's in Sri Lanka to Expolanka
- Incorporation of BAX Global (Pvt) Limited
- Expolanka moves into Education Sector forming APIIT Lanka
- Sri Lanka's first ever call centre Hello Corporation (Pvt) Ltd incorporated
- Expolanka Pharmaceuticals Incorporated

2003
- Expolanka invests in India through Expo Freight India
- Virgin Atlantic appoints Expolanka as their Cargo GSA in Dubai

2004
- Expolanka invests in Bangladesh through Expolanka Bangladesh
- Expolanka invests in Pakistan through Expolanka Pakistan (Pvt) Ltd
- Expolanka becomes 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 Organisation through Share Swap
- Expolanka is Sri Lanka's First, Microsoft Dynamix CRM3.0 implemented Company
- Expolanka becomes the Cargo GSA for Air France Cargo in Sri Lanka

2006

- Investment into Expolanka Freight FZCO Dubai, which represents American Airlines Cargo
- Expolanka invests 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 ventures 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
- Establishment of Ecologi Foundation to carry out various CSR & Environment related activities
- Expolanka signs 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 enters into a joint venture agreement with Cross Freight & represents Swiss Air Cargo in Bangladesh
- Expolanka Signs a joint venture agreement with Freight Care & represents Air France & KLM in Bangladesh
- Expolanka receives 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% stake in Norfolk (Pvt) Ltd.
- Commenced construction and expanded the warehouse operations at Orugodawatte
- Acquired 50% stake in Akquasun Holidays, India
- Initiated the Expo Rail luxury train service

2012

- Expolanka Freight rebrands as "efl"
- Expolanka Commodities initiates Madagascar operation
- Expolanka Freight opens offices in USA, China and Hong Kong

2013

- Classic Travel expands operations to Katunayake and Ratnapura with new branch openings
- Expo Freight (EFL) initiates their Maldivian operation with the opening of their new office in the Maldives
- Crescent opens its "Norfolk Fine Foods" flagship outlet in Marine Drive
- Bio Extracts unveils its new logo, packaging and brand strategy for their Herbal healthcare range 'Baraka'
- Expolanka Holdings PLC divests 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 divest 38% 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 serves its 100,000th patient

EXPOLANKA GLOBAL OFFICES

01. BANGLADESH
Expo Freight Ltd
01. Dhaka (HQ)
02. Chittagong

02. CHINA
Expo Freight (Shanghai) Ltd
03. Shanghai

03. HONG KONG
Expofreight (Hong Kong) Ltd
04. Kowloon (HQ)
05. Shenzhen

04. INDIA
Expo Freight Private Ltd
06. Chennai (HQ)
07. Ahmedabad
08. Bangalore
09. Cochin
10. Coimbatore
11. Hyderabad
12. Kandla
13. Karur
14. Kolkata
15. Ludhiana
16. Moradabad
17. Mumbai
18. New Delhi
19. Pune
20. Tirupur
21. Tuticorin
22. Visakhapatnam

05. INDONESIA
PT. Expo Freight
23. Jakarta (HQ)
24. Surabaya
25. Semarang

06. KENYA
Expolanka Freight Ltd
26. Nairobi (HQ)
27. Mombasa

07. MADAGASCAR
Expolanka Madagascar SA
28. Antananarivo

08. MALDIVES
Expo Services (Pvt) Ltd
29. Male

09. MAURITIUS
Expolanka Freight Ltd
30. Port Louis

10. PAKISTAN
EFL Pakistan (Pvt) Ltd
31. Karachi (HQ)
32. Lahore

11. PHILIPPINES
Expolanka Freight (Philippines) Inc.
33. Manila

12. SINGAPORE
EFL Global Logistics (Pte) Ltd
34. Singapore

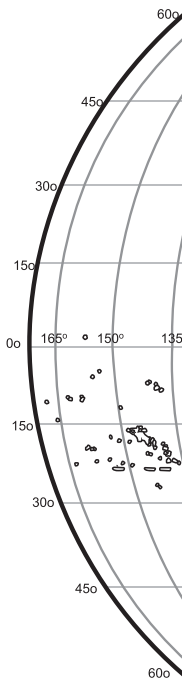
13. SOUTH AFRICA
Expolanka Freight (Pty) Ltd
35. Johannesburg

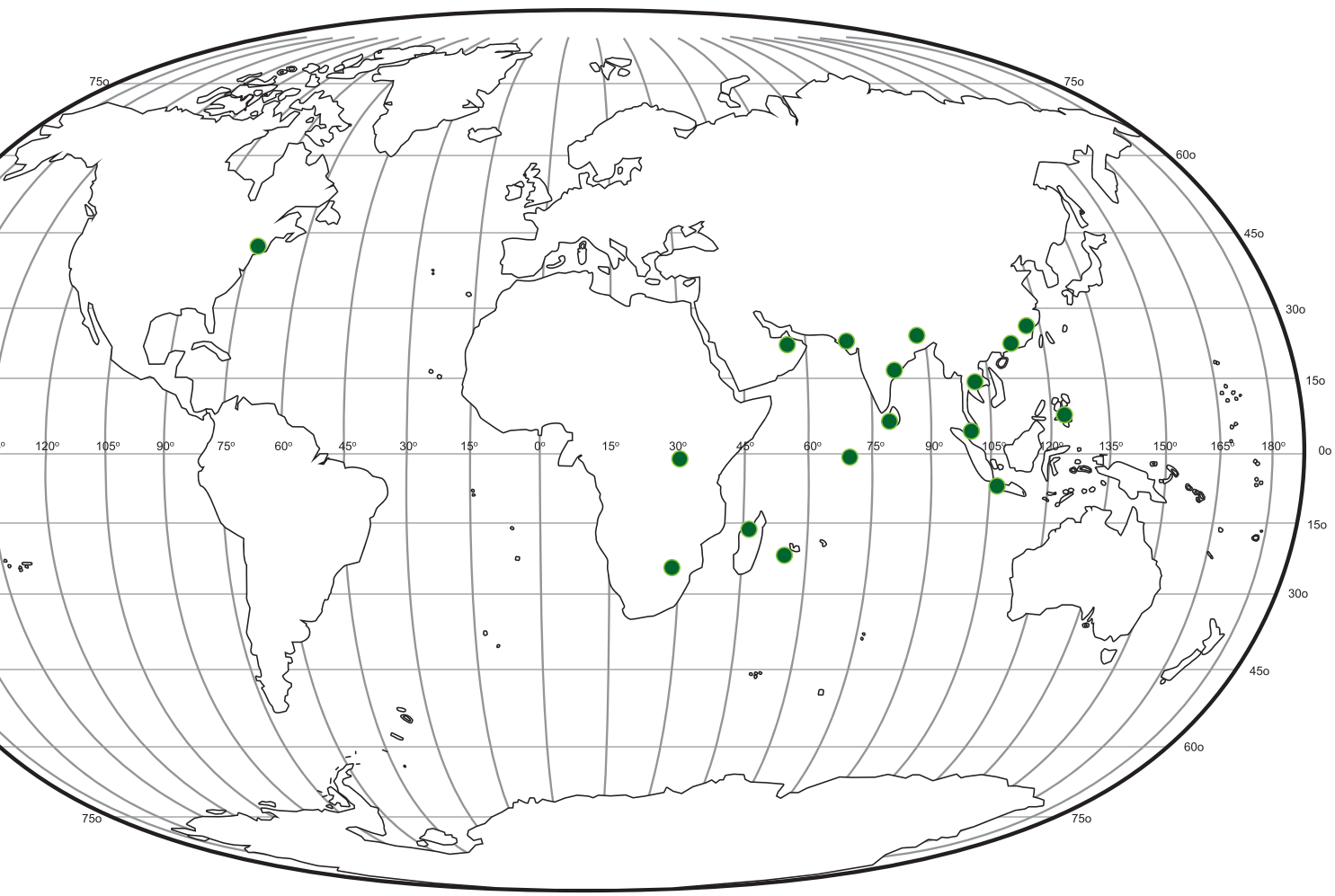
14. SRI LANKA
Expolanka Freight (Pvt) Ltd
36. Colombo (HQ)
37. Avissawella
38. Biyagama
39. Galle
40. Ja-ela
41. Hambantota
42. Katunayaka
43. Koggala
44. Seeduwa
45. Orugodawatta

15. UAE
Expolanka Freight Dubai LLC
46. Dubai (HQ)
47. Abu Dhabi
48. Jebel Ali

16. USA
Expolanka USA LLC
49. New York (HQ)
50. Chicago

17. VIETNAM
Expolanka Freight (Vietnam) Ltd
51. Ho Chi Minh (HQ)
52. Hai Phong
53. Hanoi

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Business Beyond Borders

A LOOK AT OUR YEAR

NEWS HIGHLIGHTS

CLASSIC TRAVEL OPENS NEW OFFICE WITHIN KATUNAYAKA EXPORT PROCESSING ZONE (EPZ) AND REVAMPS OFFICE IN THE MALDIVES:

Classic Travel opened a new branch office within the Katunayaka Export Processing Zone (EPZ). The new office will enable clients in and around the Free Trade Zone (FTZ) of Katunayake to obtain travel information and fulfil all their travel related services from Airline ticketing to Worldwide Hotel reservations, Visa Handling Services, Passport extension services, Travel Insurance and booking of Holiday Packages to any destination worldwide. Initially set up in 2010, Classic Travel Maldives was re-branded and a new range of facilities and services were introduced bringing the unit in line with the service standards of the Sri Lankan operations. The revamped Maldives branch provides a host of services including air ticketing and reservations, hotel reservations in the Maldives and worldwide, assistance with handling visas & visa formalities, assistance with Hajj & Umrah visas, Hajj & Umrah packages, Star Cruise packages, assistance in arranging travel insurance and airport transfers.

BARAKA RE-LAUNCHED WITH NEW PACKAGING AND OVERALL BRAND STRATEGY:

Bio Extracts unveiled its new logo, packaging and brand strategy for the Herbal Healthcare product range "Baraka". The new attractive logo depicts the flower that produces the Black seed, which is known for its medicinal value for many centuries. The new integrated communications strategy reinforced with the new packaging will enable Bio Extracts to reach more and more consumers. The re-launch has added vibrancy to the brand giving it greater visibility to become a stronger local and global brand.

EXPOLANKA RANKED 10TH AMONGST LMD 100 COMPANIES FOR THE YEAR 2012/13:

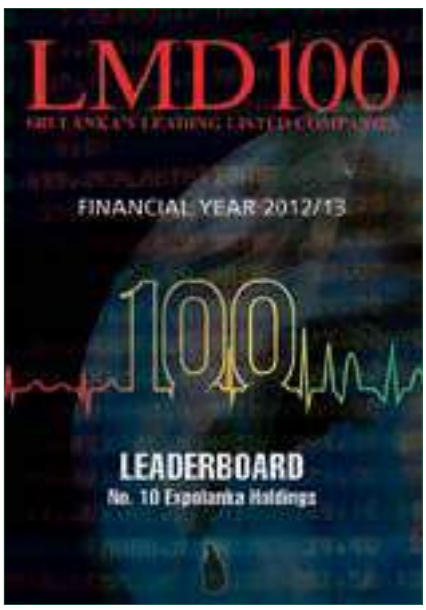
Maintaining the momentum of the 2011/12 debut in the LMD 100, Expolanka Holdings ranked number 10 amongst the top 100 listed companies in Sri Lanka for 2012/13. Last year, the Company ranked 13 following its initial public offering in 2011.

EXPOLANKA FREIGHT RE-AFFIRMED CARBONNEUTRAL® STATUS:

Carbon Consulting Company (CCC) recertified Expo Freight (EFL) for the year 2013/14, thus affirming EFL's commitment to reducing its carbon footprint. Since becoming Sri Lanka's first-ever CarbonNeutral® Freight & Logistics Company in 2012, Expo Freight (EFL) has been working in the forefront of this evolving environmental issue. The Company managed to reduce its carbon footprint by 10% within the year 2012/13, consequently achieving the predicted target.

Classic Travel opens new office

Baraka re-launched with new Packaging



Expolanka ranked 10th amongst LMD 100 Campanies

NEWS HIGHLIGHTS CONTD.

EXPO FREIGHT & LOGISTICS MOVES ONTO THE CLOUD:

Expo Freight & Logistics (EFL) showcased their continued commitment to the motto 'Simple Logistics', launched in 2012, with the recent announcement that the Company would be moving onto the 'Cloud' with Microsoft's O365 suite of solutions. Microsoft Office 365 unifies email, calendaring, collaboration and communication on the cost effective, easier-to-scale 'Cloud' platform providing greater flexibility for all organisations.

EXPOLANKA JOINS HINIDUMA PROJECT TO PROTECT COUNTRY'S RAINFORESTS:

In an attempt to fight against the threat of deforestation, Expolanka joined the Hiniduma Tree Planting Initiative with the Carbon Consulting Company (CCC) and the Rainforest Rescue International (RRI). This initiative seeks to set up a biodiversity corridor between the country's largest undisturbed rainforests – Sinharaja and Kanneliya- and to set up buffer zones around the forest edges using the 'Analog Forestry' concept.

EXPOLANKA'S EXPO MEDIX TREATS 100,000TH PATIENT:

In January 2014, Expolanka Holdings PLC, reached its milestone 100,000th patient in their flagship CSR programme 'Expo Medix', a fast growing chain of affordable medical clinics. Inspired by the idea of providing free medical consultation and subsidized drugs to patients, 'Expo Medix' treats patients in Mattakkuliya, Slave Island, Grandpass, Wattala and Kalutara with an average of over 200 patients visiting each clinic weekly.

EMPOWERING ENTREPRENEURSHIP WITH VENTURE ENGINE 2013 AND 2014:

In line with the Group's inherent spirit of entrepreneurship, Expolanka stepped out as the principal sponsor of Venture Engine 2013 and 2014. Venture Engine is a unique project that aims to enable and empower the vast entrepreneurial potential in Sri Lanka and create real opportunities for businesses to gain access to funding. A panel of seven high profile investors from India joined a well-respected panel of investors from the Lankan Angel Network along with the sponsors and founders to select the winning businesses which received funding to start up and expand their respective businesses.

BIO EXTRACTS RECEIVED FAIR CHOICE CERTIFICATE FROM CONTROL UNION FOR SOCIAL AND FAIR TRADE STANDARDS:

Bio Extracts Pvt (Ltd) received Fair Choice certification for its fair trade production methods from the Control Union (CU) following a rigorous inspection process. Control Union certification is a guarantee that the Company is committed to sustainable development and improvement of social conditions, meeting the demands of conscious consumers.

Expo Freight & Logistics Moves onto the Cloud

Uplifting biodiversity - World Environment Day

AWARDS

National Business Excellence:

Expolanka Holdings PLC, Expo Freight (EFL) and Bio Extracts received top notch accolades at the National Business Excellence Awards 2013, organised by the National Chamber of Commerce of Sri Lanka. Expolanka Holdings PLC clinched Gold for Diversified Group and Silver for Global Reach while Expo Freight won Silver for Shipping and Related services. Bio Extracts won a Merit award in the Manufacturing-other category.

Expo Freight (EFL) recognised at SLIM Brand Excellence Awards 2013:

Expo Freight (EFL) won a Bronze at SLIM Brand Excellence Awards 2013 in the Export Brand of the Year category.

Expo Freight (EFL) and Expo Lanka Ltd. bags 03 awards at National Chamber of Exporters (NCE) awards:

Expolanka Holdings PLC's subsidiaries Expolanka Freight (EFL), and Expolanka (Pvt) Limited walked away with top honours with 02 Gold and 01 Bronze at the 21st Annual National Chamber of Exporters Awards Ceremony.

'Tagged' Annual Report 2012/2013 wins Gold Award and ranked among the top 100 at LACP, USA:

Expolanka Holdings PLC was awarded with the Gold Award for its "TAGGED" 2012/2013 Annual Report at the Spotlight Awards Global Communications Competition by the League of American Communications Professional (LACP).

Awards and Accolades

REPORT APPROACH

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 March 2013 to March 2014 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. 2012/2013 sustainability report fulfilled the criteria of level C. 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 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 practices 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:

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

THE STRATEGIC APPROACH

STRATEGIC PRIORITIES:

The Group's strategy for the future defines how we do business. Within this broad direction, a set of priorities shapes our business agenda and defines our short term and medium term operations**.** These strategic priorities are reviewed annually and redefined every year based on the indications of the micro and macro environments. They are managed to ensure the long sustainability of the business. Growth, risk, return, productivity are assessed as fundamentals in not only determining our movement towards strategic priorities but also on how the Group impacts all key stakeholders thereby ensuring that alignment between business objectives and sustainability objectives co-exist.

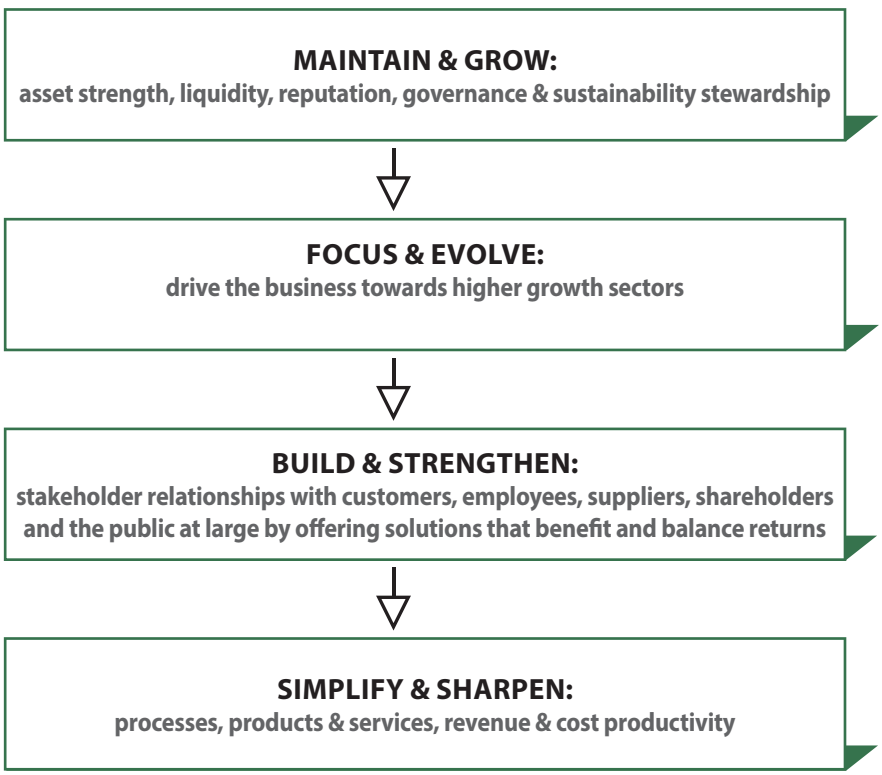


Fig 1: Core Strategic priorities

EVOLVING THE BUSINESS MODEL:

The Group recognises core growth areas for the future based on forecasted local and global demographic and economic changes. Constant review of strategies to cater to this evolving market place lends the Group adequate foresight to mould its operations for the medium term. In 2013/14, the Group re-assessed its business in line with its strategic focus for future growth, and as such in the financial year under review brought into play a series of strategic decisions to consolidate and re-engineer the Group's operations with a view to grow future returns. The key strategic intent during the financial year therefore, was to refocus on the core business in a bid to create a solid platform for sustainable returns and growth in the long term.

In 2013/14, the Group undertook an intensive re-structuring of the business, trimming its activities through a number of strategic divestments. A comprehensive review of the current global and local operational scenario and a forecasted assessment of the global and local economic and trade trends proved the necessity for the Group to re-examine its sector portfolios. The assessment brought to light key strengths and opportunities as well as threats and weaknesses. The main outcome however was the necessity to bring greater focus to the Group's operations through the consolidation of core business. Hence, during the financial year under review, the Group divested its interests in non-core areas, strategically deploying resources towards sectors with perceptible potential for future growth. Returns, scalability and scope were the main criteria in the divestment analysis.

The Group views the need to constantly evolve in a fast paced and continually morphing commercial landscape. Hence, it adopts a consistent strategy that does not compromise on long term gain against short term profitability and instead strives to achieve continual re-engineering of the business to match strategic corporate expectations as well as the nation's economic strategy.

THE STRATEGIC APPROACH CONTD.

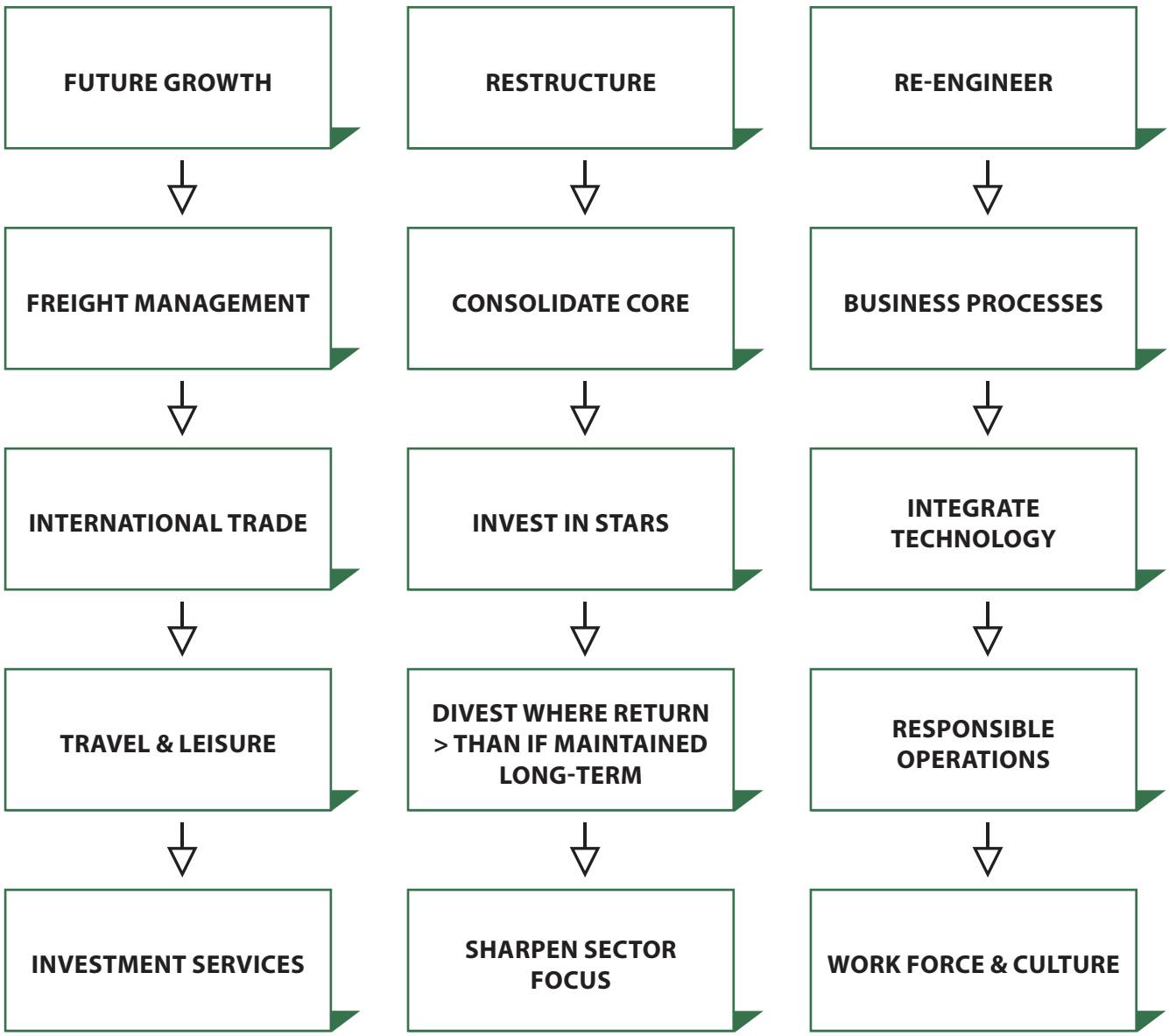


Fig 2: Growth Areas and core determinants in evolving the business model.

MEDIUM- TERM STRATEGIC DRIVERS:

Focus on national hub concepts:

The Group seeks to align its operations to contribute towards and benefit from the national strategy. Hence, one key determinant of the Group strategy in the years ahead is the national strategy. Sri Lanka, as a nation is aiming to become the maritime and logistics hub of the region. Given its strategic location on the centre of the East-West shipping route with no deviation from the main shipping route, Sri Lanka is poised to realise this goal subsequent to the development of its port infrastructure. With this objective in mind the GoSL has initiated a seven-year port development plan to be completed by 2020. In addition, the Government also intends to launch a 25-year long-term plan for development, improvement and promotion of the port sector. While the aspiration is to develop Sri Lanka as a global logistic hub and delivery of world class services to port users and stakeholders, achievement of Vision 2020 will ensure the country as a maritime hub, handling 200 Mn tonnage of cargo, enjoying a US$ one billion in revenue. On the backdrop of these initiatives, the Group is repositioning itself to reap the benefits of the maritime and logistics hub position whilst also establishing itself as a front-runner as well as a full spectrum service freight and logistics service provider.

Focus on creating a platform for sustainable business:

The case for sustainable business is strongest where focus is made on a business line that can take advantage of scale, become a first mover, or find a niche market. Expolanka has demonstrated this ability to focus on key business lines, as is evident in the restructure of the business, this financial year. By refocusing on core sectors –specifically that of freight management – Expolanka looks to take advantage of scale and first mover position to create a sustainable platform for future growth. Innovation of business in the sectors Travel & Leisure, International trade & Manufacture, and Investments & Services will serve to maintain and grow the Group's propensity for future growth.

Focus on customer relationships:

The core of the Group's business is the individual relationships it has fostered over the years with its customers. In going forward, these relationships will be pivotal to the sustainability of the business. By embedding excellence in customer management, Expolanka has nurtured enduring relationships with customers through the provision of customized and innovative products and services. In a challenging economic environment the Group has continued to show strong commitment to customers, driven by a long-term, holistic view of customer relationships.

Focus on innovation for tomorrow's business:

The needs of customers are changing rapidly, encouraging the Group to build new capabilities to serve them better over the long-term. This involves becoming more efficient in the ability to integrate advances in technology to the service offer as well as the development of infrastructure and service structure that best deliver the customer need whilst exceeding customer satisfaction. In addition, the growing certainity that Sri Lanka will be a commercial hub – and most specifically a logistics hub – has propelled the Group to make a cohesive change to its service offer in the Freight Management sector, effectively shifting from a transaction-based operator to one that offers a full spectrum service. Investment into state of the art infrastructure, technology driven services and the infusion of innovation across the entire group-wide service product and service offer will enable the Group to fully explore and garner the effect of innovation on the business's performance over the medium term.

Investments into the development of digital channels will improve the customer experience and functionality and assist towards enhancing accessibility to information. Information Technology is leveraged to optimize value creation across the product and service continuum. Enhanced functionality, seamless integration of networks and links both internally and with external partners, enhancement of tools for business intelligence as well as system implementations to augment the security and compliance functions will remain key in how the Group addresses needs of tomorrow's business.

Focus on resource efficiencies:

Complexity and resource management is a core priority for the Group and these two factors have been the key drivers that catalysed the Group restructure in 2013/14. The growing need to re-assess and re-allocate resources to sectors and sub sectors with a greater propensity for returns whilst minimizing the complexity of the Group in terms of the areas of business then led to the refocus on core businesses during the year. By trimming the sectors and sub sectors, the Group has effectively simplified its primary areas of business, thereby

THE STRATEGIC APPROACH CONTD.

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. Meanwhile, the Group divested a number of key operations during the financial year, recogonising that the time was opportune for divestment given that the returns on divestment outperformed the forecasted returns from operations over the medium term.

The Group has also adopted tactics to improve its resource efficiencies through the simplification of processes, tight expense management and instituting a culture of continuous improvement and productivity. Resource efficiency projects to further reduce waste, water, electricity and paper use, reduce, re-use, recycle efforts and the embracement of the Group's Environmental Policy and related initiatives aimed at delivering environmental and social benefits, improving employee engagement have contributed positively to the Group's business performance.

Focus on Risk Management & Governance:
The Group continues to strengthen its risk management and governance framework. Governance is a fundamental component of the culture and business practice of the Group whilst the 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 with intent to benefit from a blend of local and international best practices.

Enhance our corporate citizenship:
The Group's sustainability vision and mission is the bedrock upon which corporate citizenship thrives. The Group's overall sustainability ethos strives to lead a community of responsible and educated employees who are environmentally conscious, practice social responsibility 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.

360⁰ VIEW OF BUSINESS

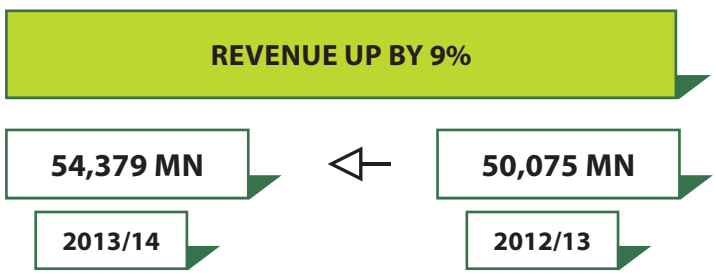
Revenue
Consolidated Group Revenue withstood sector-wise pressures to record an 9% growth.

Gross Profit
Gross Profit margins contracted in 2013/14 to 15.7% from 16.2% in the previous financial year. However, in absolute terms, the Consolidated Gross Profit enlarged by 5%.

EBIT
EBIT improved by 17% during the reporting period as opposed to 5% in the previous financial year.

PBT
Higher gross profit and other income were key drivers for the rise in PBT during the financial year which witnessed an enlargement of 17%.

PAT
Consolidated Group PAT rose by 23% during the reporting period. The consolidated PAT sustained the above rupees one billion mark as has been the case in three preceding years.



GROSS PROFIT UP BY 5%

2013/14	2012/13
8,528 MN	8,122 MN

EBIT UP BY 17%

2013/14	2012/13
2,219 MN	1,897 MN

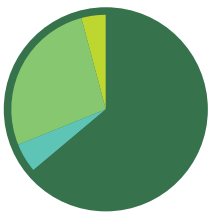
PBT UP BY 17%

2013/14	2012/13
1,951 MN	1,670 MN

PAT UP BY 23%

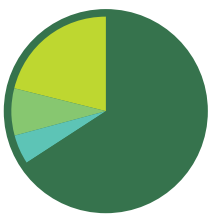
2013/14	2012/13
1,570 MN	1,279 MN

Revenue Composition



Freight & Logistics	64%
Travel & Leisure	5%
International Trading & Manufacturing	27%
Investments & Services	4%

EBIT Composition

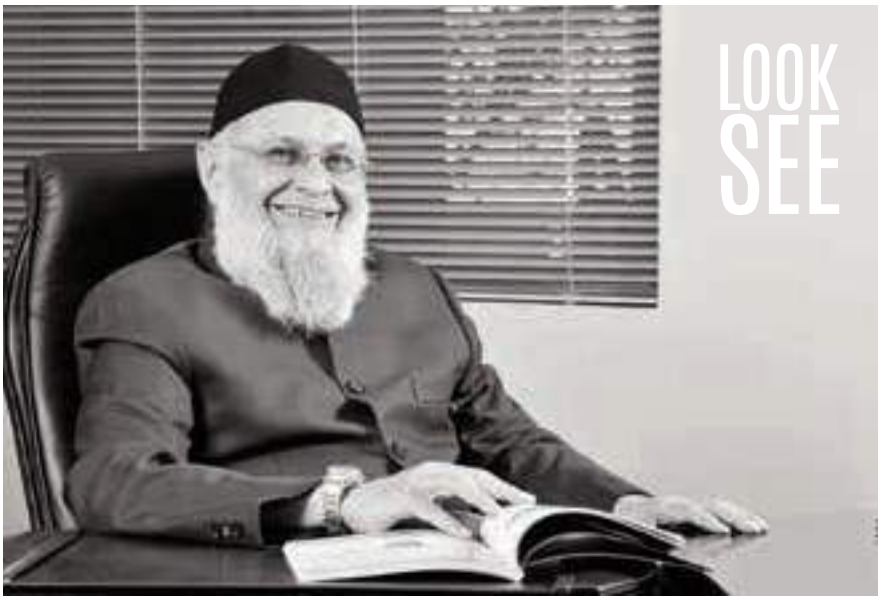


Freight & Logistics	66%
Travel & Leisure	5%
International Trading & Manufacturing	8%
Investments & Services	21%

“As we re-configure and grow, we are determined to stay true to the fundamentals that shaped and defined us, from our inception over three decades ago. Our vision has always been to realise value growth in the global arena. We have worked relentlessly, as a Sri Lankan entity, to carve our own space and recognition in the four corners of the world, and I believe we are now a truly global entity.”

Osman Kassim
Chairman

CHAIRMAN'S STATEMENT



> ***I would like to take this opportunity to thank my fellow Directors who have at all times extended their fullest support and shared their valued expertise towards the betterment of the Group. I also welcome Naosuke Kawasaki, Motonori Matsuzono, Yoshifumi Matsubara and Toji Shiho to the Board and I am confident that my stewardship over the past will pave the way for the future, as I hand over my reins as Chairman to Nobuaki Kondo. My appreciations to the Management and Staff for their unstinted cooperation and for their tireless pursuit of the Group's strategic expectations and my best wishes to the incoming Chairman.***

As another financial year of accomplishments come to an end, it gives me great pleasure to present to you the audited Financial Statements and Integrated Annual Report for the financial year 2013/2014. I am confident that our shareholders will be pleased with the performance of Expolanka Holdings PLC this financial year. Your Group has applied its unique drive for success throughout the year, to perform judiciously across the key sectors, limiting itself not only to building commercial value but also to create and augment value sustainably for all stakeholders.

A robust and forward thinking business strategy coupled with quality of earnings and good governance has been the foundation on which your Group strived for value creation during this reporting period. I am pleased to note that in 2013/14, through business re-configuration, the Group has set in motion a series of strategic shifts, which will take Expolanka to its next phase of growth. Let me give the assurance that we remain focused on our customers, employees, shareholders, and all other stakeholders as primary partners in our journey towards excellence.

RE-CONFIGURING VALUE

A major strategic challenge today, as we see it, is reconfiguring a business from value chain organisation to the more fluid structure of the value network. In transitioning to a value network, the challenge is gaining the right knowledge and understanding, and then committing and investing in the time and resources to adapt current business models for the long-term. This is exactly what we have done over this reporting year. We have enacted numerous changes to our 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.

LEANER AND STRONGER

With the business re-configuration, your Group has become leaner and stronger. Effectively, we have shed those components of the business that had with the passage of time, become non-yielding. Your Board of Directors, led by myself, assessed the future potential of each of the sectors and sub-sectors to determine their viability as sustainable value drivers. Those that failed to match the criteria for future growth, we

CHAIRMAN'S STATEMENT CONTD.

coherently looked to divest and as a result, your Group is now poised for sustainable high-yielding growth. As entrepreneurs this was not the easiest of tasks, as over the years, we have endeavoured to build businesses that delivered niche value through backward and forward integration. Of course, our focus still remains on creating and sustaining niche value through the generation of backward and forward synergies.

STAYING TRUE TO FUNDAMENTALS

As we re-configure and grow, we are determined to stay true to the fundamentals that shaped and defined us, from our inception over three decades ago. Our vision has always been to realise value growth in the global arena. We have worked relentlessly, as a Sri Lankan entity, to carve our own space and recognition in the four corners of the world, and I believe we are now a truly global entity. But a global identity is not the only goal that we have pursued. In fact, industry leadership has been at the crux of our corporate intent, and through our core sectors we have ably achieved this.

But at the base of all of these commercial pursuits have been one underlying fundamental; the desire to build an ethical Group and operate in an ethical environment. By the grace of God, we have and we continue to underpin our operations on strong ethics and good governance. We want to support our customers, create value for our shareholders and contribute to society as a whole. To achieve this, we engage closely with customers, employees, investors, suppliers and the public and strive to be open and transparent with increased possibilities to establish frank and robust dialogues.

Of course, the "dare to do" spirit has shaped our entrepreneurial drive and lent us the edge to create a commercial entity that has ventured into unchartered waters, giving us the reputation of being a pioneer and a first mover. I believe, that even in the future, it is this "dare to do" spirit that will give us a competitive edge and become our core competency in the business of doing sustainable business.

COMPETENCIES THAT COUNT

Our culture and values have been the bedrock of Expolanka's success over the years. The commitment of each one of our 3000+ team, the passion to work together for the Group's betterment, the straight-dealing and dedicated embracement of ethics have been our core competencies.

For your Group governance is a priority, one that has become a way of life. Embedded into every aspect of our business processes, we have evolved from an era of corporate governance to one of enterprise governance. This holistic approach has created conducive platforms that propagate safeness and soundness, validating our focus on the creation of a trust based value proposition. Within this realm, we strive for honesty, transparency and accountability through policies and practices at every level.

Our approach for governance and risk is one that considers the whole picture, to ensure that our strategic goals are aligned and that good management is achieved through an integrated framework. This assists towards focusing on both the value-creating drivers that move the Group's business forward and those that ensure adequate control. We account the successful infusion of conformance and performance measures to a conscious decision to take good governance seriously, recognising it as an imperative as opposed to merely the requirements of formal codes of practice.

This forward thinking governance stance is amply demonstrated by the fact that we instituted a Related Party Committee to monitor related party transactions well ahead of all other corporates, on our on volition. Of course, as a Group with a global outlook we continue to invest towards processes and practices that are global benchmarks.

RESPONSIBLE ACTIONS

We have a strong ambition to contribute to sustainable growth and to make a difference to our customers, employees, investors, and suppliers and of course the society at large. We strive towards making sustainability an integrated part of our business, and to include sustainability as a natural part in everything we do.

This Integrated Annual Report is a reflection of this commitment. It has been prepared in compliance with the Global Reporting Initiatives (GRI) G4 in accordance "core" Guidelines for reporting of sustainable business practice.

APPRECIATIONS

I would like to take this opportunity to thank my fellow Directors who have at all times extended their fullest support and shared their valued expertise towards the betterment of the Group. I also welcome Naosuke Kawasaki, Motonori Matsuzono, Yoshifumi Matsubara and Toji Shiho to the Board and I am confident that my stewardship over the past will pave the way for the future, as I hand over my reins as Chairman to Nobuaki Kondo. My appreciations to the Management and Staff for their unstinted cooperation and for their tireless pursuit of the Group's strategic expectations and my best wishes to the incoming Chairman.

Our customers, who have stood by us for many decades have truly demonstrated the meaning of trust and loyalty. We are proud and privileged to serve you. Thank you for placing your trust in us.

Our shareholders have been the very pillars of strength upon which we have built this Group. I would like to thank you all for your investment into this Group. Your belief in its potential is a reflection of our passion to achieve. We believe firmly that the aspirations of the shareholders must be met and we will continue to tirelessly pursue shareholder interests in the future as we have done in the past.

We stay committed to serve all our stakeholders. On behalf of the Board of Directors, I pledge that we will continue to add shareholder value through the execution of prudent business strategies whilst ensuring that we contribute towards value creation for all.

Osman Kassim
Chairman

CEO'S REVIEW

"I believe that ExpoLanka's evolution over the past few years is indicative of the Company reaching a critical standpoint – a stance of future orientation, where we are now building an organisation for the future and in expectation of future growth whilst being appreciative of our past. In moving forward we are appreciative of the future expectations of stakeholders towards building value. Let me then, at this juncture, assure our stakeholders that as a responsible corporate Expolanka will spare no effort in living up to this challenge. We remain committed to our vision to be the foremost blue chip conglomerate not just within, but beyond borders."

GLOBAL RECOVERY SPEEDS AS YEAR END

The global economy continued to grow at a modest pace for much of 2013, although by 3Q the growth rate accelerated marking a turning point in the road to global recovery. Nevertheless for much of 2013/14, Europe remained in recession, US growth remained subpar, and the major emerging markets too demonstrated lower growth. Meanwhile, global financial markets experienced considerable volatility, owing to prospective changes in US monetary policy, a new policy in Japan, and instability in China's banking system.

European financial markets too demonstrated signs of improvement, in large part due to European Central Bank policy. However, the economy remained mired in recession. India's economic growth slowed down more than expected, with the inadequate leeway for maneuvering fiscal and monetary policies given the country's current economic challenges. Additionally, the political instability witnessed over the course of 2013, as the nation prepared for national elections further weighed down economic progress. Neighboring Bangladesh – also a key source for the Group's freight sector- also witnessed slowing trade and economic output, as political and socio-economic issues created complexities for the nation.

GROUP OPERATIONS PERSIST DESPITE STRUCTURAL CHANGES & CHALLENGES

With Europe and much of our traditional markets continuing to witness protracted recovery, the Group operations were significantly challenged. Nevertheless, our foray into emerging markets in the previous and the current financial year, assisted towards the achievement of key performance objectives during the reporting period.

Defining the operations this year, is a strategic initiative executed with the intent to sharpen the focus of the Group, especially with a perceptive vision to enhance the sustainability of returns. As such in 2013/14, we reconfigured the Group's operations with a view to identify the core businesses that have the potential to deliver value through enlargement of the business and enhancement of returns. Of course, this was not an ad hoc decision taken and implemented this financial year. Instead, it is a critical component of our strategic plan towards the achievement of sustainable returns and a key cog in our drive for future growth. It is a decision that has been evaluated and discussed internally

amongst the Board of Directors and the Executive Management for many months if not years, and in the implementation of this strategic plan, Expolanka has executed a range of business reconfigurations aimed at better optimization of the Group's resources towards key growth sectors.

As you read through this Integrated Annual Report & Financial Statements, you will find that the Group has trimmed its businesses, bringing greater focus to growth pillars that will function as core growth areas in the medium and long term. The financial year, therefore, brought to realisation 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 our operational environment, industry shifts and consumer transformations gave way to a series of hard yet high return decisions. As such, in 2013/14, 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 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.

This reconfiguration process yielded a series of non-recurring restructuring costs that impacted the financial performance for the year. However, we maintain our focus on the future gains that the reconfiguration will yield, whilst making note of the expansion of the cost structure with a view to control and curtail costs in the years ahead.

Financial performance of the Group - despite internal sectoral re-configurations and external operational challenges – remained within the periphery of our expectations for the financial year. The consolidated net profits stood at Rs. 1,570 Mn, demonstrating a growth of 23%. The Group's balance sheet as at 31 March 2013 remained healthy with a comfortable asset: liabilities balance whilst sustaining sound ratios, across the board.

SECTOR-WISE SNAPSHOT

Freight & Logistics renewed its position as the core contributor to Group's consolidated performance during the reporting period, as in the previous financial year. The sector enhanced its operations during the year with a transformation from transaction to solution-based service offer. The enhanced global presence as result of the expanded network in traditional and emerging markets over the last two financial years enabled the sector to firmly augment its reputation as a global freight and logistics brand. Moreover, benefits garnered from the rebranding exercise undertaken in the previous financial year has delivered greater recognition amongst global customers, serving to expand the key customer base as well as attracting prime human capital to the sector's operations.

During the financial year, the sector established 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 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 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.

The sector also recognised the importance of information technology in better leveraging the logistics business, and in doing so undertook a bold step towards the implementation of a state of the art IT platform which is expected to be cascaded across the network of global offices, by the end of the calendar year 2014. In looking to the future, the sector looks to benefit from retail and manufacturing upsurge in the African continent in the medium term, and as such will look to invest towards this in expectation of enhancing the return from this emerging market.

2013/14 was essentially a year of consolidation for the Travel & Leisure sector. The focus of the year, operationally, was to infuse dynamic innovation to the business, effectively sharpening the focus towards key segments. In doing so, the sector's MICE and destination management arm Akquasun was remodeled during the year, staging a platform to truly position it as a global B2B business. The remodeling is resulting in a perceptible augmentation of the customer base. Classic travels continued to maintain its position as performance leader, and demonstrated a commendable enhancement of performance during the financial year. Going forward, the onus for Classic Travels will be to build further value to its portfolio of services.

CEO'S REVIEW CONTD.

International Trade & Manufacture also experienced significant reshaping during the year. Due to the volatility of the commodities business, due in large to the continuous fluctuation of prices over the past few years, the Group has experienced inconsistency in the returns. As a result, a concerted decision was made in the reporting period to divest Expolanka Commodities. Likewise, Lanka Premier Foods was divested during the year; in view of the incapability of the Company to garner volume and value growth that would considerably contribute towards consolidate growth for the Group. Our tea sub-sector registered gains despite cost escalations in the face of enlarged cost structures. The herbal pharmaceuticals sub sector represented by the brand Baraka consolidated its presence in the local marketplace whilst growing its appeal in the international arena. However, in meeting performance expectations of the Group, Baraka continued to meet challenges. In looking to the future, consolidation of the sector's business is key to how the Group re-invents its value generation.

Investment & Services experienced an overhaul in 2013/14, subsequent to the divestment of the education sub sector represented by APIIT, and the BPO business represented by HelloCorp. However, we continued to strengthen and consolidate the GSA business during the year. Numerous joint ventures entered into in the GSA sub-sector during the financial year served to boost the image of the Group whilst been strategic to future growth.

TRANSFORMING "DOING WELL" TO "DOING GOOD"

As a global corporate citizen, we are more than aware of our responsibility towards people, the Company and of course the environment. The Group adopts best practices in environmental and social governance. To complement this sustainability stance, the Group adopts GRI-based Sustainability Reporting in a bid to quantify our efforts towards sustainable business. During this financial year, we elevated our sustainability reporting focus to report against GRI (G4) B level guidelines and adopt an integrated reporting approach.

BUILDING AN ORGANISATION FOR THE FUTURE

The Group, in 2013/14, set in motion the key strategy for future growth. Restructure and reconfiguration of the Group to refocus on the core businesses, is expected to yield the performance forecasts that will position the Group towards sustainable, high value growth. The onus, going forward, will be to leverage the reconfiguration to garner greater efficiencies as well as realise client ownership.

As a result of the sharpening of Group focus, the outlook remains positive for the medium term. Freight & Logistics will remain the core value generator for the Group, delivering positive returns despite global challenges. The Group remains confident of the capability of the Freight & Logistics sector to be a critical player in defining and deriving value to the national hub strategy.

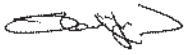
I believe that ExpoLanka's evolution over the past few years is indicative of the Company reaching a critical standpoint – a stance of future orientation, where we are now building an organisation for the future and in expectation of future growth whilst being appreciative of our past. In moving forward we are appreciative of the future expectations of stakeholders towards building value. Let me then, at this juncture, assure our stakeholders that as a responsible corporate Expolanka will spare no effort in living up to this challenge. We remain committed to our vision to be the foremost blue chip conglomerate not just within, but beyond borders.

APPRECIATION

Let me take this opportunity to extend my warm appreciation to the Chairman and the Board of Directors for their guidance and foresight, and for their consistent support towards making Expolanka an organisation 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.

My sincere appreciations to our shareholders and investors who have been the bed-rock of this Company, stakeholders who have stood by us with confidence and the Expolanka team for creating pillars of success. Let us now work with even greater focus to achieve sustainable returns for the future.



Hanif Yusoof
Group Chief Executive Officer

INCOMING CHAIRMAN'S MESSAGE

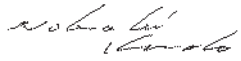
> ***My sincere appreciations to Mr. Osman Kassim for his visionary stewardship of Expolanka, indeed, he has chartered a path of progressive growth for Expolanka over the years, cascading a plan of action that has continually grown the boundaries of commercial achievement balanced by ethical governance in a globally challenging marketplace. I am honoured to take the reins from him, and in doing so assure you of my best intentions to deliver on the vision and mission of your Group.***

DEAR SHAREHOLDERS,
It is with great pleasure that I write this message as your incoming Chairman.

As this reporting period ends, your Group is about to embark on another exciting new phase of growth. Over the past three plus decades, Expolanka has been ably steered towards phenomenal growth by a Board of Directors and an Executive Management team that has had the vision for global business. As all of you may be aware, this astute team of leaders have now taken, yet another bold but judicious step towards future growth. And that step has brought SG Holdings of Japan into an investment partnership with Expolanka, in the interest of all of our joint stakeholders. We are more than confident that the synergies to be derived are greater than the sum of its parts. As an innovation inspired conglomerate, I firmly believe that we are a competitive force for change and that the unified strengths of Expolanka's freight forwarding global network coupled with SGH Group's operation bases in Japan, East Asia and ASEAN, will define new growth horizons as our international transportation services open up to a broader marketplace.

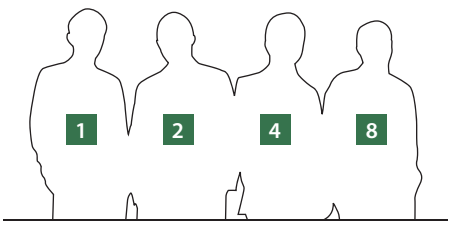
Let me assure you, our shareholders, that Expolanka will continue to not only deliver value but also to enlarge that value over the next few years. With the affiliation of Expolanka with SG Holdings, the cumulative benefits to your Group will arise from a strong global network infrastructure, which will position Expolanka as a specialist service provider in the freight and logistics sector. SG Holdings - the holding Company for the Sagawa Group -, is a leading Logistics company in Japan that currently owns 24 locally-incorporated subsidiaries in 10 countries outside of Japan, including China, Vietnam, and Singapore and will fully complement Expolanka's cluster of companies focusing on multi-modal freight and logistics solutions.

My sincere appreciations to Mr. Osman Kassim for his visionary stewardship of Expolanka, indeed, he has chartered a path of progressive growth for Expolanka over the years, cascading a plan of action that has continually grown the boundaries of commercial achievement balanced by ethical governance in a globally challenging marketplace. I am honoured to take the reins from him, and in doing so assure you of my best intentions to deliver on the vision and mission of your Group.



Nobuaki Kondo
Chairman

BOARD OF DIRECTORS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BOARD OF DIRECTORS CONTD.

1. 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 33 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.

2. 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'.

3. 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 35 years.

4. MOTONORI MATZUSONO
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.

5. 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.

6. 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.

7. 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.

8. 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 serves 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).

9. HARSHA AMARASEKERA,

President's Counsel

Non-Executive 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.

EXECUTIVE COUNCIL

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

[Not pictured]

Dhilshad Sideek

CEO - Expolanka Teas (Private) Limited

[Not pictured]

Wasantha Sooriyarachchi

Director - Warehousing - Logistic Parks (Private) Limited

EXECUTIVE COUNCIL CONTD.

EXECUTIVE COUNCIL OF THE GROUP			
NAME	**DESIGNATION**	**COMPANY**	**EXPERIENCE AND QUALIFICATIONS**
Abdullah Kassim	*Managing Director*	**Neptune Papers (Private) Ltd**	Industry experience of 06 years. MSc in International Business from the Manchester Business School, University of Manchester; BA (Hons.) in Business Administration, First Class from Staffordshire University, UK
Asitha Jayatunga	*Director - Group Human Resources*	**Expolanka Holdings PLC**	Professional experience of 15 years. MBA from the Edith Cowan University, Australia; GPHR & IPMA-CP Certified HR Professional; Post Graduate Diploma in HRM from the University of Kelaniya; Professional Post Graduate Diploma in Marketing from CIM UK
Asitha Kaggoda	*Head of Group IT*	**Expolanka Holdings PLC**	Industry experience of 12 years. MSc in Information Technology from Keele University-UK, Project Management Professional (USA)
Dhilshad Sideek	*CEO*	**Expolanka Teas (Private) Limited**	Industry experience of 24 years. MBA from Edith Cowan University, Perth, Australia; Diploma in Marketing from the Chartered Institute of Marketing, UK
Jagath Pathirane	*CEO*	**Expolanka Freight (Private) Limited**	Industry experience of over 21 years and a combined 24 years of experience in Senior Management roles.
Kanishka Wijesinghe	*Director*	**Expolanka Airline Division**	Industry experience of 31 years. FCMI-UK (Fellow Chartered Management Institute UK). ESCM–UK (Expert Supply Chain Management, Institute of Supply Chain Management, UK). CISCP-USA (Certified International Supply Chain Professional), Qualified in Airline Marketing from IATA and Certified in Airline operations, Sales, Marketing, Customer Relations and Management with Sri Lankan Air Lines, Emirates and Lufthansa. Former President of SLACA.
Imdadh Marikar	*General Manager*	**Expolanka (Pvt) Limited**	A MBA holder from the University of Southern Queensland, Imdadh Marikar joined Expolanka Group in 2003 and acquired ample experience throughout the years before becoming the General Manager of Expolanka (Pvt) Limited. He obtained his Bachelor's Degree on Information Systems and Management from the University of London. He is also a Past Finalist Chartered Institute of Marketing (UK).

EXECUTIVE COUNCIL OF THE GROUP			
NAME	**DESIGNATION**	**COMPANY**	**EXPERIENCE AND QUALIFICATIONS**
Mohamed Ziauddin	*Managing Director*	**Norfolk Foods (Pvt) Ltd**	Industry experience of 38 years. MSc in Technological Economics, Sterling, UK, HND in Food Technology South Bank Polytechnic, UK, PGD in Management Studies, Luton Management Centre UK
S Senthilnathan	*COO*	**Expolanka International (Private) Limited**	Industry experience of 34 years.
Shantanu Nagpal	*Head of Strategic Planning & Business Development*	**Expolanka Holdings PLC**	Industry experience of 19 years. MBA from INSEAD, France, BA Economics from Oxford (UK)
Paddy Weerasekera	*Head of Marketing, Corporate Communications & CSR*	**Expolanka Holdings PLC**	Industry experience of 19 years. MBA, University of Wales, UK. Diploma in Marketing, Chartered Institute of Marketing, UK (MCIM).
Mohamed Rizan	*Jt. CEO*	**Neptune Papers (Private) Limited**	Industry experience of 08 years. Bachelor of Business Administration (Special) from the University of Colombo; Institute of Chartered Accountants of Sri Lanka Finalist
Mushtaq Ahamed	*Director – Group Finance*	**Expolanka Holdings PLC**	Industry experience of 16 years. MBA from University of Colombo; Bachelor of Science Honours degree in Business Administration (Finance Special); University of Jayawardenapura. Associate Member of both the Institute of Chartered Accountants of Sri Lanka and Chartered Management Accountants, Sri Lanka
Saif Yusoof	*Director*	**Expolanka Freight (Private) Limited, Classic Travel (Private) Limited**	Industry experience of 06 years. Bachelor of Business Administration with a specialisation in Integrated Supply Management from the Haworth College of Business at Western Michigan University, USA
Suresh Mendis	*CEO*	**Classic Travel (Private) Limited**	Industry experience of 37 years. IATA worldwide qualification issued by Air Lanka
Niroza Gazzali	*CEO*	**SG Logistics (Private) Limited**	Industry experience of 22 years
Wasantha Sooriyarachchi	*Director - Warehousing*	**Logistic Parks (Private) Limited**	Experience spanning over 14 years, MBA from the University of Colombo, Degree in Mechanical Engineering from the University of Moratuwa, He is an Associate Member of IESL and a Member of WERC (Warehouse Education & Research Council, USA)

MERGING SUSTAINABILITY: THE STRATEGY

Merging Sustainability: The Strategy

From the inception, Expolanka's corporate philosophy and culture has been built on the precepts of tradition and integrity. As a result, today, every aspect of the Group's business hinges on the strength of heritage underpinned by honesty, reliability and an ethical bias. The Group is driven not only by commercial interest but also by the desire to contribute to the well-being of all stakeholders and strongly believes in the need for commercial entities to not only do well but also to do good. As such, the Group's corporate strategy is fused with its sustainability strategy creating a scenario where all corporate objectives are directly aligned to sustainability objectives. Overall, the intent therefore is to create a multiplier effect of positive, broadly contributing sustainable outcomes that will shape society, economy and the environment.

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"*- simultaneously drives the Group's corporate strategy. By integrating CSR into core business processes and stakeholder engagement the Group recognises its ability to achieve the ultimate goal of creating both social value and corporate value. However, the adaptation of CSR and sustainability goes beyond face value, the Group views sustainability as a strategic avenue for growth in the long-term.

With a sustainability focus that transcends beyond mere operational to one that is strategic and holistic with the entirety of the Group's long-term vision, Expolanka seeks to create an organisation-wide culture that in turn will inspire individuals to act as catalysts for local/ global change. By merging sustainability into very essence of the Group's core, Expolanka has and continues to successfully realise its corporate objectives through a number of well-defined management approaches that have built-in and integrated sustainable practice on an ongoing basis.

Fig 3- Components of the Sustainability Strategy

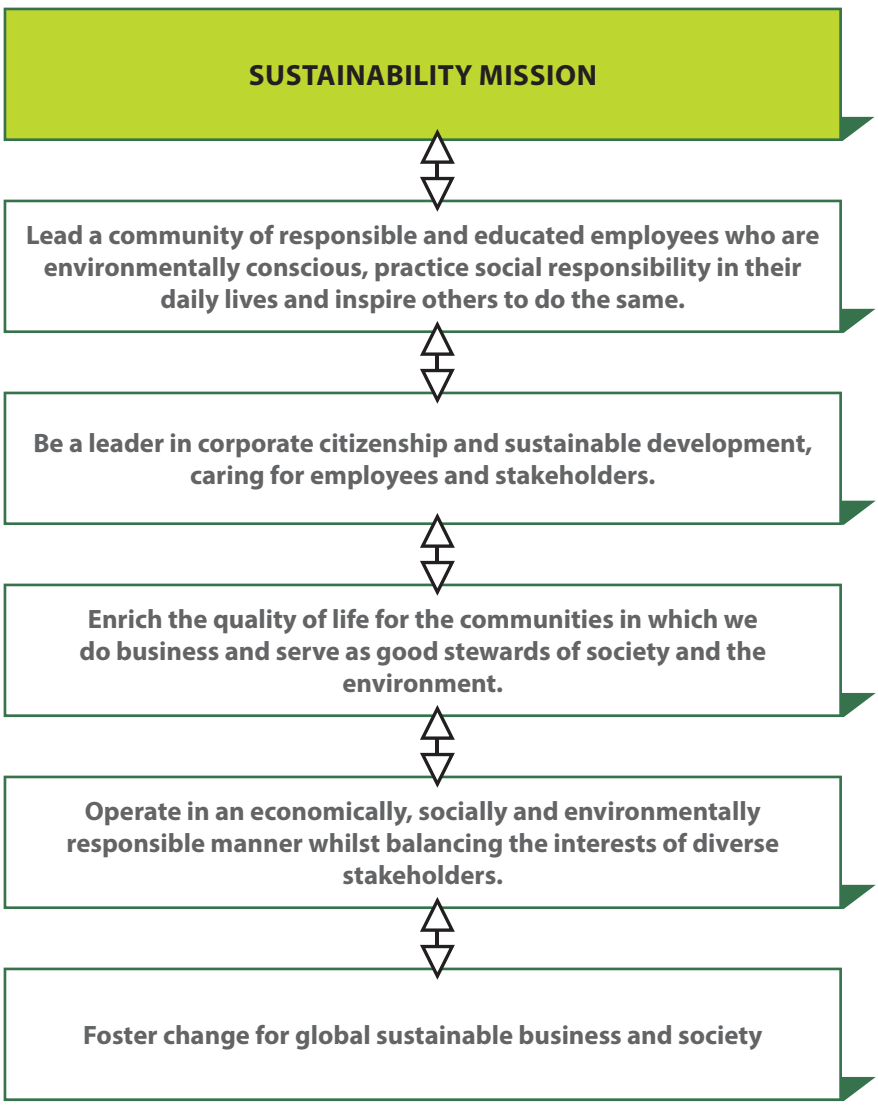


Fig 4- Elements of the Sustainability Mission

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:
Structurally, sustainability takes a top-down approach at Expolanka Holdings. With direct leadership from the Chairman and the 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 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 2011/12 with a view to engage all sub sectors to take up projects aligned to their respective business operations in the five focused areas – education, health, community development, disaster relief and environment.

MERGING SUSTAINABILITY: THE STRATEGY CONTD.

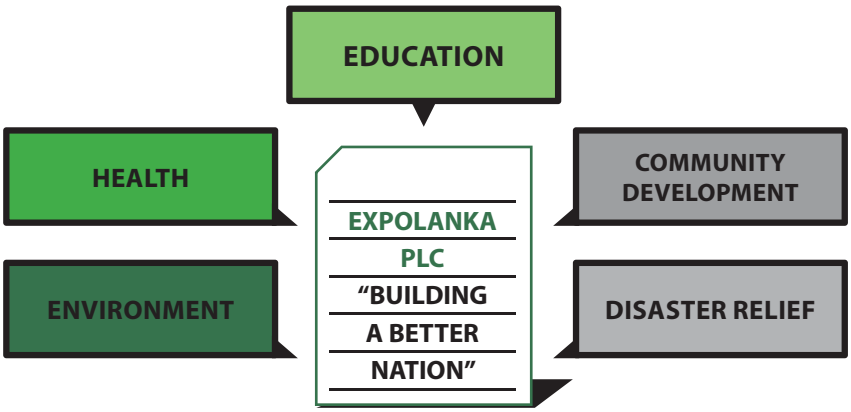


Fig. 6 – Core Sustainability Pillars

The 5-point programme which covers the areas of Education, Environment, Community Development, Health 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 – Sector-wise allocation of sustainability & CSR focus

Fig 8 – Assessment of sustainable agendas for review

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 78-79.

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.

INDICATORS BY ASPECT	MATERIALITY	ASPECT BOUNDARY	
		INTERNAL	EXTERNAL
ECONOMIC			
Economic Performance	*	*	
Market Presence	*	*	
Indirect Economic Impact			
Procurement Practices			
ENVIRONMENTAL			
Materials			
Energy			
Water			
Biodiversity			
Emissions	*		*
Effluents and Waste	*		*

MERGING SUSTAINABILITY: THE STRATEGY CONTD.

INDICATORS BY ASPECT	MATERIALITY	ASPECT BOUNDARY	
		INTERNAL	EXTERNAL
Products and Services			
Compliance	*	*	
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	*	*	

INDICATORS BY ASPECT	MATERIALITY	ASPECT BOUNDARY	
		INTERNAL	EXTERNAL
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*

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			*	

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	Yes	
Content, particularly with regard to substances that might produce an environmental or social impact	Yes	
Safe use of the product or service	Yes	
Disposal of the product and environmental/social impacts	Yes	
Other (explain)		

MERGING SUSTAINABILITY: THE STRATEGY CONTD.

Sustainability Risk & Opportunity Assessment:

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 66 companies and injects economic wealth creation across social segments. ⊙ Empowers both rural and urban communities through secure employment, both direct and indirect creating opportunities for sustainable livelihoods. ⊙ Promotes entrepreneurship and creating self-employment opportunities for smallholder and SME suppliers. ⊙ 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 realisation of the free-port status.	⊙ Poverty alleviation through social empowerment especially through skills development of employees, smallholder and SME suppliers. ⊙ 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. ⊙ Promotion of Education through the scholarship programme and shaping futures higher education fair. ⊙ Promotion of well-being and health through a chain of medical clinics, well-being focused medical symposiums, dengue eradication programmes and health education efforts across rural and needy urban sectors. ⊙ Focus on disaster management efforts to assist the community and support national efforts during times of exceptional national need.	⊙ Incorporating environmental policies into the operations of the Group led by the Environmental Policy. ⊙ Implementation of 3R concept towards reducing Group carbon footprint. ⊙ Carbon neutral operations in Freight & Logistics sector. ⊙ Implement practices to sharply decline and thereby optimize resource utilisation. ⊙ 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 products 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.	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 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 resource utilisation ⊙ 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, and facilitate the differently-abled		

Table 1: Sustainability Risk and Opportunity Assessment

MANAGEMENT APPROACH TO CORE SUSTAINABILITY AGENDA

MANAGEMENT APPROACH TO CORE SUSTAINABILITY AGENDA: ENVIRONMENT

Fig. 9 – Management Approach to Sustainable Environmental Practice

We at Expolanka are steadfast in our efforts to reduce our corporate footprint and are passionate in our drive to include best environmental practices in our daily operations across the globe. Our Environment Policy advocates simple solutions from utilising resources more efficiently, capping on wastage, giving voice to the environmental issues and influencing our supply chain which in fact can make a significant difference with positive multiplier effects on the environment. Spearheaded by the dedicated CSR unit of the Group, we have adopted structured environment management practices across our conglomeritic network and are compliant to all applicable environmental laws and regulations in the country.

From an operational perspective, the Group is driven by the desire to **reduce its own impact on the environment** and has laid considerable emphasis on not only the achievement but also in the measurement of this impact. Performance evaluation and measurement of sustainability criteria within the function of the Group is carried out through a range of energy efficiency, waste improvement and environmental performance criteria. The Group meets benchmarks against Key Performance Indicators and undertakes initiatives to enhance the environmental credibility of the organisation whilst minimizing its carbon footprint.

SAVING & CONTRIBUTION TO THE ENVIRONMENT EXPOLANKA GROUP – SRI LANKA			
RESOURCES	**UNIT**	**2012/13**	**2013/14**
Trees	Number	237	557
Water	Liters	443,458	1,040,668
Electricity	KWH	55,816	130,984
Oil	Liters	24,489	57,469
Land Fill	Cubic Meters	42	98
Reduction - Green House Gas Emission	(KG Carbon Equivalent)	13,954	32,746

Source: Neptune Papers (Pvt) Ltd

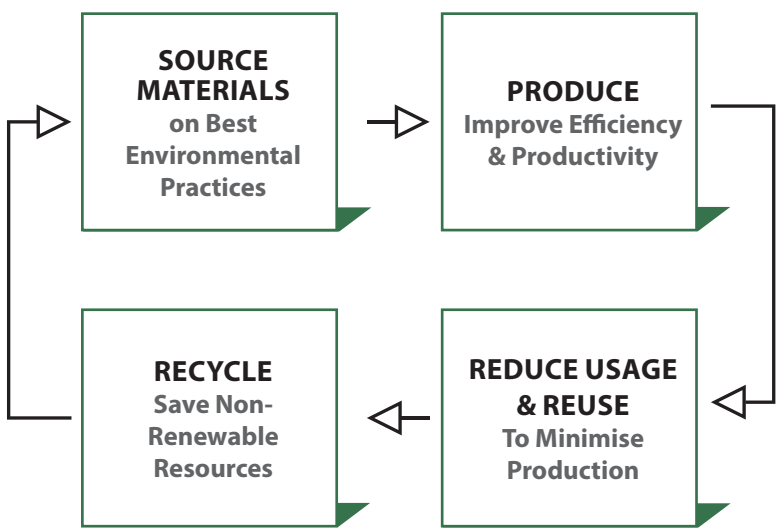


Fig 10. Our 3R Approach

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 utilisation. 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.

MANAGEMENT APPROACH TO CORE SUSTAINABILITY AGENDA CONTD.

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

ENERGY & WATER MANAGEMENT MEASURES

EMPLOYEE ENGAGEMENT TOWARDS ENERGY & WATER MANAGEMENT OBJECTIVES

ENERGY & WATER AUDITS

- Comprehensive assessment of energy and water usage YOY with complete determination of reasons for discrepancies

WATER SAVING MEASURES:

- 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

ENERGY SAVING MEASURES:

- Automatic lighting controls
- Energy saving CFL & LED bulbs
- Maintain optimum temperature in AC units
- Server virtualisation infrastructure on data centres
- Maintenance of cloud environment
- Maintenance of vehicles at optimal time periods
- Compliance to global energy management standards – EPEAT, TCO, Energy Star

Figure 11 -Energy & Water Management

MANAGEMENT APPROACH TO CORE SUSTAINABILITY AGENDA: COMMUNITY

Fig 12 – Management Approach to Community Relations

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, education and community development through a multi-faceted strategy from monetary donations, volunteerism initiating projects that supports a cause or uplifting their livelihoods and welfare.

PRODUCT RESPONSIBILITY

MEMBERSHIPS

Expolanka Freight Ltd

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

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

- Halal Certifications for Fruit Juice - All Ceylon Jamiyyathul Ulama
- Halal Certifications for Ready to Eat Food - All Ceylon Jamiyyathul Ulama
- 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
- HALAAL Certification – All Ceylon Jamiyyathul Ulama
- USDA ORGANIC Certification
- EU ORGANIC Certification
- SOORIYA SINGHA Accreditation
  - Fair Choice certification - Control Union (CU)

Norfolk Foods (Pvt) Ltd

- HALAAL Certificate - All Ceylon Jamiyyathul Ulama
- HACCP - Sri Lanka Standard Institute

APIIT Lanka (Pvt) Ltd

- ISO 9001:2008 - Quality Management System

AWARDS AND CERTIFICATIONS

- Expo Freight (EFL) won a Bronze at SLIM Brand Excellence Awards 2013 in the Export Brand of the Year category.
- Expo Freight (EFL) won two gold awards and a Bronze at the 21st Annual National Chamber of Exporters Awards Ceremony in the Most Outstanding Exporter - Service Providers to Exporters category and the Service Providers to Exporters 'Extra- Large Category'.
- Carbon Consulting Company (CCC) recertified Expo Freight (EFL) for the year 2013/14 for the Company's carbon footprint reduction by 10% within the year 2012/13.
- Bio Extracts received Fair Choice certification for its fair trade production methods from the Control Union (CU).
- Group Chief Executive Officer / Director of Expolanka Holdings PLC, Mr. Hanif Yusoof was awarded the prestigious Special Achievement Award at the Asia Pacific Entrepreneurship Awards (APEA) 2013.

- Expo Freight (EFL) was adjudged the Logistics Company of the year at the Sri Lanka Ports, Trade and Logistics Conference Awards Ceremony in 2013.
- Expolanka Holdings PLC was awarded with the Gold Award in the Non-Traditional Annual Report category for Conglomerates and another Gold award for Printing & Production in the same category at the Academy Awards of Annual Reports at the 27th ARC Awards International in New York City.
- Expolanka Holdings PLC was awarded with the Gold Award for its "TAGGED" 2012/2013 Annual Report at the Spotlight Awards Global Communications Competition by the League of American Communications Professional (LACP).
- Expolanka Holdings PLC won a gold award for Diversified Group and a silver award for Global reach at the National Business Excellence Awards 2013.
- Expo Freight (EFL) won a silver award for shipping and related services at the National Business Excellence Awards 2013.
- Bio Extracts won a merit award in the Manufacturing-other category at the National Business Excellence Awards 2013.
- Expolanka Holdings PLC was awarded with the Runner-up Award for the Sustainability Report 2012/2013 in the Diversified Conglomerates category at the ACCA Sustainability Awards.
- Expolanka Holdings PLC's CSR project "Expo Medix" was awarded with the Best Project under the Health Promotion category at the Asia Responsible Entrepreneurship Awards 2013.
- Expolanka Holdings PLC was awarded with the Bronze Award for its Corporate Profile - *Printed* category at the Galaxy Awards 2013.

ECONOMIC VALUE STATEMENT FOR 2013/14

For the year ended 31 March *In Rs. Millions*	Group Total 2013/14	%	Freight & Logistics	Travel & Leisure	International Trading & Manufacturing	Investments & Services	Group Total	Eliminations/ Adjustments	Consolidated Group Total
Direct economic value generated									
Revenue	54,379	98.2	35,123	2,353	14,513	2,480	54,469	(90)	54,379
Dividend income	0	0.0	298	-	-	102	400	(400)	-
Other operating income	1,019	1.8	279	36	56	1,186	1,557	(538)	1,019
Share of profit of an associate	12	0.0	-	-	-	12	12	-	12
Total Value Added	**55,410**	**100**	**35,700**	**2,389**	**14,569**	**3,780**	**56,438**	**(1,028)**	**55,410**
Economic value distributed									
Operating costs	48,545	87.6	31,171	1,971	13,548	2,038	48,728	(183)	48,545
Employee wages & benefits	3,915	7.1	2,426	316	686	487	3,915	-	3,915
Payments to providers of funds	913	1.6	451	33	152	769	1,405	(492)	913
Payments to government*	731	1.3	490	18	142	70	720	11	731
Total Distributed	**54,104**	**97.6**	**34,538**	**2,338**	**14,528**	**3,364**	**54,768**	**(664)**	**54,104**
Economic value retained									
Depreciation & Amortisation	380	0.7	178	29	117	56	380	-	380
Profit after dividends	926	1.7	984	22	(76)	360	1,290	(364)	926
Retained for reinvestment / growth	**1,306**	**2.4**	**1,162**	**51**	**41**	**416**	**1,670**	**(364)**	**1,306**

MANAGEMENT APPROACH TO CORE SUSTAINABILITY AGENDA CONTD.

MANAGEMENT APPROACH TO CORE SUSTAINABILITY AGENDA: EMPLOYEE RELATIONS

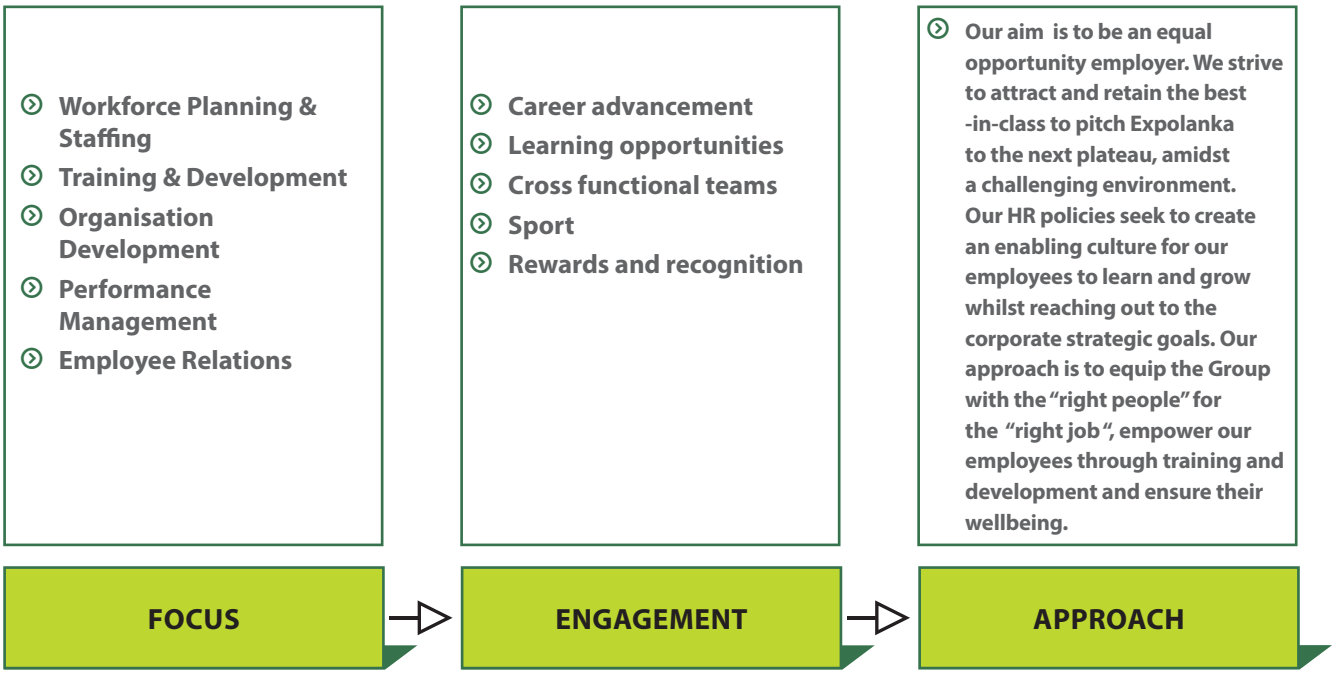


Fig 13 – Management Approach to Employee Relations

The Group's management approach towards employees is one that primarily aims to support, engage, listen and develop employees. The Group realises that the foundation of the business lies on the Expolanka team who are the key drivers of business strategy. The Group continually involves and engages this team by striving for/to:

- Diversity & inclusion,
- Employee development,
- Employee and community engagement through volunteerism,
- Listen to employees

At Expolanka, human resources (HR) management is established on the lines of strategic organisational fit, international best practices and is in compliance to all applicable legislation in the country. The Group's HR manual sets out policies, practices, strategies and daily management in the focus areas of workforce planning and staffing, training and development, organisation development, performance management and employee relations. The HR Handbook is a synopsis of the HR Manual which gives guidelines to all employees on their obligations, entitlements, business ethics and code of conduct.

The HR function which is decentralized is supported by a centralised center of expertise located at the corporate office. The HR strategy and leadership is provided by a corporate HR role under the guidance of the Group CEO and the Board Remuneration Committee. The corporate HR team is responsible to ensure that the dedicated HR units of the line companies run their operations according to the guidelines set out in the HR Manual and aligned to the Group's corporate strategy. Expolanka does not have any active unions, a testament to our strong policies of maintaining high levels of employee satisfaction and freedom of communication.

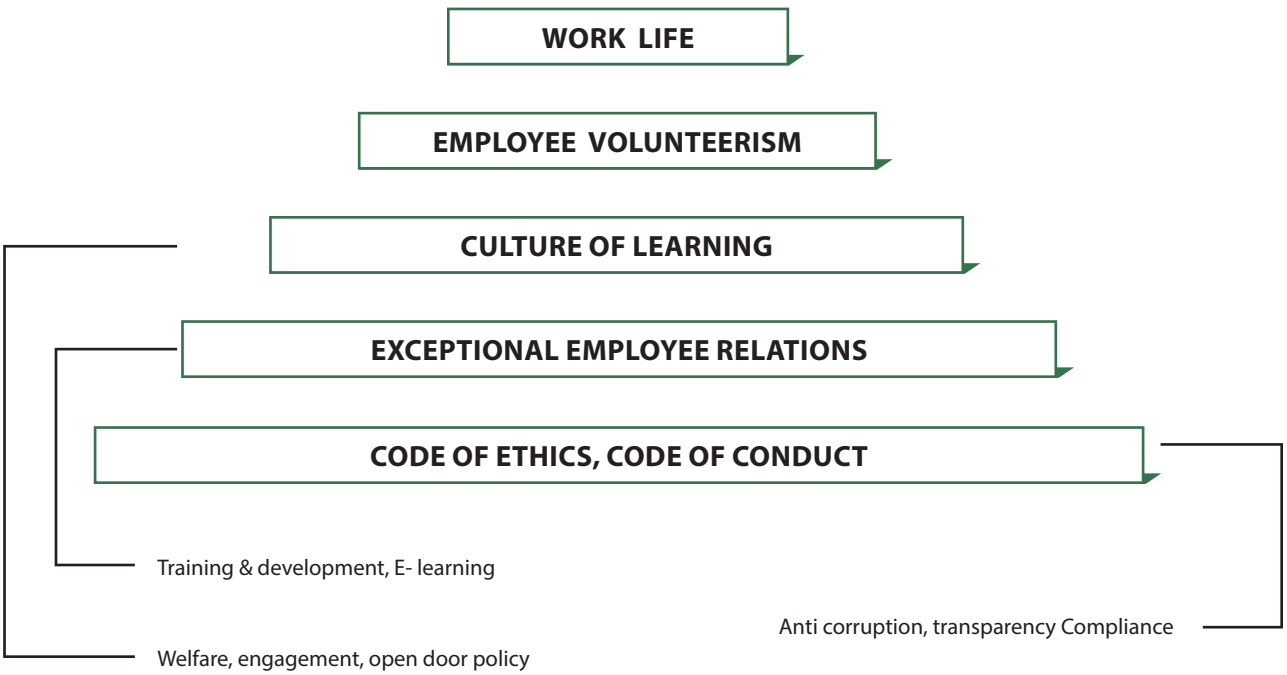


Fig 14 – Fundamental Building Blocks of the Group's Employee Relations Strategy

MANAGEMENT APPROACH TO CORE SUSTAINABILITY AGENDA: SUSTAINABLE BUSINESS

CORE AREA:	MANAGEMENT APPROACH
Risk and Governance	⊙ Corporate governance structure and policies and principles ⊙ 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
Market Presence and economic value creation	⊙ Operates in 17 countries ⊙ Economic value creation stood at Rs. 55,410 Mn
Environmental & Social Sustainability	⊙ Environmental and social sustainability policies govern the sustainability efforts and parameters of the Group and each of the business sectors, dependent on their locality and values of the communities that surround them ⊙ The Management Committees overlooks resource utilisation and uses benchmarks for management ⊙ Carbon neutral operations in the freight and logistics sector calculated through strenuous mechanisms and third party validators to determine impact on the environment

MANAGEMENT APPROACH TO CORE SUSTAINABILITY AGENDA CONTD.

CORE AREA:	MANAGEMENT APPROACH
Employee Development, Equal Opportunity & Anti-corruption	⊙ 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
Sustainable purchase and produce	⊙ 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.

Table 2: Management Approach for core issues

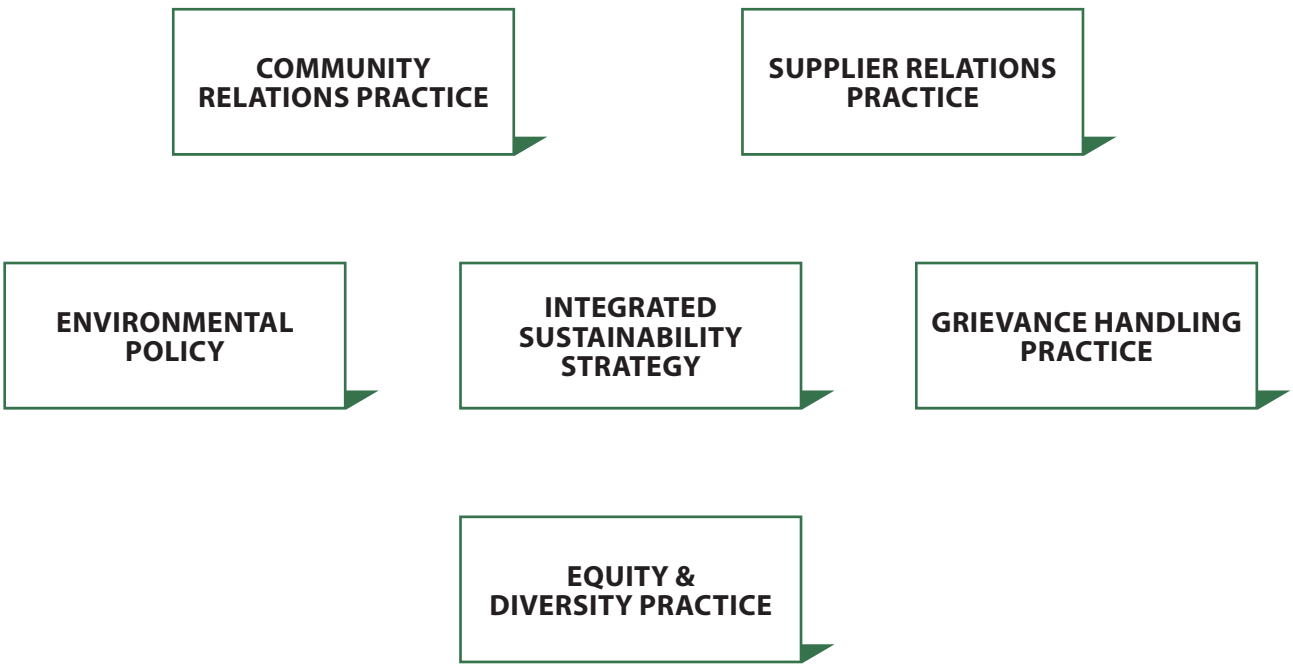


Figure 13: Policies that govern the Management Approach

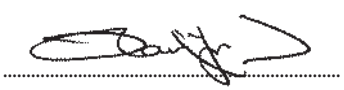
EXPOLANKA GROUP
ENVIRONMENT POLICY

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.**



Group CEO
Hanif Yusoof

exp
Business Beyond Borders
EXPOLANKA HOLDINGS PLC

Fig 14 – Environmental Policy Statement

ENGAGING FOR INCLUSIVENESS

ENGAGING FOR INCLUSIVENESS:

Connecting with our many and varied stakeholders is a vital aspect of our operations. Maintaining an open and constructive dialogue with our stakeholders helps us understand expectations, and contributes to risk management, learning and innovation. It also helps us to identify emerging issues and opportunities for creating new products and services and improving our performance. We believe that stakeholder engagement is a strategic activity that is core to creating a sustainable business. We interact with a diverse range of stakeholders but given the criticality of only certain stakeholders to direct business function, we choose to have a robust and consistent engagement process with our investors, customers, employees, suppliers, and the community, all of whom we recognise as key to our operations. The environment remains a core stakeholder given its sustainability over-rides commercial interest and is the basis for the viability of life.

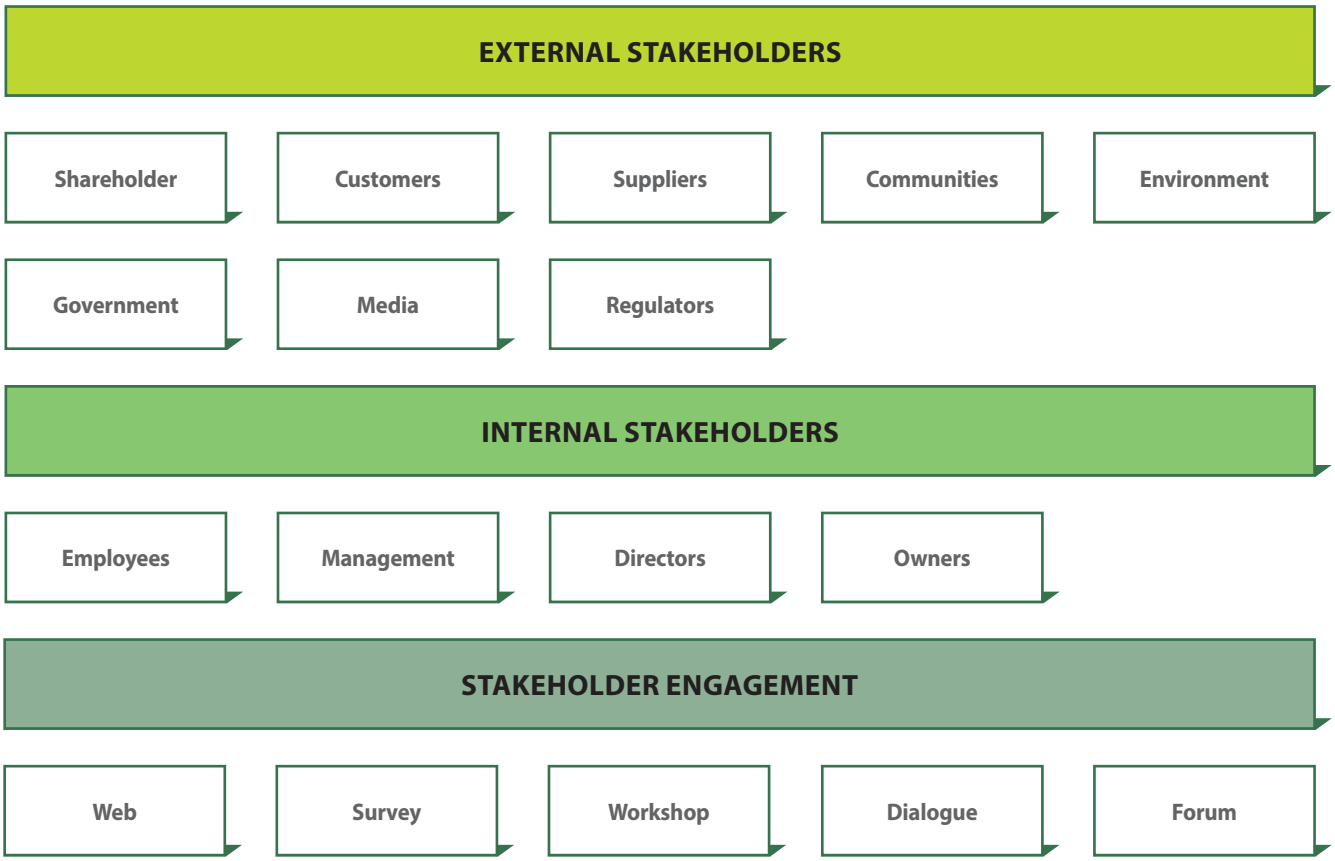


Fig: 10 – Stakeholder Engagement Framework

ENGAGEMENT THAT IS MEANINGFUL

STAKEHOLDER	SUSTAINABLE BUSINESS OBJECTIVES	METHOD OF ENGAGEMENT	KEY TOPICS/CONCERNS/ ISSUES	RESPONSE
EXTERNAL STAKEHOLDERS				
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 ⊙ Customer-specific service adaptations and customisations ⊙ Hi-tech Transport Management System ⊙ Overseas offices in 17 countries to enhance customer response ⊙ International JV's and Strategic partnerships to offer greater value

ENGAGING FOR INCLUSIVENESS CONTD.

STAKEHOLDER	SUSTAINABLE BUSINESS OBJECTIVES	METHOD OF ENGAGEMENT	KEY TOPICS/CONCERNS/ ISSUES	RESPONSE
EXTERNAL STAKEHOLDERS				
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, education access to water, access to medical care, community development, 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.	⊙ Quarterly Meetings and Consultancy ⊙ Audits ⊙ Events	⊙ Climate change	⊙ Eco friendly practices including 3R & 5R implementation ⊙ Earth Hour ⊙ World Environmental Day

STAKEHOLDER	SUSTAINABLE BUSINESS OBJECTIVES	METHOD OF ENGAGEMENT	KEY TOPICS/CONCERNS/ ISSUES	RESPONSE
INTERNAL STAKEHOLDERS				
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	⊙ Organising activities outside of the work roles ⊙ Group social events that involve the families ⊙ Events that bring together all employees ⊙ Group-wide committee that have representation from all sectors ⊙ Programmes for employee suggestions, new thinking and employee involvement in system and process innovation

ENGAGING FOR INCLUSIVENESS CONTD.

EMPLOYEE RELATIONS

Overall HR Strategy:

SEE →
Developing people to meet HR needs beyond the organisational context

While Sri Lanka as a nation stands poised for development, Expolanka recognises that it too needs to play a pivotal role in creating a conducive business environment that goes beyond the context of direct commercial activity. In fact, with much of the business strategy poised on the development of the economy and hinged on the realisation of the national hub strategy, 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. In this respect, the Company has and will continue to be responsible for HR actions and initiatives that go well beyond the organisational context in terms of benefits accrued.

Whilst from every angle of the sustainability strategy the Company has endeavored to instill values and knowledge across its stakeholder groups with the end objective of growing know-how, capacities and spurring the national economy, in employee responsibility Expolanka has focused on instilling excellence amongst employees and future employees. The Company truly demonstrates its commitment to contribute to a 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 Sri Lanka's new economy. Therefore, The intention being to focus beyond the organisation and build Human Resources that will add value to the nation in terms of building national HR capacities that match or supersede international standards.

SEE →
Mapping capability requirements for the future

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. To do so, it is imperative to grow and nurture the next generation of leaders. During the year in review, we conducted an organisation-wide talent assessment initiative aimed at matching individual capabilities to expected business requirements in the long term. The process, objectively, realigned the entire organisation structure unblocking the talent pipeline to optimally correspond the ideal talent with required functions. Infusing new thinking and attitudes to previously stagnant roles, the exercise has re-fuelled the organisation's talent base, bringing traits of agility and innovation to the fore.

SEE →
Recruiting differently

We recognised the need to transform our recruitment process, be it for Management Trainee or mid-career recruitment. The change was driven by our need to attract and absorb individuals with personality and skills that inculcate our covenant "building a great business with a dare to do spirit" and espouse our core values – to follow ethical business principles, care for stakeholder interests, commit to excellence and demonstrate innovation and entrepreneurship. Moving away from the mundane, traditional recruitment process we strived to assess our recruits beyond face value, seeking latent talents and leadership qualities that once nurtured will continue to give Expolanka the edge to lead in global commercial landscapes.

With the intention of creating a non-biased recruitment process, we implemented a combination of online and psychometric tools that assess a range of skills from prerequisites such as verbal and numeric skills to team building and leadership, through the creation of a virtual working environment, effectively building on our talent planning strategy for the medium term.

SEE →
Training that is self-driven

The Group's Training Plan mirrors the strategic vision, objectives and the overall strategic intent for the Group. 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, the Groups' training and development gives primary emphasis to core themes derived towards this. Support needs such as building and retaining lasting customer relationships, service quality, customer service excellence, understanding the importance of self management in realising 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.

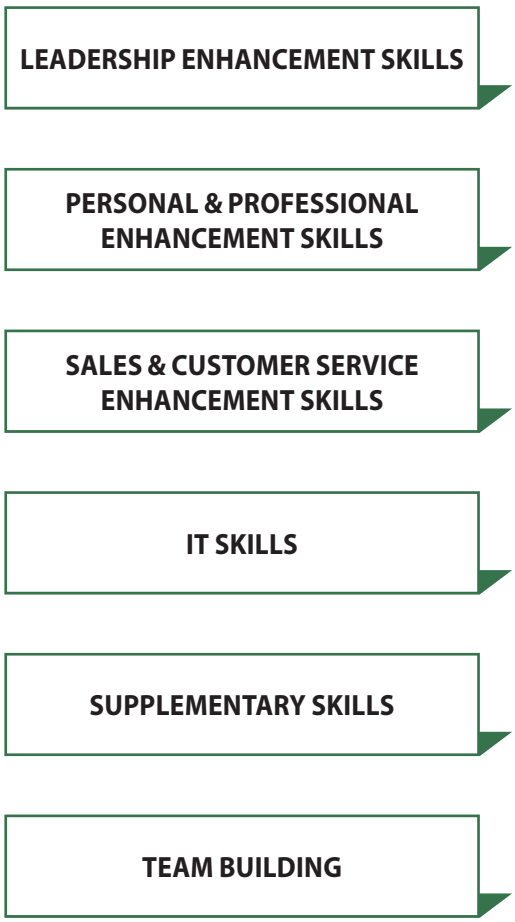


Fig1 – Key Criteria in Learning & Development

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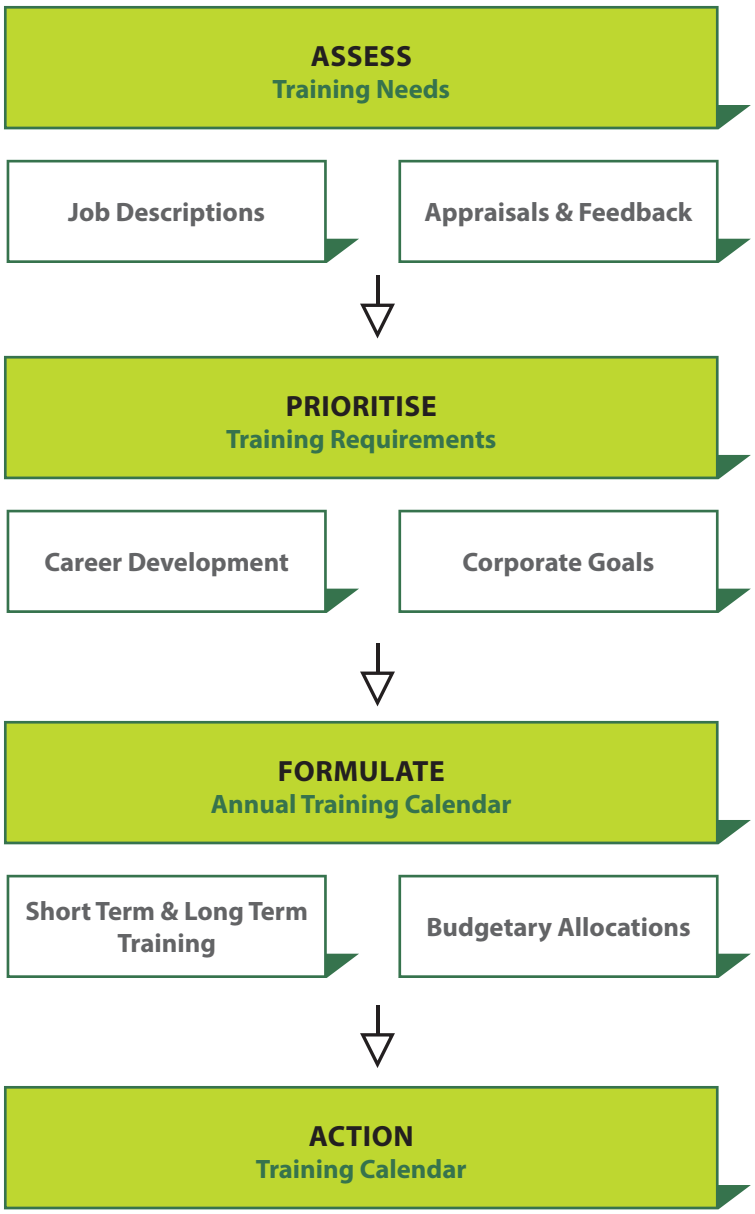


Fig 2- Determining the Training needs

SEE →
Rewarding performance

Employee performance is 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 gender and 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 for both Executive and Non-Executive employees. Also 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.

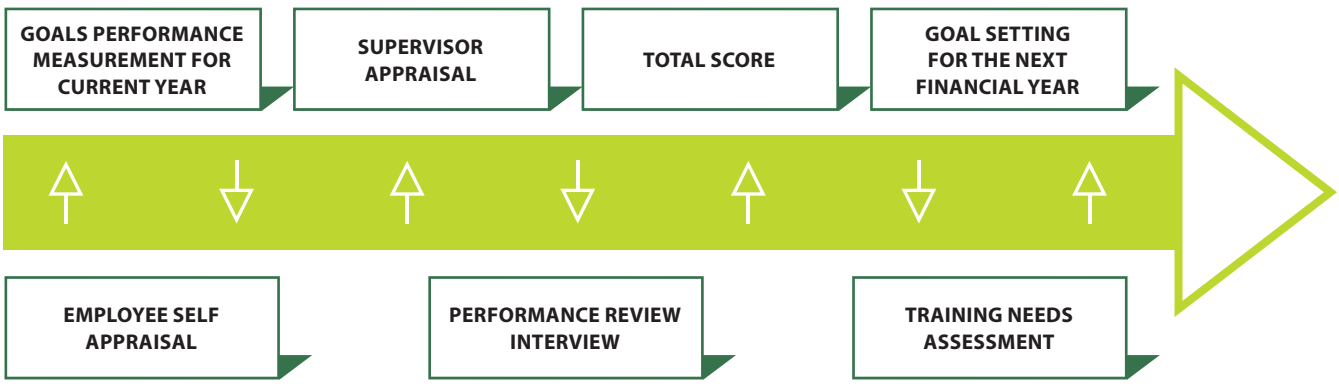


Fig 3 – The performance evaluation continuum

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, 12% of the basic salary to Employee Provident Fund (EPF) and 3% to Employee Trust Fund (ETF). As at the reporting period, the Company incurred a cost of Rs. 211,498,570 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. 266,499,361.

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.

ENGAGING FOR INCLUSIVENESS CONTD.

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

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.

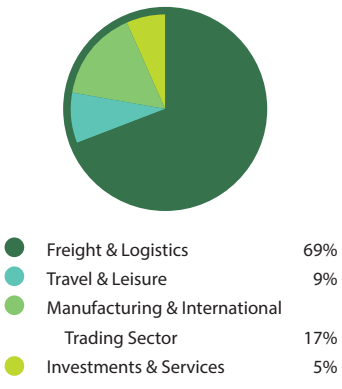
Commencing the date of confinement, maternity leave entitlement is as follows :

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**

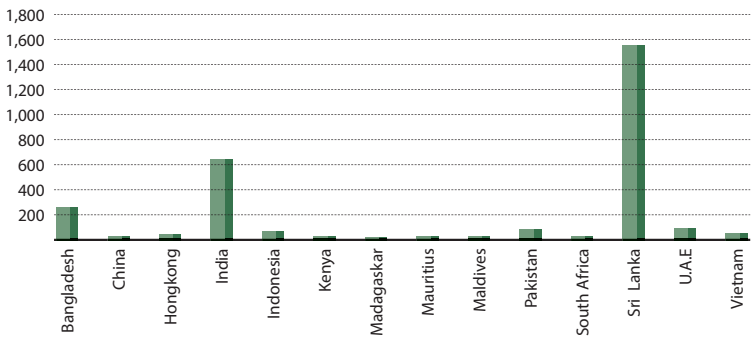
If the female employee does not take the 14 days prior to confinement, she will be entitled for it after confinement accordingly the total days are mentioned in blue.

SEE →
Key Indicators of excellence in employee relations

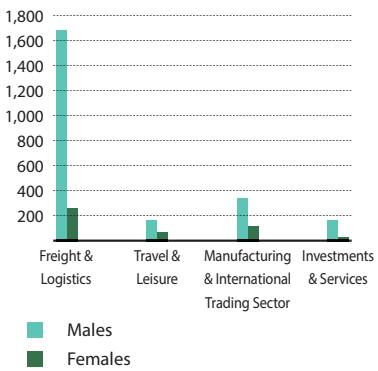
Cadre Sector composition
Total Cadre 2789 as at 31 March 2014



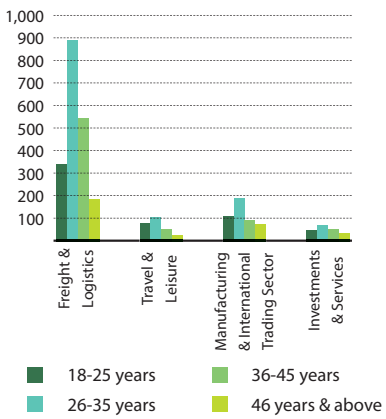
Cadre Geographic Representation



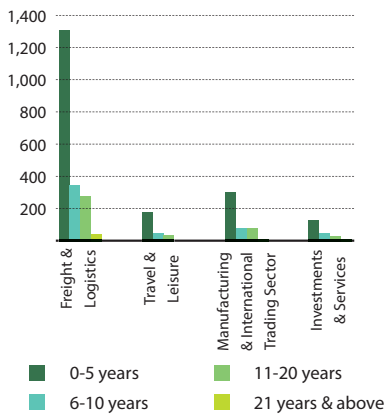
Gender Distribution - Sector



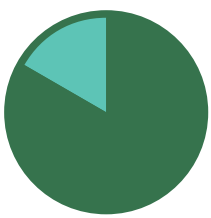
Age Analysis - Sector



Service Year Analysis - Sector

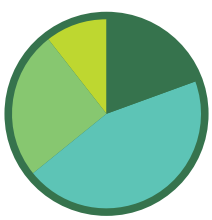


Total Cadre - Group



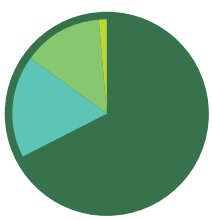
Males	83%
Females	17%

Total Cadre - Age Analysis



18-25 years	20%
26-35 years	45%
36-45 years	25%
46 years & above	10%

Total Cadre - Service Year Analysis



0-5 years	68%
6-10 years	17%
11-20 years	14%
21 years & above	1%

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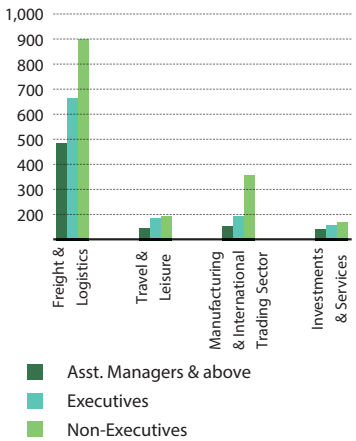
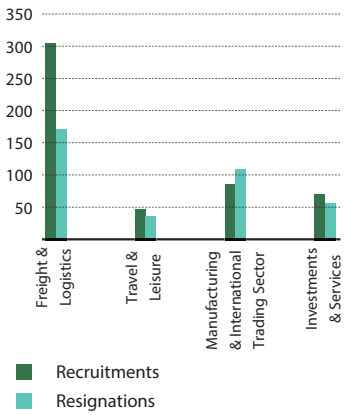
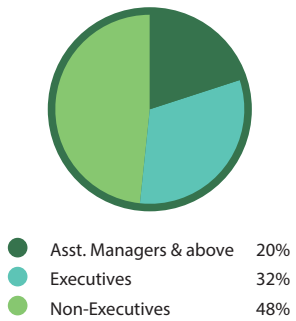
Staff Category Composition - Sector



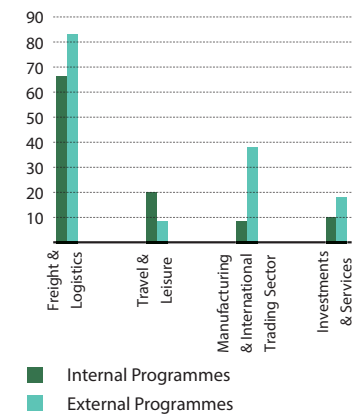
Recruitments Vs Resignations



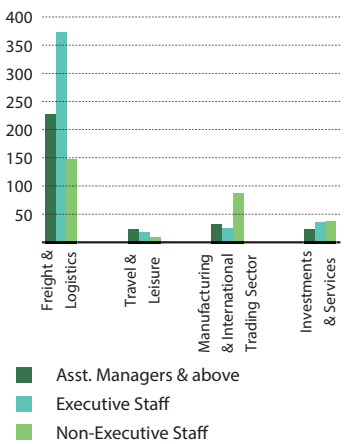
Total Cadre



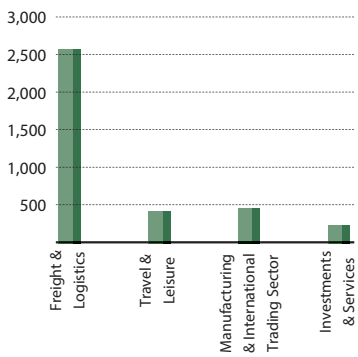
Internal vs External Training Programmes



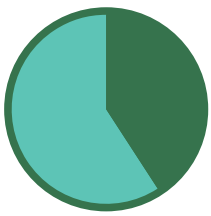
Category Wise



Training Hours

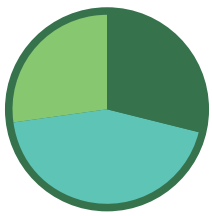


Training Programmes



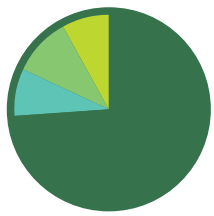
- Internal Programmes 41%
- External Programmes 59%

Training Employee Category



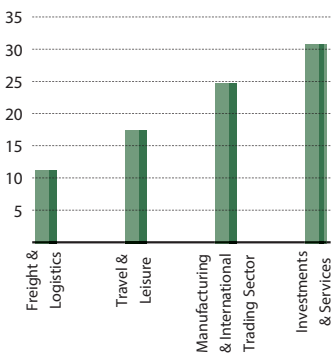
- Asst. Managers & above 29%
- Executive Staff 44%
- Non-Executive Staff 27%

Training Investment (RS.)



- Freight & Logistics 74%
- Travel & Leisure 8%
- Manufacturing & International Trading Sector 10%
- Investments & Services 8%

Turnover Ratio %



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IMPLEMENTING HR STRATEGY:

SEE →
Broadening the knowledge base

At Expolanka, Corporate Learning takes on a new definition. Our challenge is to grow our people and impart knowledge and skills on diverse areas of the business. We believe that specialisation in today's global business environment stifles the spirit of an achiever. Cross – functional aptitude is key in understanding the big picture, in visualizing the future direction of the business. Hence, our emphasis on leadership and cross-functional learning, materialized by way of the *Executive Development Programme (EDP)*.

In 2013/14, a second batch undertook the EDP with the Group continuing its efforts to identify future potential leaders and to develop and groom the next succession of leaders within the Group. The Programme integrates a participatory learning approach in stark contrast to traditional classroom settings. The entire programme spanned through a period of 6 months with 20 nominated participants representing various businesses within the Group.

In striving to broaden the knowledge base, the Group held the inaugural inter-company quiz competition *"Expo Brain Tease 2014"* on 22 March 2014 at the Renuka City Hotel. 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 had14 teams participate with each team comprising of 5 members. The competition covered areas from General Knowledge and Current affairs, Sports, Geography and History, Entertainment, Art and Literature, to Group Operations and winners were awarded cash prizes sponsored by Classic Travel.

In a bid to sharpen the leadership skills and to promote team spirit within the employees of Expolanka Holdings, the Company invested in an *Outbound Training Programme* held in August 2013. The entire programme was designed under the theme "The Bridge on the River Kwai" and employees challenged each other, putting brains and brawn to work on an action packed day in Kithulgala. Each team engaged in a variety of outdoor team building activities designed to foster key values such as planning, coordination, leadership, communication and group building. This programme proved to be a fun and engaging learning experience and a chance for fellowship and effective teamwork.

Classic Travel took the onus to inspire the Expolanka team by inviting Sabirul Islam to deliver an inspirational speech under his *"Inspire one million"* campaign. Sabirul Islam, a teen-entrepreneur from the age of 14, is a global motivational speaker having spoken at over 700 events worldwide and is the author of the bestselling books "The World at Your Feet" and "Young Entrepreneur World". His vision is to inspire one million people across the world. Held on 29 July 2013 at the Sasakawa Hall, Sabirul Islam spoke on the topics of entrepreneurship, social innovation, self-development, breaking barriers, dealing with rejection, controlling negative mindset and overcoming barriers.

SEE →
Focusing on Environmental Health & Safety (EHS)

Expolanka maintains highest standards in Environmental, Health and Safety while complying with EHS related national laws and regulations and implements an EHS management system. The Group's EHS strategy aims to reduce Expolanka's impact on the natural environment, reduce the impact of work on the health and well being of employees and strives to create an open and transparent environment in communicating performance. As such, EHS remains an area of critical concern for Expolanka and is a concept that is embedded into every facet of its operations with responsibility placed on every employee to abide by EHS guidelines and strive towards EHS excellence. The Group recognises that the successful implementation of an EHS strategy improves corporate efficiency whilst delivering on the aim of doing business responsibly.

As a component of the EHS initiatives and proactive planning, fire-drill programmes were conducted at all of the Expolanka Freight office and operational locations. The most recent of these programmes was held at the Seeduwa location – Air Cargo Village (ACV) on 9 September 2013. A reputed fire drill officer was present at this event to conduct the training to the staff. The employees were made aware of the different types of fires that erupt in office premises and what precautionary methods need to be followed when facing different types of fire hazards.

SEE →
"Re-energizing" through Employee relations

The culture at Expolanka can be defined from the perspective of a family orientation. With mutual respect for every member of the Expolanka family, the Company has long been an inspired entity that works collectively for the future benefit of both the organisation and its members. This "family" orientation cascades from the vision of the top management itself and is therefore pervasive across the organisation. The Group during the year 2013/14 undertook a number of innovative steps to "re-energise" the Expolanka family.

It's time for a Checkup! – Annual Health Camp was conducted for the 2nd consecutive year on 20 March 2014 at the Expolanka Learning Center in collaboration with Hemas Hospitals. The main objective of the event was to give an opportunity for employees to undergo a free health check. 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.

Similarly, a dental checkup was organised for the Freight Cluster staff in collaboration with Sensodyne. On 18 May 2013 with the staff given the opportunity to consult with qualified dentists & to discuss any health matters relating to their oral care.

The *Expo Family Day* was held 19 January 2014 with the Expolanka Holdings staff and their family members who enjoyed a family day out to Villa Ocean View Wadduwa, which proved to be an exciting day full of activities for children and their parents alike. The objective of having such an event was to enable the employees to come together as one family and to enjoy camaraderie amongst themselves and their families.

The Classic Carnival was held on 28 September 2013 at Havelock Sports Club with Mr. Hanif Yusoof as the Chief Guest. Classic Travel staff and their families were present at the event and engaged in a range of sports activities including six a side cricket, tap rugby, sack race, relay, lime and spoon race which were the main event for the adults whilst the kids were entertained with a range of fun activities. Winners and runner up of Tap rugby and cricket were awarded trophies, whilst the others were awarded with valuable gifts.

The first ever *Inter Department Bowling Tournament* was organised by EFL's HR department held at Excel World's "Strikes" bowling alley on 13 September 2013. The event was a successful initiative in creating an interactive ambience for fellowship. Winners and the runners up were awarded with cash prizes and range of valuable prizes.

As in the past, EFL's HR department organised a *kid's party* at Excel World for all employees, their spouses and kids across the freight cluster. The event held on 8 December 2013 was an evening of fun filled entertainment.

The annual *Ifthar* held at Classic Travel for their staff took place on 2 August 2013. The function took place at Classic Travel office premises and employees of Akquasun Lanka and Luxe Asia were also invited. The Ifthar was followed by dinner.

Saffrons (Pvt) Ltd., part of the International Trade & manufacture cluster on 28 February 2014 organised an inter-department *Six-a-side Cricket Tournament* for their employees. A total of 6 teams took part in the tournament, which ended with a barbeque dinner for the players and the spectators.

SEE →
Employee driven CSR

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 this respect, the Group's employees organised a series of CSR events during the financial year at the Vaishakya Balika Vidyalaya, Wellawatte. The first project saw the provision of uniforms to facilitate the start up of the Girl Guide club of the school. Through donations collected from employees initiated the second project to provide students with bookracks for their library, giving an opportunity for less privilege students to connect with the world. Employees of Expolanka Holdings also participated at the inauguration ceremony

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of the school's Girl Guide club and handed over the official Badges to the students at the event.

EFL Bangladesh initiated a school project in partnership with Sanjog Bangladesh under the project title "Alor Pothe". This programme is a part of an EFL initiative, which aims to raise and provide funding for an education facility for underprivileged children. Under the programme, funds and other necessary support is being provided to two schools currently managed by Sanjog Bangladesh. The programme intends to develop child mentors from the community and foster leadership skills by addressing social and economic issues and to create systems for protecting underprivileged children from various negative consequences.

The major components of the programme are the provision of basic and functional literacy, life skills education, recreation and Co-curricular activities, reproductive healthcare and hygiene education, livelihood support to mother and children and the overall strengthening of capacities in youth leadership.

The Management of Neptune Recyclers organised a schoolbook distribution campaign for the children of their labour category staff. Over 70 labour category staff were in receipt of this worthy cause. Neptune Recyclers conducts this programme as an annual event.

SEE➔FOCUSING ON ENVIRONMENTAL HEALTH & SAFETY

Fire Drill

SEE➔BROADENING THE KNOWLEDGE BASE

Executive Development Programme

Expo Brain Tease 2014

Outbound Training Programme

Inspire one million

SEE➔"RE-ENERGIZING" THROUGH EMPLOYEE RELATIONS

Annual Health Camp

Expo Family Day

Classic Carnival

Inter Department Bowling Tournament

Kid's party

Annual Ifthar

Six-a-side Cricket Tournament

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SEE→EMPLOYEE DRIVEN CSR

School Project

EFL Bangladesh - Alor Pothe

School Books Donation

TECHNOLOGY ENABLED

SEE →
Role of Strategic IT as a business enabler

Globalization is having a larger role in the global business landscape than ever before and the Group recognises that in the future, its business will be driven by the global market, given the strategic focus on global operations.

In view of this focus on global operations, the Group is cognizant of the fact that time is condensing, markets are integrating, and geographic barriers are disappearing and that only through the strategic implementation of Information Technology can adaptation to the new global marketplace be achieved successfully.

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, bird's-eye vision of consolidated Group business needs is therefore met through an integrated IT strategy that aims towards sustaining strategic and operational business objectives.

SEE →
IT Strategic Framework

The Group's approach to IT as a service enabler is pragmatic and systematic. The IT strategic Framework sets out a three pronged approach to develop and manage IT solutions to achieve the Group's corporate goals. The 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.

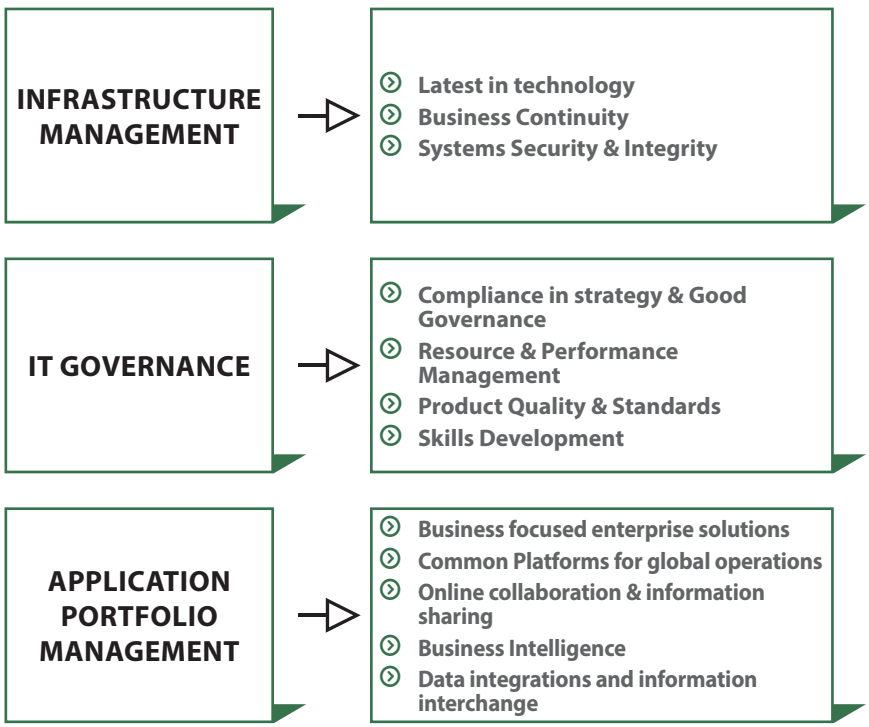

Figure 1 – IT Strategic Framework

SEE →
Implementing the IT strategy for business gain

In 2013/14 new dimensions in information technology were explored to serve the Group's business drivers. Investments were made on IT resources with a view to implementation of novel solutions to deliver efficiencies in business processes

Empowering users through innovative business solutions

- Transport/EFL

New aspects of technology were implemented with a view to deliver feature rich solutions. For the transport management sector, a fully-fledged GPS enabled tracking solution was deployed. The in-house built transport management solution is a state of the art system catering to unique business requirements of the EFL transport sector and its clientèle, which at present manages 500+ vehicles through the system. The smooth functioning of the GPS service which gets 5 Mn + GPS record hits per day proves the application performance optimization capabilities of IT.

For external customers a fully-fledged online transport portal is available to submit their requests and track the status from the start to end. There are tailored features given to some of our prestigious customers related to their transport requirements through this portal. For example some customers have an approval hierarchy between the head offices and factories or sites on transportation requests built in within the system, hence all their transport related controls are managed through this system. It also provides the transport team; GPS enabled tracking on graphical map view enabling them with real time visibility of the transportation process. For Internal customers, a solution integrated with the Cargodrive system has been provided to submit and manage their transport requests, which is another enterprise freight forwarding application built in-house. This transport solution is now extended to NFC (Near Field Communication) based time stamp capturing for actual arrivals and departures for each job. This also includes evaluating the RFID based technical solutions to develop concepts for business solutions.

- Clearance/Bond/EFL

For Clearance and Bond process, a fully automated workflow solution was introduced to manage the IOU process. This brought efficiency to IOU request, approval, cash release and settlements processes. Managers and clearance/bond staff have been empowered with information at their fingertips to make decisions and track status

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on each IOU. Moving to the next level, the solution was extended as a tracking tool for EFL customers and it is reported to be the first time in Sri Lankan Clearance/Bond industry. Through this tracking solution customers have visibility and status tracking on their clearance process from the time of document receipt to EFL where the job is commenced until the client invoice is raised and the job is closed.

Manufacturing/Norfolk

On the manufacturing sector, an ERP scale product was deployed to Norfolk to automate the entire manufacturing process. This application consists features to manage the production process end-to-end, starting from production planning; job scheduling, raw and packing material request and issuing the finish goods transfer to the stores. The system is versatile and robust to handle the exception and dynamism in the production process. This application is growing to the next level of enabling product research and development, actual job costing per product and providing rich analysis tools for the management. The system is fully integrated with Oracle Finance e-Business suite for inventory management.

Mobile Apps

Keeping abreast with the industry's software engineering technologies, the group IT has successfully developed android based mobile apps for freight tracking which is published on google apps store and have released few other beta versions integrated with different enterprise applications.

Payment Gateways

In the meantime the very much popular online booking engine, Expo Rail was integrated with the Dialog ezCash facility to provide the customer convenience in making payments. On the e-commerce applications capabilities aspects, payment gateway integrations has been done and verified for all kinds of Master, Visa or Amex credit/debit cards.

Global Platforms

The global scale applications plays a major role for a diversified company like Expolanka in connecting its business processes across the globe. For the freight-forwarding sector, a global freight forwarding application with fully fledged features enabling end-to-end visibility to the customers. Group IT will be joining with IT professionals across the globe on EFL overseas stations in rolling out this project, which is in the pipeline. Another global application has been introduced to the travel and leisure sector to deploy across all the international stations of Akquasun Group. This application will be deployed as a cloud solution, which comprises many modules for different aspects of the business. It contains destination management solution in different flavors based on the travel market, a centralized MIS and Dashboard for the corporate business governance, B2B agent module and a modern CRM approach for sales teams. The project was successfully initiated for deployment in Maldives and Sri Lanka DMCs at present. There are another 5 DMCs in the pipeline for deployment.

Web Portals

Web portal technologies are a popular and proven approach for providing accessibility to customers to have access to our product and services. Similar to the transport portal, an EFL portal is in the pipeline to provide value added services to the freight customers. A WMS portal, which is integrated to the Warehouse Management Systems on the EFL Warehouse sector, is being introduced to provide insight to customers on their warehouse operations. With this the customers can arrange their inbound cargo to the warehouse by simply uploading their packing lists, track to stages of the cargo arrival, unloading and put away. The clients also enjoy the facility of viewing the updates on value added services taking place at warehouse and finally can manage the outbound cargo movement also through the same. This application is capable of integrating to any kind of leading ERP or WMS solutions such as SAP, Microsoft Navision and Oracle WMS suite etc.

Enterprise Middleware

Taking a modern and different approach in providing engineered solutions to the business, Group IT successfully deployed its first enterprise middleware with the commencement of warehouse operations of Reima, a leading kids clothing distributor in Finland. This enterprise middleware is designed with flexibility to plug in to any kind of WMS or ERP application and is agile and robust on managing business transactions between the two systems. The product is a great success and is on live operations catering Reima 's warehouse operations with providing seamless integration and high accuracy and reliability in transaction process integration. Apart from these there are novel platforms built to manage SMS notifications, payment gateway integrations and many other enterprise service components to meet business application requirements.

Leveraging the leading technology to achieve excellence

IT Strategy & Cloud

The IT strategy and Governance process at Expolanka is a continuously evolving process. These exercises would bring the best-suited up to date technology to the corporate environment gearing up the business with proper IT capabilities. The private and public cloud solutions are becoming popular and a cost minimizing strategy worldwide. The Group IT's visionary capabilities were proven by the fact that Expolanka is one of the early adopting corporates in Sri Lanka to set up a private cloud with Microsoft Virtual Server solution in 2007, which was accredited by Microsoft on their technical forums as well. At present all company web sites are being hosted in a secure private cloud and 95% of the servers runs on virtual environment, which enables sustainability in resource management. The Group moving ahead with the latest cloud solutions to host a few key business applications, enabling the high availability and improved accessibility over the internet.

Tech Migrations

Another pioneering technology implementation was the Exchange 2013 Email Server Migration Project. It has been confirmed by Microsoft that this is the first enterprise level migration on Exchange 2013 product done not only in Sri Lanka but also considering Microsoft's market classification, which includes Bangladesh and the Maldives. The objective of this project is to deploy the industry latest technology, which delivers a more stable and secure communication platform.

IT Security

On IT security aspect, there are major developments made to meet the industry standards. Highly secure firewall and network access monitoring and management tools were deployed to ensure secure network and Internet access. Email spam filtering and security was also enhanced with deploying a modern spam filtering solution. The monitoring of the proper functionality IT infrastructure and services is fully automated with the latest versions of Microsoft System Center product family. On the other hand, proper disaster recovery and service continuity plans are in place to manage and minimize the technical risk aspects. Group IT was further strengthened with resources specified on IT Governance and IT security.

Learning & Growth

On the continuous process improvement and learning and growth angle, the IT team members went through series of technical and management training sessions during the financial year. New paradigms into project management were brought in with the adoption of best practices from a leading project management methodology named PRINCE2 (Projects In Controlled Environment). The group IT consists of members with high caliber academic qualifications as well as Technically Certified Professionals in different streams, Qualified Security experts, and Qualified IT Governance professionals as well as Certified Project Management Professionals.

IT Applications

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GENERAL STANDARD DISCLOSURES

	DESCRIPTION	PAGE NUMBER / DIRECT RESPONSE	EXTERNAL ASSURANCE
STRATEGY AND ANALYSIS			
G4-1	Statement from the Chairman	19	Yes
ORGANISATION PROFILE			
G4-3	Name of the organisation.	Inner Back Page	Yes
G4-4	Primary brands, products, and services.	88, 104, 114, 124	Yes
G4-5	Location of the organisation's headquarters.	225	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.	6	Yes
G4-7	Nature of ownership and legal form.	225	Yes
G4-8	Markets served.	6	Yes
G4-9	Scale of the reporting organisation.	60, 175-176	Yes
G4-10	Total number of employees by employment type, employment contract and region, broken down by gender.	60-63	Yes
G4-11	Percentage of total employees covered by collective bargaining agreements.	48	Yes
G4-12	Organisation's supply chain.	39	Yes
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain.	13	Yes
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	40-41	Yes
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	NONE	Yes
G4-16	Memberships of associations and national or international advocacy organisations.	46	Yes
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Organisation's entities covered by the Report and entities not covered by the Report.	182	Yes
G4-18	Process for defining the Report content and the Aspect Boundaries.	37	Yes
G4-19	Material Aspects identified in the process for defining Report content.	37-38	Yes
G4-20	Material Aspect, report the Aspect Boundary within the organisation.	37-38	Yes

	DESCRIPTION	PAGE NUMBER / DIRECT RESPONSE	EXTERNAL ASSURANCE
G4-21	Material Aspect, report the Aspect Boundary outside the organisation,	37-38	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.	12	Yes
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organisation.	52-55	Yes
G4-25	Basis for identification and selection of stakeholders with whom to engage.	52-55	Yes
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	52-55	Yes
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to them.	52-55	Yes
REPORT PROFILE			
G4-28	Reporting period.	12	Yes
G4-29	Date of most recent previous Report.	12	Yes
G4-30	Reporting cycle.	12	Yes
G4-31	Contact point for questions regarding the Report or its contents.	12	Yes
G4-32	Compliance with GRI G4 Guidelines, GRI Content Index and the External Assurance Report.	72-77, 78-79	Yes
G4-33	Policy and current practice with regard to seeking external assurance for the Report.	78-79	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.	144	Yes
ETHICS AND INTEGRITY			
G4-56	Values, principles, standards and norms of behavior.	03	Yes

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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.	47	Yes
G4-EC3	Coverage of the organisation's defined benefit plan obligations.	59, 206-207	Yes
G4-EC4	Financial assistance received from government.	NONE	Yes
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	59	Yes
CATEGORY : ENVIRONMENT			
MATERIAL ASPECTS : ENVIRONMENT EMISSIONS			
G4-EN15	Direct greenhouse gas emissions (Scope 1).	99	Yes
G4-EN16	Energy indirect greenhouse gas emissions (Scope 2).	99	Yes
G4-EN17	Other indirect greenhouse gas emissions (scope 3).	99	Yes
G4-EN19	Reduction of greenhouse gas emissions.	99	Yes
MATERIAL ASPECTS: ENVIRONMENT EFFLUENTS AND WASTE			
G4-EN23	Total weight of waste by type and disposal method.	121	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.	NONE	Yes
MATERIAL ASPECTS : ENVIRONMENT OVERALL			
G4-EN31	Total environmental protection expenditures and investments by type.	98	Yes
ENVIRONMENTAL GRIEVANCE MECHANISMS			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	NONE	Yes
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.	62	Yes

DMA AND INDICATORS	MATERIAL ASPECTS	PAGE NUMBER / DIRECT RESPONCE	EXTERNAL ASSURANCE
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation.	59-60	Yes
G4-LA3	Return to work and retention rates after parental leave, by gender.	60	Yes
MATERIAL ASPECTS : OCCUPATIONAL HEALTH AND SAFETY			
G4-LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees.	64	Yes
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.	62-63	Yes
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	56	Yes
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	58	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.	28-29	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.	59	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
MATERIAL ASPECTS : NON DISCRIMINATION			
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	60	Yes

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DMA AND INDICATORS	MATERIAL ASPECTS	PAGE NUMBER / DIRECT RESPONCE	EXTERNAL ASSURANCE
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.	60	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.	60	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.	65, 94, 110, 118, 127	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-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
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

DMA AND INDICATORS	MATERIAL ASPECTS	PAGE NUMBER / DIRECT RESPONCE	EXTERNAL ASSURANCE
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.	39	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

Ernst & Young
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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF EXPOLANKA HOLDINGS PLC ON THE INTEGRATED REPORT- 2013/14

Introduction and scope of the engagement

The management of Expolanka Holdings PLC ("the Company") engaged us to provide an independent assurance on the following elements of the Integrated Report- 2013/14 ("the Report")

- Reasonable assurance on the information on financial performance as specified on page 47 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. Accordingly, we do not express an opinion providing reasonable assurance.

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 19 February 2014. 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:

- Interviewing relevant the Company's personnel to understand the process for collection, analysis, aggregation and presentation
- Reviewing and validation of the information contained in the Report
- Checking the calculations performed by the Company on a sample basis through recalculation

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA P 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 Gunasekara FCA FCMA A Herath FCA S K Hulangamuwa FCA FCMA (US Florida) H M A Jayesinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA N M Soleman ACA ACMA S E Wijesuriya ACA ACMA

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- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2014
- 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.

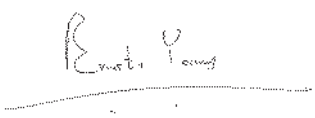
Limitations and considerations

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 47 of the Report are properly derived from the audited financial statements of the Company for the years ending as at 31 March 2014.
- 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
07 July 2014
Colombo

MANAGEMENT DISCUSSION & ANALYSIS

INTRODUCTION TO MANAGEMENT DISCUSSION

SEE →
Business reconfigure for sustainable growth

Global economic recovery signals positive change

Global activity strengthened during the second half of 2013 and is expected to improve further in 2014–15. The impulse came mainly from advanced economies, although their recoveries remained uneven. Annual economic growth rose above trend in the United States and to be close to trend in the core euro area economies. In Japan, fiscal consolidation in 2014–15 is projected to result in some growth moderation. Growth in emerging market economies is projected to pick up modestly, albeit more slowly. Advanced economies accounted for much of the global recovery.

The strengthening in economic activity was mirrored in global trade and industrial production. Overall, the outlook remains broadly positive and conducive for a revival in commercial activity. Global growth is projected to strengthen to 3.6% in 2014 and then to increase further to 3.9% in 2015.

On the back of this positive global revival, expansion in global commerce is on the cards over the next five years. With global production and trade expected to grow, supporting industries such as freight and logistics have been signaled as global growth industries.

Sri Lanka on track for upper middle-income status

Sri Lanka's macroeconomic fundamentals have strengthened over time and the country is well on track to achieving its target of doubling the per capita income to US$ 4,000 by 2016. Almost five years after the end of a three-decade era of terrorism, Sri Lanka is now focusing on long-term strategic and structural development challenges as it strives to transition to an upper middle income country.

Economically, the national strategy is to shift the structure of the economy to be more knowledge-based, globally integrated and competitive, environmentally friendly, internally integrated and increasingly urban. Sri Lanka has a solid base for achieving this goal, with a well-educated population and a wealth of environmental assets. The national strategy and the Government of Sri Lanka's overall national policy aims to transform Sri Lanka into a strategically important economic centre by developing five strategic hubs; a knowledge hub, a commercial hub, a naval and maritime hub, an aviation hub, and an energy hub, taking advantage of Sri Lanka's strategic location and resources.

Reconfigure Group business to benefit from shifts in global & local economic structure

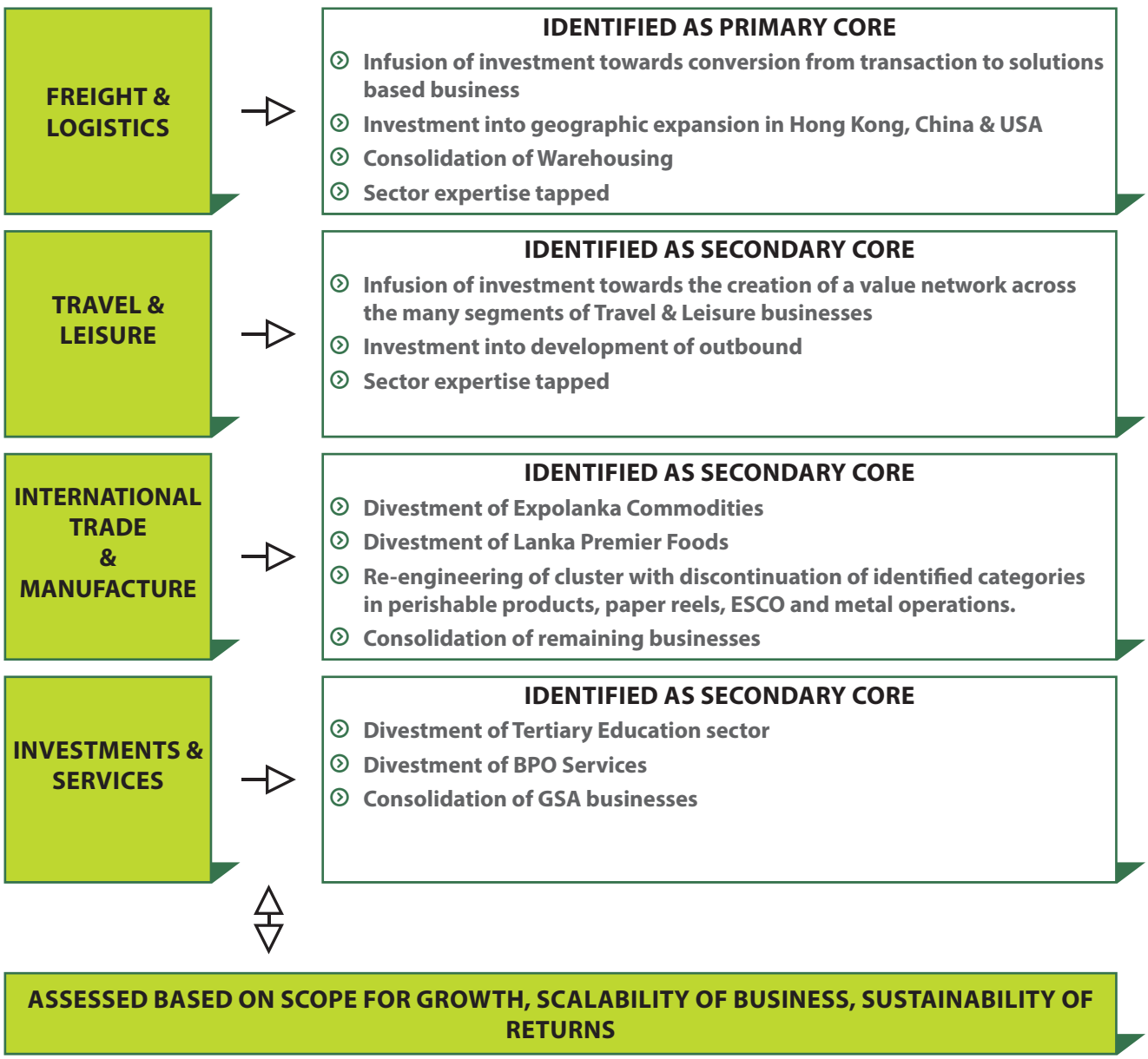
As such, Expolanka Holdings is now focusing on benefiting from the global economic shifts, as world economies gather pace, with expansions in GDP imminent. On the local economic front, the Group looks to support the post US$ 4,000 era. The Group through stringently focused strategies will look to support expansion of demand for support services such as freight and logistics in the global economy and greater diversification of the domestic economy by participating in the key growth sectors. The national hub strategy remains key to our own corporate strategy and for the achievement of sustainable growth in business.

In the implementation of our strategic plan, in the year under review, Expolanka executed a range of business reconfigurations aimed at better optimization of the Group's resources towards key growth sectors. In doing so, the Group has trimmed its businesses, bringing greater focus to growth pillars that will function as core growth areas in the medium and long term. The financial year, therefore, brought to realisation 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 in the economy yielded hard yet high return decisions giving arise to 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. This reconfiguration process yielded a series of non-recurring restructuring costs that impacted the financial performance for the year.

Focus on core business and strategic priorities define business sustainability

The Group, therefore remains focused on core business sectors – Freight & Logistics and Travel & Leisure, as the prime drivers of our business whilst strategic priorities under five core areas; achievement of operational excellence and cost optimization, instilling a strong customer based culture, maintaining profitable balance sheet growth, the development of a competent, engaged and motivated team, whilst instilling focus to greater governance, ethics and corporate social responsibility will determine the Group's future success and sustainability.

Business Reconfigurations by Sector



MANAGEMENT DISCUSSION & ANALYSIS CONTD.

OPERATING ENVIRONMENT

SEE →
Strategy fine-tuned to match operating environment

Global Economy underperforms on road to recovery

The world economy continued to experience subdued growth for another year in 2013, unable to meet even the modest projections of forecasters, including the World Economic Situation and Prospects (WESP) 2013 compiled by the United Nations.

World gross product (WGP) is tentatively estimated to have grown by 2.1% in 2013, lower than the baseline forecast of 2.4% and yet ahead of alternative pessimistic scenario presented by more conservative forecasts for the year.

Underperformance was observed across almost all regions and major economic groups. Developed economies continued to struggle in the throes of a combination of effects from the financial and recessive crisis to instituting streamlined fiscal and monetary prescriptive actions. Emerging economies, which in the past two years had demonstrated a slow-down, continued to encounter countless new challenges in both international and domestic fronts.

SEE →
convergent with strategy to focus on emerging economies

Western economies indicate slow recovery

Nevertheless, in 2013 the global economy demonstrated signs of improvement with headwinds that indicate a slow but sure movement towards recovery. The euro-zone emerged from a protracted recession to record growth, with gross domestic product (GDP) for the region as a whole returning to positive. Emerging economies, including China and India although evidencing contractions in growth, continued to contribute significantly to global economic growth.

SEE →
Convergent with strategy to invest into the US market for future return

The United States is estimated to have grown at a marginal pace, slowing down from 2.8% in 2012 to 1.6% in 2013. Impeded by fiscal tightening and a series of political deadlocks including over two weeks of budgetary shutdowns, the US economy decelerated on the back of rising interest rates and uncertainty on the political front despite accommodative monetary policies. Assuming that the future unwinding of the monetary easing will be smooth, GDP is expected to increase by 2.5 and 3.2% for 2014 and 2015, respectively.

Western Europe emerged from recession in the second quarter of 2013, led by net exports and, to a lesser extent, private and public consumption, but investment remained weak and unemployment stood elevated. Growth remained weak due to a number of factors including fiscal austerity programmes, low intraregional demand and slowing extraregional demand.

SEE →
Asia is seen as key to future growth of Group. Correlates investment to date

Asia and emerging economies stabilise slow-down

After a notable slowdown in 2011-2012, economic growth in East Asia stabilised at a moderate level in 2013. The region continued to be adversely affected by relatively weak external demand from developed economies, as well as an adjustment to slower growth in China. The average growth of the region is estimated to average 6.0% in 2013, almost the same pace as 2012. Growth in South Asia remained lackluster as a combination of internal and external factors hampered activity. Growth is estimated to be 3.9% in 2013, nearly the slowest pace in two decades. Western Asia is estimated to grow by 3.6% in 2013.

SEE →
Africa viewed as a future growth market for International Trade & Manufacture.

Africa remains robust for strong growth prospects

Among developing countries, growth prospects in Africa remain relatively robust. After an estimated growth of 4.0% in 2013, GDP is projected to accelerate to 4.7% in 2014. Growth prospects are expected to be supported by improvements in the global economic and regional business environment, relatively high commodity prices, easing infrastructural constraints, and increasing trade and investment ties with emerging economies. Other important

factors for Africa's medium-term growth prospects include increasing domestic demand—especially from a growing class of new consumers associated with urbanization and rising incomes—and improvements in economic governance and management.

SEE →
Convergent with volatility and market sluggishness evidenced by Group's Freight business in 2013/14.

World merchandise trade remain sluggish

Growth of world merchandise trade weakened further in 2013, dragged down by slow global growth. Sluggish demand in many developed countries and faltering growth in developing countries led to a decline in world export volume growth from 3.1% in 2012 to only 2.3% in 2013, far below the trend prior to the financial crisis. The prospects for world trade are expected to improve, driven by a modest increase in demand in Europe, further recovery in the United States and a return to more dynamic trade in East Asia. Growth of world exports is projected to be 4.6% in 2014 and 5.1% in 2015. Trade in services, which appears to be recovering faster than merchandise trade, is expected to continue growing over the forecast period after a noticeable improvement in mid-2013.

International trade as the engine for global growth shifted to a low gear over the past two years. After growing at a sluggish pace of less than 3% in 2012, as measured by the volume of world exports, international trade flows are estimated to have grown by 2.3% during 2013.

While protracted downtrending import demand from major developed countries can explain part of the cyclical downturn in trade activity, the lack of any progress in multilateral trade negotiations over the past decade may have reduced the momentum in creating new trade flows in the world economy. On the other hand, intra-Asia trade is still demonstrating more dynamic patterns and becomes a major driver for the growth of international trade as a whole. The feedback effects of slow international trade growth have in turn dragged down the growth of global output. In the outlook, international trade is expected to pick up the momentum gradually, growing at 4.7 and 5.2% in 2014 and 2015, respectively.

SEE →
Flattening global commodity prices convergent to divestment of commodity business in international trade & Manufacture

Commodities demonstrate divergent trends

Commodity prices displayed divergent trends over the course of 2013 in the midst of an overall moderation. Food prices gradually declined, owing to better than expected harvests of major crop. Soft demand, ample supply and high stock levels all contributed to declines in base metals prices. Oil prices have seen significant fluctuations over the course of the year as a result of various geopolitical issues. Commodity prices are expected to remain relatively flat on average across the forecast horizon.

Data Source:
World Economic Situation & Prospects 2014, United Nations
World Economic Outlook (October 2013), Transitions and Tensions, International Monetary Fund

Sri Lankan Economy rebounds strongly

In 2013 the national economy rebounded strongly recording 7.3% growth. As per the Annual Report of the Central Bank of Sri Lanka (CBSL), economic growth was noted to be broad based with positive contributions from all sectors, supported by favourable weather conditions and improved global demand. Additional positives included the maintenance of inflation remained to single digit levels for the fifth consecutive year. In this regard, by end 2013, inflation tapered to mid-single digit levels.

SEE →
Broad-based growth convergent to Group's core sector activities

Growth broad-based with contribution from all sectors

Economic growth in 2013 was broad based, with strong growth in the Industry sector, continued expansion in the Services sector, and recovery in Agricultural activities during the second half of the year despite weak performance due to adverse weather conditions during the first half of the year.

Stabilisation policies that were adopted in 2012 impacted economic activity during the first half of the year, but continued development of physical infrastructure, favourable weather conditions and the recovery in advanced economies supported an increase in economic activity during the second half of 2013. Continued expansion in construction activities and the manufacturing sector supported by strong external demand, enabled the Industry sector to record a growth rate of 9.9%, raising its share in GDP to 31.1%.

The Services sector improved from the previous year recording a growth of 6.4%, mainly due to improved performance in wholesale and retail trade and transport and communications sub sectors.

The weak performance of the Agriculture sector during the first half of the year due to extreme weather conditions dragged its annual growth rate down to 4.7%. With the strong performance of the Industry sector during the year, the share of the Services sector and the Agriculture sector in GDP declined to 58.1% and 10.8%, respectively.

Inflation tapers to mid-single digit

Inflation remained at single digit levels for the fifth consecutive year. Headline inflation, which remained close to double digit levels during the first two months of the year, decelerated thereafter to mid-single digit levels by the end of the year supported by improved domestic supply conditions and prudent demand management policies. Accordingly, by end 2013, headline inflation was 4.7% on a year-on-year basis and 6.9% on an annual average basis. Meanwhile, reflecting effective management of aggregate demand, core inflation, moderated gradually during the year and declined to its lowest level in the last quarter of 2013, ending the year at 2.1% on a year-on-year basis and 4.4% on an annual average basis. The moderation in inflation and inflation expectations helped reduce wage pressures in the economy and raise investor confidence. Low inflation therefore, enabled the Central Bank to ease monetary policy further during the year to facilitate economic growth.

SEE→
Growth in disposable incomes drives business components in Travel & Leisure and Investment Services

Trade Account improves

The improvement in the trade account and higher receipts from workers' remittances and trade in services, together with increased inflows to the financial account as a result of improved investor confidence resulted in a significant improvement in the balance of payments (BOP) enabling a buildup of foreign reserves and supporting exchange rate stability.

With the support of an enabling domestic environment and gradual recovery in the global economy, the external sector performed well in 2013. The significant increase in earnings from exports coupled with a decline in expenditure on imports led to a sharp contraction in the trade deficit.

The balance of payments recorded a surplus of US dollars 985 Mn in 2013 compared to the surplus of US dollars 151 Mn in 2012. Consequently, the level of gross official reserves rose to US dollars 7.5 Bn at end 2013.

SEE →
Supports expansion of business for Core sectors; Freight Management and International Trade & Manufacture

The rebounding of global trade and the increase in demand from major export destinations from the second half of the 2013 had a favourable impact on export earnings, while the decline in imports was mainly on account of lower petroleum imports. Continued high growth in workers' remittances together with an increase in earnings from services including tourism, transport and information technology related services helped narrow the deficit in the external current account substantially to 3.9% of GDP in 2013 from 6.7% of GDP in 2012.

These developments, together with inflows to the financial account in the form of foreign direct investments (FDI), foreign investments in government securities, and long term debt inflows to the government, the banking sector and the corporate sector, resulted in the BOP recording a surplus of US dollars 985 Mn in 2013 compared to the surplus of US dollars 151 Mn in 2012. The improvement in the BOP and international reserve position resulted in the Sri Lanka rupee remaining relatively stable during the year despite increasing volatility in the currencies of other emerging market economies.

Labour force expands

An increase in both the number of employed as well as unemployed persons resulted in an expansion of the labour force by 4.1% in 2013. A notable development was the rise in the labour force participation rate (LFPR) to 53.8% in 2013 from 52.6% in the previous year. The significant rise in the

female LFPR, as a result of the entry of rural females into the labour market seeking job opportunities, mainly contributed to the rise in the overall LFPR.

SEE→
Credit availability for corporate and commerce on the rise

Interest rates ease

The easing of the monetary policy stance from December 2012 and the excess rupee liquidity in the money market facilitated the downward adjustment in market interest rates during the year. Short-term market interest rates were quick to adjust downwards, although long-term market interest rates exhibited some downward rigidity during the first few months of the year, before declining thereafter.

SEE→
5+1 Hub Strategy will define the direction of growth for the Group.

Future Outlook

The Sri Lankan economy is expected to maintain a high growth momentum in the medium term supported by an increase in investment, a favourable macroeconomic environment and continued recovery in the global economy. However, Sri Lanka's economic progress in the medium term is not without challenges, and structural adjustments are necessary for sustaining the growth momentum over the medium term and beyond.

Given the vast improvements in physical infrastructure and the resulting enhancement in productive capacity, the country's potential output has improved substantially in the post conflict period, although greater involvement of the private sector in economic activity is required to maximise this enhanced growth potential. These improvements need to be complemented by enhancing the human capital base of the country to meet the needs of the emerging sectors in the economy, thereby sustaining economic growth.

Government policies that are in place to diversify economic activity further along the lines of the 5+1 hub strategy are expected to facilitate a smooth transition of the economy through the 'middle income trap' in the medium term. Investment into physical infrastructure and focused development of tourism sector is expected to sustain the growth momentum and recoup foreign exchange earnings to match national targets.

Data Source:
Central Bank of Sri Lanka Annual Report 2013, CBSL.

Business Beyond Borders

FREIGHT & LOGISTICS

In 2013/14, Expolanka's flagship sector, Freight and Logistics, was recognised as the core focal sector for the Group, in the context of future growth. 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.

- Air Freight
- Sea Freight
- Logistics
- Warehousing

Rs.**34,951**Mn
REVENUE

Rs.**1,090**Mn
PAT

16.1%
ROCE

17.4%
ROE

Freight and Logistics sector continued to consolidate its businesses across the three continents in spite of sluggish global market and trading environment and sustained the positioning primarily in the niche vertical, fashion logistics. This sector was re-engineered where horizontal growth was the key focus with a view to further consolidate its businesses.

FASHION

TELCO

NETWORK
- 53 Cities
- 17 Countries

REGIONAL PLAYER
- Asia
- Middle East
- Sub Saharan Africa

UPCOMING NEW MARKETS
- Egypt
- Africa

PRODUCT MIX
- Air Freight
- Sea Freight
- Logistics
- Warehousing

MARKET EXPOSURE

North America	53%
Europe	30%
Asia	6%
Scandinavia	3%
Others	8%

FRESH

TECH

FOCUS AREA
- Fashion Industry

RETURN ON CAPITAL EMPLOYED
- 16.1%

RETURN ON EQUITY
- 17.4%

EMPLOYEE STRENGTH
- 1,936

IDENTIFIED AS PRIMARY CORE
- Conversion from transaction to solutions based business
- Investment into geographic expansion
- Consolidation of Warehousing

PHARMA

SPORT

ASSETS
- Rs. 13,209 Mn

NEWLY ENTERED MARKETS
- USA
- Hong Kong
- China

REVENUE
- Rs. 34,951 Mn

PROFIT AFTER TAX
- Rs.1,090 Mn

FREIGHT & LOGISTICS

SECTOR REVIEW - FREIGHT & LOGISTICS

SEE→
In 2013/14 | Sector identified as the fundamental core in Group's drive for sustainable growth.
Strategic shift in service offer from transaction based to solutions based

Global Freight remains static

Global freight witnessed yet another year of static growth in 2013. Despite slight improvement in the later part of the financial year – specifically January to March 2014 –, airfreight volumes and demand remained flat.

The International Air Transport Association (IATA) figures for 2013 indicate a 1.4% expansion of global freight tonne kilometers (FTKs) against that of 2012. Cargo markets made very slow progress during the first half of the year. Acceleration in the trend took root in the latter half of 2013, placing airfreight volumes on a steadily increasing trajectory. However, capacity grew faster than demand at 2.6% and load factors were weak at 45.3%.

Regional performance varied. Middle Eastern and Latin American carriers reported the strongest growth in demand (12.8% and 2.4% respectively). Asia-Pacific carriers, which have nearly 40% of the global airfreight market, saw cargo activities shrink by 1.0% over the year.

Maritime cargo continued to witness growth, a direct resultant of a "modal switch" by shippers from air to sea transport. However, this was not a trend specific to the financial year, and instead is reflective of a continuing long trend over the years.

Data Source:
IATA, 2013 Annual Review
IATA, State of the Industry and Economic Outlook, 2013

Sri Lanka's Freight sub-sector witnesses growth

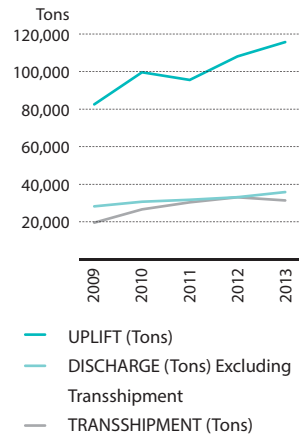
Sri Lanka recorded a number of positives within the cargo handling, ports and civil aviation sub sector of the economy in 2013.

Containers handled in Colombo rose 2.8% whilst transshipment containers rose 3.4% from that of 2012. Total cargo handled increased by 2.0% to 66.2 Mn metric tonnes. The turnaround in port activity in 2013, despite the challenging global environment, is attributable to the gradual recovery of foreign trade, attraction of new shipping lines and port efficiency.

However, the number of vessels arriving in Sri Lanka dropped to 3,976 from 4,134 with vessels calling at Colombo dropping to 3,667 from 3,870. Nevertheless, the gross tonnage of container ships that called during the year increased by 0.6% reflecting the arrival of larger ships. The new port at Hambantota recorded the arrival of 139 vessels, up from 34 in 2012.

Total air exports topped the highest in five years to record 116.487 tonnes an increase of 7.41% from 2012. Total air imports stood at 36,517.08 tonnes, an attributable increase of 10.16%, the highest tonnage achieved in 5 years. Total air transshipments amounted to 31,485 tonnes down from 33, 754 tonnes in 2012. Airfreight throughput amounted to 184,849 tonnes.

Air Freight throughput Exports, Imports Transshipments in Tonnes



Data Source: Central Bank of Sri Lanka Annual Report 2013
Sri Lanka Ports Authority, Annual Statistics
SriLankan Cargo, Annual Statistics

Fashion exports at historic high

Sri Lanka recorded a historic high in fashion exports valued at USD 4.3 Bn in 2013, posting a key recovery after shipments slumped by 5% to USD 3.99 Bn in 2012 over that of shipments in 2011.

Sri Lanka's hub status

The policy vision of the government of Sri Lanka is to achieve medium-term economic prosperity at a rapid pace during the post-conflict environment. An important aspect of this policy vision is to transform the Sri Lankan economy into a "dynamic global hub" in the areas of shipping, aviation, commerce, energy and knowledge.

The aspiration is to develop Sri Lanka as a global logistic hub; towards this end Sri Lanka has an advantage in that it is strategically located at the centre of East-West shipping route with no deviation from

FREIGHT & LOGISTICS CONTD.

the main shipping route. This is Sri Lanka's core competency in that a maritime and logistic hub has to be a central location with a strategic importance for international trade and transport, equipped with state-of-the-art maritime infrastructure, super structure and technologies to facilitate ports, shipping, value added logistics, dock-yards, defense, security and fisheries of a region. 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.

The Government's declaration of the 5-hub concept and a very clear and high focus on the logistics sector, 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.

In the context of achieving a logistics hub status, it is also the intention of the Government to launch a 25-year long-term plan for development, improvement and promotion of the port and aviation sector. Achievement of Vision 2020 will ensure the country as a maritime hub, handling 200 Mn tonnage of cargo handling, enjoying a US$ one billion in revenue.

Sector Strategy & Potential

Freight and logistics is Expolanka's flagship sector. In 2013/14, the sector was recognised as the core focal sector for the Group, in the context of future growth. 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.

With the pursuance of a maritime, aviation and logistics hub status for Sri Lanka, Expolanka looks to benefit from the national strategy through direct alignment of the sector's operations with the hub strategy. In this context, in 2013/14, the freight and logistics industry gained firm ground with the development of infrastructure by way of the Magampura Mahinda Rajapakse Port in Hambantota, development of the Colombo South Harbour and the Mahinda Rajapakse International Airport.

Whilst the benefits will accrue subsequent to the lapse of a lead-time, the developments are expected to enhance Sri Lanka's ranking in the international Logistics Index and this will surely benefit the country and the logistics industry aiding the realisation of the hub concept.

In addition, with the growth of the Asian middle class which is expected to account for 50% of the global middle class by 2030 – and which will grow by another 3 Bn people as forecasted by UNCTAD – the demand for consumer products, raw materials for manufacturing and the requirement to manage global inventory and supply chain will be the significant challenge and the opportunity for Asia. This scenario will provide strategically located maritime nations such as, Sri Lanka a huge boost to expand economic activity by positioning itself in the forefront and the preferred hub in South Asia.

Thus, the declaration of the free ports concept by the government of Sri Lanka to support the hub concept is expected to catalyse the realisation of all the opportunities that have been hereto discussed. The launch of an online payment gateway that is collaborative between Sri Lanka Ports, Board of Investment and Sri Lanka Customs further facilitates transactions enhancing the efficiency of the port. The regularisation of the Shipping industry –effected through the removal of the Terminal Handling Charges – are expected to bring greater transparency to the industry and facilitate market forces albeit the short term negative effect on business.

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 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.

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 17 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 and Bangladesh given the bias towards the fashion vertical.

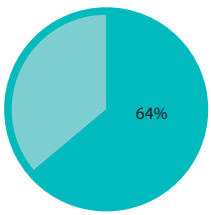
Sector Performance - Financial

In the year under review, Freight and Logistics lead the contribution to Group bottom-line at 70% and 64% revenue, ploughing in 66% of the earnings before interest and taxes.

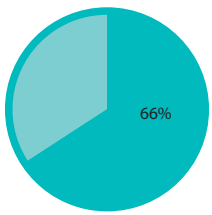
Financial performance remained consistent to that of performance over the past two years. Large growth movements were lacking predominantly as a result of the sluggish global market and trading environment. Nevertheless, the sector's superior market positioning in the industry and especially in the niche area of fashion logistics enabled the Group to post PAT of Rs., 1,090 Mn .

FREIGHT & LOGISTICS			
(RS. MN)	2013/14	2012/13	% CHANGE
Revenue	34,951	32,183	9%
Earnings Before Interest & Taxes (EBIT)	1,455	1,485	-2%
Finance Cost	101	49	106%
Profit Before Tax	1,354	1,436	-6%
Profit After Tax	1,090	1,177	-7%
Total Assets	13,209	10,922	21%
Total Equity	6,279	4,604	36%
Total Debt	1,097	318	244%
Capital Employed	7,376	4,923	50%
Return on Equity	17.4%	25.6%	-32%
Return on Capital Employed	16.1%	24.9%	-35%

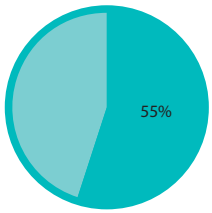
Turnover



EBIT



Capital Employed



Sector Performance – Operational

Given the mature and saturated nature of the freight forwarding industry where the customer base is soft and static and exacerbated by competition leveling; vertical growth was seen as stagnant and organic. Top line growth in the past two financial years has remained low, marked by an approximate 10% in organic growth.

The operations of the sector were re-engineered to a new paradigm where horizontal growth is 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.

Expo Global Distribution Centre (EGDC)

In light of this, the Group in the year under review established the Expo Global Distribution Centre (EGDC), a value-added bonded warehousing facility under the free-port regulations at the Katunayake Export Processing Zone. The centre – which has an area of 240,000 square feet - is designed to provide value added services with key focus levels to international apparel retailers

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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 centralised 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.

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.

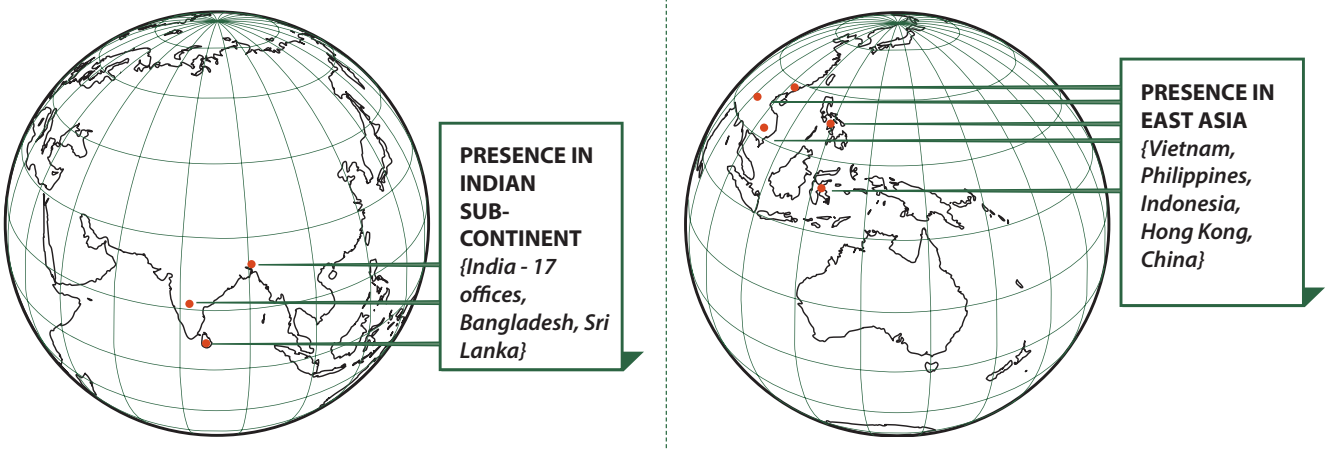
Warehousing & Transportation

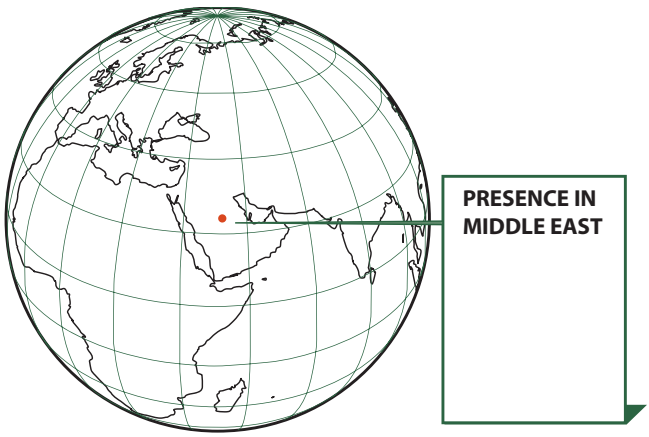
In the year under review, the sector's executed components of an evolving strategy aimed at securing an enlargement in freight business through the offer of value added services in the arena of warehousing and transportation. During the year, the focus was predominantly on developing the existing client base in the apparel sector, although going forward, the intention will be to enhance the service offer through customized solutions for other business vectors.

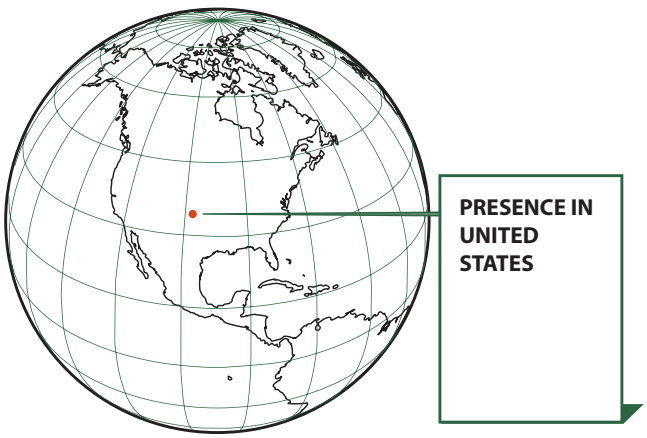
The journey towards the full realisation of the strategy is that it is dependent on scale and capital intensiveness, and as such in 2013/14, scale was brought into focus with warehousing facilities leveraged to around 250,000 square feet. Work on a state of the art, high tech warehouse facility in Orugodawatte, strategically located close to the Colombo Port, the Katunayake International Airport and the Biyagama Free trade zone was during 2013/14 accelerated and expected to reach completion in the early part of the upcoming financial year.

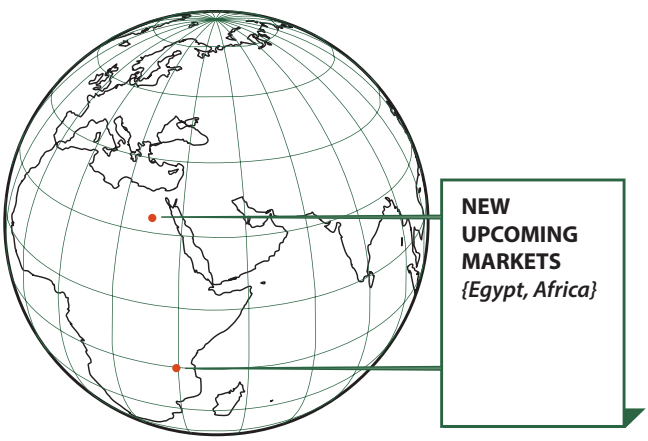
The sector's inland trucking service model was further developed upon during the year. From a job perspective, the trucking fleet has optimized output to close over 8000 jobs per month. Fully equipped, the trucking fleet is enabled by Android and GPS cargo tracking technologies – which enables the management 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 centre, the fleet has enabled customers to re-engineer the way they do business, deriving competencies to their value chains.

Overseas Operations









The sector's international 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.

The global freight & logistics industry portrayed intense dynamism during the year with demand on innovation of service. Contraction of trading capital due to the slowing of economies necessitated better inventory control for global players in the fashion industry pushing the case for zero slack. Efficiency of inventory control, therefore, remains key for global customers. 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.

Operations in the Indian sub-continent experienced a challenging year with the exception of Sri Lanka. India and Bangladesh both underperformed, with geo-political and economic forces impinging on the sector's operations. However, despite the sluggishness in

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these two key markets, volume growth was evident although yield suffered. Nevertheless, judicious management of yields in Africa and the Far East assisted to offset the yield loss in the Indian sub-continent.

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.

Key Achievements

Establishment of a global distribution facility to complement Sri Lanka's free port concept.
Commissioning 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.
State of art the ERP drives optimization of operational efficiencies
Cloud environment integrates 53 offices in 17countries into one common platform
EFL was honoured at the National Business Excellence Awards 2013 winning Silver for Shipping & Related Services
EFL was awarded the Logistics Company of the Year at the Sri Lanka Ports, Trade and Logistics Conference Awards Ceremony 2013
EFL honoured as the Gold as "The Most Outstanding Exporter – Service Providers to Exporters" and Gold for "The Service Providers to exporters 'Extra-Large Category' at the National Chamber of Exporters Awards 2012
Winner of Bronze Award for Export Brand of the Year at the SLIM Brand Excellence Awards 2013

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 2014/15 will continue to focus on the delivery of value additions to meet market demands. The geographical outlay of business is expected to mirror that of 2013/14 with Europe remaining flat, USA demonstrative of slow but marked growth whilst Asia grapples with slowing economic growth especially in India and China. The sector will continue to explore and enlarge its operations with respect to the EGDC, further leveraging Sri Lanka's free port and hub status. 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 in the fashion vertical.

Sustainable Action

Uplifting biodiversity - World Environment Day

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% 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 rainforest 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.

The Group's investment towards this sustainability initiative demonstrates its focus on the integration sustainability and environmental concern to the business operations. Expolanka Holdings PLC aspires to be a leader in developing long term sustainability in the communities it operates in and with sustainability initiatives such as this intertwined to the operations of the business and with cohesive targets to deliver social, economic and environmental benefits to employees, communities and other stakeholders, it views it's role as a sustainability steward as critical in shaping corporate Sri Lanka's role in Strategic Sustainability.

Volunteer Appreciation Fête- International Youth Day 2013

Expolanka Holdings invested towards the development of the next generation of leaders through the sponsorship of Youth Day 2013 celebrations, which coincided with International Youth Day.

ExpoLanka supported the global celebration lending a hand to the United Nations Volunteers (UNV) to promote volunteerism to support peace and development worldwide.

The UNV contributes to peace and development by advocating for volunteerism globally, encouraging partners to integrate volunteerism into development programming and mobilising volunteers. The theme of this year's Youth Day functions was based on 'the acts of volunteerism'.

Expolanka's CSR investment towards the event stemmed from its interest to share knowledge and appreciate the role of the volunteers and looked to stimulate and inspire more youth to be a part of future initiatives and also to support the UN in their effort towards global leadership mentoring.

To coincide with International Youth Day the UNV together with Expolanka Holdings PLC hosted a volunteer appreciation fête to celebrate and recognise the acts of volunteerism made by Sri Lankan Youth during three of the major volunteering efforts: namely, International Volunteer Day 2012 art competition "Volunteering for Water", World Water Day 2013 at Biyagama to promote awareness for water conservation, and the Twinning Schools Programme (TSP) Finale 2013 at Badulla as a part of the UNDP's Transitional Recovery Programme (TRP).

The Youth Day 2013 celebrations held at the UNV Compound in Bauddhaloka Mawatha, Colombo 07, saw the volunteers initially engaged in an icebreaker session by playing "Minefield", which was soon followed by a presentation by Professor Devaka Weerakoon on "Effects of Carbon Foot Print". The volunteers made a pledge to be more conscious about their own

Uplifting biodiversity - World Environment Day

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Carbon Foot Print and to go green. Later in the evening, a mini experience sharing session was conducted in small groups and all volunteers received certificates to take home at the end of the day.

Recognition and celebration of volunteer activities is one of the essential components for effective volunteer management, the UNV further used the occasion to conduct a feedback session and receive new insight on volunteering opportunities. The lessons was drawn from these activities enhanced the volunteers' capabilities to understand the importance of their contributions and foster the effectiveness of future activities through lessons learnt.

World Water Day with 'Every Drop Matters' project

The Group once again proved its commitment to safeguarding the environment, providing financial assistance to the 'Every Drop Matters' (EDM) project in partnership with the UNDP (United Nations Development Programme) and the Ministry of Environment and Renewable Energy. Celebrating the World Water Day on 22 March 2014 Expolanka launched this year's programme for 'Every Drop Matters' project at a ceremony held at the Central Bank premises. This year's programme focused on spreading awareness on water conservation amongst the communities living in Seethawaka, bordering the Kelani River. In addition, the Seethawake Urban Council distributed three separate garbage bags (labelled 'bio degradable, plastic and glass') each to the families within the area to encourage them to dispose of their garbage in a proper manner. The Urban Council undertook measures to periodically collect garbage from these families.

The Group's commitment to the project was driven by its belief in the need for practical approaches to problems. One of the biggest causes of river pollution is domestic waste. The project therefore aimed to educate the public and provide them with a practical alternative to waste disposal.

Supporting Earth Hour

In 2013, Expolanka took part in a similar series of events near the Kelani River basin in Biyagama in collaboration with UNDP and the Ministry of Environment and Renewable Energy. Based on the success of this project

World Water Day with 'Every Drop Matters' project

Volunteer Appreciation Fete- International Youth Day 2013

which focused on educating the public, in 2014, the Group picked up the pace of that success, going that extra mile to introduce a simple solution to all parties concerned. Considering that water is a precious and scarce resource, the Group is cognizant of the need to take every possible precaution to preserve and conserve water resources.

Earth Hour is a worldwide event organised by the World Wildlife Fund (WWF) and held towards the end of March annually, encouraging households and businesses to turn off their non-essential lights for one hour to raise awareness about the need to take action on climate change. In 2013 it took place in more than 7000 cities and towns across 152 countries and territories.

In 2014, the Group took leadership in supporting this global initiative in continuation of the support it has extended to the Earth Hour in previous financial years. The key sustainability objective was to create greater awareness towards the global event and to cascade the effect in Sri Lanka. Towards this objective, the Group invested towards a media communications campaign to create interest in the initiative and the global " I will if you will?" campaign. An interactive promotion on radio, Facebook and internally within the Group successfully communicated the key messages for Earth Hour.

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.

AREA OF BEST PRACTICE	ANNUAL SAVINGS
Water	1,040,668 (Litres)
Trees	557
Oil	57,469 (Litres)
Land Fill	98 (Cubic Metres)
Green House Gas Reduction	32,746 (Kg Carbon Equivalent)

Source : Neptune Papers (Pvt) Ltd.

Earth Hour Challenge Winners

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Expolanka Freight Re-Affirms CARBON NEUTRAL® Status

Expo Freight (EFL) reaffirmed its commitment towards carbon reduction and neutrality by successfully recertifying for the year 2013/14 with Carbon Neutral® by the Carbon Consulting Company (CCC).

The recertification demonstrated EFL's commitment to remaining true to the Company's efforts towards reducing the carbon footprint. Since becoming Sri Lanka's first-ever Carbon Neutral® Freight & Logistics Company in 2012, Expo Freight (EFL) has been working in the forefront of this evolving environmental issue. The Company managed to reduce its carbon footprint by 10% within the year 2012/13, consequently achieving the predicted target. EFL had incurred a sum of Rs. 2.66 Mn to offset and obtain the certification.

Social responsibility remains critical to EFL's operations and carbon neutrality is a core objective in the sustainability agenda. EFL strives to contribute to reducing global warming and taking a lead in living and doing business by example and concern for environment. Expo Freight (EFL) will continue to look at the recommendations that suggest mitigation and monitoring strategies be enacted in the future to reduce the organisational footprint.

According to the assessment report by CCC Expo Freight (EFL) only recorded an 8.28% increase in the overall footprint in comparison to the previous year despite an overall increase of 21.7% in the Company's total mileage. The Company's total mileage increased due to the increase of third party transportation as a direct result of business growth. However, the Company has achieved last year's target implementing mechanism to reduce the internal footprint by 10% (actual reduction 11%).

The report further indicates, that there have been significant reductions in Expo Freight (EFL)'s Key Performance Indicators with respect to emission mitigation. The Company's 'Footprint per unit distance' recorded a reduction of 11% while the 'Footprint per fulltime equivalent employee' indicated a drop of 19%.

The recertification as a Carbon Neutral® business entity, confirms EFL's position as the country's greenest freight forwarding company.

Expolanka Freight Re-Affirms CARBON NEUTRAL® Status

This organisational GHG assessment report considered the following scopes as per the GHG Protocol:

Scope 1	Direct emissions released from sources that are owned or controlled by the Company	632 tCO_2e
Scope 2	Indirect emissions associated from the generation of imported energy	247 tCO_2e
Scope 3	All other indirect emissions that are not released from sources mentioned under scope 1 & 2	991tCO_2e
TOTAL GHG EMISSIONS	Emissions from Scope 1, 2 & 3	1,870 tCO_2e

Table 1: GHG Emission breakdown by scope

In comparison against last year, there has been an 8.28% increase in the overall footprint despite an overall increase of 21.7% in EFL's total mileage. However, it must be noted that there have been significant reductions in EFL's Key Performance Indicators with respect to emission mitigation, as the table below indicates.

	2012/13	2011	% REDUCTION
Footprint per unit distance ($kgCO_2e$/km)	0.81	0.91	11%
Footprint per fulltime equivalent employee (tCO_2e/emp)	4.31	5.28	19%

Table 2: Key Performance Indicators

A series of lectures on environmental issues in collaboration with the WNPS

In line with the environmental sustainability approach, Expolanka Holdings sponsored a series of lectures on timely topics related to protecting the environment and promoting sustainable living in collaboration with the WNPS (Wildlife Nature Protection Sri Lanka). Leading environmentalists conducted sessions on issues such as global warming, endangered species, promoting green economies etc to an audience of people from many walks of life including University students and young environmental activists. The sessions were conducted on every last Thursday of the month at the Meteorological Department Auditorium in Sri Lanka.

A series of lectures on environmental issues in collaboration with the Wildlife Nature Protection Sri Lanka (WNPS).

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EFL Sri Lanka Donates

EFL Colombo along with the Corporate Office were involved in supporting two all-girl homes in Colombo. EFL Colombo opted to provide dinner and medicines to their chosen charity. The Corporate team provided lunch and other essential items to children aged between 4-14 at a home in Mount Lavinia.

EFL Vietnam cares for kids

In commemoration of the 1st year anniversary of sector's relaunch, EFL Vietnam undertook an initiative to support the children of the "Go Vap" district and contributed essential items for their day to day needs.

EFL Bangladesh cares for kids

EFL Bangladesh celebrated its first birthday in the company of under-privileged kids of the SANGJOG School. The event turned out to be a cheerful moment with the kids participated in the cake cutting ceremony. The initiative was designed to provide educational facilities to the underprivileged children by mobilizing broader support to develop these kids to their full potential.

EFL Indonesia cares for kids

EFL Indonesia also celebrated its first birthday among under privileged kids at Tunas Bangsa Toddler Childcare Institution in Jakarta. The team spent time with the children and participated in some talks and activities.

EFL Philippines reaches out for Flood Relief

In light of the September 2013 floods in the Philippines, the EFL Philippines team initiated "EFL Outreach", a programme to provide support to those affected by the torrential rains and storms that wrecked the Philippines. The team contributed rations and other essential items to meet the critical needs of the flood victims.

EFL Indonesia cares for kids

EFL Philippines reaches out for Flood Relief

EFL Sri Lanka Donates

EFL Vietnam cares for kids

EFL Bangladesh cares for kids

EFL India 'Plant a Tree' Initiative

EFL India in the spirit of making the event memorable in the years to come, decided to perform an activity that contributes to Planet Earth. On behalf of 575 employees across India, the 'Plant a Tree' initiative was carried out by the Corporate team in September 2013 at Shrusti Farm located in a village close to Chennai. A total of 115 trees were planted as a direct outcome of the initiative.

EFL Hong Kong helps the aged

The Hong Kong team carried out a programme to donate funds to the Love Elders Campaign. This was indeed a timely initiative in a country where there is a growing aging population.

EFL Pakistan contributes to Dar-ul-Sukun

EFL Pakistan spent time at the Dar-ul-Sukun home for physically and mentally handicapped children. The initiative started in 1969, has grown into a large organisation with network of homes mainly in Karachi and around the country.

SIGNIFICANT EVENTS OF THE YEAR

- Expolanka Freight rebrands as EFL
- Expolanka Freight opens offices in USA and Hong Kong
- Expo Freight (EFL) initiates their Maldivian operation with the opening of their new office in the Maldives
- Expo Freight (EFL) won a Bronze at SLIM Brand Excellence Awards 2013 in the Export Brand of the Year category.
- Expo Freight (EFL) won two gold awards at the Bronze at the 21st Annual National Chamber of Exporters Awards Ceremony in the Most Outstanding Exporter - Service Providers to Exporters category and the Service Providers to Exporters 'Extra- Large Category'
- Carbon Consulting Company (CCC) recertified Expo Freight (EFL) for the year 2013/14 for the Company's carbon footprint reduction by 10% within the year 2012/13
- Expo Freight (EFL) was adjudged the Logistics Company of the year at the Sri Lanka Ports, Trade and Logistics Conference Awards Ceremony in 2013.
- Expo Freight (EFL) won a silver award for shipping and related services at the National Business Excellence Awards 2013.

EFL India 'Plant a Tree' Initiative

EFL Hong Kong Helps the Aged

EFL Pakistan contributes to Dar-ul-Sukun

Business Beyond Borders

TRAVEL & LEISURE

Expolanka operates a range of companies focused on inbound and outbound travel, destination and leisure management services. The Group operates Sri Lanka's only round the clock travel agency, a luxury train travel service, and a global destination management Company. The sector, through innovation, has carved a unique niche for itself in the industry.

- **Corporate Travel**
- **MICE**
- **Leisure**

Rs.**2,353**Mn
REVENUE

Rs.**65**Mn
PAT

27.7%
ROCE

36.4%
ROE

Travel and Leisure sector's outbound operator continued to be a leading player in the industry through continuous innovation of the products and services offer at competitive prices. The Focus of the Travel and Leisure sector's Destination Management Comapany during the year was to consolidate its Global Position in the B2B Market and commence action plans and strategies in developing new sourcing markets.

DESTINATION MANAGEMENT

NETWORK
- Sri Lanka
- India
- Maldives
- Hong Kong
- Global franchise presence

BUSINESS MIX
- Destination Management
- Outbound Travel
- Expo Rail

REVENUE
- Rs. 2,353 Mn

STRATEGIC ALLIANCE 50% STAKE IN AKQUASUN HOLIDAYS INDIA + SEVERAL GLOBAL FRANCHISE OPERATIONS

OFFICES IN SRI LANKA
- Colombo
- Hambantota
- Galle
- Ratnapura
- Katunayake

OUTBOUND TRAVEL

EXPO RAIL DOMESTIC & EXPERIENTAL TOURISM

IDENTIFIED AS SECONDARY CORE
- Investment towards the creation of a value network
- Investment into development of outbound

EMPLOYEE STRENGTH
- 237

ASSETS
- Rs. 1,209 Mn

EXPO RAIL

RETURN ON CAPITAL EMPLOYED
- 27.7%

PRODUCT MIX
- Corporate Travel
- MICE
- Leisure

PROFIT AFTER TAX
- Rs. 65 Mn

RETURN ON EQUITY
- 36.4%

TRAVEL & LEISURE

SECTOR REVIEW – TRAVEL & LEISURE

SEE→
Economic growth and tourism demand push sector to perform well.

Global Tourism outpaces growth forecasts

According to the UNWTO International tourist arrivals grew by 5% in 2013, reaching a record 1,087 Mn arrivals. Despite global economic challenges, international tourism results were well above expectations, with an additional 52 Mn international tourists traveling the world in 2013. This positive trend is expected to persist in 2014, as UNWTO forecasts 4% to 4.5% growth in the year ahead.

Global tourism thrived in 2013 showing a remarkable capacity to adjust to the changing market conditions, fuelling growth and job creation around the world. The persisting global economic and geopolitical challenges failed to stem growth, with the sector showing resilience and acting as a catalyst for economic revival.

UNWTO has stated that tourism arrivals in 2013 outperformed the long-term forecasted growth of 3.8% per year between the years 2010 to 2020 and the Organisation confirms that the prospects for 2014 will also continue to be above forecasted growth. The UNWTO Confidence Index, based on the feedback from over 300 experts worldwide, confirms this outlook.

Demand for international tourism was strongest for destinations in Asia and the Pacific with a demonstrative growth of 6% and above, whilst the strongest growth stemmed from the sub-region of South-East Asia which recorded an above 10% growth, whilst South Asia recorded a 5% growth. Region wise other top performers were Africa (+6%) and Europe (+5%). Europe, however, led growth in absolute terms, welcoming an additional 29 Mn international tourist arrivals in 2013, raising the total to 563 Mn.

2014 regional prospects are strongest for Asia and the Pacific (+5% to +6%) and Africa (+4% to +6%), followed by Europe and the Americas (both +3% to +4%). In the Middle East (0% to +5%) prospects remain positive yet volatile.

Data Source: UNWTO Tourism Barometer 2014

Sri Lanka records highest arrivals

Sri Lanka welcomed a record 1.2 Mn tourists during the year 2013, reaching its tourism arrivals target for the year. Whilst in 2012, the destination garnered 1 Mn tourists; in 2013 the destination witnessed a 26.7% growth on the back of arrivals stemming from events such as the Commonwealth Heads of Government Meeting.

Four years into the post-conflict era, Sri Lanka tourism in 2013 witnessed a sharp acceleration of YOY growth in comparison with the 17% YOY growth evidenced in 2012. This sets a positive trend, expected to persist in the upcoming year.

Outbound gains in strength

World outbound travel grew solidly this year, according to results from IPK International's World Travel Monitor (WTM) presented at the Pisa forum. Based on the trends of the first eight months the volume of outbound trips were expected to grow by 4% to 947 Mn in 2013 and the number of overnight stays expected to increase by 4% to just over 7.5 Bn nights by the year's end. This was the first time for several years that the average length of an international trip – just below 8 nights - did not decrease. There was also a slight rise in spending. With average spending of US$ 1,659 per foreign trip, world outbound travel turnover grew by 6% to US$ 1,571 Bn, according to the World Travel Monitor, which covers 90% of world outbound markets.

TRAVEL & LEISURE CONTD.

	2010	2011	2012	2013	2010-2013 CUMULATIVE
Outbound trips	+7%	+5%	+4%	+4%	+22%
Outbound nights	+5%	+4%	+2%	+4%	+16%
Outbound spend USD	+7%	+8%	+4%	+5%	+28%
Source: World Travel Monitor 2013, IPK International					

Table: World Travel Trends (% change over respective years)

Sri Lanka's outbound market has witnessed YOY growth over the past decade. In 2012, the outbound figures surpassed 1.0 Mn departures for the first time, and this steadily increased to I.26 Mn in 2012. With the shift of the Sri Lanka to that of a middle-income economy, enhanced individual disposable incomes have supported the capability of Sri Lankans to travel abroad, with greater frequency, both for leisure and business.

Data source: World Travel Monitor 2013, IPK International
2012 Annual Statistical Report, Sri Lanka Tourism Development Authority

MICE segment enlarges in value

In the business travel market, there has been an interesting shift in demand. The so-called MICE sector – Meetings, Incentives, Conferences & Exhibitions – has grown much faster than traditional business travel since 2009. Substantial cuts in corporate travel spending are a key reason behind this trend. Over the first eight months of 2013, the MICE segment grew by 6% while traditional business travel shrank by 10%, the World Travel Monitor showed. The MICE segment now accounts for 54% of the total business travel market. Within the MICE segment, incentives (+61%), conventions (+44%) and conferences (+27%) have all grown strongly since 2009 on a cumulative basis while traditional company trips have declined by 10%.

The MICE market has seen tremendous growth in Asia, expanding by 133% over the last 6 years in comparison to the global market growth rate of 19.9%. While traditional industry leaders in the region, such as Singapore, Japan and South Korea, have long enjoyed steady growth, other countries such as Taiwan, India and Malaysia in the region are now emerging as competitors.

In the Sri Lankan context, Convention and Meetings improved to 2.2% in 2012. Of this the largest proportion of business tourists came from Asia recording 45.2% of the business travellers while Western Europe claimed the second place recording 33.3%. It is noted that out of those who came as Business Travelers, 21.5 % were from India only showing a decrease of 20.9 % compared to the previous year, 2011.

India, as the major tourist source market, produced over one hundred and seventy six thousand tourists to Sri Lanka in 2012. India as a source market comprised of is comparatively different from that of all other markets demonstrating a growing business and MICE segment. As a result, tourism authorities view India as a star segment for MICE tourism.

Over the past four years, Sri Lanka has witnessed unparallel development in terms in enhanced infrastructure. Tourism remains the primary benefactor of infrastructure development activities undertaken. The commissioning of the Southern Highway and the more recent expansion of the highway to Matara has lent a host of benefits to tourism service providers and tourists alike. The opening of the much-needed Katunayake Expressway has enhanced the image of the destination and facilitated travellers especially those on business and MICE travel. Cumulatively, the opening of the Mahinda Rajapakse International Airport, the MagamRuhunupura International Conference Hall and the Magampura Mahinda Rajapakse Port have positioned Sri Lanka's deep south in a competitive position for MICE business.

Sector Strategy & Potential

The Group's travel and leisure sector is once again well aligned to the national strategy for hub status and is directly correlated to the development of Sri Lanka as an aviation and tourism hub. Although much of the Group's travel and leisure activities are focused towards outbound travel, business vectors on MICE tourism and experiential services such as Expo Rail are expected to gain direct benefits from the growth of Sri Lanka as Asia's transportation (maritime and aviation), tourism, energy, financial, commercial and knowledge hub.

Moreover, the move towards a middle-income economy poses great opportunities for the sector. Sri Lanka passed the ADB's lower middle-income threshold guideline of USD 2,000 per capita in 2008 and in 2010 IMF promoted Sri Lanka from the list of Poverty Reduction and Growth Trust (PRGT) eligible countries to middle income emerging market status. The Central Bank of Sri Lanka (CBSL) has set the economic target of passing USD 4,000 per capita by 2016 to move the economy into upper middle-income range as defined by the World Bank. If the national economy continues to move strategically towards this realisation, then the opportunities for the Group's travel and leisure sector performance is expected to be significant. The sector in the medium-term, therefore, is viewed as critical for future growth.

About the Sector

Expolanka operates a range of companies focused on inbound and outbound travel, destination and leisure management services. The Group operates Sri Lanka's only round the clock travel agency, a luxury train travel service, and a global destination management company. The sector, through innovation, has carved a unique niche for itself in the industry.

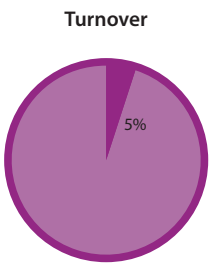
Sector Performance - Financial

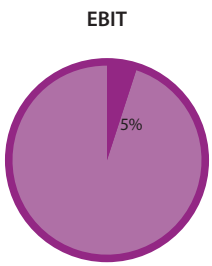
The travel and leisure sector posted commendable returns in the reporting period, underpinned by the sectors' focus on enhancing value and enlargement of market share and product offering.

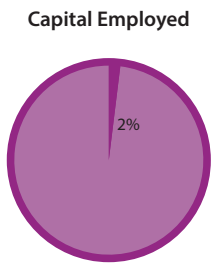
The sector sustained the revenue levels to reach Rs. 2,353 Mn , garnering financial returns in line with forecasts for the year. Earnings before interest and taxes grew by 7% to reach Rs. 111 Mn. The sector accounted for 5% of the Group's revenue and earnings before interest and taxes in the year under review.

TRAVEL AND LEISURE			
(RS. MN)	**2013/14**	**2012/13**	**% CHANGE**
Revenue	2,353	2,377	-1%
Earnings Before Interest & Taxes (EBIT)	111	103	7%
Finance Cost	27	16	69%
Profit Before Tax	84	87	-4%
Profit After Tax	65	76	-14%
Total Assets	1,209	949	27%
Total Equity	180	156	15%
Total Debt	153	163	-6%
Capital Employed	333	320	4%
Return on Equity	36.4%	48.8%	-25%
Return on Capital Employed	27.7%	28.8%	-4%

TRAVEL & LEISURE CONTD.







Sector Performance – Operational

Outbound Operations

The sector's outbound operations continued to witness an increasingly competitive industry framework; with the industry growing exponentially as new entrants entered the fray. An estimated 600+ travel agencies are estimated to be operative across the country although the bulk of the business remained with a few large players. The industry itself, in terms of value witnessed a growth of 6% in 2013 YOY, spurred by a growth in the number of outbound travellers. Facilitating growth was a sharp incline in inbound travel, which catalysed business for the outbound travel sector. Nevertheless, the main industry players were a few large-scale operators, many of which were traditional players with a legacy in excess of 30 years in the Sri Lankan outbound travel business.

Classic Travel, the sector's outbound operator, maintained market leadership with a 7.7% market share, despite being a younger market participant through continuous innovation of the product and service offer. In May 2014, the Company celebrated 20 years of operations. 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 markets,

However, during the financial year, outbound operations faced a severe challenge in the form of the International Air Transport Association's (IATA) Billing & Settlement Plan (BSP), a new bill payment cycle, which reduces credit period of agents from fifteen days to seven days, thus posing pressure on working capital and cash flows. Additionally, with the appreciation of the USD, outbound travel became less affordable with SLR price increases to all destinations. Whilst in the past, the expectation had been for the revival in supply of budget travel; this failed to materialize during the year. On the positive side, budget airlines continued to refrain and cutback from the destination due to their inability to be successful in the Sri Lankan marketplace. For travel agents this was a bonus given that budget airlines operate outside of the travel agency network, with dependence on online booking.

On the partnership front, the Company established a number of new alliances during the year with global travel operators with the intention to benefit from the synergies of the two collaborating parties with optimisation of volumes and expertise whilst garnering greater focus to the business. The most significant of these collaborations was the strategic partnership with Egencia, a world-class full-service corporate travel solutions company. Egencia provides expert local service to more than 10,000 clients in more than 60 countries around the world. A part of the Expedia group, the world's largest travel company, Egencia provides avant-garde companies with the ability to drive compliance and cost savings in their travel programmes, while meeting the needs and requirements of the modern business traveller. Egencia blends travel agency services, innovative travel technology, and global travel market expertise to deliver solutions and cost-savings to companies.

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 centre, visa documentation

assistance, fully-fledged studio and the convenience of an in-built bank.

Destination Management

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 12 destinations.

Akquasun's current network of sales and franchise offices spans Sri Lanka, the Maldives, Mauritius, Hong Kong, China, Malaysia, Thailand, Russia, USA, 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. With growing disposable incomes and the emergence of a wealthier middle-class, India has emerged as the world's fastest-growing outbound market and in absolute numbers it is second only to China. The number of Indians traveling overseas is set to rise from around 15 Mn today to 50 Mn by 2020.

As a predominantly B2B player, Akquasun's focus of operations in the year under review was to consolidate its global position in the B2B market. Concurrently, it commenced action plans and strategies towards the entry and development of new source markets. Towards this end, the Company achieved its target for the year, servicing in excess of 35,000 passengers during the concluding financial year. Akquasun also strived to enhance its product portfolio, with the intention to gain a stronger foothold in the MICE market segment. Additionally, it undertook a range of other product and market development initiatives which are expected deliver value in the medium term.

With a strong presence in India, Akquasun has the potential to garner strong growth on the back of the sheer size of India's outbound industry. Although the market is price competitive, the Company has the potential to differentiate through value generation derived from the group's synergies.

The Group's DMC operations are global and therefore, the potential to derive growth from an upsurge in tourism world-wide is an opportunity that Akquasun looks to exploit over the next 5 years, towards which the Company invested in resource-wise, during the reporting period.

Akquasun Holidays is recognised as a global player and as such was awarded 'Asia's Leading Destination Management Company 2012,' at the WTA (World Travel Awards) awards programme, hailed as the 'Oscars of the travel industry'. The Company was also recognised regionally with the award of "Masterbrand Golden Star Award" by the States of India.

With the aim of expanding market base and improving its operating structures, the Company focused on key strategies towards improving the operating structure. In this respect, Akquasun entered into a number of franchise based partnerships in several of its new destinations ensuring the Company is able to concentrate and focus its affairs on the most critical determinants of future growth; market and product development.

Expo Rail

Established by the Group in 2011, 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, Expo Rail provides premium services on several routes in Sri Lanka.

However, despite the potential of the business model, operations of the Company are dependent on a number of variables that are beyond its direct control. These factors continue to constrain the financial and operational performance, as was evidenced during the reporting period. Despite the fact that Expo Rail maintained consistency in volume, driven by its online booking facility, the Company fell short of revenue expectations in the financial year.

Currently, the operational model is under further refinement. The brand received significant exposure in both local and international media during the year, of significant value was the exposure received by Expo Rail in CNNGo during 2013.

TRAVEL & LEISURE CONTD.

Key Achievements

- Classic Travel, the sector's outbound operator, maintained market leadership with a 7.7% market share
- Company maintained its position as the No.1 producer volume wise from the perspective of IATA.
- Classic Travel forged strategic partnership with Egencia, a world-class full-service corporate travel solutions company.
- Akquasun Holidays recognised as a global player and as such was awarded 'Asia's Leading Destination Management Company 2012,' at the WTA (World Travel Awards) awards programme.
- Akquasun recognised regionally with the award of "Master brand Golden Star Award" by the States of India.
- Expo operates on three major rail lines in Sri Lanka serving four routes and over sixty destinations
- ExpoRail featured in CNNGo during 2013.

Future Outlook

The key focus for Classic Travel, going forward, will be to transform from the role of travel agent to travel consultant. In this transformative process, technology is looked upon as critical in implementation of strategy and as such the Company will explore the scope for integration of technology-based platforms towards greater customization of travel solutions.

The intention is for Akquasun to be a truly global operator in the medium term, through an expansion of the global network. The Company recognises that it will encounter economic and political volatility in its core market – India – with trade risks sharpening with the depreciation of the IRS, liquidity issues besetting the nation and as a result of political change. However, India's middle-income bracket continues to grow and is expected to fuel outbound growth in the medium term. The MICE segment is also expected to grow exponentially as corporates open up to the concept of MICE activity.

In the upcoming year, the continued intention of Akquasun will be to maintain focus on growing its current position by engaging in key market development and product development initiatives. The Company intends to concentrate on improving overall product margins.

ExpoRail will continue to focus its efforts towards redefining the rail experience in Sri Lanka. The intention, going forward will be to maintaining service standards to global criteria, despite operating in a scenario where the Company's control of the total service – i.e. schedules, line faults, route delays etc – is challenging due to its dependence on a third party operator.

Sustainable Actions

Venture Engine, Empowering Entrepreneurs

Following the immense success of Venture Engine 2012 which led to 8 businesses receiving funding worth over Rs. 100 Mn in total, Blue Ocean Ventures and the Indian Angel Network, announced the launch of the 2013 Venture Engine Entrepreneurship Challenge at a media briefing held on 7 May.

The programme continues to be backed by industry heavyweights with Expolanka Holding PLC and Dialog Axiata returning as sponsors, with Orion City also lending their support as a sponsor. The launch marks the official call for business plan submissions by aspiring entrepreneurs and those looking to expand their initial stage

Venture Engine, Empowering Entrepreneurs

businesses & seeking funding. Following an evaluation the top selection of plans will be called in for presentations and mentoring workshops where the entrepreneurs will have an opportunity to work directly with leading investors and businessmen from the region to fine tune their pitches.

In addition to the on-going development of the 8 finalists businesses Venture Engine also launched the Lankan Angle Network, an investor forum that looks at new business ideas being generated in the market. Venture Engine also tied up with the Academy of Design to unveil the Business Launch at the Sri Lanka Design Festival and partnered with the Ceylon Chamber to promote the ICT industry by running a business plan competition. Hicka Hack, a programme for entrepreneurs to 'hack' ideas will also launch in May 2013. All these events have helped turbo-charge the entrepreneur ecosystem in the country which is the primary objective of Venture Engine.

While the top three plans will be selected and awarded a series of prizes to help start off their businesses, the real potential of the event lies in creating visibility for the participating entrepreneurs to a network of prospective investors who are all encouraged to explore investment opportunities outside the scope of the event.

SIGNIFICANT EVENTS OF THE YEAR

- Classic Travel expands operations to Katunayake with a new branch opening
- Classic Travel appointed as the exclusive PSA (Passenger Sales Agency) for Korean Air in the Maldives
- Classic Travel appointed as the General Sales Agent of MakeMyTrip (MMT) for Sri Lanka

Venture Engine, Empowering Entrepreneurs

Venture Engine, Empowering Entrepreneurs

exp
Business Beyond Borders

INTERNATIONAL TRADING & MANUFACTURING

Expolanka is one of the pioneer exporters of fresh produce from Sri Lanka and now touts a full spectrum of produce to the global market. Specialising in commodities such as tea and coconut, the sector now adds value to produce, in a bid to differentiate in an increasingly competitive marketplace endearing customers in Europe, Middle East, and the African continent amongst others.

- Fresh Fruit & Vegetables
- Coconuts
- Tea & Plantation
- Waste Paper
- Value Added Agro Products
- Herbal Pharamaceuticals
- Meat Products

Rs.**14,513**Mn
REVENUE

Rs.**17**Mn
PAT

6.9%
ROCE

1.5%
ROE

International Trading and Manufacturing sector underwent a series of re-engineering efforts with a view to sharpen its business focus and improve returns and divested volatile businesses that generate varying returns. This sector consolidated a more stable, contracted commodities cluster that is expected to deliver higher returns, consistently in the long term.

TEA EXPORTS AND PLANTATION

PERISHABLE OPERATIONS

AGRO PROCESSING

FOOD PROCESSING

WASTE PAPER OPERATIONS

FOOD PROCESSING
- Meat Products

EMPLOYEE STRENGTH
- 437

ASSETS
- Rs. 4,813 Mn

RETURN ON EQUITY
- 1.5%

RETURN ON CAPITAL EMPLOYED
- 6.9%

REVENUE
- Rs. 14,513 Mn

AGRO PROCESSING
- Value Added Agro Products
- Herbal Pharamaceuticals

PROFIT AFTER TAX
- Rs. 17 Mn

KEY EXPORT MARKETS
- Middle East
- CIS Countries
- Europe
- Australia

TRADING & MANUFACTURING
- Fresh Fruit & Vegetables
- Coconuts
- Tea & Plantation
- Waste Paper

MAJOR BRANDS
- T-sips
- Mo Fruit
- Baraka
- Crescent Norfolk

IDENTIFIED AS SECONDARY CORE
- Re-engineering of cluster with discontinuation of identified categories
- Consolidation of remaining businesses

INTERNATIONAL TRADING & MANUFACTURING

SECTOR REVIEW – INTERNATIONAL TRADE & MANUFACTURING

SEE→
Re-engineering & consolidation strengthens sector's future return

About the Sector

Expolanka is one of the pioneer exporters of fresh produce from Sri Lanka and now touts a full spectrum of produce to the global market. Specialising in commodities such as tea and coconut, the sector now adds value to produce, in a bid to differentiate in an increasingly competitive marketplace endearing customers in Europe, Middle East, and the African continent amongst others. In recent latter years, the sector invested towards manufacture and holds a diversified portfolio of manufacturing businesses including herbal pharmaceuticals, fresh and processed foods and waste paper operations.

Sector Strategy & Potential

The International Trade & Manufacture sector underwent a series of re-engineering efforts in 2013/2014 with a view to sharpen its business focus and improve returns. 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.

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.

During the year, in the area of manufacture, Expolanka divested its interests in Lanka Premier Foods. Group strategy and Group financial forecasts over the next five years, was demonstrative of the fact that Lanka Premier Foods would require excessive investments to match financial forecasts.

Sector potential however, remains low, given that international trade in commodities is a key revenue driver which is vulnerable to price fluctuations.

The herbal pharmaceuticals business has scope for enlargement in both the domestic and international markets as non-communicable diseases steadily rise with the changes in lifestyle and as people shift from allopathic to preventive, natural health enhancers.

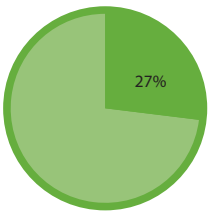
Sector Performance - Financial

The International Trade and Manufacture sector accounted for 27% of the Group's revenue and 8% of the Group's earnings before interest and taxes in 2013/14. The sector witnessed enlargement of revenue to reach Rs. 14,513 Mn,

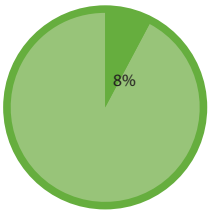
INTERNATIONAL TRADING & MANUFACTURING			
(RS. MN)	2013/14	2012/13	% CHANGE
Revenue	14,513	12,646	15%
Earnings Before Interest & Taxes (EBIT)	175	241	-28%
Finance Cost	131	156	-16%
Profit Before Tax	44	86	-48%
Profit After Tax	17	50	-67%
Total Assets	4,813	6,042	-20%
Total Equity	1,087	1,294	-16%
Total Debt	1,040	1,739	-40%
Capital Employed	2,127	3,033	-30%
Return on Equity	1.5%	3.9%	-60%
Return on Capital Employed	6.9%	6.8%	2%

INTERNATIONAL TRADING & MANUFACTURING CONTD.

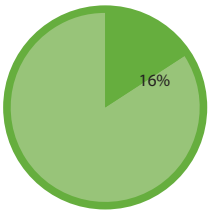
Turnover



EBIT



Capital Employed



Sector Performance – Operational

Tea

The financial year was yet another challenging year for the tea industry, beset by a slump in the largest market – the Middle East. Wage increases and erratic weather both compounded the complexity of the market situation.

Thus, the sector also witnessed a contraction of bulk tea volumes as off-take from the Middle East declined. Despite the challenges, the sector tea operations maintained presence as one of the top 10 tea exporters in 2013.

In 2013/2014, the t-sips brand entered new markets including United Kingdom and Australia.

Our tea plantation in the low grown area in Kalawana registered modest production, and sustained leaf in-take, with contribution from smallholder suppliers. However, wage escalations, rise in energy costs and production inefficiencies weighed down the cost of production, and did not portend well for the plantation operations.

Going forward the key focus will be to increase volume to the existing markets and better yield management to achieve efficiencies.

Perishable Operations

The national economy and government policy was favourable towards the fruit and vegetable export industry during the reporting period. Unlike in the previous financial year, some instability in prices, the Ministry of Trade and State Sector catalysed a series of interaction between regional chambers of commerce to effect bilateral relations and Free Trade Agreements. However, airfreight charges increased by approximately 5%, and this became a matter of concern as margins contracted in the face of the cost increase.

The Governments efforts towards the enlargement of the farmer community in the Northern and Eastern Provinces will create a larger base of smallholder suppliers for the sector to tap as potential suppliers in the medium term.

The overall coconut industry productivity declined in 2013, although expectations are for the industry yields to rise in 2014. The sector accounted for trade of over 500 MT of Desiccated Coconut in the reporting period, and therefore maintained a high volume trade turnover.

Fresh coconut exports declined during the year due to a loss of market in the Middle East, which accounts for majority of the sectors coconut exports. The continued political and social instability in the region served as deterrents to the business.

Therefore, the strategy during the year was to reinforce the desiccated coconut export segment through a concerted strategy to develop the existing markets through quality improvements, enhanced client relationships and by venturing into new markets.

The sector entered into the value added product segment during the year with exports to key European markets. Moving forward, this segment will remain one of the critical sub sectors given the very favourable demand outlook for value added products, globally.

Processed Meats

The Norfolk Foods and Crescent brands continued to grow in the local retail and HORECA markets during 2013/14, despite an evident contraction in disposable incomes amongst consumers. The brand proactively stimulated attention in the retail market – in which it is not as dominant as in the HORECA segment -, in a bid to secure itself in the perceptual space of the retail consumer. The aim therefore, during the year under review was to essentially use

the experience in catering to the HORECA market to effectively offer a consumer-centric, high quality product to the retail segment. Creating enhanced brand awareness was a key objective in the brand expansion process; pilot studies suggested scope for enlargement of the retail base. The sub-sector therefore, strategised to maintain HORECA leadership, enter retail market with a greater portfolio of products whilst marketing the no preservatives, additives proposition which is unique to the brand.

The year also saw the consolidation of the operational processes, leading to better resource utilisation 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. The sales and marketing functions were also restructured to bring greater focus to retail marketing and distribution.

Performance-wise, the sub sector recorded modest returns due in large to the competitive and rather demand dampened market scenario, demonstrating a YOY growth of 12%.

The future look for the sub-sector remains positive in view of the potential to further entrench the brand in the HORECA segment and given the encouraging performance in the retail sector. Investment into marketing is expected to derive a bigger contribution of the retail business in the medium term. As the business consolidates, expectation of future growth remains high.

Herbal Pharmaceuticals

The herbal pharmaceuticals sub sector represented by the brand Baraka consolidated its presence in the local marketplace whilst growing its appeal in the international arena. The relaunch of the brand in August 2013 cascaded benefits to the brand in the reporting period with brand reaching and impacting core target markets. The relaunch of the brand through the conceptualization of a new brand identity and packaging added vibrancy to the brand while espousing the brand values through visual depiction in the new logo. During the year, on the back of this integrated campaign, the brand effectively consolidated its presence establishing itself not only as a wellness brand but also as a lifestyle brand amongst the younger target markets. Growth was evident therefore, in an otherwise stagnant market due to the brand's ability to appeal and elicit action from consumers.

The range of food supplements is now available in over 30 countries around the world, both under the Baraka brand as well as private labels. In 2013/14, further investment was made towards the development of a world-class production facility. The intention is for the establishment of a facility that will be the best in the region in terms of an Ayurvedhic manufacturing plant.

During the financial year, the brand and its operations received JAS Organic Certification and Fair Choice Certification. But most importantly, a USFDA Audit was completed successfully, with the Federal Drug Authority (FDA) of the United States visiting Sri Lanka for the first time for an audit of this nature.

In terms of the future outlook, the brand intends to enter new markets in the Asian region, specifically in the Maldives and Malaysia over the upcoming financial year. Of course, interest and attention on the core export markets of Europe, Middle East, United States and Canada will be maintained with new niche markets sourced and entered with a view to increase penetration and market presence. The brand will also explore and grow a range of product extensions such as coconut oil and bees' honey as a support category for the supplements.

In the domestic market, the brand hopes to enter the general trade with a view to tap the enlarged market potential as non-communicable diseases such as obesity, diabetes and cardio health deteriorates amongst the Sri Lankan population. National health research indicates that non-communicable diseases such as cardiovascular disease, diabetes, cancer, asthma/chronic obstructive disease, and mental illness are on the rise. Research has also indicated that currently over 90% of the nation's 'disease burden' is placed on the control and treatment of non communicable diseases whilst only 10% is placed on curative treatment for infectious disease and preventive treatment for maternal and child healthcare. Diabetes and asthma are also on the rise: 10% and 15%-20% respectively, per 10,000 people. Therefore, the role for natural supplements to stem the growth of these non-communicable diseases is high, and a growth base of individuals, through prudent education of the associated risks, are resorting to natural supplements as a preventive measure.

INTERNATIONAL TRADING & MANUFACTURING CONTD.

Waste paper Operations

The concentration of focus remained on paper recycling with the sub sector honing all resources towards optimising its core competency whilst shedding operations in non-core areas such as the ESCO energy efficient lighting, paper reel and metal businesses. The intention during the year was to move away from volatile businesses whilst investing into the core businesses such as export of paper for recycling in a bid to optimise high value returns. 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.

Key Achievements

- Amongst the Top 10 Tea Exporters in 2013/14
- Amongst the Top 2 Fruit & Vegetable Exporters in 2013/14
- Company maintained its position as the No.1 producer volume wise from the perspective of IATA.
- Bronze Award for Diversified Business & Marketing Extension (Extra Large Category) at the Agri Business Awards
- Silver Award for Value Added Products at the Agriculture Awards
- No 1. Supplier of Processed Meats to Sri Lanka's HORECA segment
- No. 1 Supplier of Processed Meats to all international franchise holders in Sri Lanka
- National Business Excellence Merit Award for Baraka International
- Successful completion of USFDA Audit for Baraka International

Sustainable Action

Health Care to Elders on World Elders Day

Expolanka Holdings PLC organised a series of Health Camps in Aranayaka, Dematagoda, Pandura and Slave Island for over 600 elderly patients in commemoration of World Elders Day 2013.

Expolanka together with HelpAge made it a point to provide free health care for persons with low income who required general medical checkups. The health camps offered patients with total health 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.

Sri Lanka has an aging population and in view of this the Group has taken the responsibility to take care of elders.

Further to the general health care provided at the camps, Expolanka CSR also offered the elderly with free eye care. Patients with severe eye damage were identified and presented with spectacles and medication free of charge.

Expolanka CSR called upon the assistance of HelpAge to strengthen the mission of the organisation and to channel resources where it will be best utilised in the treatment of the elderly and for the strong reputation the NGO bestows.

Elders Day is dedicated to the older folk of Sri Lanka and is celebrated on the 1 of October. The theme for this year was "Preparing for old age throughout your life". The Health Ministry predicts that the population of elders in the country is likely to double by 2030. As of now, elders account for 10% of the population.

Health Care to Elders on World Elders Day

PLACE	NUMBER SUBJECTED TO MEDICAL SCREENING	NUMBER SUBJECTED FOR SIGHT SCREENING	SELECTED FOR PROVISION OF SPECTACLES	SELECTED FOR CATARACT OPERATION	NUMBER PROVIDED WITH READING GLASSES
Aranayake	77	79	54	21	03
Dematagoda	62	76	58	10	08
Panadura	87	82	68	08	-
Slave Island	65	80	60	12	15

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

Expolanka's Expo Medix treats 100,000th patient

The Group in 2013/14 reached a milestone in the Expo Medix programme with the treatment of the 100,000th patient in the Group's flagship CSR programme 'Expo Medix'. The programme in essence is a chain of affordable medical clinics, inspired by the idea of providing free medical consultation and subsidized drugs to patients. 'Expo Medix" treats patients in Mattakkuliya, Slave Island, Grandpass, Wattala, Kalutara and Panadura with an average of over 200 patients visiting each clinic weekly.

Since inception with a simple clinic in Mattakkuliya, the programme has grown rapidly to comprise of 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. The clinics also provide medicines and drugs at a subsidised cost.

In line with the Group's core values, 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.

Expolanka's Expo Medix treats 100,000th patient

INTERNATIONAL TRADING & MANUFACTURING CONTD.

Bio Extracts recognised for social and fair trade standards

Bio Extracts, a part of the Group's International Trade & Manufacturing sector received the much-acclaimed Fair Choice certification for its fair trade production methods from the Control Union (CU) following a rigorous inspection process. Control Union certification is a guarantee that the Company is committed to sustainable development and improvement of social conditions, meeting the demands of conscious consumers.

The Fair Choice certification reaffirms Bio Extracts' deep understanding of social and environmental principles as well as its strict adherence to all aspects within these principles. The Company is not only dedicated to complying with ILO conventions and national legislations to protect employees and relevant communities but also to ensuring proper water, waste and biodiversity management.

Control Union provides certifications of Social and Fair Trade Standard ("CU Fair Choice") and is based on the development of human, social, environmental and economic principles. In order to be certified, enterprises must meet a minimum percentage of compliance of the criteria listed in this standard.

Accordingly, CU Fair Choice certification covers Bio Extracts' black seed oil, essential oil, virgin coconut oil and herbal products.

CU Fair Choice is verifiable through evidence–based process. Its requirements apply to agricultural products (raw or processed) and demonstrate their production under good working and environmental conditions, reinforcing the image of agriculture sector and promoting a recognisable market position.

In line with the Group's CSR strategy, steps have been taken to implement and practice ethical business processes and are constantly reviewing best practices as part of the Group's absolute commitment towards sustainable production. Established in 1993 as a subsidiary of Expolanka Holdings, Bio Extracts continues to upgrade its standards by being Certified ISO 22000: ISO 14001, HACCP; HALAL and its manufacturing process under GMP certification from the Sri Lanka Standards Institution

CERTIFICATE

FAIR TRADE PRODUCTION METHODS
CU Fair Choice

Bio Extracts (Pvt) Ltd.
Colombo, Sri Lanka

CONTROL UNION FAIR CHOICE
SOCIAL AND FAIR TRADE STANDARD

Option 1
Social & Environmental criteria

Bio Extracts recognised for social and fair trade standards

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 2013/14, the Company collected 32,746 kilograms of waste paper.

SAVING & CONTRIBUTION TO THE ENVIRONMENT
EXPOLANKA GROUP – SRI LANKA

RESOURCES	UNIT	2012/13	2013/14
Trees	Number	237	557
Water	Liters	443,458	1,040,668
Electricity	KWH	55,816	130,984
Oil	Liters	24,489	57,469
Land Fill	Cubic Meters	42	98
Reduction - Green House Gas Emission	(KG Carbon Equivalent)	13,954	32,746

Source : Neptune Papers (Pvt) Ltd.

SIGNIFICANT EVENTS OF THE YEAR

- Bio Extracts unveils its new logo, packaging and brand strategy for their Herbal healthcare range 'Baraka'
- Bio Extracts received Fair Choice certification for its fair trade production methods from the Control Union (CU).
- Bio Extracts won a merit award in the Manufacturing-other category at the National Business Excellence Awards 2013.
- Expolanka Holdings PLC divests its fully owned subsidiaries Expolanka Commodities (Pvt) Ltd and Lanka Premier Foods under the restructuring strategy

Business Beyond Borders

INVESTMENTS AND SERVICES

The Group's Investments and Services sector, at the commencement of the financial year under review, comprised of ventures in the areas of business process outsourcing, tertiary education and GSA representation of major global airlines. In the financial year 2013/14, Expolanka's Investments & Services sector divested BPO operations and the tertiary education business, maximizing returns on investment. Meanwhile, in expectation of precipitated growth in global aviation, the sector consolidated its GSA operations, placing a foundation for future growth.

- GSA
- Investments
- Corporate Services

Rs.**2.562**Mn
REVENUE

Rs.**398**Mn
PAT

11.2%
ROCE

12.4%
ROE

Investments and Services sector consolidated its GSA operations, placing a foundation for future growth.

GSA

PORTFOLIO
- Airline GSA
- Investments
- Corporate Services

REVENUE
- Rs.2,562 Mn

RETURN ON EQUITY
- 12.4%

INVESTMENTS

RETURN ON CAPITAL EMPLOYED
- 11.2%

EMPLOYEE STRENGTH
- 179

CORPORATE SERVICES

IDENTIFIED AS SECONDARY CORE
- Divestments within the sector
- Consolidation of GSA businesses

PROFIT AFTER TAX
- Rs. 398 Mn

INVESTMENTS AND SERVICES

SECTOR REVIEW – INVESTMENTS & SERVICES

SEE→
Sector undergoes dramatic re-engineering, GSA business consolidated as fundamental to future growth

About the Sector

Expolanka's growth has been defined by its diversified investments and partnerships in strategic sectors. The Group's Investments and Services sector, at the commencement of the financial year under review, comprised of ventures in the areas of business process outsourcing, tertiary education and GSA representation of major global airlines. In the financial year 2013/14, Expolanka's Investments & Services sector divested BPO operations and the tertiary education business, maximizing returns on investment. Meanwhile, in expectation of precipitated growth in global aviation, the sector consolidated its GSA operations, placing a foundation for future growth.

Sector Strategy & Potential

The Group's divestment of BPO and Tertiary Education during the financial year, was a strategic decision made on the back of detailed review and future performance . A thorough analysis of the nature of business, the scalability in the medium term and the scope for sustainable growth built a case for divestment. With review outcomes pointing towards the current financial year as the most opportune for divestment.

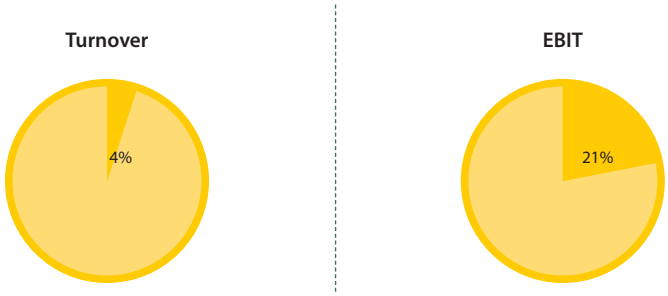
Both the BPO and Tertiary Education ventures were at a hiatus, and considered to be cash cows for the Group. However, it was evident that for both these operations to continue delivering value, further investments of large proportions were required. Cost benefit analysis of such investments revealed that divestment proved to be the most financially beneficial solution and as such the Group undertook a strategic decision to exit from the businesses. Returns from the divestments have been allocated towards strategic investments into the growth of core competencies in the priority business sectors.

However, the sector's GSA operations were highlighted as fundamental to future growth, and as such the sector strategy was to further invest towards the enlargement of the GSA business.

Sector Performance - Financial

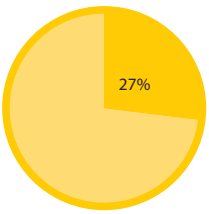
The sector revenue declined by 11% to reach Rs. 2,562 Mn, Earnings before interest and taxes grew significantly to reach Rs. 479 Mn from Rs. 68 Mn that of previous year. The sector accounted for 4 % of the Group's revenue and 21% of Group's earnings before interest and taxes in the year under review.

INVESTMENTS AND SERVICES			
(RS. MN)	2013/14	2012/13	% CHANGE
Revenue	2,562	2,870	-11%
Earnings Before Interest & Taxes (EBIT)	479	68	607%
Finance Cost	10	6	58%
Profit Before Tax	469	61	666%
Profit After Tax	398	(25)	-1686%
Total Assets	2,933	4,436	-34%
Total Equity	3,220	4,183	-23%
Total Debt	411	441	-7%
Capital Employed	3,630	4,624	-21%
Return on Equity	12.4%	-0.6%	-2160%
Return on Capital Employed	11.2%	-0.4%	-2894%



INVESTMENTS AND SERVICES CONTD.

Capital Employed



Sector Performance – Operational

The GSA operations benefited from positive trends in the global aviation industry with International Air Transport Association (IATA) recording a 5.2% increase in demand in 2013 YOY. The 2013 performance aligns with the average annual growth rate of the past 30 years. Capacity rose 4.8% and load factor averaged 79.5% up 0.4%age points over 2012, whilst demand in international markets (5.4%) expanded at a slightly faster rate than domestic travel (4.9%). Strongest overall growth (domestic and international combined) was recorded by carriers in the Middle East (11.4%) followed by Asia-Pacific (7.1%), Latin America (6.3%) and Africa (5.2%). The slowest growth was in the developed markets of North America (2.3%) and Europe (3.8%).

IATA announced that global aviation witnessed healthy demand growth in 2013 despite the very difficult economic environment with a clear improvement trend evident over the course of the year and expected to continue into 2014. The performance of the industry was reflective of the essential and growing role that aviation-enabled connectivity plays in global commerce. IATA also noted that with system-wide load factors at 79.5%, airlines are continuing to drive efficiencies and optimize resources.

On the whole, the evident trend was that travellers were more disciplined in their spending behaviour even though increased disposable incomes as key global economies recovered, resulted in increased air travel. Buying behaviour patterns indicated that purchases were heavily researched and contemplated leading to an increasingly competitive environment for airline operators.

Key strategic focus for GSA sector

The Company offered the opportunity to have one structured and process driven platform for development and is also a credible source in the offer of knowledge, expertise, skills and a central pool of resources aimed at one common objective; namely to move away from being a mere regional player to one that is inherently, actively global. Moreover, the new structure allows for the Group to benefit from global business partnerships and strategic alliances whilst also facilitating effective communication channels, thereby speeding up the decision-making process.

The GSA sector entered into strategic partnerships in key markets with the intention to expand the scope of operations in the Far East and Africa. Strategies were formulated with the sector's principles for representation in many markets, whilst portfolio expansion was of core focus, predominantly in the areas of ground handling, chartered operations, road feeder and aviation training.

Key Achievements

- Sector acquisition of Turkish Airlines cargo online operation in Kenya
- Sector acquisition of offline GSA's Hainan Airlines Cargo, Fly Dubai, Vietnam

Investments & Services

The Group seeks investments to strengthen the entrepreneurial conglomerate especially in core businesses and those that are synergistic to the core businesses. 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

The future scope for the aviation industry is immense. According to Boeing, Asia Pacific airlines will require almost 13,000 more aeroplanes worth USD 1.9 trillion over the next two decades. Estimates predict that by 2032 the total number of Asian carriers will reach 14,750 up from 5000 in 2012. Boeing predicts that over next twenty years, nearly half of the world's air traffic growth will be driven by travels to and within the Asian region.

Whilst Sri Lanka aspires to become an aviation hub, utilising the country's strategic location and skilled workforce as core competencies, the Government of Sri Lanka plans to lift the aviation industry across all spheres of aviation activities by 2020. These initiatives come at a time when the ASEAN is striving to achieve economic

integration by 2015, transforming the region towards free movement of goods and services, investment, skilled labour and a free flow of capital. Emphasis is placed on the integration effort towards the formation of ASEAN's Single Aviation Market (SAM), which seeks to liberalise air services under a single, unified air transportation market, also by 2015.

In looking to the future, the intention will be to focus resources and grow at a precipitated rate through partnerships and alliances in the future, whilst being a total solutions provider for the world's finest airlines.

Sustainable Actions

"Shaping Futures" – Higher Education and Career Fair

This annual event, held at the APIIT City Campus gave the younger generation an opportunity to network with leading corporate professionals and educationalists and obtain guidance on career prospects, aligned to their aspirations and employer expectations in Sri Lanka as well as in the UK and Australia. The event was successful in preparing many school leavers to take a suitable path in higher education to achieve their career goals. The programme hosting over 150 participants covered career options in an array of disciplines under the guidance of an imminent resource panel. The focus, however, was on IT and business fields which were sought after by most participants.

Scholarship Programme

As part of an annual CSR initiative, APIIT awarded 10 full scholarships to extend premier quality education opportunities for outstanding and underprivileged students and thereby uplift their socio-economic prospects in life, with trickle down effects to the entire society. The Company incurred a sum of Rs.10 Mn for this programme.

SIGNIFICANT EVENTS OF THE YEAR

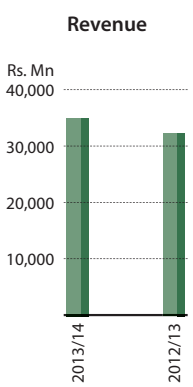
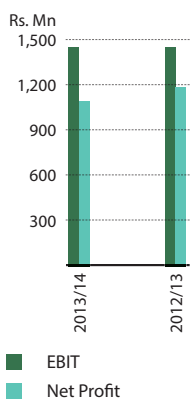
- Expolanka Holdings PLC divested 38% of its stake in its subsidiary Asia Pacific Institute of Information Technology (Pvt) Ltd to LANDAS BIJAK SDN BHD a subsidiary of Ekuiti Nasional Berhad (Ekuinas) as part of the restructuring strategy.
- Expolanka divests Hello-Corp (Pvt) Ltd to Senok group of companies as part of the restructuring strategy.

"Shaping Futures" – Higher Education and Career Fair

Scholarship Programme

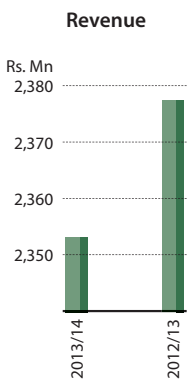
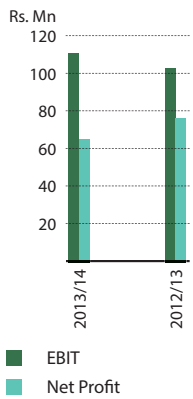
SECTOR SNAPSHOT

SEGMENT	PRODUCT MIX	HIGHLIGHTS 2013/14	
Freight & Logistics	⊙ Air Freight ⊙ Sea Freight ⊙ Logistics ⊙ Warehousing	⊙ Sector continued to consolidate its businesses across the three continents inspite of sluggish global market and trading environment which have diluted the margins. ⊙ Volumes have risen in Air Freight and Sea Freight by 10% and 19% respectively to boost the revenue growth. ⊙ Strong performance recorded in Sri Lanka, Hong Kong and USA while India and Bangladesh underperformed due to geo-political and economic challenges. ⊙ Sustained the positive performances in strategic new markets - US, China and Hong Kong for the second consecutive year. ⊙ Sector placed more emphasis to augment its services from transaction-based to innovatively adding value to its offer. ⊙ Entered into an agreement with BOI to establish the Expo Global Distribution Centre (EGDC), a value-added bonded warehousing facility under the free-port regulations. ⊙ Sector was re-engineered where horizontal growth was the key focus with a view to further consolidate its businesses. ⊙ Sustained the positioning primarily in the niche vertical, fashion logistics. Appointed a new Chief Operating Officer to achieve stable growth of the sector. ⊙ The freight industry contracted its trading capital due to the slowing of economies necessitated better inventory control for global players in the fashion industry. ⊙ The year was challenged with lower yields mainly due to low airline capacities with growth in volumes. Measures were taken to increase operational efficiency by streamlining processes to improve yield management.	

	REVENUE	PROFITS	STRATEGY
			⊙ Consolidate and focus on yield management to drive a higher bottom-line and on the niche, fashion logistics. ⊙ Enhance efficiency by synergising and improving economies of scale and deploying effective IT solutions by integrating systems. ⊙ Add value to offer bespoke solutions and strengthen the supply chain with innovation. ⊙ Strategic investments to drive expansions in potential geographies. Search for new markets that add economic value to the existing freight operations. ⊙ Securing an enlargement in freight business through the offer of value added services. Focus on warehousing and logistics management by moving from transactions based business to solutions based supply chain management. ⊙ With the pursuance of a maritime, aviation and logistics hub status and free port, sector benefit from the national strategy through alignment of the sector's operations with the hub strategy. ⊙ Establishment of value-added bonded warehousing facility with a capacity of 240,000 square feet, under the free-port regulations at the Katunayake Export Processing Zone. Provide solution driven value added services augmenting with transportation. ⊙ Manage externalities on the environment through carbon neutral solutions.

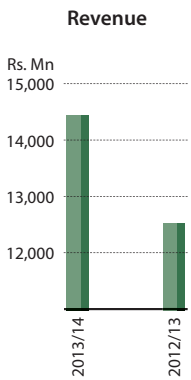
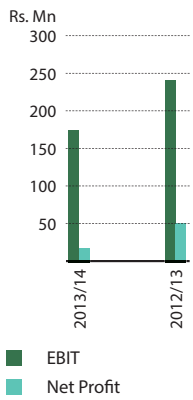
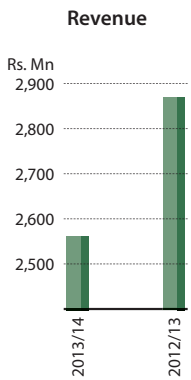
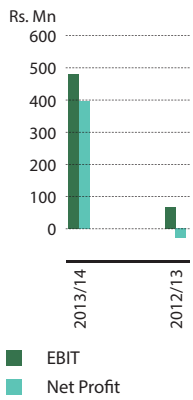
SECTOR SNAPSHOT CONTD.

SEGMENT	PRODUCT MIX	HIGHLIGHTS 2013/14	
Travel & Leisure	⊙ Outbound Leisure & Corporate Travel ⊙ Destination Management ⊙ Expo Rail	⊙ Sector's outbound operator continued to be a leading player in the industry through continuous innovation of the products and services offered at competitive prices. ⊙ The new bill payment cycle under Billing & Settlement Plan (BSP) reduced credit period of agents from 15 days to 7 days, posing pressure on working capital and cash flows. ⊙ Several new franchise partnerships were established with the aim of expansion and growth. ⊙ The focus of the sector's Destination Management Company during the year was to consolidate its global position in the B2B Market and commence action plans and strategies in developing new sourcing markets. ⊙ Contributions from new outbound markets such as Middle East were encouraging. ⊙ Commenced process to implement technology to drive operational efficiencies and sales via a B2B platform. ⊙ Extension of product portfolio with the introduction of new and innovative products. Also structuring and streamlining of sales and operational efforts were undertaken. ⊙ Classic Travel expands operations to Katunayake and Ratnapura with new branch openings.	

	REVENUE	PROFITS	STRATEGY
			◉ Consolidate and focus on the outbound travel segment in Sri Lanka. ◉ Increase the outbound outreach with new branches in potential areas in Sri Lanka. ◉ Reinforce operations at Akquasun Holidays and continue focus on Indian market while optimizing performance of Middle East & US markets. ◉ Seek synergies between the sector companies to grow the market share - crosssell & leverage on economies of scale. ◉ Explore new geographies with high outbound markets Intra-Asia. ◉ Concentration on yield management with improved sourcing. Enhancing product mix with concentration on Higher Yielding businesses ◉ Stronger focus on branding & product development. ◉ Complete deployment of systems & B2B platform during 1st half of the year.

SECTOR SNAPSHOT CONTD.

SEGMENT	PRODUCT MIX	HIGHLIGHTS 2013/14	
International Trading & Manufacturing	⊙ Bulk & Value Added Tea Trading ⊙ Plantation ⊙ Export of Fresh & Desiccated Coconuts ⊙ Export of Fruit & Vegetables ⊙ Processed Fruit ⊙ Herbal Pharmaceuticals ⊙ Processed Meats ⊙ Waste Paper Operations	⊙ Sector underwent a series of re-engineering efforts with a view to sharpen its business focus and improve returns. Divested volatile businesses that generate varying returns. Also divested those ventures that are not aligned with the core sector. ⊙ Focus on core businesses and restructured within the business sector. Discontinued products and services that fell short of the forecasted returns in the medium term. ⊙ Sector consolidated a more stable, contracted commodities cluster that is expected to deliver higher returns, consistently in the long term. ⊙ The sector faced challenges in the Middle Eastern export market due to political and economic issues. ⊙ Pharmaceuticals unveiled its new logo, packaging and brand strategy for their Herbal healthcare range 'Baraka'.	
Investments & Services	⊙ GSA Services ⊙ Investments ⊙ Corporate Services	⊙ 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% of its stake in its subsidiary Asia Pacific Institute of Information Technology (Pvt) Ltd (APIIT). ⊙ The sector performance was mainly driven by the gains achieved from the disposed entities. ⊙ The sector consolidated its GSA operations, placing a foundation for future growth.	

	REVENUE	PROFITS	STRATEGY
			⊙ Focus on core businesses and restructure the ailing portfolio of products and business lines within the Company and with the SBU. ⊙ Divest non-core businesses with low returns. ⊙ Reduce operational risks by strengthening ties with existing buyers, diversifying markets and increasing efficiency through streamlined processes. ⊙ Develop and promote sector brands with further value additions.
			⊙ Consolidate on investments that give adequate returns. ⊙ Divest investments with inadequate returns. ⊙ Diversify investments to balance between risks and returns.

FINANCIAL REVIEW

Consolidated Financial Performance - Synopsis

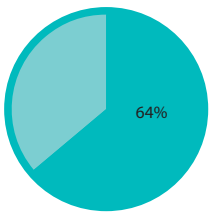
	2013/14	2012/13	CHANGE	COMMENTS
	RS. MN	RS. MN	%	
Revenue	54,379	50,075	9%	⊙ Freight & Logistics sector once again dominated the consolidated revenue growth with Rs. 2,768 Mn and this was driven by both volume and freight rates. ⊙ Volume growth in air freight and sea freight in freight sector by 10 % and 19 % respectively have supported the overall topline growth. ⊙ Focused efforts and strategies in business expansion in key markets and trade lanes have paid off dividends in boosting the topline. ⊙ International Trading & Manufacturing sector also recorded revenue growth amounting to Rs. 1,867 Mn. This was mainly driven by the increase in the perishable exports.
Cost of Sales	(45,851)	(41,954)	9%	⊙ The increase in cost of sales was primarily influenced by the corresponding increase in revenue levels and higher freight rates too impacted the cost of sales.
Gross Profit	8,528	8,122	5%	⊙ Global market conditions, higher freight rates and price volatility in the International Trading and Manufacturing sector pressured the GP margin to slump to 15.7 % from 16.2 % in the previous year.
Other Income and Share of Profit of an Associate	1,030	506	104%	⊙ Under the restructuring process, the Company divested few entities during the year, which has resulted in a gain of Rs. 601 Mn.
Overhead Expenses	(7,339)	(6,730)	9%	⊙ Concentrated efforts were taken through higher productivity and efficiencies to control the overhead cost. ⊙ Overhead costs were incurred for the process improvements and restructuring activities. ⊙ Revenue growth and inflationary impact too contributed for the overhead cost to rise.
EBIT	2,219	1,897	17%	⊙ Increase in gross profit and other income contributed for the significant rise in EBIT which was partially offset by the increase in overhead cost.
Finance Cost	(268)	(227)	18%	⊙ Higher working capital requirements due to the increase in revenue levels impacted the finance cost. ⊙ Increase in project financing requirements also contributed for the rise in finance cost.
Profit Before Tax	1,951	1,670	17%	⊙ Higher gross profit and other income were the key drivers for the rise in profit before tax.

	2013/14	2012/13	CHANGE	COMMENTS
	RS. MN	RS. MN	%	
Income Tax Expense	(381)	(392)	-3%	Focused efforts in better tax planning and tax management have resulted in better effective tax rates.
Profit After Tax	1,570	1,279	23%	Consolidated operational profits along with the restructure profits and tax efficiencies have positively contributed for the rise in profit after tax.
Return on Capital Employed (ROCE)	13.7%	11.7%		Rise in ROCE was mainly supported by the operational profits and gains from the restructure in the Investments & Services sector.
Return on Equity (ROE)	14.6%	12.5%		Rise in ROE was due to the increase in ROCE and significant dividend payment was able to drive ROE.

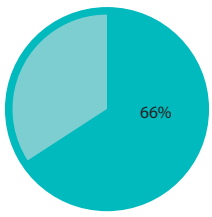
Key Indicators

FREIGHT & LOGISTICS			
(RS. MN)	2013/14	2012/13	% CHANGE
Revenue	34,951	32,183	9%
Earnings Before Interest & Taxes (EBIT)	1,455	1,485	-2%
Finance Cost	101	49	106%
Profit Before Tax	1,354	1,436	-6%
Profit After Tax	1,090	1,177	-7%
Total Assets	13,209	10,922	21%
Total Equity	6,279	4,604	36%
Total Debt	1,097	318	244%
Capital Employed	7,376	4,923	50%
Return on Equity	17.4%	25.6%	-32%
Return on Capital Employed	16.1%	24.9%	-35%

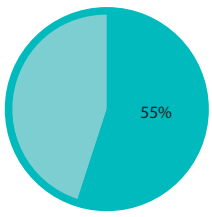
Turnover



EBIT



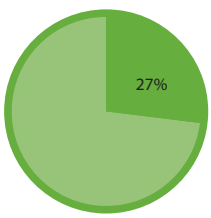
Capital Employed



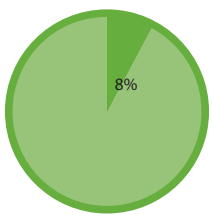
FINANCIAL REVIEW CONTD.

INTERNATIONAL TRADING & MANUFACTURING			
(RS. MN)	2013/14	2012/13	% CHANGE
Revenue	14,513	12,646	15%
Earnings Before Interest & Taxes (EBIT)	175	241	-28%
Finance Cost	131	156	-16%
Profit Before Tax	44	86	-48%
Profit After Tax	17	50	-67%
Total Assets	4,813	6,042	-20%
Total Equity	1,087	1,294	-16%
Total Debt	1,040	1,739	-40%
Capital Employed	2,127	3,033	-30%
Return on Equity	1.5%	3.9%	-60%
Return on Capital Employed	6.9%	6.8%	2%

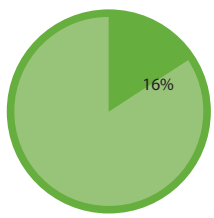
Turnover



EBIT

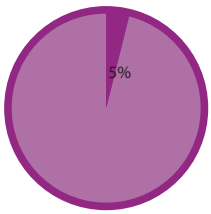


Capital Employed

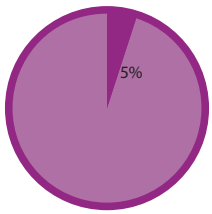


TRAVEL AND LEISURE			
(RS. MN)	2013/14	2012/13	% CHANGE
Revenue	2,353	2,377	-1%
Earnings Before Interest & Taxes (EBIT)	111	103	7%
Finance Cost	27	16	69%
Profit Before Tax	84	87	-4%
Profit After Tax	65	76	-14%
Total Assets	1,209	949	27%
Total Equity	180	156	15%
Total Debt	153	163	-6%
Capital Employed	333	320	4%
Return on Equity	36.4%	48.8%	-25%
Return on Capital Employed	27.7%	28.8%	-4%

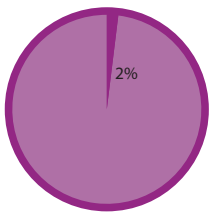
Turnover



EBIT

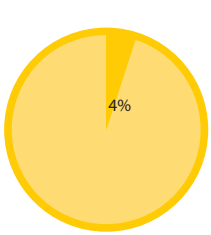


Capital Employed

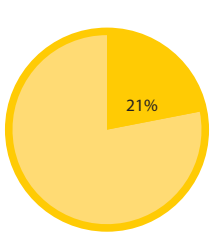


INVESTMENTS AND SERVICES			
(RS. MN)	2013/14	2012/13	% CHANGE
Revenue	2,562	2,870	-11%
Earnings Before Interest & Taxes (EBIT)	479	68	607%
Finance Cost	10	6	58%
Profit Before Tax	469	61	666%
Profit After Tax	398	(25)	-1686%
Total Assets	2,933	4,436	-34%
Total Equity	3,220	4,183	-23%
Total Debt	411	441	-7%
Capital Employed	3,630	4,624	-21%
Return on Equity	12.4%	-0.6%	-2160%
Return on Capital Employed	11.2%	-0.4%	-2894%

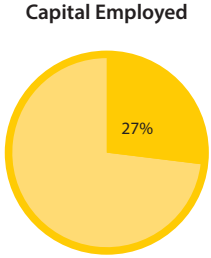
Turnover



EBIT



Capital Employed



FINANCIAL REVIEW CONTD.

TOTAL			
	2012/13	2011/12	% CHANGE
Turnover	54,379	50,075	8.6%
EBIT	2,219	1,897	17.0%
FC	268	227	18.2%
PBT	1,951	1,670	16.8%
PAT	1,570	1,279	22.8%
Total Assets	22,164	22,348	-0.8%
Total Equity	10,765	10,237	5.2%
Total Debt	2,701	2,662	1.4%
Capital Employed	13,466	12,899	4.4%
ROE	14.6%	12.5%	16.8%
ROCE	13.7%	11.7%	17.0%

CONTRIBUTION TO THE GROUP

	TURNOVER	EBIT	CAPITAL EMPLOYED	EQUITY
Freight & Logistics	64%	66%	55%	58%
Travel & Leisure	4%	5%	2%	2%
International Trading & Manuf.	27%	8%	16%	10%
Investments & Services	5%	21%	27%	30%
	100%	100%	100%	100%

REVENUE

Despite the continued downturn in the European markets and a generally depressed global trade environment, the Group's flagship sector; Freight and Logistics continued to weather the vicissitudes and operating challenges to garner a 9% growth in revenue from that of 2012/13, driven by a 10% and 19% volume growth in air and maritime freight, respectively. Consequently, the Freight and Logistics sector, as in previous years, was the primary contributor to the Group's consolidated revenue with a contribution of 64%.

Revenue generation capability of International Trading and Manufacture witnessed an upturn in the reporting period demonstrated by an increase in revenue of 15%, driven by growth in perishable exports. The sector positioned itself as the second highest contributor to consolidated Group revenue with a contribution of 27%.

Revenue from Travel and Leisure sector dipped marginally by 1% in 2013/14, whilst Investments & Services sector also recorded a 11% contraction, contributing to consolidated revenue by 4% and 5% respectively.

Consolidated Group Revenue withstood sector-wise pressures to record an 8.6% growth.

GROSS PROFIT

GP margins contracted in 2013/14 to 15.7% from 16.2% in the previous financial year, stemming from less than conducive global market conditions, higher freight rates and the effects of price volatility in the International Trading and Manufacturing sector. Contraction in margins due to intense competition in the Travel & Leisure sector also contributed towards contraction of GP margins. However, in absolute terms, the Consolidated Gross Profit increased by 5%.

EARNINGS BEFORE INTEREST & TAXES (EBIT)

EBIT improved by 17% during the reporting period as opposed to 5% in the previous financial year. Increase in gross profit and other income – divestment of entities resulted in a gain of Rs. 601 Mn - contributed towards a significant rise in EBIT. Nevertheless, the Group reconfiguration process yielding a series of non-recurring restructuring costs which together with enhanced recessionary pressures weighed down the overhead cost structures.

PROFIT BEFORE TAX

Higher gross profit and other income were key drivers for the rise in PBT during the financial year which witnessed an enlargement of 17%. Incomes from restructure of Investments & Services sector boosted contribution from the sector to consolidated Group PBT significantly.

PROFIT AFTER TAX

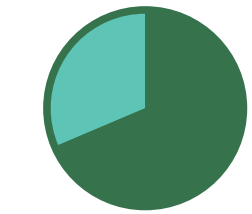
Despite the volatile macroeconomic environment, the consolidated PAT sustained above rupees one billion mark as has been the case in three preceding years. Consolidated operational profits along side profits from Group restructure and taxation efficiencies positively contributed towards a rise in PAT (Profit After Tax). Despite the requirement for higher working capital, catalysed by an increase in revenue levels, as well as a scenario of increased project finance requirements, the overall rise in finance costs were sustained whilst improved taxation planning and management served towards the achievement of healthier effective taxation rates. Consolidated Group PAT rose by 23% during the reporting period.

RETURNS ON CAPITAL EMPLOYED

Consolidated Group ROCE and ROE both recorded improvements with a rise of 17% and 16.8% during the financial year. The augmented ROCE was supported by the improvements in operational profits together with gains from the restructure of the Investment & Services sector. Similarly, ROE improvements were a direct result of improvements to ROCE, whilst significant dividend payments spurred further improvements to ROE.

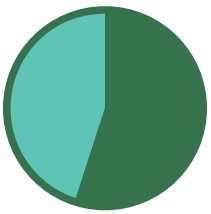
FINANCIAL REVIEW CONTD.

Revenue



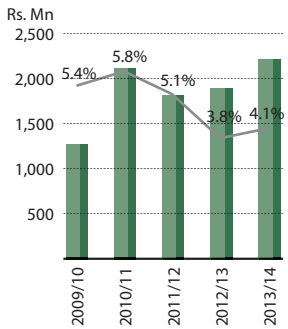
International	69%
Local	31%

NPAT

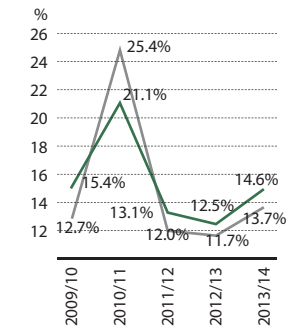


International	55%
Local	45%

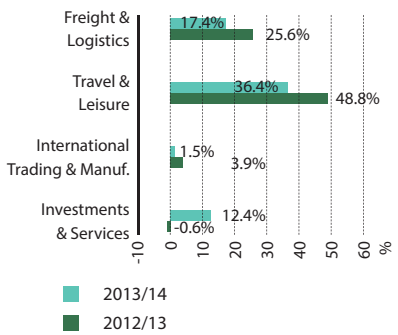
EBIT & EBIT Margin



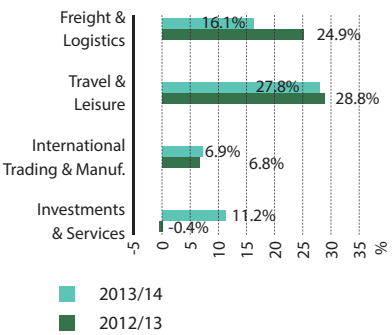
ROE Vs ROCE



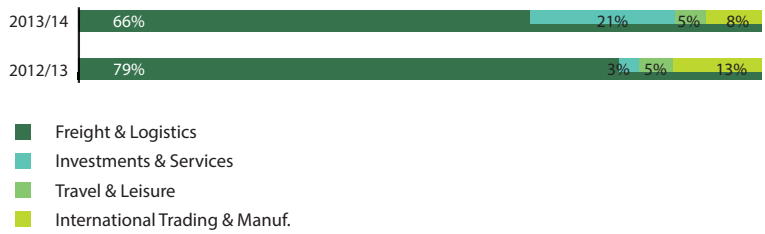
Industry Group ROE Comparison



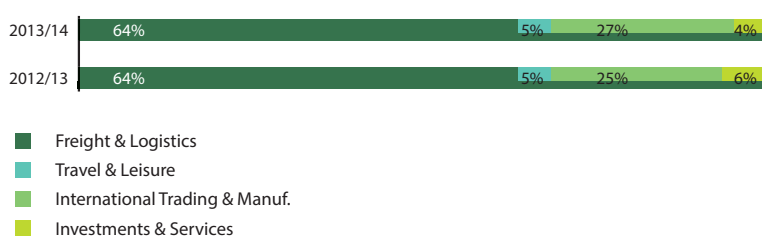
Industry Group ROCE Comparison



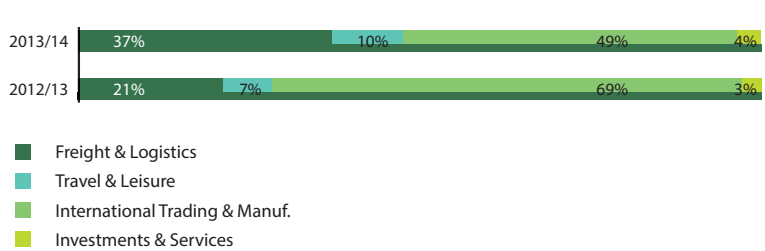
EBIT Composition



Revenue Composition



Finance Cost Composition



Business Beyond Borders

STEWARDSHIP

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

Expolanka Group provides due prominence to Corporate Governance compliance by embedding the requirements in to our culture and business processes. A sound framework of Corporate Governance not only confirms our conformance with regularity requirements but comforts us in effective decision making. The Governance within Expolanka Group is based on a framework of accountability, duty and responsibility with a clear platform for communication and understanding and has been evolving in its competence with time.

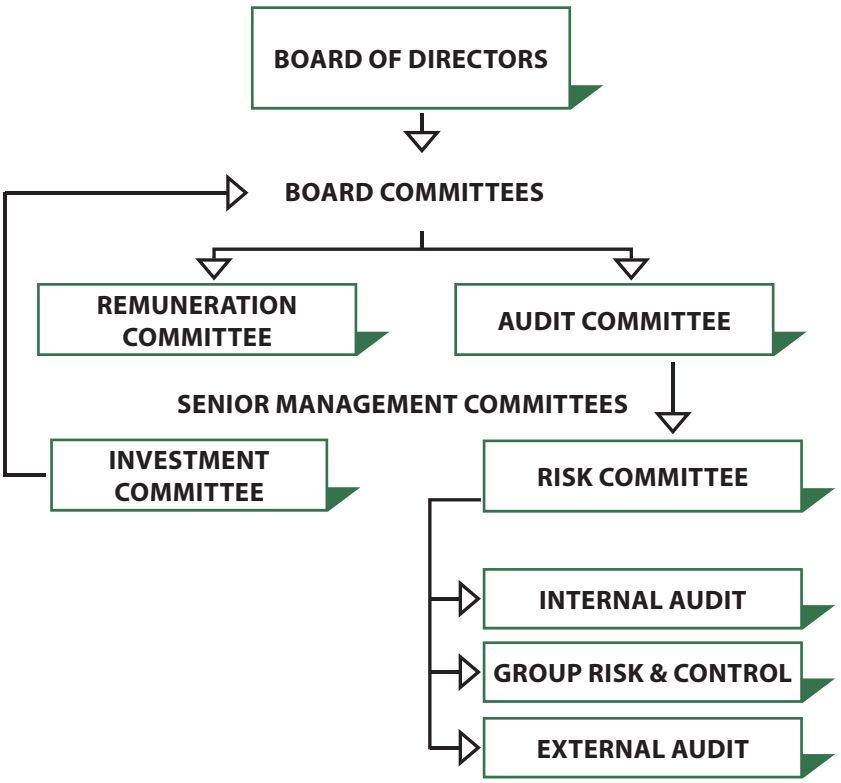
Our approach for Corporate Governance reflects the integrated Governance structure within the Group which ensures our Performance are aligned with the strategic goals and that the Group will continue to demonstrate robust performance and a high standard of ethics. As shown below the Corporate Governance Framework in the Expolanka Group is practiced in full compliance with the Code of best practice on Corporate Governance 2013 jointly published by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, Companies Act No.7 of 2007, Listing Rules of the Colombo Stock Exchange and Code of Business Conduct and Ethics. The Corporate Governance checklist reflect the status of compliance for the financial year 13/14 and changes to the Directorship at Board during the current financial year will be reported in our next Annual Report. 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.

Expolanka Group has enhanced the commitment during the financial year 2013-2014 to adhere to the relevant laws and regulations and to improve our perspective in Governance and Compliance within all levels of the Group. Whilst hoping this Report would provide a better understanding on the Governance within Expolanka Group, I re-iterate that we at Expolanka will strive to comply to good Governance and recognise effective decision making in order to be considerate to the rights of Shareholders continuously.

Osman Kassim
Chairman
Expolanka Holdings PLC

CORPORATE GOVERNANCE

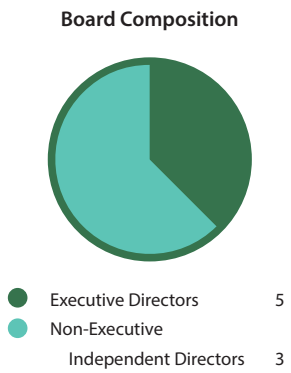
GOVERNANCE FRAMEWORK



THE BOARD OF DIRECTORS

The Governance framework shown above comprises of the Board of Directors, Board Committees and the Senior Management Committees 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

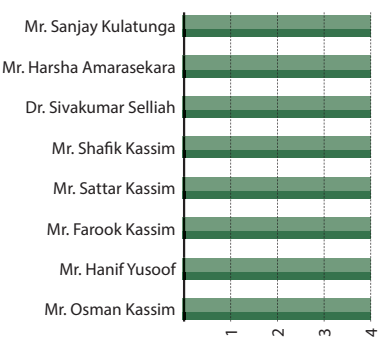


BOARD MEETING AND ATTENDANCE

BOARD MEMBER	ATTENDANCE			
	16 MAY 2013	26 JULY 2013	30 NOV 2013	19 FEB 2014
Mr. Osman Kassim	✓	✓	✓	✓
Mr. Hanif Yusoof	✓	✓	✓	✓
Mr. Sattar Kassim	✓	✓	✓	✓
Mr. Shafik Kassim	✓	✓	✓	✓
Mr. Farook Kassim	✓	✓	✓	✓
Dr. Sivakumar Selliah	✓	✓	✓	✓
Mr. Harsha Amarasekara	✓	✓	✓	✓
Mr. Sanjay Kulatunga	✓	✓	✓	✓

GOVERNANCE CHECKLIST

Section 1 – The Company

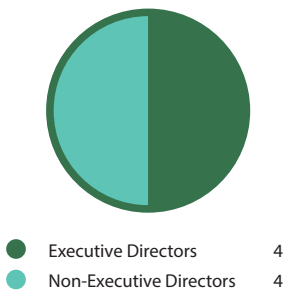
SEC & ICASL CODE REFERENCE	CORPORATE GOVERNANCE PRINCIPLES	COMPLIANCE STATUS	EXTENT OF ADOPTION
A. DIRECTORS			
A.1. The Board **The Code prescribes the Board to effectively direct and control the affairs of the Company. Expolanka is led by a professional, multi-disciplined and experienced Board of Management comprising Chairman, Chief Executive Officer (CEO) and Executive and Non-Executive Directors including three Independent Non-Executive Directors as at the 31 March 2014. However, the Corporate Governance checklist states the Board as at 31 March 2014 and new Board and the Directorship will be presented in the Annual Report 2014/2015. The profiles of the Board of Directors are set out on pages 40-41 of 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. **Attendance** 

CORPORATE GOVERNANCE CONTD.

SEC & ICASL CODE REFERENCE	CORPORATE GOVERNANCE PRINCIPLES	COMPLIANCE STATUS	EXTENT OF ADOPTION
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).
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. Professional advice was not sought by any of the Directors during the year under review.
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.

SEC & ICASL CODE REFERENCE	CORPORATE GOVERNANCE PRINCIPLES	COMPLIANCE STATUS	EXTENT OF ADOPTION
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 recognises 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.**			
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.

CORPORATE GOVERNANCE CONTD.

SEC & ICASL CODE REFERENCE	CORPORATE GOVERNANCE PRINCIPLES	COMPLIANCE STATUS	EXTENT OF ADOPTION
A.5. Board Balance **The Code stipulates that the Board has to be fairly represented with a balance between Executive and Non-Executive Directors. Refer A.1**			
A.5.1	Presence of Non-Executive Directors	Compliant	Out of a total of eight Directors in the Board, four are Non-Executive Directors. 
A.5.2	Independent Non-Executive Directors	Compliant	Out of the four 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	The three Non-Executive Directors 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 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 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.
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.

SEC & ICASL CODE REFERENCE	CORPORATE GOVERNANCE PRINCIPLES	COMPLIANCE STATUS	EXTENT OF ADOPTION
A.5.9	Chairman's meetings with Non-Executive Directors	Compliant	The Chairman meets with 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. Refer A.1**			
A.10.1	Details of Directors	Compliant	This Annual Report discloses the relevant details of the Board as follows : ⊙ Names of Directors, qualification, experience and brief profile – Pages 28-29 ⊙ Directors interest in contracts – Pages 28-29 ⊙ Number of meetings attended – Page 144 ⊙ Details of directorships and memberships in Boards and Committees – Pages 28-29

CORPORATE GOVERNANCE CONTD.

SEC & ICASL CODE REFERENCE	CORPORATE GOVERNANCE PRINCIPLES	COMPLIANCE STATUS	EXTENT OF ADOPTION
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.**			
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 formerly 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	All three 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 on pages 163.
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 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 Executive Directors.

SEC & ICASL CODE REFERENCE	CORPORATE GOVERNANCE PRINCIPLES	COMPLIANCE STATUS	EXTENT OF ADOPTION
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.
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. Remuneration Committee Report is set out on pages 163 of 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 on page 163 of this Annual Report. The details of aggregate Remuneration of the Executive and Non-Executive Directors are disclosed on page 167 of 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.

CORPORATE GOVERNANCE CONTD.

SEC & ICASL CODE REFERENCE	CORPORATE GOVERNANCE PRINCIPLES	COMPLIANCE STATUS	EXTENT OF ADOPTION
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.
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 & CSR and all other changes through the Company Secretary – SSP Corporate Services (Pvt) Ltd.
C.2.2	Disclosure of Method of communication with Shareholders	Compliant	Expolanka Holdings 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 website's 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	Key Contact person for shareholder engagement is disclosed in the Annual Report whilst a contact link in the web site 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 persons 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.

SEC & ICASL CODE REFERENCE	CORPORATE GOVERNANCE PRINCIPLES	COMPLIANCE STATUS	EXTENT OF ADOPTION
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.
D. ACCOUNTABILITY AND AUDIT			
D.1 Financial Reporting **The Code requires a fair and a balance report on the organisation'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 Company's 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 2013/14.
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 on pages 166 to 169 of this Annual Report.
D.1.3	Statement of Directors' and Auditor's responsibility for the Financial Statements	Compliant	The Statement of Directors' Responsibilities is given on page 170 of this Annual Report. The Auditor's Report on the financial statements for the year ended 2013/14 is given on page 174.
D.1.4	Management Discussion and Analysis		Management Discussion and Analysis is presented on the Company together with the subsidiaries as separate sections and on pages 80 to 133 of 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 Directors on page 168 of this Annual Report.
D.1.6	Summon an Extra Ordinary General Meeting (EGM) to notify serious loss of capital	Compliant	EGMs have been held for companies complying with the requirements

CORPORATE GOVERNANCE CONTD.

SEC & ICASL CODE REFERENCE	CORPORATE GOVERNANCE PRINCIPLES	COMPLIANCE STATUS	EXTENT OF ADOPTION
D.1.7	Disclosure of Related party transactions in the Annual Report	Compliant	Related party Transactions have been disclosed in page 212.
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 authorised 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 Organisation.
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	Audit Committee statement on Internal Controls and contents of the Internal Audit Process Manual have been set on page 173 of this 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 a good Relationship with the Auditors.**			
D.3.1	Composition of the Audit Committee		The Audit Committee comprises two Independent Non-Executive Directors. Please refer the Audit Committee Report on pages 171 to 173 of this Annual Report.
D.3.2	Duties of the Audit Committee		Please refer the Audit Committee Report as specified in D.3.1

SEC & ICASL CODE REFERENCE	CORPORATE GOVERNANCE PRINCIPLES	COMPLIANCE STATUS	EXTENT OF ADOPTION
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.
D.4 Code of Business Conduct and Ethics **The Code stipulates the Company may adopt a Code of Business Conduct and Ethics 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 pages 143 and 166-170 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 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.

CORPORATE GOVERNANCE CONTD.

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.
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 2013/14 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.

SEC & ICASL CODE REFERENCE	CORPORATE GOVERNANCE PRINCIPLES	COMPLIANCE STATUS	EXTENT OF ADOPTION
G. SUSTAINABILITY REPORTING			
G.1 Principles of Sustainability Reporting			
G.1.1	Economic Sustainability	Compliant	Refer page 47, 40-41
G.1.2	The Environment	Compliant	Refer page 34
G.1.3	Labour Practice	Compliant	Refer page 48
G.1.4	Society	Compliant	Refer page 45, 40-41
G.1.5	Product responsibility	Compliant	Refer page 31
G.1.6	Stakeholder Identification, Engagement and Effective Communication	Compliant	Refer page 52-55
G.1.7	Sustainability Reporting and Disclosure	Compliant	Refer page 12

RISK MANAGEMENT REPORT

Risk management is a process that enables a company to identify, analyze and treat risks in an effective manner, in a bid to protect and add value to the business. Thus, it is vital in the conduct of business and for the sustainable growth of any organisation.

The current dynamic and volatile global business environment demands that risks are effectively managed to face and mitigate unexpected challenges. As a Conglomerate with a significant local and international presence, Expolanka recognises the importance of the function and its role in assisting the organisation towards effective strategic decision-making. The process allows for the management of risks and uncertainties and enables the Group to capitalise on opportunities, to sustain and create value to the Group and its shareholders.

The Group's Risk Management function has progressed over time, evolving to encapsulate a more enterprise-wide system of processes. This enterprise Risk Management stance ensures that continuous awareness of risk is created Group-wide and that Risk itself is deep-seated in the management of business within the Group.

Explolanka's senior management takes a proactive stance to adopt a sound risk management framework and be effective in providing assurance over strategy delivery, implementation of plans and change management initiatives. The Board reviews the approach taken for risk management and business continuity as a consistent, ongoing process.

RISK COMMITTEE

The Risk Committee was established to assist the Audit Committee in fulfilling its oversight responsibilities with regard to Risk Management, Compliance and Governance and meets every two months with the main agenda of addressing the action points arising from the Audit Committee meetings.

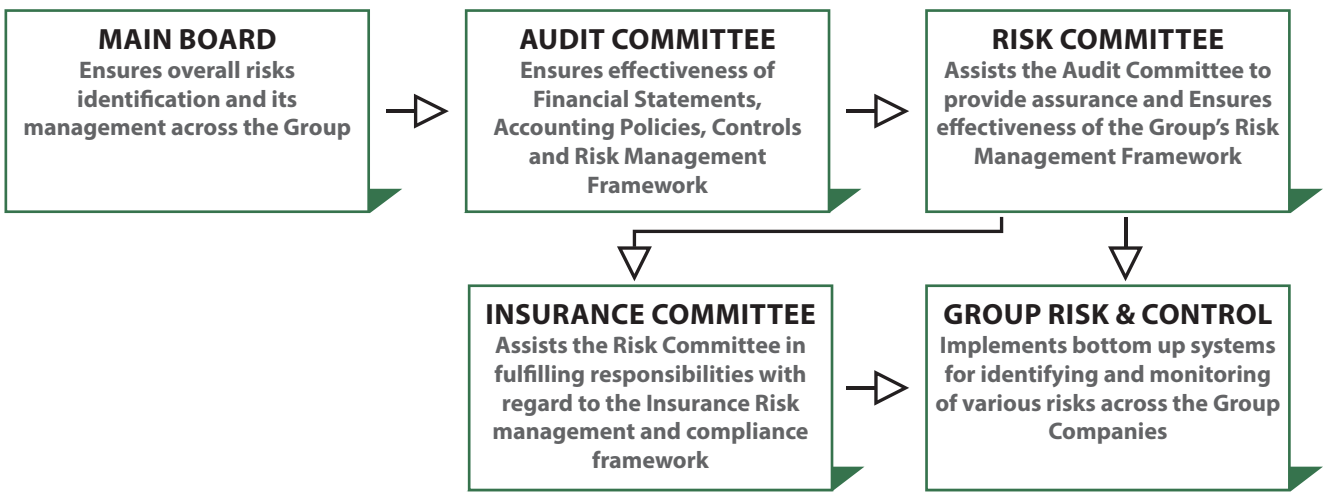
The Committee has met six times during the financial year under review and the meetings are minuted and presented to the Audit Committee for review. Noted below are some of the key areas initiated by and addressed through Risk Committee meetings apart from closing Audit Committee action points.

INITIATIVES	OUTCOME
Internal Audit & Risk Management	Improvements were made for the Internal Audit Process along with scope enhancement. Risk Committee directives to line companies ensured risk escalation and risks were addressed immediately.
Legal Agreements	A clearance and screening process was formalized and improved for all legal agreements within the Group through legal consultation prior to sign off.
Regulatory Compliance	A process was established to ensure audit and compliance to the requirements, under Regulatory Compliance.
Credit Committee	A decision was made for the formation of a Credit Committee to strengthen the controls pertaining to credit and to the credit risk exposure for the Group.
Insurance Committee	Insurance Committee was formed with a Charter to meet quarterly to identify and address the exposures arising during the conduct of business.

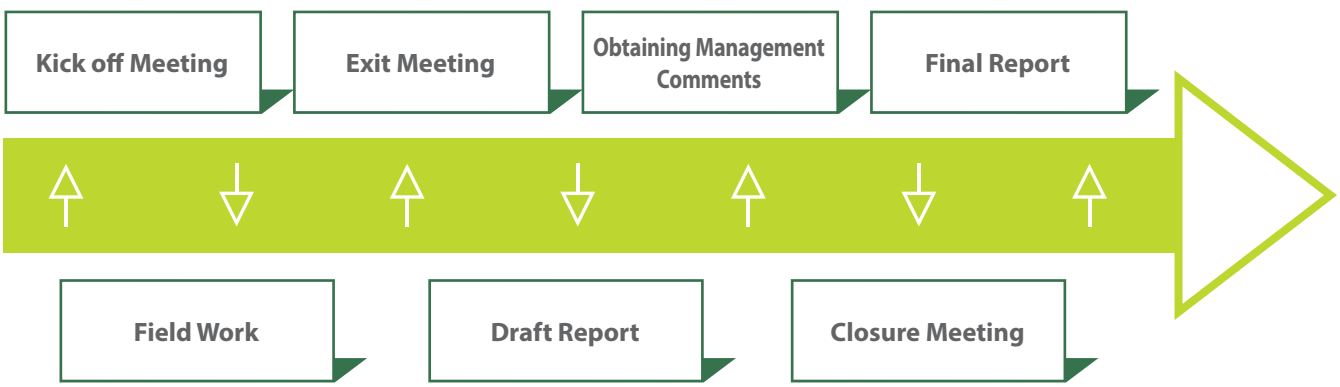
RISK MANAGEMENT FRAMEWORK

Risk is defined as a probability of an adverse event occurring, which would have an impact on the organisational objectives. Risk Management assists Expolanka to consider the possible threats in the external and internal environment, pre-empting those that could grow into Risks that will impede the achievement of goals of the Group. Risk assessment outcome sets a platform to ensure that achievement of set objectives are not affected.

The Risk Management Framework within Expolanka Group, which is reflected below, strengthens the Risk Management process within the Group.



THE INTERNAL AUDIT PROCESS



RISK MANAGEMENT REPORT CONTD.

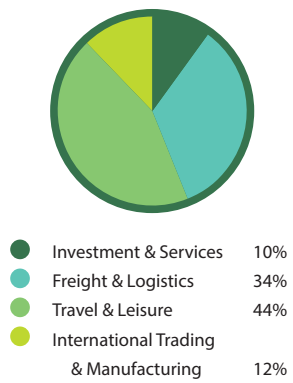
Expolanka has set the environment with formalised standards, structure and processes in order to carry out Internal Control activities throughout the Organisation. The Board of Directors as well as the Audit Committee takes the responsibility in setting tone at the top regarding the importance of Internal Audit activities and implementation of a sound system of internal controls.

INTERNAL AUDIT OUTCOME OF CYCLE 2013-2014

SECTOR	NUMBER OF COMPANIES AUDITED	FIELD WORK IN WEEKS
Freight & Logistics	5	29
International Trading & Manufacturing	8	16
Travel & Leisure	2	27
Investment & Services	5	16
Total	20	90

The tone at the top and the Group's culture is conducive towards the creation and maintenance of information that will contribute to the achievement of the Group's overall objectives. Therefore, an effective communication system has been established within the Group to share and obtain information that is crucial in Managing Risks through the institution of controls. These Control activities within the Group include introduction and implementation of policies and procedures, establishing controls, reconciliations, automated systems and performance reviews. Given below is a summary on the outcome of the Internal Audit carried out within the Expolanka Group.

Internal Audit Findings 2013-2014



Expolanka Group, with a global operational footprint is one that strives for continuous overseas expansion. As a result the Group is exposed to a variety of industry specific and country specific risks, that increases its risk profile. With increasing risk exposure, it is the responsibility of the Group to implement a formal mechanism to ensure that Risk management is an integral clog in the day to day operations of the business.

With this in mind, "Project Wings" was kick started during the year to ensure more effective management of risks at strategic and operational levels, in a bid to enhance organisational resilience amongst companies in the global operational environment. Internal Audit, Risk Register, Insurance and Compliance reporting were initially identified as areas of key focus for each of the seventeen global offices , with the objective to achieve:

- Process improvements through implementation of policies, procedures and controls.
- Planned risk-taking and the proactive management of risks to deal effectively with exposures, disruptions and losses minimising financial impact on the organisation.
- Mitigate risk exposures arising from conduct of business through Insurance by risk transfer.
- Regulatory compliance

INSURANCE COMMITTEE

Insurance Committee was formed during the year which functions based on a charter approved by the Risk Committee. The purpose of the Insurance Committee is to assist the Risk Committee in fulfilling its

oversight responsibilities pertaining to risk exposure and coverage of the same. The purpose of the committee is to:

- Ensure the Group Companies are sufficiently and adequately covered against Risk associated with events.
- Establish framework to negotiate rates and terms across all classes of insurance policies across the Group.
- Ensure that the Group Insurance Policies are standardized across the Group.
- Ensure adherence and improvement to Service Level agreement and Group Insurance SOP to deliver the best possible service to the Group.
- Ensure awareness on insurance through periodic training and line company visits to enhance level of knowledge on the subject matter.

Insurance Consultations

Insurance Training

Awareness Sessions

KEY RISK CATEGORIES AND CONTROLS

RISK TYPE	RISK GRADING	KEY CONTROLS & ACTIONS TOWARDS MITIGATION
Business Partner Risk	Medium	- Transaction to Solution driven business initiatives to add value to the service provided. - Improvement to Service Level Agreements - Investment Committee evaluations on new investments
Product & Market Dependency Risk	Medium	- 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
Credit risk	Medium	- Credit Evaluation and Approvals - Company wise credit policies - Formation of Group Credit Committee - Credit default recoveries through centralized legal department

RISK MANAGEMENT REPORT CONTD.

RISK TYPE	RISK GRADING	KEY CONTROLS & ACTIONS TOWARDS MITIGATION
Human Capital Risk	Low	HR Leadership Development Programmes Enhanced sources of recruitment Reward and recognise hard work, innovation and excellence Health camps
Internal Controls Risk	Medium	Independent Internal Audits Spot Checks Policies and Procedures
Legal & Compliance Risk	Low	Monthly Report on Regulatory Compliance Legal Policies and Process Legal Audit
Foreign Exchange Risk	Low	Group Treasury Policy Natural hedging through receivables and payables Convert or hold foreign currency strategy based on exchange rate movement
Investment Risk	Medium	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
Technology Risk	Medium	Independent ITGC Audit Robust controls to secure IT systems and processing information to increase confidentiality and integrity of data. Recruitment of Specialised 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.
Asset Risk	Low	Independent FA verifications Group Fixed Asset Policy Group Fixed Asset Policy Compliance Audit

REMUNERATION COMMITTEE REPORT

The Remuneration committee of Expolanka Holdings PLC consists of its 3 independent Directors. Namely;

Mr. Harsha Amarasekera PC – Chairman

Dr. Sivakumar Selliah

Mr. Sanjay Kulatunga

The ultimate objective of the Remuneration Committee and its' policy is 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 had one meeting during the year. The committee reviewed the salary and benefits of the top management and the Executive Directors of the Company. In order to ensure fairness and objectivity in the compensation review process the Remuneration Committee put in place a rating scale to be adopted in determining salary revisions. This rating scale was used to determine salary revisions during the year 2013/2014 in respect of the top management of the Group.

The committee interacted with the Group CEO and the other Executive Directors as and when necessary in carrying out their duties. The work of the committee was facilitated by the Head of Group HR based on the directions and requests of the Chairman and the members of the Remuneration Committee.

Harsha Amarasekera PC
Chairman - Remuneration Committee

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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 31 March 2014 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 05 March 2003 as a Private Limited Liability Company under the Companies Act No. 17 of 1982 and Re-registered on 11 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 25 June 2014.

COVENANT AND CORE VALUES

Expolanka's covenant is;

- 'Building a great business with a dare to do spirit'

and 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 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 pages 181-182 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 175-250.

AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 174.

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. 140,010,627 (2013 - Rs. 132,114,731) whilst Group revenue amounted to Rs. 54,379,282,257 (2013 - Rs. 50,075,358,292). Contribution to the group revenue from the different business segments is provided in page 138.

RESULTS AND APPROPRIATIONS

The profit after tax of the holding Company was Rs. 984,076,123 (2013 - Rs. 170,317,992) whilst the Group profit attributable to equity holders of the parent for the year was Rs. 1,426,005,899 (2013 - Rs.1, 060,657,820). Results of the Company and of the Group are given in the income statement in the audited financial statement.

The Company has declared an interim dividend of Rs. 410,532,150 at Rs. 0.21 cents per share on 20 January 14. The Company has also declared an interim dividend of Rs. 234,589,800 at Rs. 0.12 per share on 02 July 2013. 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. 30,000 (2013 -Rs. 7,500) and Rs. 14,707,820 (2013 - Rs. 14,129,185) 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 sector wise management discussion and analysis section 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. 67,575,741 (2013 - Rs. 71,857,492) and Rs. 3,699,099,960 (2013 - Rs. 4,221,064,159) for the Company and the Group respectively. Capital expenditure for the Company and the Group amounted to Rs. 20,072,720 (2013 - Rs. 43,272,559) and Rs. 747,703,941 (2013 - Rs. 1,422,426,901) 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. 5,313,762,364 (2013 - Rs. 4,930,524,481) respectively. Detailed description of the short and long term investments held as at the balance sheet date, are given in Notes 6 to 8 in 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 2013	4,097,985,000
Movements during the year	-
As at 31 March 2014	4,097,985,000

DIRECTORATE

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

Osman Kassim - Executive Director / Chairman
Hanif Yusoof - Executive Director / Group CEO
Sattar Kassim - Executive Director
Shafik Kassim - Executive Director
Farook Kassim - Non-Executive Non Independent Director
Sivakumar Selliah - Non-Executive Independent Director
Harsha Amarasekera - Non-Executive Independent Director
Sanjay Kulatunga - 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 2014.

DIRECTORS REMUNERATION

Directors' remuneration, in respect of the Company for the financial year 2013/14 is Rs. 35,407,500. Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2013/14 is Rs. 211,181,454.

AUDIT COMMITTEE

The following Directors serve the Audit committee;

Sanjay Kulatunga - Chairman
Dr. Sivakumar Selliah - Member

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

REMUNERATION COMMITTEE

Harsha Amarasekera - Chairman
Dr. Sivakumar Selliah - Member
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
Osman Kassim	283,865,516
Sattar Kassim	286,315,516
Hanif Yusoof	283,865,516
Shafik Kassim	283,865,516
Farook Kassim	281,415,516
Sivakumar Selliah	3,500,000
Harsha Amarasekera	70,700
Sanjay Kulatunga	Nil

SHAREHOLDERS

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

MAJOR SHAREHOLDING

	NAME OF SHAREHOLDER	AS AT 31 MAR 14	%	AS AT 31 DEC 13	%
1	Sattar Kassim	286,315,516	14.65%	286,315,516	14.65%
2	Osman Kassim	283,865,516	14.52%	283,865,516	14.52%
3	Shafik Kassim	283,865,516	14.52%	283,865,516	14.52%
4	Hanif Yusoof	283,865,516	14.52%	283,865,516	14.52%
5	Farook Kassim	281,415,516	14.40%	281,415,516	14.40%
6	John Keells Holdings PLC	83,300,000	4.26%	83,300,000	4.26%
7	HSBC Intl Nominees LTD-JPMCB-Scottish ORL SML TR GTI 6018	36,999,400	1.89%	36,999,400	1.89%
8	Watapota Investments PLC	34,845,150	1.78%	34,845,150	1.78%
9	Ali Mohamed	23,459,960	1.20%	23,459,960	1.20%
10	B Yoonus	23,459,960	1.20%	23,459,960	1.20%
11	Bank of Ceylon A/C Ceybank Unit Trust	21,963,561	1.12%	27,726,731	1.42%

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD.

	NAME OF SHAREHOLDER	AS AT 31 MAR 14	%	AS AT 31 DEC 13	%
12	Trading Partners (Pvt) Ltd	14,550,059	0.74%	16,275,709	0.83%
13	National Savings Bank	9,943,700	0.51%	9,943,700	0.51%
14	Janashakthi Insurance PLC	8,538,263	0.44%	-	0.00%
15	Timex Garments (Pvt) Limited	8,363,700	0.43%	8,363,700	0.43%
16	Arunthathi Selliah	6,931,600	0.35%	6,931,600	0.35%
17	MAS Capital (Private) Limited	6,875,590	0.35%	6,875,590	0.35%
18	Union Assurance PLC/ NO-01A/C	6,376,700	0.33%	6,376,700	0.33%
19	Arunodhaya (Private) Limited	5,700,000	0.29%	5,700,000	0.29%
20	Arunodhaya Industries (Private) Limited	5,700,000	0.29%	5,700,000	0.29%

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 143-157 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 2,789 (2013 - 2,768). 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.

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.

ANNUAL REPORT

The Board of Directors has approved the Company and the Consolidated Financial Statements on 25 June 2014. 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 Boguanvilla, Galadari Hotel, No. 64, Lotus Road, Colombo 01, on Friday 29 August 2014 at 4.30 pm.

By Order of the Board

Osman Kassim
Director

Hanif Yusoof
Director

SSP Corporate Services (Pvt) Ltd
Secretaries

25 June 2014

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 174 sets out their responsibilities in relation to the financial statements.

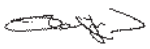
As required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test and have obtained certificates from the auditors, prior to declaring the first interim dividend of Rs. 0.12 per share declared on 02 July 2013 and second interim dividend of Rs. 0.21 per share declared on 20 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 28 to the financial statements covering contingent liabilities.

Osman Kassim
Director



Hanif Yusoof
Director

25 June 2014

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE

Purpose

The Audit Committee which is independent and appointed by the Board to act as a sub-committee to assist the Board of Directors of the company in fulfilling its responsibilities in respect of:

- Overseeing the company's financial reporting process and monitoring the integrity of the financial statements.
- Monitoring of the adequacy of internal controls, compliance and risk management framework to ensure management of risk exposures.
- Selection and compensation of external and internal auditors and review of their performance whilst ensuring independence.

The Audit Committee Charter complies with the listing rules of the Colombo Stock Exchange and Corporate Governance requirements.

Composition

The Audit Committee comprises of two Non-Executive Independent Directors.

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

Dr. Siva Selliah
MBBS, M Phil
Member
Independent Non-Executive Director

Role

Responsibilities of the Audit Committee as set out by the Audit Committee Charter include:

- Make recommendations to the Board, pertaining to appointment, re-appointment and removal and to approve the remuneration and terms of engagement of both External and Internal auditors
- Discuss the Audit Plan, key audit issues and their resolution, management responses of both internal and external Auditors
- Assess and monitor the independence and the performance of the External Auditors and Internal Auditors.
- Review Group's quarterly and yearly Financial Statements and recommend them to the Board for approval.
- Monitor and review of the effectiveness of the group's internal control system and ensuring implementation of internal controls through policies and procedures.
- Discuss with Management the company's major policies with respect to risk assessment and risk management and ensure systems are in place to address risk.
- Ensure compliance with the applicable laws and regulations of the country and mandated by the Board

Meetings

The Audit Committee formally met five times during the year under review with representation by both the members for all the meetings held. The minutes of the Audit Committee meetings are tabled at Board meetings.

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.

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

AUDIT COMMITTEE REPORT CONTD.

Below table depicts the date of the meetings and the key areas assessed:

MEETING DATE	KEY POINTS OF DISCUSSION
28 May 2013	Review of Financial Statements for the quarter ending 31 March 2013 Discussion with EY on the process implemented for Group Restructure Status review of actions points arising from the last Audit Committee meeting Tabling of Risk Committee minutes of January and April 2013 meetings and status review of the action points Meeting with External auditors and review and recommendation for approval of Consolidated Accounts Finalization of the Internal Audit Plan and update on the Risk & Control projects
20 Jun 2013	Review of Financial Statements for the year ending 31 March and Annual Report with External Auditors. Discussion of points arising from the Management Letter issued by External Auditors Review of significant movements in the balance sheet items Discussion on the mechanism of divestment process of subsidiaries of the group
31 July 2013	Sector wise review of 1st quarter financials and working capital Critical analysis of number in the Cash Flow statement Submission of Extra-ordinary general meetings minutes held for the Group Companies and understanding of the reason behind the same Discussion of the areas of Borrowings utilization
31 Oct 2013	Sector wise review of 2nd quarter financials with critical analysis of working capital. Progress review of Internal Audit plan along with the value addition and scope enhancements implemented for the current cycle Tabling of draft Risk Management policy and Fraud policy for approval Discussion on the formation of sector wise credit policies and credit committees Review of Insurance Risk review recommendations and enhancement of D&O Liability cover
03 Feb 2014	Review of EY External Auditors Interim and Final Audit plan of the Group for the year with EY team and progress update of previous year Management Letter Sector wise review of 3rd quarter financials with critical analysis of working capital. Tabling of Risk Committee minutes and Insurance Committee minutes and status review of actions points arising from the meetings Progress review of closure of non-resolved findings from the previous meeting with PwC Internal Auditors. Status review of tax planning exercise carried out by KPMG auditors for the group.

Internal Audit and Internal Control

PricewaterhouseCoopers reviews the risks and control processes of the Group and independently carries out audits in accordance with an internal audit plan, which is agreed with the Audit Committee in order to provide reasonable assurance to the Audit Committee on the effectiveness of controls and systems in place.

The Committee critically reviewed the status of follow up audits with a focus on the closure of high risk findings arising from the last audit cycle apart from reviewing the findings arising during the current review.

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. It also performs spot checks for group companies and reports on the internal control lapses to the Audit Committee.

The Audit Committee, which is responsible for approving of the plan, scope and reporting requirement is also responsible for approving the appointment and removal of the Internal Auditors. The Committee is also tasked with the approval of the fees to be paid for the services of the Internal Auditors.

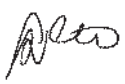
EXTERNAL AUDIT

Ernst & Young Chartered Accountants functioned as the External Auditor to the Group carrying out their duties independently with the support and facilitation of the management during the period under review. The Audit Committee met with the External Auditors to agree on the scope and approach and discussed the Audit Plan for the year before the audit commencement. The Audit Committee reviewed the Report of the Auditors and the Management Letter issued by them, in consultation with both the External Auditors and the management, monitored the actions taken by the management to implement the recommendations made.

The Audit Committee also reviewed and recommended for approval to the Board the fees payable to the statutory auditors for the interim and final audits for the financial year ending 31 December 2013.

The Audit Committee has reviewed the other services provided by the External Auditors to ensure their independence as auditors, as required by the Companies Act No. 07 of 2007. Having evaluated their performance, the committee recommended to the Board that Messrs Ernst & Young be reappointed as the External Auditors' for next year subject to the approval of the shareholders at the forthcoming Annual General Meeting.

The Audit Committee is satisfied with Expolanka PLC's accounting Policies and Group operational controls provide reasonable assurance that affairs of the Group are managed in accordance with all regulatory and statutory requirements and that adequate safeguards are in place to meet general business risks.



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

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 ("Company"), the Consolidated Financial Statements of the Company and its subsidiaries which Comprise the Statements of Financial Position as at 31 March 2014, and the Income Statements, Statements of Comprehensive Income, Statements of Changes in Equity and Cash Flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the financial statements give a true and fair view of the financial position of the Company as at 31 March 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position as at 31 March 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, of the Company and its Subsidiaries dealt with thereby, so far as concerns of the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) and 153 (2) to 153 (7) of the Companies Act No.7 of 2007.

25 June 2014
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 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

A member firm of Ernst & Young Global Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
ASSETS					
Non-current Assets					
Property, Plant and Equipment	3	3,699,099,960	4,221,064,159	67,575,741	71,857,492
Intangible Assets	4	468,128,945	508,745,162	-	-
Investments in Subsidiaries	5	-	-	3,983,370,778	4,220,198,902
Investment in Associate	6	95,363,810	89,405,770	43,990,000	43,990,000
Other Financial Assets	7	521,744,718	211,107,730	208,683,146	94,005,399
Deferred Income Tax Assets	15	45,879,011	45,540,882	-	-
		4,830,216,444	5,075,863,703	4,303,619,665	4,430,051,793
Current Assets					
Inventories	9	766,833,231	1,155,214,148	-	-
Trade and Other Receivables	10	11,858,537,617	11,559,009,945	730,630,813	979,646,770
Prepayments		1,262,833,347	1,044,981,354	24,856,104	26,910,048
Other Financial Assets	7	733,546,867	796,390,634	1,077,718,440	572,330,180
Other Investments	8	-	111,262,500	-	-
Income Tax Recoverable		38,351,849	29,464,895	-	-
Cash and Cash Equivalents	11	2,673,462,788	2,576,285,350	285,828,961	9,870,985
		17,333,565,699	17,272,608,826	2,119,034,318	1,588,757,983
Total Assets		22,163,782,143	22,348,472,529	6,422,653,983	6,018,809,776
EQUITY AND LIABILITIES					
Stated Capital	12	4,097,985,000	4,097,985,000	4,097,985,000	4,097,985,000
Reserves	13	36,331,768	73,294,563	(36,075,380)	(20,256,133)
Retained Earnings		5,702,140,799	4,910,155,367	1,882,219,329	1,543,916,936
Equity Attributable to Equity Holders of Parent		9,836,457,567	9,081,434,930	5,944,128,949	5,621,645,803
Non-controlling Interest		928,940,755	1,155,563,970	-	-
Total Equity		10,765,398,322	10,236,998,900	5,944,128,949	5,621,645,803
Non-current liabilities					
Financing and Lease (Ijara) Payables	14	1,177,647,991	702,663,963	392,255,482	360,076,823
Deferred Income Tax liabilities	15	51,742,363	76,202,476	-	-
Retirement Benefit Obligation	16	266,499,361	291,835,110	12,589,155	9,922,036
		1,495,889,715	1,070,701,549	404,844,637	369,998,859
Current liabilities					
Financing and Lease (Ijara) Payables	14	1,522,960,467	1,959,598,493	4,180,564	1,000,000
Trade and Other Payables	17	7,971,273,189	8,724,922,752	69,499,833	26,165,114
Income Tax liabilities		408,260,450	356,250,835	-	-
		9,902,494,106	11,040,772,080	73,680,397	27,165,114
Total Equity and liabilities		22,163,782,143	22,348,472,529	6,422,653,983	6,018,809,776
Net Assets per Share		5.03	4.65	3.04	2.88

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,

Osman Kassim
Director

Hanif Yusoof
Director

The accounting policies and notes on pages 180-215 form an integral part of the financial statements.

25 June 2014
Colombo

INCOME STATEMENT

Year ended 31 March	Note	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Revenue	18	54,379,282,258	50,075,358,292	140,010,627	132,114,731
Cost of Sales		(45,851,082,880)	(41,953,766,340)	-	-
Gross Profit		8,528,199,378	8,121,591,952	140,010,627	132,114,731
Other operating income and gains	19	1,018,276,484	491,016,548	1,197,866,064	375,983,557
Selling and distribution expenses		(686,336,796)	(627,140,848)	(8,170,427)	(4,684,259)
Administrative expenses		(6,652,995,314)	(6,102,998,168)	(342,634,109)	(332,747,731)
Operating profit		2,207,143,752	1,882,469,484	987,072,155	170,666,298
Finance costs	20	(268,400,455)	(226,996,396)	(2,996,032)	(348,306)
Share of profit of an associate (net of tax)	6.2	12,152,331	14,840,666	-	-
Profit before tax	21	1,950,895,628	1,670,313,754	984,076,123	170,317,992
Income tax expense	22	(380,774,464)	(391,794,929)	-	-
Profit for the year		1,570,121,164	1,278,518,825	984,076,123	170,317,992
Attributable to:					
Owners of the Parent		1,426,005,899	1,060,657,820		
Non-controlling Interest		144,115,265	217,861,005		
		1,570,121,164	1,278,518,825		
Basic Earnings Per Share	23	0.729	0.543		
Dividend Per Share	23.3	0.33	0.12		

The accounting policies and notes on pages 180-215 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Profit for the year	1,570,121,164	1,278,518,825	984,076,123	170,317,992
Other comprehensive income				
Net Exchange differences on translation of foreign operations	(25,813,785)	(32,275,677)	-	-
Net loss on available - for - sale financial assets	(15,819,247)	(13,592,453)	(15,819,247)	(13,592,453)
Actuarial gains on defined benefit plans	14,560,869	7,360,378	(651,780)	591,944
Income tax effect	(364,132)	(1,060,592)	-	-
	14,196,737	6,299,786	(651,780)	591,944
Other comprehensive income for the year, net of tax	(27,436,296)	(39,568,344)	(16,471,027)	(13,000,509)
Total comprehensive income for the year, net of tax	1,542,684,868	1,238,950,481	967,605,096	157,317,483
Attributable to:				
Owners of the Parent	1,396,975,836	1,019,495,708		
Non-controlling Interest	145,709,032	219,454,773		
	1,542,684,868	1,238,950,481		

The accounting policies and notes on pages 180-215 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Group *Year ended 31 March 2014*	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 1 April 2012	4,097,985,000	(11,333,917)	130,496,609	4,037,136,883	8,254,284,575	964,466,397	9,218,750,972
Profit for the year	-	-	-	1,060,657,820	1,060,657,820	217,861,005	1,278,518,825
Other comprehensive income	-	(13,592,453)	(32,275,677)	4,706,018	(41,162,112)	1,593,768	(39,568,344)
Total comprehensive income	-	(13,592,453)	(32,275,677)	1,065,363,838	1,019,495,708	219,454,773	1,238,950,481
Interim Dividend Paid for 2013	-	-	-	(234,589,800)	(234,589,800)	(48,603,575)	(283,193,375)
Transfer due to amalgamation	-	-	-	49,301,903	49,301,903	-	49,301,903
Amount transferred due to changes in holdings	-	-	-	(7,057,456)	(7,057,456)	20,246,375	13,188,919
As at 31 March 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	-	-	-	1,426,005,899	1,426,005,899	144,115,265	1,570,121,164
Other comprehensive income	-	(15,819,247)	(25,813,785)	14,196,737	(27,436,296)	-	(27,436,296)
Total comprehensive income	-	(15,819,247)	(25,813,785)	1,440,202,636	1,398,569,604	144,115,265	1,542,684,868
Interim Dividend Paid for 2013	-	-	-	(645,121,950)	(645,121,950)	(76,963,066)	(722,085,016)
Disposal of Subsidiaries	-	4,670,237	-	(4,670,237)	-	(314,425,744)	(314,425,744)
Amount transferred due to changes in holdings	-	-	-	1,574,983	1,574,983	20,650,331	22,225,314
As at 31 March 2014	4,097,985,000	(36,075,380)	72,407,147	5,702,140,799	9,836,457,567	928,940,755	10,765,398,322

Company	Stated Capital Rs.	Available for sale Reserve Rs.	Retained Earnings Rs.	Total Rs.
As at 1 April 2012	4,097,985,000	(6,663,680)	1,607,596,801	5,698,918,121
Profit for the period	-	-	170,317,991	170,317,991
Other comprehensive income	-	(13,592,453)	591,944	(13,000,509)
Total comprehensive income	-	-	170,909,935	157,317,483
Interim Dividend paid for 2013	-	-	(234,589,800)	(234,589,800)
As at 31 March 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

The accounting policies and notes on pages 180-215 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Cash Flows From / (Used in) Operating Activities		Group		Company	
Year ended 31 March	Note	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Profit before Income Tax Expenses		1,950,895,628	1,670,313,754	984,076,123	170,317,992
Adjustments for,					
Depreciation	3.1.2	351,178,745	362,149,892	24,217,228	21,828,188
Amortization		5,587,823	13,780,415	-	8,414,583
Income from Investments		(25,209,196)	(61,418,891)	(16,043,780)	(49,900,063)
Profit on Sale of Property, Plant and Equipment		(7,207,029)	(51,467,416)	-	(4,057,500)
Profit on Disposal of Subsidiaries		(601,009,816)	(8,383,893)	(1,006,103,953)	(8,000,000)
Finance Cost		268,400,455	226,996,396	2,996,032	348,305
Profit share of investment in associates	6.2	(12,152,331)	(14,840,666)	-	-
Change in the value of investments		(61,955,361)	-	(61,955,361)	-
Provision for Bad and Doubtful Debtors		86,435,411	139,979,884	-	-
Provision for Impairement of Goodwill		26,058,281	-	-	-
Provision for Defined Benefit Plans		61,454,894	47,370,629	3,064,185	1,354,909
Operating Profit / (Loss) before Working Capital Changes		2,042,477,505	2,324,480,104	(69,749,527)	140,306,414
(Increase)/Decrease in Inventories		388,380,917	(50,823,571)	-	-
(Increase)/Decrease in Trade and Other Receivables		(350,205,418)	(3,439,995,937)	182,817,702	77,676,408
(Increase)/Decrease in Prepayments		(217,851,992)	(320,099,761)	2,053,944	(2,881,897)
Increase/(Decrease) in Other Payables		-	(6,122,303)	-	-
Increase/ (Decrease) in Trade and Other Payables		(785,087,698)	3,265,710,352	11,896,584	(458,586,724)
Net change in working capital due to Group structure change		22,225,315	84,586,881	-	-
Cash Generated from Operations		1,099,938,628	1,857,735,765	127,018,703	(243,485,799)
Finance Cost paid		(268,400,455)	(226,996,396)	(2,996,032)	(348,306)
Income Tax Paid		(362,309,378)	(555,279,316)	-	-
Defined Benefit Plan Costs paid	16	(35,410,410)	(11,893,502)	(1,048,846)	(475,000)
Net Cash From / (Used in) Operating Activities		433,818,386	1,063,566,550	122,973,825	(244,309,105)
Cash Flows From / (Used in) Investing Activities					
Investment Income Received		25,209,196	61,418,891	13,649,816	49,261,127
Acquisition of Property, Plant and Equipment	3.1.4	(695,931,661)	(1,259,962,175)	(20,072,720)	(43,272,559)
Acquisition of Intangible assets		-	(37,687,001)	-	-
Proceeds from Sale of Property, Plant and Equipment		114,753,643	302,156,542	137,243	4,057,500
Net other current Investments		158,287,020	90,190,891	(443,432,899)	519,510,512
Net other non current investments		(264,500,874)	9,346,875	-	-
Net Acquisition of Subsidiaries		-	(339,968,148)	-	(194,782,533)
Investment made in Subsidiaries		-	-	(10,000,000)	-
Proceeds from Sale of Subsidiaries		1,072,768,667	3,000,000	1,222,465,438	3,000,000
Net Cash Flows Used in Investing Activities		410,585,991	(1,171,504,124)	762,746,879	337,774,047
Cash Flows From / (Used in) Financing Activities					
Net Proceeds From Financing and Lease (Ijara)		283,093,329	237,643,047	10,485,096	4,277,446
Dividends Paid to Minority Share holders		(76,963,066)	(48,603,575)	-	-
Dividends Paid to Parent Company Share Holders		(645,121,950)	(234,589,800)	(645,121,950)	(234,589,800)
Dividend received from Associate		6,209,291	-	-	-
Net Cash Flows From / (Used in) Financing Activities		(432,782,396)	(45,550,329)	(634,636,854)	(230,312,354)
Effect of Exchange Rate Changes		(17,924,934)	(32,275,677)	-	-
Net Increase / (Decrease) in Cash and Cash Equivalents		393,697,046	(185,763,579)	251,083,849	(136,847,412)
Cash and Cash Equivalents at the beginning of the year	11	1,542,049,686	1,727,813,265	(346,622,505)	(209,775,093)
Cash and Cash Equivalents at the end of the year	11	1,935,746,732	1,542,049,686	(95,538,656)	(346,622,505)

The accounting policies and notes on pages 180-215 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENT

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 2014, 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

With effect from 17 June 2014, SG Holdings Pte Ltd which is incorporated in Singapore became the parent undertaking of the company. Upto the said date company did not have an identifiable parent of its own.

1.4 Date of Authorisation for Issue

The Financial Statements for the year ended 31 March 2014 were authorized for issue by the Board of Directors on 25 June 2014.

2 ACCOUNTING POLICIES

2.1 Statement of Compliance

The Financial Statements which of comprises the Statements of Financial Position, Income statements, Statements of Comprehensive Income, Statements of Changes in Equity, Cash Flow statements 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 of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (commonly referred by the term "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka.

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 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2014. The financial statements of the subsidiaries are prepared in compliance with the Group's accounting policies unless otherwise stated.

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent holds more than 50% of the voting rights or otherwise has a controlling interest.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, which is 12 months ending 31 March, using consistent accounting policies.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group losses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

The following subsidiaries have been incorporated in Sri Lanka.

Name of the Company	Holding Percentage	
	31.03.2014	31.03.2013
Asia Pacific Institute of Information Technology Lanka (Private) Limited	-	44%
Bio Extracts (Private) Limited	100%	100%
Classic Travel (Private) Limited	100%	100%
Expo Consolidators (Private) Limited	100%	100%
Expolanka (Private) Limited	100%	100%
Expolanka Commodities (Private) Limited	-	100%
Expolanka Freight (Private) Limited	100%	100%
Expolanka International (Private) Limited	100%	100%
Expolanka Pharmaceuticals (Private) Limited	100%	100%
Expolanka Plantations (Private) Limited	90%	90%
Expolanka Teas (Private) Limited	90%	90%
Freight Care (Private) Limited	100%	100%
Globe Air (Private) Limited	100%	100%
HelloCorp (Private) Limited	-	60%
International Airline Sevices (Private) Limited	100%	100%
Logistics Support Services (Private) Limited	100%	100%
Luxe Asia (Private) Limited	-	100%
Neptune Holdings (Private) Limited	90%	90%
Neptune Papers (Private) Limited	100%	100%
Peri Logistics (Private) Limited	60%	60%
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%	100%
Castle Commercial (Private) Limited	90%	90%
World Spices and Teas (Private) Limited	86%	86%
GTS Logistics (Private) Limited	-	60%
Amoha (Private) Limited	60%	60%
Global Logistics (Private) Limited	60%	60%
Norfolk Foods (Private) Limited	50%	50%
Logistics Park (Private) Limited	100%	100%
Lanka Premier Foods (Private) Limited		80%
Pulsar Freight (Private) Limited	100%	100%
Alpha Aviation (Private) Limited	60%	60%
Alpha Air Solutions (Private) Limited	55%	55%
Sunpower Travels (Private) Limited	100%	
Pulsar Marine Services (Private) Limited	100%	

NOTES TO THE FINANCIAL STATEMENT CONTD.

The following companies, with equity control less than 50%, have been consolidated as subsidiaries based on the power to govern the financial and operating policies of those entities.

Name of the Company	Holding Percentage	
	31.03.2014	31.03.2013
Asia Pacific Institute of Information Technology Lanka (Private) Limited	-	44%
Expolanka Bangladesh Limited	45%	45%
Air Sea Logistics Kenya	45%	-

The following subsidiaries have been incorporated outside Sri Lanka.

Name	Country of Incorporation	Holding Percentage	
		31.03.2014	31.03.2013
Airline Cargo Resources Dubai- FZCO	Dubai	100%	100%
Airline Cargo Resources Dubai LLC	Dubai	100%	100%
Expo Freight India Holdings (Private) Limited	India	90%	90%
Expolanka Bangladesh Limited	Bangladesh	45%	45%
Expolanka Freight (Proprietary) Limited	South Africa	100%	100%
Expolanka Freight FZCO	Dubai	100%	100%
Expolanka Freight Dubai LLC (Dubai/Jebel Ali/Abu Dhabi - United Arab Emirates)	Dubai	100%	100%
Expolanka Freight Limited	Kenya	100%	100%
Expolanka Freight Limited	Mauritius	100%	100%
Expolanka Madagascar SA	Madagascar	100%	100%
Expolanka Pakistan (Private) Limited	Pakistan	51%	51%
International Sky Services (India) Private Limited	India	70%	70%
Expolanka Freight Vietnam	Vietnam	51%	51%
PT Expo Unipara	Indonesia	90%	90%
Expolanka Freight Limited	Philippines	100%	100%
Classic Travels Maldives Pvt Ltd	Maldives	49%	49%
EFL Global Logistics	Singapore	100%	100%
Expolanka USA LLC	USA	70%	70%
Expo Freight (Hong Kong) Ltd	Hong Kong	100%	100%
Expo Freight (Shanghai) Ltd	China	75%	75%
Akquasun Holidays India pvt Ltd	India	50%	50%
Expo Commodities SARL	Madagascar		90%
A V S Cargo Management Services Pvt Ltd	India	46%	46%
Air Sea Logistics	Kenya	45%	

Acquisition of Subsidiaries

During the year the Group acquired below indicated companies.

Company	Holding %
Sunpower Travels (Pvt) Ltd	100%
Pulsar Marine Services (Pvt) Ltd	100%
Air Sea Logistics	45%

2.4 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.

2.4.1 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.

Assets Acquired and Liabilities Assumed

The fair value of assets acquired and liabilities assumed of said Companies are as follows;

Total Assets	5,122,529
Total Liabilities	1,155,187
Net Assets	3,967,342

Note: The assets and liabilities as at the acquisition date are stated at their provisional fair values and may be amended in accordance with SLFRS 3 - Business Combination.

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".

2.4.2 Interest in a joint venture

The Group has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies of the joint venture in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealised gains and losses on such transactions between the Group and its jointly controlled entity. Losses on these transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

Joint ventures entered into by the Group, which have been accounted for under the proportionate consolidation method are:

Name	Country of Incorporation	Holding Percentage	
		31.03.2014	31.03.2013
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%

2.4.3 Investment in an associate

Associates are those investments over which the Group has significant influence and holds 20% to 50% of the equity and which are neither subsidiaries nor joint ventures of the Group. The Group's investments in its associates are accounted for using the equity method and use of the equity method of accounting is discontinued on the date from which, it no longer has significant influence in the associate.

Associate companies of the Group which have been accounted for under the equity method of accounting are:

Name of the Company	Holding Percentage	
	2014	2013
Amana Takaful Maldives PLC	22.73%	22.73%

The investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of results of equity accounted investees' in the income statement and statement of other comprehensive income.

The income statement reflects the share of the results of operations of the associate. Changes, if any, recognised directly in the equity of the associate, the Group recognizes its share and discloses this, when applicable in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The Group ceases to recognise further losses when the Group's share of losses in an associate equals or exceeds the interest in the undertaking, unless it has incurred obligations or made payments on behalf of the entity.

The accounting policies of associate companies conform to those used for similar transactions of the Group.

Equity method of accounting has been applied for associate financial statements using their corresponding/ matching 12 month financial period. In the case of associates, where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to 31 March.

Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in the income statement.

2.4.4 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.

2.4.5 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

Revenue, 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.

2.4.6 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%

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.

2.4.7 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.

2.4.8 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.

2.4.9 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.

2.4.10 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 year ended 31 March 2014

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 reliably 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 reliably measured are carried at cost.

2.4.11 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 – traders
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.

2.4.12 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.

2.4.13 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.

2.4.14 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 % and 3% 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 16. 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.

2.4.15 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.

2.4.16 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.

2.4.17 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.

2.5 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.

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following SLFRS 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 SLFRS will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

(i) 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 2014. However the effective date has been deferred subsequently / However, the original effective date has been deferred and revised effective date is yet to be announced.

(ii) SLFRS 13 -Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements.

This standard will be effective for annual periods beginning on or after 01 January 2014.

However use of fair value measurement principles contained in this standard are currently recommended.

In addition to the above, following standards will also be effective for annual periods commencing on or after 01 January 2014.

SLFRS 10 - Consolidated Financial Statements
SLFRS 11 - Joint Arrangements
SLFRS 12 - Disclosure of Interests in Other Entities

The above parcel/package of three standards will impact the recognition, measurement and disclosures aspects currently contained in LKAS 27-Consolidated and separate financial statements, LKAS 28- Investments in associates ,LKAS 31-Interest in joint ventures and SIC-12 and SIC 13 which are on consolidation of special purpose entities(SPEs) and jointly controlled entities respectively.

Establishing a single control model that applies to all entities including SPEs and removal of the option to proportionate consolidate jointly controlled entities are the significant changes introduced under SLFRS 10 and SLFRS 11 respectively.

SLFRS 12, establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as disclosures currently required under (as per ones previously captured in earlier versions of) LKAS 27, LKAS 28 and LKAS 31.

The Group will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

3 PROPERTY, PLANT AND EQUIPMENT

3.1 Group

	Freehold Land	Freehold Buildings	Rail Carriage	Plant and Machinery		Furniture and Fittings	Office and Factory Equipment
				Freehold	Leasehold		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
3.1.1 Cost							
As at 01 April 2013	1,555,500,867	681,550,747	43,238,390	410,825,133	134,755,166	430,093,672	225,225,303
Additions	82,639,351	22,761,896	12,051,338	33,148,381	14,918,566	92,497,705	39,643,062
Disposal of Subsidiaries	(361,138,229)	(332,627,852)	-	(59,545,160)	-	(73,036,777)	(26,014,859)
Disposals	-	(102,960,753)	-	(3,430,000)	-	(2,672,625)	(9,086,463)
Transfers from / to others	-	-	-	-	-	-	-
Exchange translation difference	(3,804,605)	1,844,577	-	164,504	-	2,555,842	(14,586,267)
As at 31 March 2014	1,273,197,384	270,568,615	55,289,728	381,162,858	149,673,732	449,437,817	215,180,775
3.1.2 Accumulated Depreciation							
As at 01 April 2013	-	102,712,662	14,751,338	179,488,401	13,373,683	182,765,102	115,145,047
Charge for the year	-	24,210,561	18,518,052	34,601,713	12,413,067	37,889,199	17,990,279
Disposal of Subsidiaries	-	(75,095,147)	-	(47,537,801)	385,384	(13,974,919)	(16,401,657)
Disposal	-	(12,626,131)	-	(1,486,600)	-	(2,242,283)	(6,535,565)
Exchange translation difference	-	179,846	-	164,504	-	(2,687,463)	(1,212,506)
As at 31 March 2014	-	39,381,791	33,269,391	165,230,217	26,172,134	201,749,636	108,985,598
3.1.3 Carrying Value							
As at 31 March 2014	1,273,197,384	231,186,824	22,020,337	215,932,641	123,501,597	247,688,181	106,195,178
As at 1 April 2013	1,555,500,867	600,828,399	28,487,052	125,592,331	121,381,483	247,328,570	110,080,256

3.1.4 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 747,703,941/- (2013 - Rs. 1,422,426,901/-). Cash payments amounting to Rs.695,931,661/- (2013 - Rs.1,259,962,175/-) were made during the year ended for purchase of Property, Plant and Equipment.

3.2 Company

	Motor Vehicles		Office Equipment	Technological Equipment	Furniture and Fittings	Computer and Accessories	Leasehold Improvements
	Freehold	Leasehold					
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
3.2.1 Cost							
As at 1 April 2013	28,812,102	8,010,000	7,959,770	51,161,158	12,213,995	10,036,326	21,697,840
Additions	-	14,210,947	102,000	5,389,116	254,429	-	126,229
Disposals	-	-	-	(961,511)	-	-	-
Transfers from / to others	-	-	-	-	-	-	-
As at 31 March 2014	28,812,102	22,220,947	8,061,770	55,588,763	12,468,424	10,036,326	21,824,069
3.2.2 Accumulated Depreciation							
As at 1 April 2013	8,852,271	3,080,585	3,685,936	35,126,351	3,373,760	3,775,492	10,149,305
Charge for the year	6,791,768	3,026,189	852,803	6,489,838	1,535,077	1,183,120	4,338,431
Disposal	-	-	-	(824,268)	-	-	-
As at 31 March 2014	15,644,040	6,106,774	4,538,740	40,791,921	4,908,837	4,958,612	14,487,736
3.2.3 Carrying Value							
As at 31 March 2014	13,168,062	16,114,173	3,523,031	14,796,842	7,559,587	5,077,714	7,336,333
As at 1 April 2013	19,959,831	4,929,415	4,273,834	16,034,807	8,840,235	6,260,834	11,548,535

3.3 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 20,072,720/- (2013- Rs.43,272,559/-). Cash payment amounting to Rs. 5,861,773/- (2013- Rs.38,022,559/-) 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
		Freehold	Leasehold					
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
152,602,237	513,529,028	507,037,418	246,869,720	86,011,399	62,669,154	153,936,529	554,087,335	5,757,932,098
29,786,744	63,677,644	40,568,890	36,853,715	3,606,645	15,551,018	34,300,071	259,855,857	781,860,882
(17,008,093)	(95,856,579)	(114,293,268)	(26,481,534)	(55,889,778)	(30,159,875)	(25,075,042)	(2,077,626)	(1,219,204,670)
(2,201,372)	(9,686,795)	(34,996,859)	(7,953,161)	(417,275)	-	(436,432)	-	(173,841,735)
-	-	-	-	-	-	-	(34,156,941)	(34,156,941)
5,771,361	(6,835,038)	(635,181)	757,303	-	42,886	(20,374)	-	(14,744,992)
168,950,878	464,828,260	397,681,000	250,046,043	33,310,991	48,103,183	162,704,751	777,708,626	5,097,844,642
126,617,072	352,918,234	269,751,744	73,865,755	48,591,364	25,657,526	31,230,010	-	1,536,867,939
19,477,867	56,340,519	65,620,963	44,480,774	3,694,461	851,069	15,090,220	-	351,178,745
(29,036,687)	(60,126,803)	(89,054,691)	(22,987,253)	(36,620,094)	(20,848,233)	(2,511,162)	-	(413,809,063)
(1,609,531)	(8,418,795)	(29,294,353)	(3,777,600)	(304,263)	-	-	-	(66,295,121)
(2,520,003)	(4,636,775)	1,347,143	205,950	-	(18,140)	(20,374)	-	(9,197,819)
112,928,717	336,076,380	218,370,806	91,787,626	15,361,469	5,642,222	43,788,694	-	1,398,744,681
56,022,160	128,751,880	179,310,193	158,258,417	17,949,522	42,460,961	118,916,057	777,708,626	3,699,099,960
84,738,142	207,602,219	237,285,673	173,003,965	37,420,035	37,011,628	100,716,204	554,087,335	4,221,064,159

Capital work in progress	Total
Rs.	Rs.
10,001	139,901,192
	20,082,721
-	(961,511)
(10,001)	(10,001)
-	159,012,401
-	68,043,700
-	24,217,228
-	(824,268)
-	91,436,660
-	67,575,741
10,001	71,857,492

4 INTANGIBLE ASSETS

	Computer Software Rs.	Goodwill Rs.	2014 Rs.	Computer Software Rs.	Goodwill Rs.	2013 Rs.
4.1 Group						
Cost						
As at 1 April	55,075,695	492,488,726	547,564,421	55,075,695	197,425,564	252,501,259
Additions/ (Disposal)	-	(8,970,112)	(8,970,112)	-	295,063,162	295,063,162
As at 31 March	55,075,695	483,518,614	538,594,308	55,075,695	492,488,726	547,564,421
Amortisation						
As at 1 April	38,819,259	-	38,819,259	25,038,844	-	25,038,844
Amortisation/Impairement during the year	5,587,823	26,058,281	31,646,105	13,780,415	-	13,780,415
As at 31 March	44,407,082	26,058,281	70,465,363	38,819,259	-	38,819,259
Carrying Value						
As at 31 March 2014						468,128,945
As at 1 April 2013						508,745,162

4.1.1 Goodwill

Goodwill acquired through business combinations have been allocated to cash generating units (CGU's) for impairment testing as follows;

	2014 Rs.	2013 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 (Philliphine) 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
Other	-	35,028,394
	457,460,333	492,488,726

** Other represent the goodwill arised from Expo Commodities SARL, World Spices and Teas (Private) Limited, Amoha (Private) Limited, Travel Express (Private) Limited, Pulsar Shipping Agencies (Private) Limited, GTS Logistics (Private) Limited, Saffron Foods (Private) Limited, Alpha Air Solutions (Private) Limited and Alpha Aviation (Private) Limited*

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 extrapolating using 0% growth rate.

4.2 Company

Computer Software	2014 Rs.	2013 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

Computer Software	2014 Rs.	2013 Rs.
Amortisation		
As at 1 April	33,453,426	25,038,844
Amortisation during the year		8,414,583
As at 31 March	33,453,426	33,453,426
Net Book Value	-	-

5 INVESTMENTS IN SUBSIDIARIES

5.1 Company

Non - Quoted	2014 Holding %	2014 Rs.	2013 Holding %	2013 Rs.
SG Logistics (Private) Limited	100	79,105,042	100	79,105,042
Bio Extracts (Private) Limited	100	16,250,050	100	6,250,050
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 Commodities (Private) Limited	-	-	100	174,558,639
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	100	407,668
Expolanka Plantations (Private) Limited	90	37,232,918	90	37,232,918
Expolanka Teas (Private) Limited	90	87,844,407	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	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	100	10,000,000	100	10,000,000
Luxe Asia (Private) Limited	-	-	100	5,000,000
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
Asia Pacific Institution of Information Technology Lanka (Private) Limited	-	-	44	51,189,485
Castle Commercial (Private) Limited	90	90	90	90
World Spices Teas (Private) Limited	90	50	90	50
Nofolk foods (Private) Limited	50	300,000,000	50	300,000,000
Lanka Premier Foods (Private) Limited	-	-	80	16,080,000
Saffron Foods (Private) Limited	100	15,075,000	100	15,075,000
Logistics Park (Private) Limited	100	500,000,000	100	500,000,000
EFL Global Logistics (PTE) Ltd	100	74,135,000	100	74,135,000
Akquasun Holidays (India) Pvt Ltd	50	120,552,533	50	120,552,533
Total Carrying Value of Investments in Subsidiaries		3,983,370,778		4,220,198,902

5.2 Interest In Joint Venture

"The Group has a 50% interest in Airline Cargo Resources Limited, Airline Services Limited, Cross Freight Lines Limited, Freight Care Aviation Limited and Wings Classic Tours & Travels Limited, jointly controlled entities."

The Group's share of the assets and liabilities as at 31 March 2014 and 2013 Revenue and Profit/(Loss) of the jointly controlled entities for the years ended 31 March 2014 and 2013, which is proportionally consolidated in the consolidated financial statements, is as follows:

5.2.1 Share of Joint Venture's Statement of Financial Position

	2014 Rs.	2013 Rs.
Current Assets	326,276,639	282,401,218
Non-current Assets	32,712,766	27,706,295
Current liabilities	(297,032,292)	(248,535,007)
Net Assets	61,957,113	61,572,506
5.2.1 Share of the Associates Revenue and Profit/(Loss)		
Revenue	1,060,201,927	1,046,176,045
Profit/(Loss) before Income Tax	36,755,985	54,331,574
Income Tax	(13,783,494)	(20,861,507)
Profit/(Loss) after Income Tax	22,972,491	33,470,067

6 INVESTMENT IN ASSOCIATE

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Carrying Value				
Cost	44,020,000	44,005,000	43,990,000	43,990,000
Share of post acquisition Profit	25,961,562	20,018,522	-	-
Share of Capital Reserve	25,382,248	25,382,248	-	-
	95,363,810	89,405,770	43,990,000	43,990,000
6.1 Share of Associate's Balance Sheet				
Total Assets	153,006,942	116,016,106		
Current liabilities	(71,600,622)	(42,526,869)		
Net Assets	81,406,319	73,489,236		
Share of Capital Reserve	25,382,248	25,382,248		
Net Carrying Value of the Investments	106,788,567	98,871,484		
Goodwill	(6,084,583)	(6,084,583)		
Exchange Difference	(5,340,174)	(3,381,132)		
Net Assets	95,363,810	89,405,769		
6.2 Share of the Associates Revenue and Profit/(Loss)				
Revenue	125,422,182	145,626,715		
Profit/(Loss) before Income Tax	14,110,617	18,360,262		
Income Tax	(1,958,286)	(3,519,597)		
Profit/(Loss) after Income Tax	12,152,331	14,840,666		
Dividend	(6,209,291)	-		
	5,943,041	14,840,666		

7 OTHER FINANCIAL ASSETS

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Financial instruments at fair value through profit or loss				
Investments in Equity Securities (7.1)	469,495,101	876,542	469,461,231	-
Investments in Securities (7.2)	-	407,505,870	-	407,505,870
	469,495,101	408,382,412	469,461,231	407,505,870
Available-for-sale investments				
Investments in Securities (7.2)	447,921,566	121,465,331	134,859,994	4,363,000
Investments in Equity Securities (7.3)	73,823,152	89,642,399	73,823,152	89,642,399
	521,744,718	211,107,730	208,683,146	94,005,399
Loans and receivables				
Investments in Fixed / Savings Deposits - Mudarabha	264,051,766	388,008,222	608,257,209	164,824,310
	264,051,766	388,008,222	608,257,209	164,824,310
Total current	733,546,867	796,390,634	1,077,718,440	572,330,180
Total non-current	521,744,718	211,107,730	208,683,146	94,005,399

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

	2014		2013	
	No. of Shares	Rs.	No. of Shares	Rs.
GROUP				
Amana Bank Limited	90,281,006	469,461,231	-	-
Sierra Cables PLC	-	-	61,500	202,963
Overseas Reality (Ceylon) PLC	-	-	50,000	670,000
Sri Lanka Telecom PLC	-	-	100	3,579
Bairaha Farms PLC	100	14,720	-	-
Cargills Ceylon PLC	100	13,650	-	-
Keells Foods PLC	100	5,500	-	-
Total Investments in Quoted Equity Securities		469,495,101		876,542

	2014		2013	
	No. of Shares	Rs.	No. of Shares	Rs.
COMPANY				
Amana Bank Limited	90,281,006	469,461,231	-	-
		469,461,231		-

7.2 Investments in Securities

	2014	2013
	Rs.	Rs.
GROUP		
Lanka Commodity Brokers (Private) Limited	88,512,060	88,512,060
Amana Bank Limited	-	407,505,870
Amana Investment Limited	4,363,000	4,388,000
SLFFA Cargo Services Limited	717,921	717,921
Expo Global Distribution Centre (EGDC) - Singapore	12,579,091	27,847,350
Envoy Textile Bangladesh	14,752,500	-
Asia Pacific Institution of Information Technology Lanka (Private) Limited	130,496,994	-
EGDC Colombo	196,500,000	-
Total Investments in Non Quoted Equity Securities	447,921,566	528,971,201
Current	-	407,505,870
Non-current	447,921,566	121,465,331
	447,921,566	528,971,201
COMPANY		
Amana Bank Limited	-	407,505,870
Amana Investment Limited	4,363,000	4,363,000
Asia Pacific Institution of Information Technology Lanka (Private) Limited	130,496,994	-
	134,859,994	411,868,870
Current	-	407,505,870
Non-current	134,859,994	4,363,000
	134,859,994	411,868,870

7.3 Investments in Equity Securities

	2014		2013	
GROUP	No. of Shares	Rs.	No. of Shares	Rs.
Amana Takaful PLC	52,730,823	73,823,152	52,730,823	89,642,399
		73,823,152		89,642,399

	2014		2013	
COMPANY **Investments in Equity Securities**	No. of Shares	Rs.	No. of Shares	Rs.
Amana Takaful PLC	52,730,823	73,823,152	52,730,823	89,642,399
		73,823,152		89,642,399

7.4 Fair values

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	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Financial assets				
Trade and other receivables	11,858,537,617	11,559,009,945	11,858,537,617	11,559,009,945
Other financial assets				
Financial instruments at fair value through profit or loss	469,495,101	408,382,412	469,495,101	408,382,412
Loans and other receivables	264,051,766	388,008,222	264,051,766	388,008,222
Available-for-sale investments	521,744,718	211,107,730	521,744,718	211,107,730
Cash and short-term deposits	2,673,462,788	2,576,285,350	2,673,462,788	2,576,285,350
Total	15,787,291,990	15,142,793,659	15,787,291,990	15,142,793,659

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 March 2014, 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 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	521,744,718	73,823,152	-	447,921,566

During the reporting period ending 31 March 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

As at 31 March 2013, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	As at 31 March 2013 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets at fair value through profit or loss	408,382,412	876,542	-	407,505,870
Available-for-sale financial assets Equity shares	211,107,730	89,642,399	-	121,465,331

During the reporting period ending 31 March 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation of fair value measurements of Level 3 financial instruments

The Group carries unquoted equity shares as available-for-sale instruments classified as Level 3 within the fair value hierarchy.

8 OTHER INVESTMENTS

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Investment in Gold	-	111,262,500	-	-
	-	111,262,500	-	-

9 INVENTORIES

	Group	
	2014 Rs.	2013 Rs.
Raw Materials	336,182,973	218,406,258
Packing Materials	149,018,669	133,701,746
Work in Progress	433,454	653,225
Finished Goods	181,173,581	557,863,583
Consumables	19,344,816	17,122,238
Stationeries	1,231,719	1,368,581
Goods in Transit	79,448,020	231,414,694
Less: Provision	-	(5,316,178)
	766,833,231	1,155,214,148

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Trade Debtors	11,392,264,758	11,223,052,289	-	-
Less: Provision for Doubtful Debts	(205,484,537)	(292,952,507)	-	-
	11,186,780,221	10,930,099,782	-	-
Other Debtors	668,081,412	628,195,490	6,826,263	35,405,634
Amounts Due from Related Parties (10.1)	3,675,984	714,673	723,804,551	944,241,136
	11,858,537,617	11,559,009,945	730,630,813	979,646,770

10.1 Amounts Due from Related Parties

	Relationship	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Bio Extracts (Private) Limited	Subsidiary	-	-	85,406,809	50,825,005
Expo Consolidators (Private) Limited	Subsidiary	-	-	86,138,184	98,963,064
Expolanka Commodities (Private) Limited	Subsidiary	-	-	-	34,832,410
Expolanka Freight (Private) Limited	Subsidiary	-	-	-	238,696,555
Expolanka (Private) Limited	Subsidiary	-	-	159,048,479	130,245,679
Expolanka Plantations (Private) Limited	Subsidiary	-	-	7,072,410	7,072,410
Expolanka Teas (Private) Limited	Subsidiary	-	-	32,444,012	42,125,831
Freightcare (Private) Limited	Subsidiary	-	-	3,000,000	3,000,000
HelloCorp (Private) Limited	Subsidiary	-	-	-	3,190,614
Luxe Asia (Private) Limited	Subsidiary	-	-	-	10,287,408
Neptune Holdings (Private) Limited	Subsidiary	-	-	8,557,400	8,557,400
Neptune Papers (Private) Limited	Subsidiary	-	-	41,984,761	16,576,050
S G Logistics (Private) Limited	Subsidiary	-	-	-	65,013
Classic Travel (Private) Limited	Subsidiary	-	-	73,168,328	63,000,000
Expolanka International (Private) Limited	Subsidiary	-	-	144,784,623	191,580,719
International Airlines (Private) Limited	Subsidiary	-	-	33,171,925	26,000,104
Expolanka Pharmaceuticals (Private) Limited	Subsidiary	-	-	1,055,040	527,520
Akquasun Lanka (Private) Limited	Subsidiary	-	-	319,931	2,326,889
Amoha (Private) Limited	Subsidiary	-	-	-	86,384
Tropical Green (Private) Limited	Subsidiary	-	-	8,742,000	8,550,000
Globe Air (Private) Limited	Subsidiary	-	-	14,765,624	4,765,624
Norfolk Foods (Private) Limited	Subsidiary	-	-	109,368	132,888
Akquasun Holiday India (Private) Limited	Subsidiary	-	-	2,063,026	1,073,770
APIIT Lanka (Private) Limited	Subsidiary	-	-	-	250,000
Global Logistic Services (Private) Limited	Subsidiary	-	-	-	270,074
Saffron Foods (Private) Limited	Subsidiary	-	-	16,770,378	861,946
GTS Logistics (Pvt) Ltd	Subsidiary	-	-	5,000	-
Alpha Air Solutions (Pvt) Ltd	Subsidiary	-	-	4,136,214	-
Alpha Aviation (Pvt) Ltd	Subsidiary	-	-	809,740	-
Classic Vacations (Pvt) Ltd	Subsidiary	-	-	5,000	-
Lanka Commodity Holdings (Pvt) Ltd	Affiliate Company	-	-	103,500	
Lanka Premier Foods (Private) Limited	Affiliate Company	-	-	50,000	250,000
Expack Corrugated Cartons (Private) Limited	Affiliate Company	-	65,508	-	65,508
Aberdeen Holdings (Private) Limited	Affiliate Company	92,800	-	92,800	-
Fits Aviation (Private) Limited	Affiliate Company	3,583,184	649,165	-	62,272
		3,675,984	714,673	723,804,551	944,241,136

	Group Collectively impaired Rs.
At 01 April 2013	292,952,507
Charge for the year	86,435,411
Utilised	(171,156,256)
Unused amounts reversed	(2,747,125)
At 31 March 2014	205,484,537

As at 31 March, the aging analysis of trade receivables, is as follows:

			Past due but not impaired			
	Total Rs.	Neither past due nor impaired Rs.	0-90 days Rs.	91-180 days Rs.	181-360 days Rs.	> 360 days Rs.
31 March 2014	11,186,780,221	331,560,075	9,680,938,002	611,064,901	381,274,626	181,942,617
31 March 2013	11,466,268,505	883,678,212	9,505,060,371	541,379,873	250,242,394	285,907,655

Rs. 381,274,626/- includes Rs. 210,337,431/- receivable to Expolanka Teas (Private) Limited from Seema Africa which is a Government agent in Libiya for the export of tea. Expolanka Teas (Private) Limited Management is confident the recoverability of the same.

11 CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Cash at banks and on hand	2,673,462,788	2,576,285,350	285,828,961	9,870,985
	2,673,462,788	2,576,285,350	285,828,961	9,870,985
Cash at banks and on hand	2,673,462,788	2,576,285,350	285,828,961	9,870,985
Bank overdrafts	(737,716,056)	(1,034,235,664)	(381,367,617)	(356,493,490)
Cash and cash equivalents	1,935,746,732	1,542,049,686	(95,538,656)	(346,622,505)

12 STATED CAPITAL

	2014		2013	
	Number	Rs.	Number	Rs.
Fully Paid Ordinary Shares	1,954,915,000	4,097,985,000	1,954,915,000	4,097,985,000
12.1 Fully Paid Ordinary Shares				
Balance at beginning of the year	1,954,915,000	4,097,985,000	1,954,915,000	4,097,985,000
Balance at end of the year	1,954,915,000	4,097,985,000	1,954,915,000	4,097,985,000

13 RESERVES

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Available for Sale Reserve (13.1)	(36,075,380)	(24,926,370)	(36,075,380)	(20,256,133)
Foreign Currency Translation Reserve (13.2)	72,407,147	98,220,932	-	-
	36,331,768	73,294,563	(36,075,380)	(20,256,133)
13.1 Available for Sale Reserve				
Balance as at 1 April	(24,926,370)	(11,333,917)	(20,256,133)	(6,663,680)
Net loss for the year	(11,149,010)	(13,592,453)	(15,819,247)	(13,592,453)
Balance as at 31 March	(36,075,380)	(24,926,370)	(36,075,380)	(20,256,133)
13.2 Foreign Currency Translation Reserve				
Balance as at 1 April	98,220,932	130,496,609	-	-
Currency translation difference during the year	(25,813,785)	(32,275,677)	-	-
Balance as at 31 March	72,407,147	98,220,932	-	-

14 FINANCING AND LEASE (IJARA) PAYABLES

	2014 Rs.	2013 Rs.
14.1 Group		
Current finance cost bearing loans and borrowings		
Finance Leases - Ijara (14.1.1)	74,010,231	68,945,309
Bank Financing (14.1.2)	1,092,604,863	1,212,911,009
Bank Overdrafts - (finance cost free) (11.2)	356,345,374	677,742,175
	1,522,960,467	1,959,598,493
Non-current finance cost-bearing loans and borrowings		
Finance Leases - Ijara (14.1.1)	117,104,598	110,120,953
Bank Financing (14.1.2)	679,172,710	236,049,521
Bank Overdrafts - (finance cost free) (11.2)	381,370,683	356,493,490
	1,177,647,991	702,663,963

14.1.1 Finance Leases (Ijara)

	As At 01.04.2013 Rs.	New Leases (Ijara) Obtained Rs.	Repayment Rs.	As At 31.03.2014 Rs.	Current As At 31.03.2014 Rs.	Non-Current As At 31.03.2014 Rs.
Gross Liabilities	194,521,384	92,183,027	(77,900,055)	208,804,356		
Finance Charges allocated to future periods	(15,455,122)			(17,689,527)		
Net Liabilities	179,066,262			191,114,829	74,010,231	117,104,598

14.1.2 Bank Financing

	As At 01.04.2013 Rs.	Finance Obtained Rs.	Repayment Rs.	As At 31.03.2014 Rs.
Bank Financing	1,448,960,530	1,878,843,424	(1,556,026,382)	1,771,777,572
	1,448,960,530	1,878,843,424	(1,556,026,382)	1,771,777,572

14.1.3 Security and repayment terms

COMPANY	LENDING INSTITUTION	NATURE OF FACILITY	FINANCE RATE	SECURITY	REPAYMENT TERMS	2014	2013
Expolanka (Pvt) Ltd	Commercial Bank PLC	Diminishing Musharakah	AWPLR + 2 %	Corporate Guarantee of Expolanka Holdings Plc for Rs.300,000,000	24 Months with the purchasing of units owned by the bank commencing after 12 months from the date of investment	-	262,500,000
Expolanka Freight (Pvt) Ltd	Commercial Bank PLC	Diminishing Musharakah	LIBOR + 4.75 % for the first 18 months and LIBOR + 5 % for the next 66 months revisable quarterly * Subject to Cap 9 % and floor 5 % 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.

14.2 Company

	2014 Rs.	2013 Rs.
Current finance cost bearing loans and borrowings		
Lease (Ijara) Payables (14.2.1)	4,180,564	1,000,000
	4,180,564	1,000,000
Non-current finance cost-bearing loans and borrowings		
Lease (Ijara) Payables (14.2.1)	10,887,865	3,583,333
Bank Overdrafts - (finance cost free) (11.2)	381,367,617	356,493,490
	392,255,482	360,076,823

14.2.1 Lease (Ijara) Payables

	As at 01.04.2013 Rs.	New Leases (Ijara) Obtained Rs.	Repayments Rs.	As at 31.03.2014 Rs.	Current As at 2014 Rs.	Non-Current As at 2014 Rs.
Gross Liabilities	6,403,693	19,308,236	6,528,794	19,183,135	6,358,794	12,824,340
Finance Charges Allocated to future periods	(1,820,360)	(5,290,379)	(2,996,032)	(4,114,707)	(2,178,230)	(1,936,475)
Net Liabilities	4,583,333	14,017,857	3,532,762	15,068,428	4,180,564	10,887,865

15 DEFERRED INCOME TAX

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
15.1 Deferred Income Tax Assets				
Balance as at the beginning of the period	45,540,882	47,465,543	-	-
Income arisen during the period	4,798,579	(1,924,661)	-	-
Disposal of Subsidiaries	(4,460,449)	-	-	-
Balance as at 31 March	45,879,011	45,540,882	-	-

Expolanka Holdings PLC has not recognized net deferred tax asset as at 31 March 2014 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. 681,654,837/- (2013 - Rs.529,289,481/-) can be utilized.

15.2 Deferred Income Tax Liabilities

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Balance as at beginning of the year	76,202,476	81,965,472	-	-
Provision made during the period	14,324,051	(6,823,588)	-	-
Tax effect on actuarial gains on defined benefit plans	364,132	1,060,592	-	-
Disposal of Subsidiaries	(39,148,296)	-	-	-
Balance as at end of the year	51,742,363	76,202,476	-	-

16 RETIREMENT BENEFIT OBLIGATION-GRATUITY

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Balance as at beginning of the year	291,835,110	264,636,315	9,922,036	9,634,071
Service Charge for the year	27,164,269	20,245,406	1,715,878	1,695,340
Finance charge for the year	34,290,625	27,125,222	1,348,307	987,492
Acturial Gain/ Loss	(14,560,868)	(7,360,378)	651,780	(591,944)
Payments during the year	(35,410,410)	(11,893,502)	(1,048,846)	(475,000)
Transfer during the year	-	-	-	(1,327,923)
Exchange difference	2,341,678	(917,953)	-	-
Disposal of Subsidiaries	(39,161,043)	-	-	-
Balance as at end of the year	266,499,361	291,835,110	12,589,155	9,922,036

Principal assumption used in determining post employment benefit obligation are shown below:

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Discount rate:	11.00%	11.75%	11.00%	11.75%
Staff withdrawal rate	7.5%	9.0%	7.5%	9.0%
Expected remaining working life	7.3 Years	7.4 Years	7.3 Years	7.4 Years

Sensitivity of assumptions used - 2014	Discount Rate		Salary Increment	
	Group	Company	Group	Company
Effect on the defined benefit obligation liability				
Increase by one percentage point	12,736,110	1,142,129	(10,276,013)	(924,160)
Decrease by one percentage point	(11,477,044)	(1,008,498)	11,578,964	1,061,688

Sensitivity information of the Group represent the local subsidiaries data.

17 TRADE AND OTHER PAYABLES

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Trade Payables	6,548,319,634	6,943,246,607	8,730,264	21,807,949
Amounts Due to Related Parties (17.1)	2,200,594	15,560,851	24,508,314	1,724,025
Sundry Creditors including Accrued Expenses	1,420,752,962	1,766,115,294	36,261,256	2,633,140
	7,971,273,189	8,724,922,752	69,499,833	26,165,114

17.1 Amounts Due to Related Parties

		Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Current					
UCL Logistics (Private) Limited	Subsidiary	-	-	-	1,581,320
Peri Logistics (Private) Limited	Subsidiary	-	-	-	142,705
Expolanka Freight (Pvt) Ltd	Subsidiary	-	-	24,508,314	-
Expack Corrugated Cartons (Private) Limited	Affiliate Company	2,200,594	6,084,750	-	-
Denshun Industries (Private) Limited	Affiliate Company	-	9,376,077	-	-
Fits Aviation (Private) Limited	Affiliate Company	-	100,024	-	-
		2,200,594	15,560,851	24,508,314	1,724,025

18 REVENUE

Summary	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Sales of Goods	15,197,399,569	12,913,479,164	-	-
Rendering of Services	39,181,882,689	37,161,879,128	140,010,627	132,114,731
	54,379,282,258	50,075,358,292	140,010,627	132,114,731

19 OTHER OPERATING INCOME AND GAINS

	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Other Operating Income	108,784,478	114,539,992	16,043,780	264,593
Bad Debts Recovery	15,700,154	33,980,857	-	-
Commission Income	28,376,214	28,949,784	-	-
Investment Income	25,209,196	61,418,891	113,762,970	363,661,464
Exchange Gain	88,094,474	120,411,445	-	
Rental Income	74,582,439	60,221,208	-	-
Management Fees	5,059,680	9,872,225	-	-
Navinna Estate Profit	2,297,645	1,770,836	-	-
Profit on Disposal of subsidiaries (19.1)	601,009,816	8,383,893	1,006,103,953	8,000,000
Profit on Disposal of Property, Plant and Equipment	7,207,029	51,467,416	-	4,057,500
Revaluation of Investments	61,955,361	-	61,955,361	-
	1,018,276,484	491,016,548	1,197,866,064	375,983,557

19.1 "During the year Expolanka Holdings PLC under the restructuring process, divested Expolanka Commodities (Pvt) Ltd, Lanka Premier Foods (Pvt) Ltd, Luxe Asia (Pvt) Ltd, HelloCorp (Pvt) Ltd and Asia Pacific Institute of Information Technology Lanka (Pvt) Ltd. for a total consideration of Rs. 1,072,768,667/- . This has resulted in a gain of Rs.601,009,816/- to the Group and a gain of Rs.1,006,103,953/- to the Company.

Expolanka Commodities (Pvt) Ltd, Lanka Premier Foods (Pvt) Ltd were divested for a total consideration of Rs. 550 Million to Aberdeen Holdings (Pvt) Ltd. The main shareholders of Aberdeen Holdings (Pvt) Ltd consist of some of the Directors of Expolanka Holdings PLC."

20 FINANCE COSTS

	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Finance Charges on Bank Financing	206,345,547	209,170,283	-	-
Finance Charges on Lease (Ijara) liabilities	62,054,908	17,826,113	2,996,032	348,306
	268,400,455	226,996,396	2,996,032	348,306

21 PROFIT BEFORE TAX

Stated after Charging	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Included in Administrative Expenses				
Employees Benefits including the following				
Defined Benefit Plan Costs - Gratuity	91,342,800	81,244,678	3,362,640	2,682,832
Defined Contribution Plan Costs - EPF and ETF	211,498,570	177,960,719	13,449,945	13,000,934
Depreciation	351,178,745	362,149,892	24,217,228	21,828,189
Directors' Emoluments	211,181,454	192,794,080	35,407,500	29,610,000
Auditors' Remuneration (Fees and Expenses)	31,002,744	30,740,714	1,220,000	1,090,000
Donations	14,707,820	14,129,185	30,000	7,500
Included in Selling and Distribution Costs				
Advertising Costs	160,756,764	159,942,336	2,360,210	85,237

22 INCOME TAX EXPENSE

	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year (22.1)	360,635,921	360,868,310	-	-
10 % of Withholding Tax on inter-company Dividends	10,613,071	33,704,361	-	-
Deferred Income Tax				
Deferred Taxation Charge/(Reversal)	9,525,472	(2,777,742)	-	-
	380,774,464	391,794,929	-	-
22.1 A reconciliation between tax expense and the product of accounting profit /(loss)				
Accounting Profit before Income Tax	1,950,895,628	1,670,313,754	984,076,123	170,317,992
Aggregate Disallowable Items	189,614,666	418,099,159	50,065,451	40,844,450
Aggregate Allowable Expenses	(380,483,619)	(364,204,399)	(16,148,079)	(33,026,142)
Aggregate Allowable Income	(722,692,469)	(314,111,401)	(1,170,358,850)	(313,761,401)
Taxable Profit/(Loss)	1,037,334,206	1,410,097,113	(152,365,355)	(135,625,100)
Income Tax Expense	70,191,039	104,115,187	-	-
Income Tax on International Operations	290,444,882	256,753,123	-	-
	360,635,921	360,868,310	-	-
Effective Tax Rate	18.5%	21.6%		
Tax losses carried forward	(1,027,098,424)	(772,260,589)	(529,289,481)	(393,664,381)
Tax losses incurred during the year	(416,587,460)	(272,267,356)	(152,365,355)	(135,625,100)
Tax loss utilised	493,191	17,429,520	-	-
Tax losses brought forward	(1,443,192,693)	(1,027,098,424)	(681,654,837)	(529,289,481)

23 EARNINGS PER SHARE

23.1 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.

23.2 The following reflects the income and share data used in the basic Earnings Per Share computations.

	Group	
	2014 Rs.	2013 Rs.
Profit attributable to Ordinary Shareholders for basic Earnings Per Share	1,426,005,899	1,060,657,819
Number of Ordinary Shares used as the denominator:	**Number**	**Number**
Opening Balance weighted average of during the year share issue	1,954,915,000	1,954,915,000
Weighted average number of ordinary shares in issue applicable to basic Earnings Per Share	1,954,915,000	1,954,915,000

23.3 Dividend

	Rs. Per Share	2014	Rs. Per Share	2013
Declared and paid during the year				
Interim Dividend	0.33	645,121,950	0.12	234,589,800

24 SEGMENT INFORMATION

Operating Segment	Freight and Logistics		Travel and Leisure		International Trading and Manufacturing		Investments and Services		Total	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Property, plant and equipment	1,873,448,694	1,557,569,026	72,114,684	94,266,061	1,628,443,775	2,050,338,980	125,092,807	518,890,092	3,699,099,960	4,221,064,159
Other Financial Assets	224,549,512	28,565,271	-	-	297,195,206	182,542,459	521,744,718	211,107,730		
other non-current assets	721,596,010	405,282,174	19,324,726	33,362,716	23,690,621	56,131,970	4,044,743,644	2,662,679,010	4,809,355,000	3,157,455,870
Segment non-current assets	2,819,594,215	1,991,416,471	91,439,410	127,628,777	1,652,134,396	2,106,470,951	4,467,031,657	3,364,111,561	9,030,199,679	7,589,627,760
Investments in Subsidiaries									(4,708,153,875)	(2,859,244,634)
Goodwill									457,460,333	492,488,727
Eliminations / adjustments									50,710,309	(147,008,150)
Total non-current assets									4,830,216,444	5,075,863,703
Inventories	1,231,719	-	191,706	368,546	765,409,806	1,153,477,021	-	1,368,581	766,833,231	1,155,214,148
Trade and Other Receivables	10,165,466,035	7,186,586,758	878,506,354	775,754,144	2,262,398,545	2,444,045,022	1,361,679,828	2,006,664,206	14,668,050,763	12,413,050,130
Other Financial Assets	60,450,165	87,500,645	25,568,702	9,526,219	33,870	1,053,120	647,494,130	698,310,650	733,546,867	796,390,634
Cash and Bank Balances	1,683,685,740	1,783,491,889	73,015,076	40,424,727	243,336,636	333,765,127	673,425,335	418,603,607	2,673,462,787	2,576,285,350
other current assets	707,716,665	967,220,837	164,382,379	128,360,102	93,972,166	326,683,897	335,113,983	1,333,269,780	1,301,185,193	2,755,534,616
Segment current assets	12,618,550,325	10,024,800,129	1,141,664,217	954,433,738	3,365,151,023	4,259,024,187	3,017,713,276	4,458,216,824	20,143,078,841	19,696,474,878
Eliminations / adjustments									(2,809,513,143)	(2,423,866,052)
Total current assets									17,333,565,698	17,272,608,826
Total assets									22,163,782,142	22,348,472,529
Financing and Lease (Ijara) Payables	1,276,611,129	464,658,847	13,813,238	119,154,334	33,512,479	298,592,232	392,255,482	383,545,536	1,716,192,328	1,265,950,950
other non-current liabilities	171,185,004	167,155,073	17,773,627	19,516,417	91,169,692	118,466,935	38,113,402	62,899,163	318,241,725	368,037,587
Segment non-current liabilities	1,447,796,133	631,813,920	31,586,864	138,670,751	124,682,172	417,059,167	430,368,883	446,444,698	2,034,434,052	1,633,988,536
Eliminations / adjustments									(538,544,338)	(563,286,987)
Total non-current liabilities									1,495,889,715	1,070,701,550
Financing and Lease (Ijara) Payables	440,333,256	213,490,404	223,165,682	116,006,596	1,013,133,424	1,692,835,625	18,626,176	60,209,925	1,695,258,538	2,082,542,550
Trade and Other Payables	5,427,956,039	4,463,436,609	611,271,997	419,727,428	865,268,845	772,800,511	728,862,704	2,082,143,782	7,633,359,585	7,738,108,330
other current liabilities	1,452,391,269	1,382,831,620	138,567,616	234,219,164	1,402,936,491	1,331,768,515	476,665,417	354,724,133	3,470,560,792	3,303,543,431
Segment current liabilities	7,320,680,564	6,059,758,633	973,005,295	769,953,187	3,281,338,760	3,797,404,651	1,224,154,297	2,497,077,840	12,799,178,916	13,124,194,312
Eliminations / adjustments									(2,896,684,811)	(2,083,422,231)
Total current liabilities									9,902,494,105	11,040,772,080
Total liabilities									11,398,383,820	12,111,473,630
Total Segment asset	15,438,144,540	12,016,216,600	1,233,103,627	1,082,062,515	5,017,285,418	6,365,495,137	7,484,744,934	7,822,328,385	29,173,278,519	27,286,102,638
Total Segment liabilities	8,768,476,698	6,691,572,553	1,004,592,160	908,623,939	3,406,020,932	4,214,463,818	1,654,523,180	2,943,522,539	14,833,612,969	14,758,182,848

NOTES TO THE FINANCIAL STATEMENT CONTD.

Primary Segments (Business Segments)	Freight and Logistics		Travel and Leisure		International Trading and Manufacturing		Investments and Services		Group Total	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Revenue	34,950,761,307	32,182,942,131	2,352,970,098	2,377,204,715	14,513,360,788	12,645,624,614	2,562,190,065	2,869,586,832	54,379,282,258	50,075,358,292
Cost of Sales	(28,924,156,387)	(26,951,074,038)	(1,691,483,650)	(1,782,890,399)	(13,325,502,640)	(11,431,926,768)	(1,909,940,204)	(1,787,875,136)	(45,851,082,880)	(41,953,766,340)
Other Operation Income	205,453,780	279,673,803	35,579,270	37,128,486	56,105,776	82,101,222	721,137,658	92,113,037	1,018,276,484	491,016,548
Overhead	(4,877,787,539)	(4,075,174,269)	(613,260,140)	(544,212,203)	(1,199,848,902)	(1,210,297,525)	(916,835,985)	(1,127,451,415)	(7,607,732,566)	(6,957,135,412)
Share of Profit of an Associate							12,152,331	14,840,666	12,152,331	14,840,666
Profit Before Tax	1,354,271,161	1,436,367,627	83,805,579	87,230,599	44,115,022	85,501,542	468,703,866	61,213,984	1,950,895,628	1,670,313,754
Income Tax Expense	(264,307,446)	(259,294,299)	(18,532,791)	(11,021,400)	(27,380,517)	(35,154,999)	(70,553,712)	(86,324,232)	(380,774,464)	(391,794,929)
Profit for the year	1,089,963,714	1,177,073,328	65,272,789	76,209,199	16,734,505	50,346,544	398,150,154	(25,110,248)	1,570,121,164	1,278,518,825

25 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.

25.1 Transaction with related entities

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Subsidiaries				
Management Fees Charged	-	-	8,394,000	9,540,000
Technical Fees Charged	-	-	119,594,003	114,574,751
Secretarial Fees Charged	-	-	4,752,000	4,800,000
Dividend Received	-	-	96,090,246	311,240,390
Settlement of liabilities by the Company on behalf of Subsidiaries	-	-	3,945,464	6,154,478
Settlements by Subsidiaries	-	-	2,430,842	3,194,101
Advance to Subsidiary	-	-	473,617,879	138,273,135
Settlement of advances by Subsidiaries	-	-	141,600,000	118,746,748
Net Advances	-	-	250,000,000	15,000,000
Affiliates				
Management Fees Charged	-	-	1,594,668	982,824
Technical Fees Charged	-	-	4,619,156	1,953,156
Secretarial Fees Charged	-	-	531,800	264,000
Other related entities and controlled by Key management personnel and Affiliates				
Provide of Services	60,370,673	38,640,562	-	-
Settlement of liabilities on behalf of the Company	45,271,873	3,004,580	-	-

** Other related entities includes Denshun Industries (Private) Limited, Fits Aviation (Private) Limited and Expack Corrugated Cartons (Private) Limited*

25.2 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	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Short-term employee benefits	211,181,454	176,310,708	35,407,500	29,610,000
	211,181,454	176,310,708	35,407,500	29,610,000

Disposal of subsidiaries

Expolanka Commodities Pvt Ltd and Lanka Premier Foods Pvt Ltd were divested for a consideration of Rs 550 Mn to Aberdeen Holdings Pvt Ltd. The main shareholders of Aberdeen Holdings Pvt Ltd consists of some of the Directors of Expolanka Holdings PLC.

26 ASSETS PLEDGED

Nature of Liability	Company	Carrying Amount		Pledged Amount		Included Under
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	
Diminishing Musharakah on behalf of Expolanka Freight (Private) Limited	Expolanka (Private) Limited	446,388,897		719,675,000		Property, Plant and Equipment
Diminishing Musharakah	Expolanka (Private) Limited		421,942,781		300,000,000	Property, Plant and Equipment

27 EVENTS OCCURRING AFTER THE REPORTING DATE

SG Acquisition

On 9 May 2014, SG Holdings Global Pte Ltd purchased of 586,474,500 ordinary shares constituting approximately 30% stake of Expolanka Holdings PLC at a price of Rs 10/70 per share. In terms of rule 31 (1) (a) of the Mergers and Acquisition code SG Holdings Global Pte Ltd have made an offer to purchase the balance 70% of shares of the company. At the conclusion of the Mandatory Offer on 17 June 2014, SG Holdings Global Pte Ltd purchased at the Mandatory Offer 21.43% shares of the company and holds in total 51.43% of shares of the company.

There were no circumstance which required adjustments to or disclosures in the financial statements other than mentioned above.

28 COMMITMENTS AND CONTINGENCIES

28.1 Company and Group

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% 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

VAT Assessment for Classic Travels

Classic Travels (Pvt) Ltd a fully owned subsidiary of Expolanka Holdings PLC, is being assessed by the Department of Inland Revenue for VAT amounting to Rs. 78 Mn. The company made an appeal against the assessment and is currently being taken up at the Tax Appeals Commission, Colombo.

Service Tax for Expo Freight India

Expo Freight India received intimation from India Tax Authorities for non-payment of Service Tax relating to certain revenue streams. It has been the view of the Management of Expo Freight India, based on expert legal and tax advice, that the International Freight Forwarding services provided by the company, do not fall under the category of Service Tax. Once clarity is achieved, an amount can be quantified if it needs to be added as a contingent liability.

28.1.1 Capital Expenditure Commitments

The Group does not have significant capital commitments as at the Reporting date.

28.1.2 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 a Liabilities to arise from this guarantee.

	2014 Rs.	2013 Rs.
Institution		
National Development Bank PLC	1,475,000,000	1,475,000,000
Commercial Bank of Ceylon PLC	630,000,000	930,000,000
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	-
Others	211,000,000	302,762,678
	4,491,000,000	4,507,762,678

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal 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 Group's exposure to the risk of changes in market finance rates relates primarily to the Group's long-term debt obligations with floating finance 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 through 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. Hence an increase/decrease of 1% in the finance rate on the long term borrowing of LKR 719.675 Mn, with all other variables held constant to the group's profit before tax would be LKR 7.20 Mn.

The assumed movement in basis points for finance rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

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 by having a balance of receivables and payables which enables a natural hedging & through leading and lagging of 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 LKR 73,823,152. A 17.6 % drop in comparison to the previous financial year where the market value stood at LKR 89,642,399.

At the reporting date, the Group exposure to non-quoted equity securities at carrying value was LKR 447,921,566. This is a decrease of 15.3% on the carrying value which was held in FY 2013 for LKR 528,971,201.

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.

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 2014	Less than 1 year	Above 1 year	Total
Bank Financing	1,448,950,237	1,060,543,393	2,509,493,630
Finance Leases (Ijara)	74,010,231	117,104,598	191,114,829
Trade and other payables	7,971,273,189		7,971,273,189

GROUP REAL ESTATE PORTFOLIO

OWNING COMPANY & LOCATION	BUILDINGS IN SQ.FT	FREE HOLD LAND IN PERCHES	NET BOOK VALUE (RS. MN) 2014
PROPERTIES IN COLOMBO			
Expolanka (Pvt) Limited No 10, Mile post Avenue, Kollupitiya , Colombo 3	4,530	23.50	110,563,125
PROPERTIES OUTSIDE COLOMBO			
Expolanka Freight (Pvt) Ltd No 69, Ramyaweera Mawatha, Kittampahuwa, Wellampitiya	20,881	303.50	263,641,050
Expolanka Freight (Pvt) Ltd No 73/2,Ramyaweera Mawatha, Kittampahuwa, Wellampitiya		30.97	15,535,000
Expolanka (Pvt) Limited No. 245/49 & 245/50,Avisawella Road, Orugodawatte, Wellampitiya	90,500	324.00	421,942,781
Expolanka (Pvt) Limited No 390, Avisawella Road, Orugodawatte, Wellampitiya	135,609	555.26	1,235,750,692
Expolanka Plantation (Pvt) Ltd The Nawinna Estate, Pimbura Village, Kukul Korale, Kalawana	40,750	4,425.00	70,795,001
Pulsar Shipping Agencies (Pvt) Ltd 2/24th Portion of Bogahawatta, Galu Piyadda, Galle	1,200	15.75	5,780,300
PROPERTIES OUTSIDE SRI LANKA			
Expolanka Freight (Pvt) Ltd No. 23 – 25, Brabazon Road, Croydon, Kempton Park 1619, Johannesburg, South Africa	22,367	41.08	55,064,616
Expo Freight Limited Savar, Dhaka, Bangladesh		105.58	72,349,632
Freight Care Aviation Services Ltd Tejgaon, Dhaka City, Bangladesh		4.00	24,761,754
Freight Care Aviation Services Ltd Gazipur, Dhaka, Bangladesh		41.99	5,908,883
			2,282,092,833

5 YEAR SUMMARY

31 March *In Rs. Millions*	2013/14	2012/13	2011/12	2010/11	2009/10
OPERATING RESULTS					
Group Revenue	54,379	50,075	35,415	41,067	23,709
EBIT	2,207	1,882	1,796	2,115	1,275
Finance Expenses	(268)	(227)	(137)	(256)	(348)
Share of results of associates	12	15	5	0	0
Profit before tax	1,951	1,670	1,664	1,859	926
Tax expenses	(381)	(392)	(455)	(540)	(335)
Profit after tax	1,570	1,279	1,210	1,319	591
Extra-ordinary item				450	
Profit for the year	1,570	1,279	1,210	1,768	591
Attributable to:					
Non Controlling Interest	144	218	176	222	73
Equity holders of the parent	1,426	1,061	1,033	1,547	518
CAPITAL EMPLOYED					
Share capital	4,098	4,098	4,098	1,783	1,783
Capital reserves	36	73	119	(9)	937
Revenue reserves	5,702	4,910	4,037	3,210	673
Minority interest	929	1,156	964	749	435
Total equity	10,765	10,237	9,219	5,733	3,828
Total debt	2,701	2,662	2,029	2,274	3,595
CAPITAL EMPLOYED	**13,466**	**12,899**	**11,248**	**8,007**	**7,422**
ASSETS EMPLOYED					
Property plant and equipment	3,699	4,221	3,420	2,863	2,634
Other non current assets	1,131	1,262	912	584	513
Current assets	17,334	16,865	13,022	10,545	11,307
Liabilities net of debt	(8,698)	(9,449)	(6,107)	(5,985)	(7,031)
ASSETS EMPLOYED	**13,466**	**12,899**	**11,248**	**8,007**	**7,422**
CASH FLOW					
Cashflow from operating activities	434	1,064	(329)	2,028	(47)
Cashflow from / (used in) investing activities	411	(1,172)	(1,361)	97	(496)
Cashflow from / (used in) financing activities	(433)	(46)	1,744	(1,339)	635
Net increase / (decrease) in cash and cash equivalents	394	(186)	194	765	134
KEY INDICATORS					
Basic earnings per share (Rs.)	0.729	0.543	0.529	0.868	0.291
Interest cover (no. of times)	8.2	8.3	13.1	8.3	3.7
Net assets per share (Rs.)	5.03	4.65	4.22	3.22	2.15
Debt / equity ratio (%)	25.1%	26.0%	22.0%	39.7%	93.9%
Dividend payout (Rs. Millions)	645	235	235		
Current ratio (no.of.times)	1.8	1.5	1.8	1.5	1.4
Market price per share (Rs.)	8.7	6.8	6.2		

SHARE INFORMATION

SHARE SUMMARY

Expolanka Holdings PLC has been listed on the Main Board of the Colombo Stock Exchange since 13 June 2011.

The Company is categorized under the Diversified Sector.

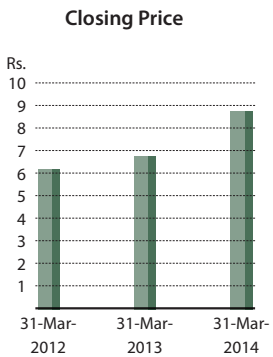
Summary of Expo Shares as of 31 March 2014

Number of Shares in Issue	1,954,915,000
Number of Shares Traded during the Year	223,477,732
Number of Transactions for the Year	15,347
Value of Shares Traded During the Year (Rs. Million)	1,778,508,958
Market Capitalization as of 31 March 2014	17,007,760,500

The Market Capitalization of Expolanka has increased from Rs. 13.2 BN as of 31 March last year to Rs. 17.0 BN as of 31 March 2014 this year representing a 29% increase in the share price resulting in the increase of Shareholder Value during the year.

The Expo Share started the year with the share price reflected at Rs. 6.80 and the share price steadily grew during the year resulting in closing the price at Rs. 8.70. There has been a visible improvement in the demand of the shares with close to Rs. 223 MN shares being traded during the year reflecting a 104% increase in the volume of shares traded compared with the previous year.

The movement of the Share price as of 31 March over the last three years is reflected in the below diagram.



A further analysis of the Expo Share performance over the last two years is reflected in the below table.

	31-MAR-2014	31-MAR-2013
Highest (Rs.)	9.90	8.10
Lowest (Rs.)	6.50	5.50
Closing (Rs.)	8.70	6.80

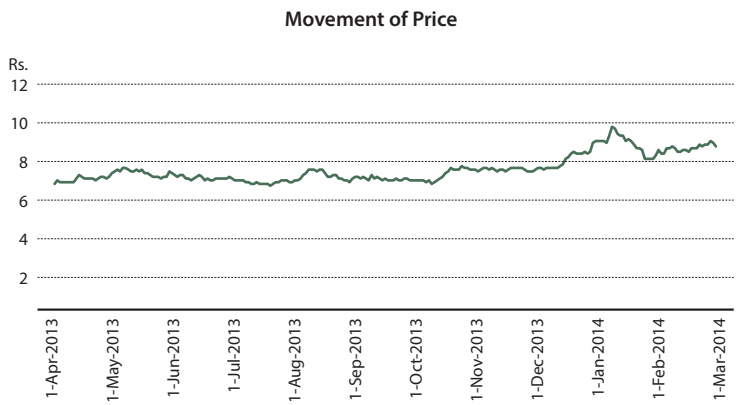
EXPO SHARE PERFORMANCE

The movement of the Expo Share price during the four quarters is given below.

	HIGH	LOW	CLOSING	VOLUME OF SHARES TRADED
1st Quarter	7.70	6.50	6.90	33,990,507
2nd Quarter	7.60	6.50	6.80	23,789,767
3rd Quarter	7.70	6.60	7.50	64,438,917
4th Quarter	9.90	7.50	8.70	101,258,541

As can be seen from the above, the share price has been consistently improving during the year and has peaked during the final quarter of the year. The share achieved a Maximum price of Rs. 9.90 on the 2 of January 2014.

The below graph indicates the movement of the Expo share price during the year.



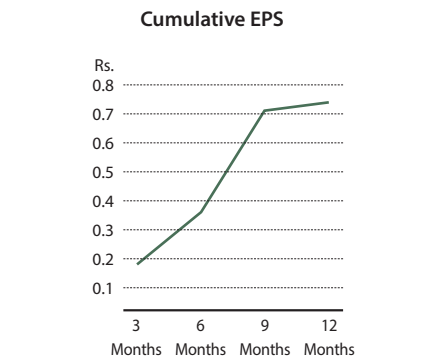
SHARE VALUATIONS

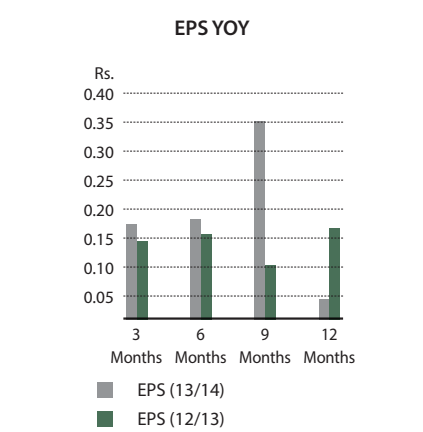
The Share Valuations are provided below for Expolanka Holdings PLC consolidated performance.

	2013/14	2012/13	2011/12
Net Asset Per Share	5.03	4.65	4.29
Earnings Per Share	0.74	0.54	0.548
Trailing P/E Multiple	11.91	12.03	11.31
ROE	14.58%	12.49%	13.12%

The company was able to stabilize and consolidate its earnings during the financial year and with that was also able to stabilize its EPS as well.

The below chart indicates the movement of EPS during the Financial Year & also the EPS indicator for each quarter with a comparison over the last year.





SHARE DISTRIBUTION

The Expo Share is owned by a base of 8,100 voting registered shareholders as at 31 March 2014. 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	3,456	2,671,452	0.14
1,001-10,000	3,465	15,382,034	0.79
10,001 – 100,000	888	32,152,556	1.65
100,001 – 1,000,000	217	70,204,203	3.59
Over 1,000,000	74	1,834,404,755	93.83

ANALYSIS OF SHAREHOLDING

Resident / Non Resident

	NO. OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
Nationals	8,003	1,891,374,106	96.75
Non-Nationals	97	63,540,894	3.25

INDIVIDUALS / INSTITUTIONAL

	NO. OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
Individuals	7,833	1,623,796,456	83
Institutional	267	331,118,544	17

PUBLIC HOLDING OF SHARES

As of 31 March 2014, the Public Holding of Expolanka Holdings PLC shares stood at 524,998,120 shares which amounts to 26.86% 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. Osman Kassim	283,865,516
Mr. Hanif Yusoof	283,865,516
Mr. Shafik Kassim	283,865,516
Mr. Sattar Kassim	286,315,516
Mr. Farook Kassim	281,415,516
Mr. Sanjay Kulatunga	-
Mr. Harsha Amarasekera	70,700
Dr. S Selliah	3,500,000
Total	**1,422,898,280**

SHARE INFORMATION CONTD.

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
Mrs. Riffat Kassim	1,000
Mrs. Shenaz Yusoof	79,000
Mrs. Arunthathi Selliah	6,931,600
Total	**7,018,600**

TWENTY LARGEST SHAREHOLDERS AS AT 31 MARCH 2014

The below table provides the details of the 20 Top Shareholders of Expolanka Holdings PLC as at 31 March 2014

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	Sattar Kassim	286,315,516	14.65%
2	Osman Kassim	283,865,516	14.52%
3	Shafik Kassim	283,865,516	14.52%
4	Hanif Yusoof	283,865,516	14.52%
5	Farook Kassim	281,415,516	14.40%
6	John Keells Holdings PLC	83,300,000	4.26%
7	HSBC Intl Nominees LTD-JPMCB-Scottish ORL SML TR GTI 6018	36,999,400	1.89%
8	Watapota Investments PLC	34,845,150	1.78%
9	Ali Mohamed	23,459,960	1.20%
10	B. Yoonus	23,459,960	1.20%
11	Bank of Ceylon A/C Ceybank Unit Trust	21,963,561	1.12%
12	Trading Partners (Pvt) Ltd	14,550,059	0.74%
13	National Savings Bank	9,943,700	0.51%
14	Janashakthi Insurance PLC	8,538,263	0.44%
15	Timex Garments (Pvt) Limited	8,363,700	0.43%
16	Arunthathi Selliah	6,931,600	0.35%
17	MAS Capital (Private) Limited	6,875,590	0.35%
18	Union Assurance PLC/NO-01A/C	6,376,700	0.33%
19	Arunodhaya (Private) Limited	5,700,000	0.29%
20	Arunodhaya Industries (Private) Limited	5,700,000	0.29%
	Total	**1,716,335,223**	**87.80%**

DIVIDENDS

The company declared & paid two Interim Dividends during the Financial Year 2013/14, the Total Dividend per Share paid during the current financial year was Rs. 0.33 per share and was a 175% growth over the Dividend per Share paid historically over the last two years. The Total Dividend Paid during the Year amounted to **Rs. 645,121,950.**

	DATE OF PAYMENT	DIVIDENDS PER SHARE	TOTAL DIVIDEND PAID (RS.)
Interim Dividend 1	23 Jul 2013	0.12	234,589,800
Interim Dividend 2	10 Feb 2014	0.21	410,532,150

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Expolanka Holdings PLC will be held at the Boganvilla, Galadari Hotel, No. 64, Lotus Road, Colombo 01, on Friday 29 August 2014 At 4.30 p.m and the business to be brought before the meeting will be:

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 31 March 2014 with the Report of the Auditors thereon.
2. To re-elect Mr. Osman Kassim, 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. Sanjay Sumanthri Kulatunga, 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. Nobuaki Kondo, who in terms of Article 94 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
5. To re-elect Mr. Naosuke Kawasaki, who in terms of Article 94 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
6. To re-elect Mr. Yoshifumi Matsubara, who in terms of Article 94 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
7. To re-elect Mr. Motonori Matzusono, who in terms of Article 94 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
8. To re-elect Mr. Toji Shiho, who in terms of Article 94 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
9. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors and authorize the Directors to determine their remuneration.
10. To authorize the Directors to determine contributions to charities for the financial year ending 31 March 2015.

By Order of the Board

S S P Corporate Services (Private) Limited
Secretaries

No.101, Inner Flower Road,
Colombo 03
07 August 2014

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.

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 Friday 29 August 2014, at 4.30 pm 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 31 March 2014 with the Report of the Auditors thereon.		
2.	To re-elect Mr. Osman Kassim, 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. Sanjay Sumanthri Kulatunga, 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. Nobuaki Kondo, who in terms of Article 94 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.		
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8.	To re-elect Mr. Toji Shiho, who in terms of Article 94 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.		
9.	To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors and authorize the Directors to determine their remuneration.		
10.	To authorize the Directors to determine contributions to charities for the financial year ending 31 March, 2015.		

Signed this ..... day of ..... Two Thousand and Fourteen.

Signature : .....

NOTE:

(a) *Please delete the inappropriate words.

(b) Instructions are noted on the reverse hereof.

FORM OF PROXY CONTD.

INSTRUCTIONS AS TO COMPLETION

- 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.
- 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.
- 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.
- 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
Mr. Nobuaki Kondo - Chairman of the Board
Mr. Hanif Yusoof - Chief Executive Officer
Mr. Naosuke Kawasaki
Mr. MOTONORI Matzusono
Mr. Yoshifumi Matsubara
Mr. Osman Kassim
Mr. Toji Shiho
Mr. Sanjay Kulatunga
Mr. Harsha Amarasekera

REGISTERED OFFICE OF THE COMPANY
10, Milepost Avenue,
Colombo 03
Sri Lanka

AUDIT COMMITTEE
Sanjay Kulatunga - Chairman
Dr. Sivakumar Selliah

REMUNERATION COMMITTEE
Harsha Amarasekera - Chairman
Dr. Sivakumar Selliah
Sanjay Kulatunga

CONTACT DETAILS
P. O. Box 1162
10, Milepost Avenue
Colombo 03
Sri Lanka

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Facsimile : +94 11 4659565
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CONTACT FOR MEDIA
Marketing, Corporate Communications & CSR
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INVESTOR RELATIONS
Expolanka Holdings PLC
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Sri Lanka

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Web : www.expolanka.com
E mail : investor@expolanka.com

BANKERS
Amana Bank
Bank of Ceylon
Commercial Bank
Deutsche Bank
Habib Bank
Hatton National Bank
Hongkong and Shanghai Banking Corporation
Muslim Commercial Bank
National Development Bank
Nations Trust Bank
Pan Asia Bank Corporation
Peoples Bank
Sampath Bank
Standard Chartered Bank
DFCC Vardhana Bank
Lankaputhra Development Bank
Union Bank (Pakistan)
Seylan Bank

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

optima
Design & Concept by: Optima Designs (Pvt) Ltd.
Printed by: Gunaratne Offset Ltd.