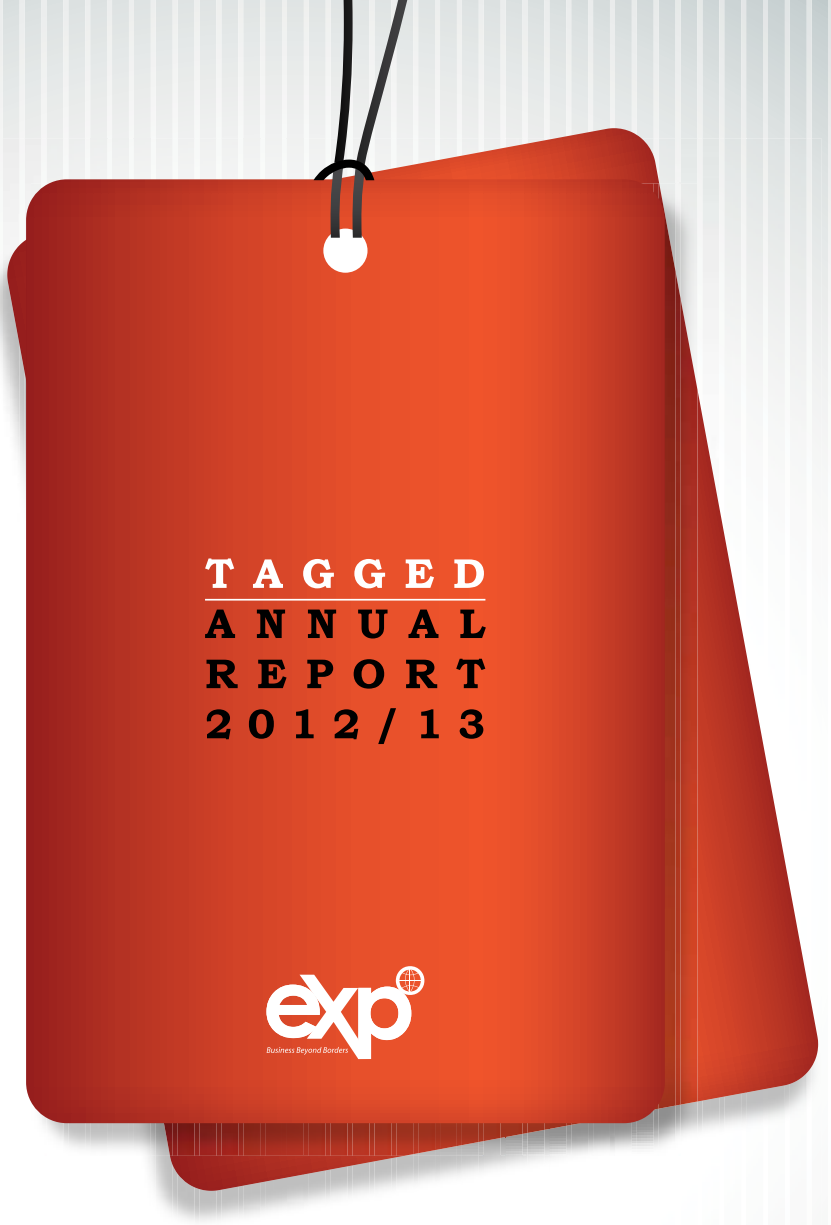


exp
Business Beyond Borders

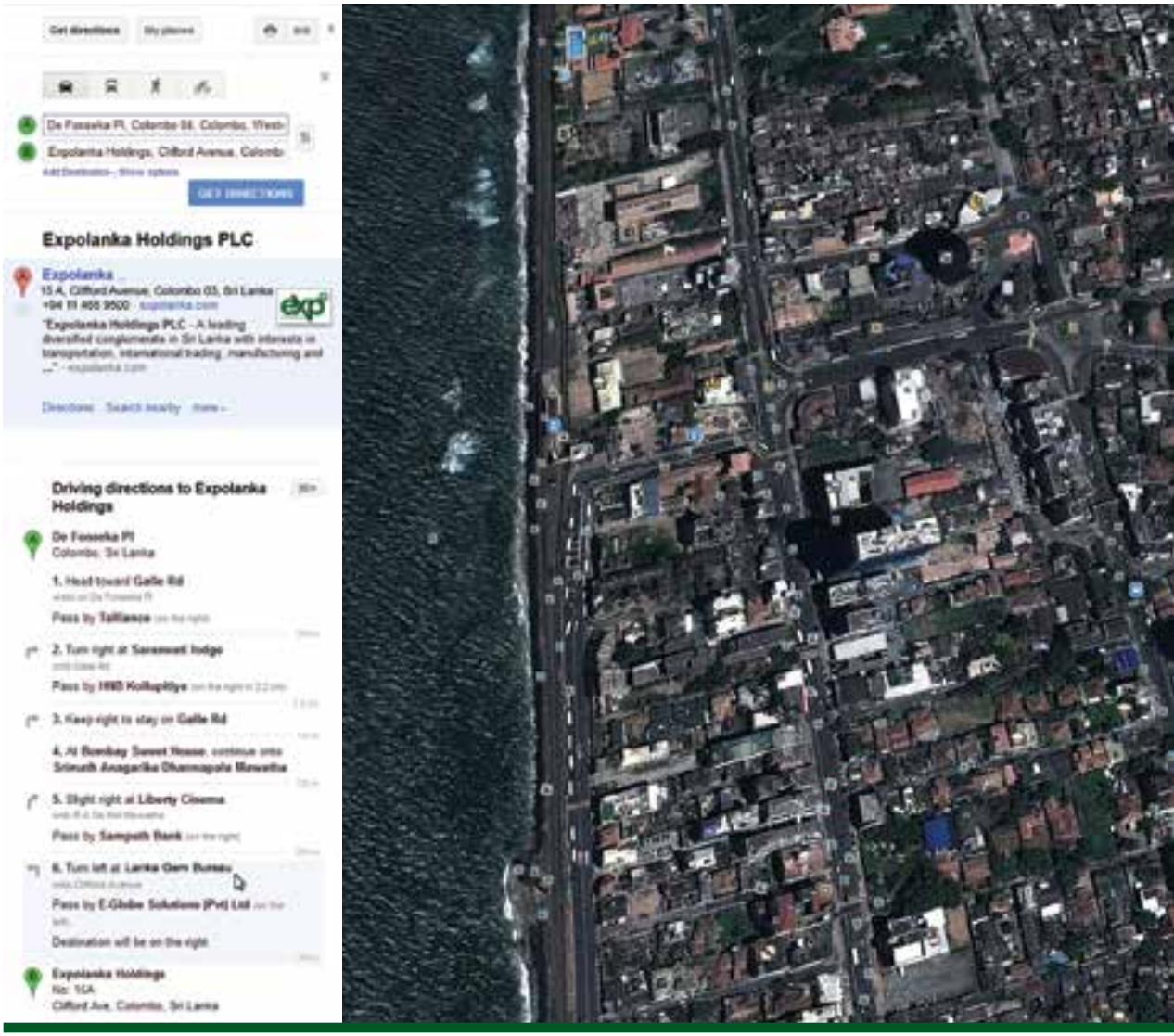
Labeled as one of the largest conglomerates in the country that has an unsurpassable global footprint we at Expolanka have a reputation for creating ripples in the industry; and it is evident that our effects are spread out through every corner of the country as well as the different countries in which we operate. Whether it's through logistics and transport, strategic investments or bringing the best of the world to your doorstep, our involvement in creating sustainable everyday expansion has been marked and immense. Each activity therefore has been carefully orchestrated and vetted by an entity that has the welfare of the nation and its people at heart.

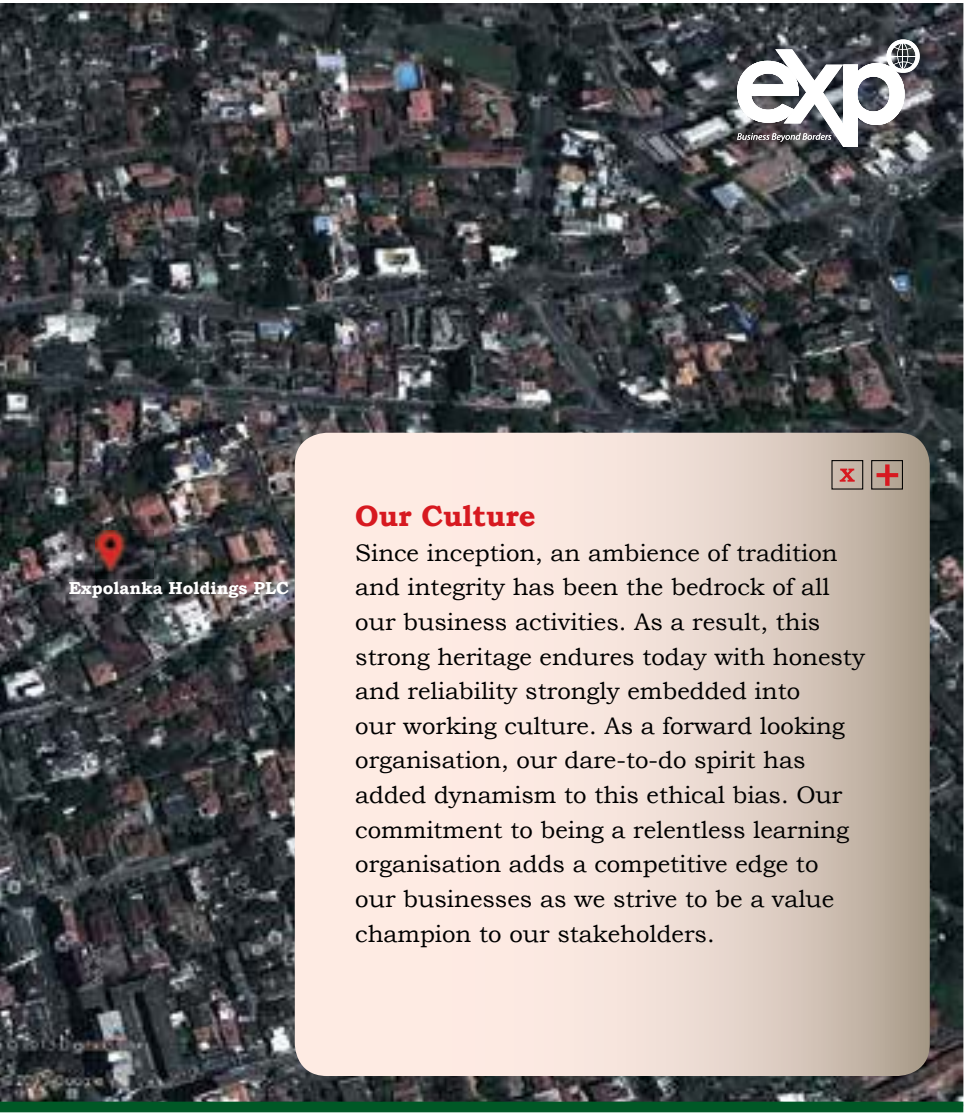
In everything we do, all over the world, you can be sure it's tagged with our guarantee of quality and excellence.

exp
Business Beyond Borders

2

ABOUT US


Expolanka Holdings PLC
Expolanka
15 A, Clifford Avenue, Colombo 03, Sri Lanka
+94 11 405 9500
Directions
Search nearby
Driving directions to Expolanka Holdings
De Fonseka Pl
Colombo, Sri Lanka
1. Head toward Galle Rd
Pass by Tallianze
2. Turn right at Saraswati Indigo
Pass by HNB Kollupitiya
3. Keep right to stay on Galle Rd
4. At Bombay Sweet House, continue onto Srimath Anagarika Dharmapala Mawatha
5. Slight right at Liberty Cinema
Pass by Sampath Bank
6. Turn left at Lanka Gem Bureau
Pass by E-Globe Solutions (Pvt) Ltd
Destination will be on the right
Expolanka Holdings
No: 15A
Clifford Ave, Colombo, Sri Lanka



Our Culture

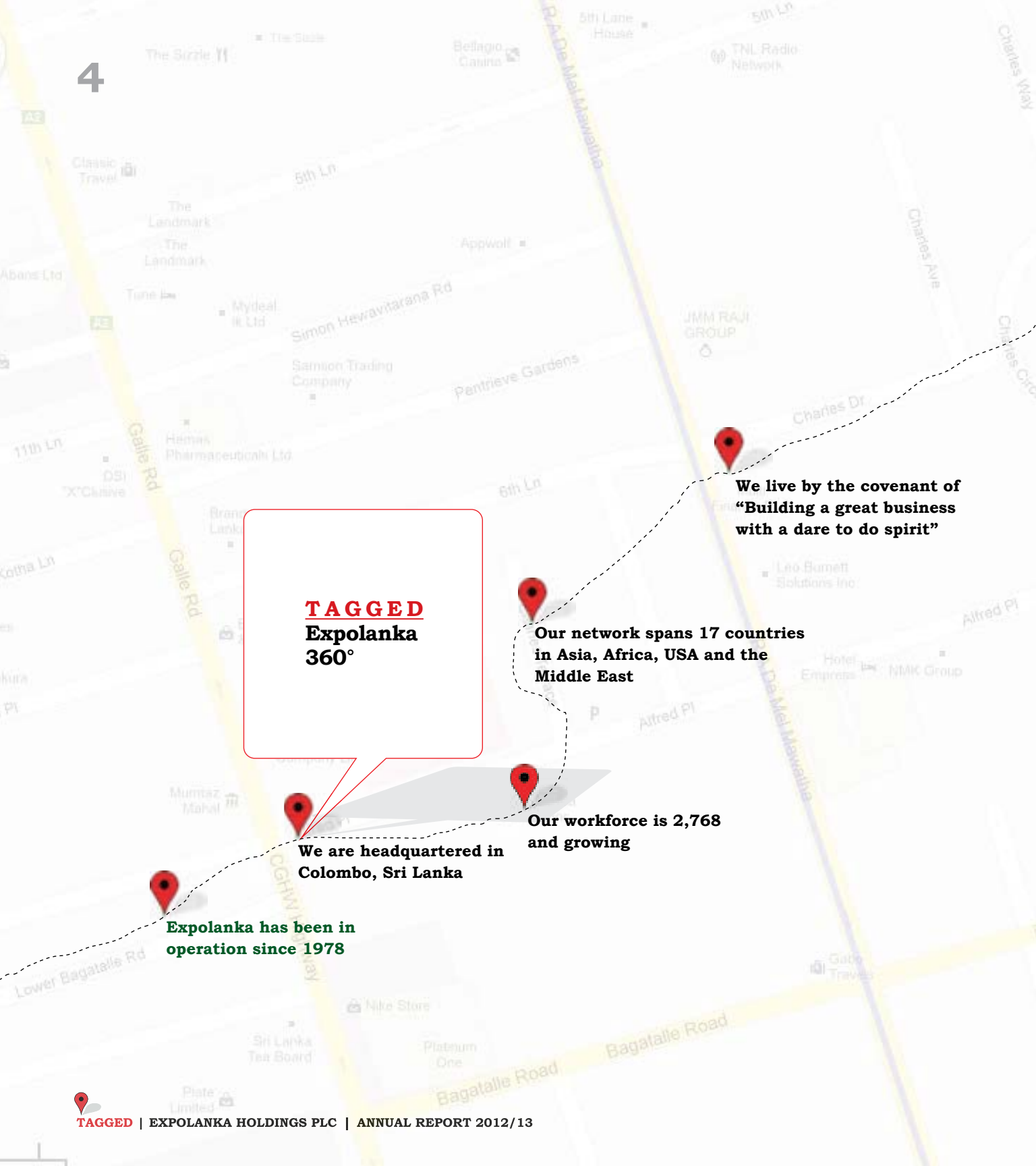
Since inception, an ambience of tradition and integrity has been the bedrock of all our business activities. As a result, this strong heritage endures today with honesty and reliability strongly embedded into our working culture. As a forward looking organisation, our dare-to-do spirit has added dynamism 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.

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


TAGGED
Expolanka 360°
We live by the covenant of "Building a great business with a dare to do spirit"
Our network spans 17 countries in Asia, Africa, USA and the Middle East
Our workforce is 2,768 and growing
We are headquartered in Colombo, Sri Lanka
Expolanka has been in operation since 1978

OUR HISTORY

The story of Expolanka starts in 1978 as the Sri Lankan economy was liberalized and the flagship company Expolanka Limited was established.

Initially a pioneer exporter of fresh produce, Expolanka was one of the first winners of the prestigious Presidential Award in this category. Emerging unobtrusively as a strong and dynamic Group of companies, Expolanka has been gradually but steadily consolidating and sustaining growth.

The Group has diversified into exports, imports and trading, freight forwarding & logistics, manufacturing, airline representation & operation, travels & tours, education 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.

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KEY MILESTONES OF EXPOLANKA GROUP

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

- Expo diversified into the Airline Representation business with the establishment 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 Travels.
- 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 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 Incorporated
- 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 Organization 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

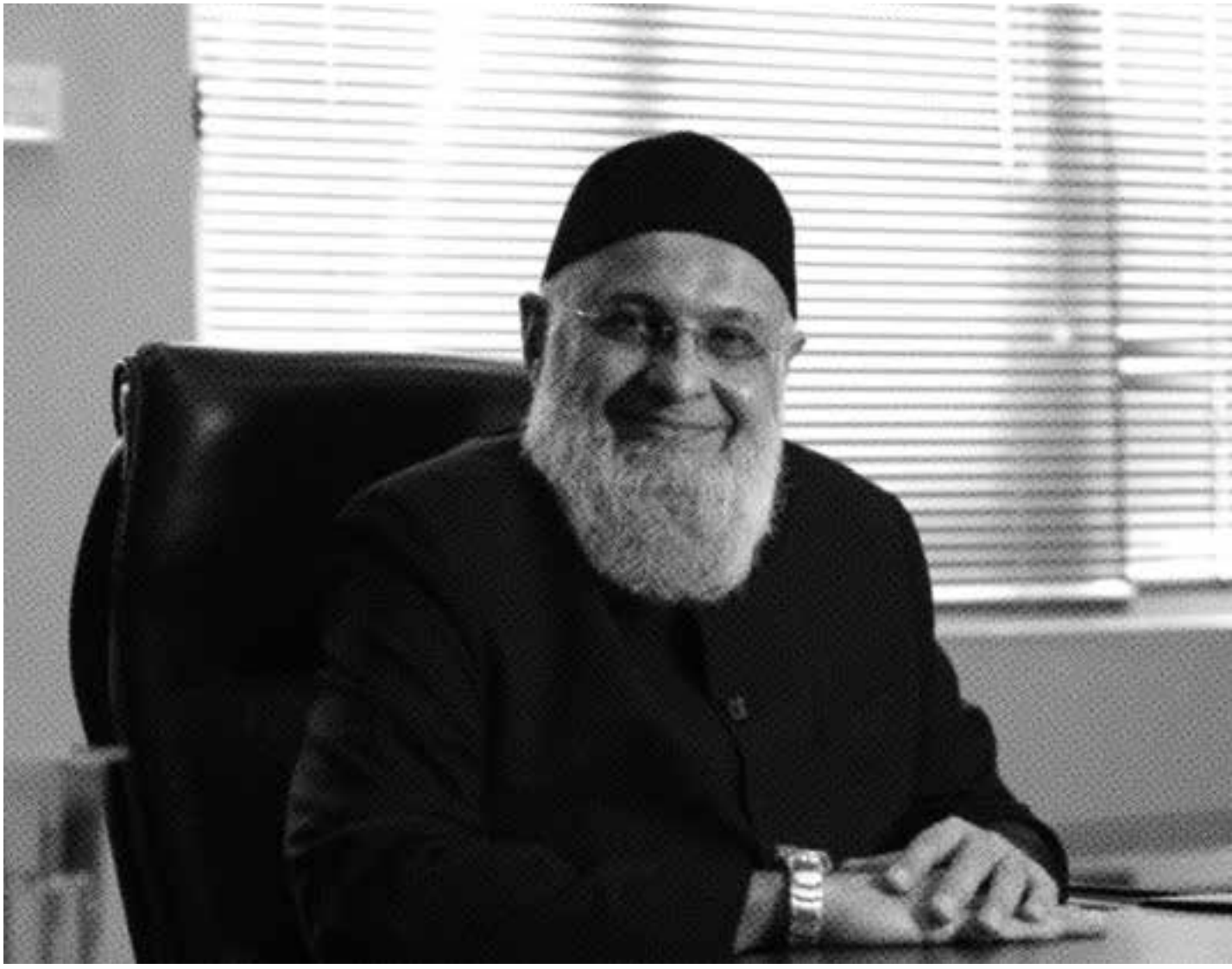
EXPO OFFICES AND CUSTOMERS AROUND THE WORLD

Expolanka has established an extensive network of offices to serve our customers all over the world. This global presence is one of our key strengths, enabling us to deliver a convenient, seamless and speedy service.

1. Bangladesh
2. China
3. Hong Kong
4. India
5. Indonesia
6. Kenya
7. Madagascar
8. Maldives
9. Mauritius
10. Pakistan
11. Philippines
12. Singapore
13. South Africa
14. Sri Lanka
15. UAE
16. USA
17. Vietnam

Arctic Ocean
North
Pacific
Ocean
Indian
Ocean

CHAIRMAN'S MESSAGE



Dear Stakeholder,

In a year of consolidation and transition, Expolanka progressed well on the solid pillar of fundamentals built over the past three decades. I am pleased on behalf of the Board of Directors to present the Annual Report along with the Audited Statement of Accounts for the financial year 2012/13 of Expolanka Holdings PLC. I take this opportunity to share my perspective on the milestones that were achieved during the year and the path that is ahead of us to take the company to greater heights of prosperity, without compromising on our corporate ideals.

Macroeconomic Environment

We saw hope for a global recovery in the year 2012 from the recession that brought economic and social strife. Most advanced economies with pragmatic policies sought to change course. The emerging nations held on to a robust growth, although weaker than the preceding year. The geopolitical issues in the Middle East did not bring in any comfort to world affairs.

Sri Lanka in the early year witnessed some significant policy changes to contain the imbalances in the macro economy. Tight monetary policies came into effect with increasing policy rates and the ceiling on commercial bank credit. This together with a flexible exchange rate policy and higher import tariffs eased the euphoria and restored balance within the economy towards the latter part of the year.

Milestones & Performance

Taking on the challenges set globally and locally we strengthened our core businesses. We re-asserted the Expolanka image of entrepreneurial excellence and integrity. Our leading sector, Freight and Logistics with stations in 49 cities in 16 countries, consolidated and rebranded under "efl" to strengthen our global positioning amongst the best players in the industry. We are confident that these initiatives would take this sector to greater heights and secure its role as the forerunner in wealth creation for our valued shareholders.

Most of our key businesses delivered a healthy performance in the year. Our management took critical decisions on scale, scope and cost needed to create a sound base for our core operations, whilst corrective and firm action was taken to address the issues of our under-performing businesses. Our consolidated revenue increased by 41 percent to Rs 50 billion whilst our profits reached just over 1.2 billion rupees during the year.

"Right Choice"

Our corporate spirit advocates the "right choice" which has underpinned our foundation since inception. We have always blended our commercial decisions with our values of following ethical principles in transacting and managing business, caring for stakeholder's interest, commitment to excellence, and innovation and entrepreneurship. These values remain important to us!

Our Board of Management, multi-disciplined and versatile, fully understands the importance of governance. We have in place healthy structures, risk management processes and controls to ensure that we comply with good governance fit for our role as a leading corporate in the public domain. We fully integrated our systems and processes with the revised Sri Lanka Accounting Standards in line with the International Financial Reporting Standards. We extended comprehensive training across the network to ensure that the integration was effective and successful.

CHAIRMAN'S MESSAGE

The Board fully supports and recognises our responsibility towards the environment and society at large. I am truly pleased with all the sustainable measures and initiatives taken by the Group, but, more inspired with the commitment of our employees to see through these projects. We have with us the "right people" to execute and deliver our strategy and goals. We have an exceptional team, highly motivated, multi-talented and loyal. We have embraced equal opportunity and look upon diversity and openness to bring out the best in our employees. We are focused in our efforts to empower our employees with an enabling work environment, due recognition, fair remuneration, incentives tied to performance and structured training to fulfil both corporate and career objectives.

Years Ahead

The recent years saw Expolanka going through some significant changes from being a family-owned business to a process driven listed entity. We went into strategic mergers and acquisitions, adopted state-of-the art infrastructure and technology to modernise the processes of the line companies and positioned key sectors in the global landscape to grow market share. As we move into the next phase of our operations, the ensuing years will be the time for tangible benefits to be harvested from the investments we have made in this process of change. We seek greater cross-border opportunities to grow in new markets. We will be proactive to further consolidate our key businesses, divest under performing ventures and improve our profitability and financial strength.

Appreciation

To my esteemed colleagues on the Board, I am grateful for your visionary ideas and unstinted commitment in our mutual journey in reshaping Expolanka to reach greater heights. I am well aware that our staff across the Group, in the year, worked with enthusiasm and determination to accomplish significant milestones. My sincere appreciation is extended to the senior management, all staff within the network in Sri Lanka and our valued associates in our overseas stations.

Whilst thanking our shareholders, suppliers, partners and all other stakeholders for the support extended to us this year, I call upon them to place their trust and confidence in Expolanka to keep the momentum towards prosperity in the years ahead.

Osman Kassim
Chairman

CEO'S REVIEW

CEO'S REVIEW

The year witnessed Expolanka decisively driving its businesses to accomplish some significant milestones. We remained focused and boldly executed our strategy to prepare and transform our conglomerate to go beyond conventionalism and to reach operational excellence. We continued to consolidate and deliver a robust performance in many of our key sectors even in the midst of today's challenging market dynamics. It is in this backdrop that I present a review of the financial year 2012/13 along with the operational highlights, our accomplishments and our future path to become an epitome of value creation, good governance and sustainability.

Financial Performance

During the year under review, we made concerted efforts throughout our network to cope with the global headwinds and the macro-economic weaknesses within the country. Our freight and logistics arm delivered a solid performance as we strived to position the sector on par with the top freight forwarders in the world. Our manufacturing and international trading sector was characteristically hit by the tenuous market conditions but we set out a clear course of action for improvement. Our travel and leisure sector recorded a solid performance exceeding our expectations while investments and services sector strengthened its operations.

We posted a sound performance with Rs. 50 billion in consolidated revenue, to 41 percent year-on-year growth. Our consolidated net profits at Rs. 1.27 billion recorded a modest growth of 5.7%. Our balance sheet as at 31st March 2013 was healthy with assets well above liabilities and sustaining sound ratios.

Flagship – Freight & Logistics

We were resolute in the year to take our flagship business, freight and logistics to the next level of operations and to leverage the lustre of the sector as a significant player in the global market both at the source and end markets in 16 countries spanning three continents. We sought to consolidate the operations under one umbrella "efl" and show case our forte– not as an ad-hoc freight forwarder but as a seamless provider of freight and logistic solutions.

It is in this compelling milieu that we initiated a 360 degree integrated re-branding exercise to drive in the point of distinction through our new logo and tag line, signifying personalised and simple logistics that we are able to offer in our niche in the fashion vertical as well as in telecommunication, pharmaceuticals, electronics, sports and perishable segments. We firmly believe that this re-branding campaign will empower this sector to truly reach its potential and brace on the brand recognition to avail the market opportunities across the globe.

We were well aware that our new look and feel is not the only panacea for sector prosperity. Hence, during the year, we took some significant steps to reshape our operations, holistically, to ensure consistent service delivery. We gave much thought and emphasis to brand communication, to train our employees and balance technology to reach out to our brand ideals. This underpinned our performance in a year that demanded us to hedge the uncertainties and intense competition in the global trading arena we operated in.

Our focus was to grow our volumes. We delivered results ahead of the market especially in terms of air exports in the US trade lane, reflecting a growth of nearly 70 percent led by operations in Sri Lanka and Bangladesh. Our air imports in the Asian trade lane also performed exceptionally well. We fortified our operations in the new stations –the US and emerging China and Hong Kong. US in the first year of operation, made its mark in profitability whilst China and Hong Kong performance surpassed the targets,demonstrating the potential for future growth. Hence, the overall sector posted a strong top line reaching to Rs. 32 billion, reflecting an outstanding increase of 64 percent against the preceding year. We maintained our net profits above the one billion mark although we witnessed a hit on margins given the increase in freight rates in the industry and our focus on growing the market share. The sector ROE touched 26 percent.

Emerging - Travel & Leisure

The travel and leisure sector,building further on our dominance in the outbound travel industry in Sri Lanka and complemented by our initiatives for scale in the preceding year with our tactical investments in Maldives and India, emerged as a potential force that can substantially support our network to bolster shareholder wealth. The year in fact, witnessed an outstanding performance from this sector with revenue surpassing Rs 2 billion mark, reflecting an increase of over 300 percent as against the previous year whilst net profits grew by 70 percent to reach Rs. 76 million.

Our outbound company, Classic Travels in Colombo reinforcing its position at the helm of the industry, mainly in the corporate travel segment with its focus on value addition and service standards, buttressed the phenomenal sector results. Our investment in Akquasun Holidays with its large outbound market in India demonstrated its potential to synergistically support our travel and leisure sector.

Challenged - International Trading & Manufacturing

The challenges beset in the global trading environment in the year continued to exert pressure on our international trading and manufacturing arm. Our focus was to minimise the operational risks through value addition and new markets as well as bringing in cost efficiencies through streamlined processes. Hence, even despite the adversities that were prevalent in the year under review, we managed to sustain the sector revenue just above Rs. 12 billion, marginally up compared to the preceding year. The sector posted a profit of Rs. 50 million representing a substantial decline of nearly 58 percent.

Our tea exports during the year, against all odds, succeeded to hold on to its ranking within the top 10 tea exporters in the country and sustained stable earnings. Our value added teas - “t-sips” grew in brand strength and sought options in new markets. Relatively buoyant prices fetched at the Colombo Tea Auction were a definite boost to this sector to offset the negativities in the geopolitical and macro economy especially in our key markets in the Middle East. Conversely, commodity imports were the worst hit by the volatility in world market prices, exacerbated by the import restrictions that were introduced to contain the country’s macro imbalances.

Advocating our green policies, we stepped up our recycling solutions primarily on exporting waste paper to the sub-continent and secured our market positioning at the forefront. We sought to increase our outreach in the local market for our FMCG brands, representing herbal pharmaceuticals, processed fruit and juices and processed meats. Our bakery operations also took off in Colombo this year which sought to fill the market gap for assortment of breads.

Potential - Investments & Services

We made considerable progress in the year in terms of our investments and services sector. Notwithstanding a dip in the overall revenue by 12 percent to Rs. 2,870 million, we concentrated on improving our processes and driving cost efficiencies to support the sector bottom-line. Our efforts during the year paid off and we managed to minimise the sector losses of the previous year by nearly 57 percent. Our tertiary education arm, APIIT continued on its path of ascent,complementing our national strategy which has identified education as a thrust sector to meet the country’s development goals. We focused on inducing change by bringing in best practices and elevating the standards in curricula development, resource panel and facilities in consultation with our affiliate university in the UK.

Reaping the benefits from the restructure we initiated in the preceding year, we succeeded in turning around our BPO operations from break-even levels. We continued to offer our call centre services to some of the leading organisations whilst being conscientious in resource planning and optimising up-time levels, propping BPO top and bottom-line results.

However, the highlight of the investments and services sector was the re-emergence of our GSA sector with an outstanding performance relative to the preceding year. We aggressively sought to leverage our

positioning, to bring in innovation and rationalise operations to improve the yields and cost efficiencies apt in a business environment that was shrouded with uncertainties.

Strategic Focus

In the recent years, we focused on laying the stage for the next level of operations from being a mere family enterprise for nearly three decades to a listed and a leading conglomerate with truly a global presence. It was indeed a period of transformation which strategised a steady path to create sustainable value for our stakeholders. We invested considerably in our key sectors, focusing on scaling up operations beyond borders with strategic acquisitions and mergers, initiating effective marketing campaigns, innovation, value addition, streamlining our processes and driving financial discipline and good governance. We are now ready to build upon this platform and to reap the dividends of our investments as well as take stock and initiate corrective action for un-competitive businesses.

Our strategic focus in the years ahead will be to elevate shareholder wealth with ROE as our leading indicator. Realigning businesses in terms of scale and efficiency will be given top priority to bring in the desired top-line growth as well as to improve the margins and thereby the ROE. We will drive our entrepreneurship in scalable businesses, strengthen our geographic breadth to bolster our market share, increase cost efficiencies and productivity levels and leverage on our brand presence. Our mergers and acquisitions will be selective and synergistic, aimed at focusing on our core businesses. We will aggressively seek to mitigate risk that is inherent in today's marketplace and will not hesitate to restructure ailing businesses and even exit non core businesses if the returns are not forthcoming.

In this perspective, we will continue to place our efforts and resources on our leading sector, freight and logistics especially focusing on our niche, fashion logistics. The year that was, as discussed above, saw the sector consolidating its operations on an end-to-end business model and re-branding to leverage its visibility in the global trading arena. We firmly believe that the sector is bound for greater heights in the ensuing years, complemented by the tell-tale signs of recovery in the global economy and the favourable settings within the Sri Lankan economy. Topping these initiatives, we will reinforce our stronghold in the sub-continent and continue to make in-roads in other markets especially in the US and end markets in emerging China and Hong Kong. Our expanded, revamped and newly commissioned warehouse operations at Orugodawatte in Sri Lanka will definitely play its part in optimising business value for the local operations.

We also see great potential for our travel and leisure sector especially the outbound travel segment. We intend to further our efforts to bring this segment to increase its share and contribution to our Group network. We will also continue to boost the performance of our services as well as sustain our standards especially in our tertiary education arm aligned to the national aspirations. In terms of international trading and manufacturing sector which was challenged in the year by the world trade dynamics will be closely monitored and remedial action will be taken to rationalise or divest the operations in our non core businesses.

Strength - People

We are privileged to have excellent and talented teams, totalling to 2,768 employees to drive our businesses with continuing success and sustaining unrivalled excellence in our operations. Our recruitment is tailored to attract some of the "best" in the industry and the scheme follows an extremely stringent process to ensure that the "best" is taken on board on an equal opportunity basis. Our employees are smart, focused and dedicated in reaching out to our corporate goals. Hence, we give precedence to embrace best HR practices encompassing motivation, training and employee well-being. The year saw our Group reinforcing our commitment to training in programmes that aimed at refining our employees' skills and talents both necessary for their daily work as well as to uplift their career goals.

Enabling Tools - IT

Information technology (IT) has always played a central role in our corporate strategy. We believe that it is paramount to keep our currency over the latest developments in the "tech-world" to reach out to our top-notch corporate aspirations. In the year, we saw most of our businesses seeking out solutions from IT to modernise their operational processes and to secure productivity improvements and cost efficiencies, essential to brace competitiveness and the bottom-line. We will continue to explore our solutions and maintain an upbeat stance on embracing the latest developments in IT, yet appropriate to our business strategy. Necessary training to make all our employees savvy with the latest initiatives in IT will be within our top priorities.

Responsible Governance

We are well aware that our growth and success are greatly reliant on our ability to operate sustainably – balancing value creation for our shareholders and society, responsibly, in an ever evolving scenario. In the recent years, we have increasingly embraced best practices in governance in our decision making process as well as in our operations. We are conscientious in our efforts to be a responsible corporate citizen. Led by our dedicated CSR team, we passionately follow our projects that advocate social responsibility and reaching out to our stakeholders under the aegis of the Global Reporting Initiatives (GRI).

In the reporting year, we were energetic in our mission to enrich our communities and the environment with our multifaceted CSR programmes such as health camps led by our non-profit health centre, Expo Medix, dengue eradication initiatives, tertiary scholarship programme for the bright and the underprivileged students, promoting entrepreneurship among youth, earth hour, environment and water day initiatives and collecting waste paper for recycling. To top these initiatives, our flagship company "efl", as the first ever freight forwarder in Sri Lanka and among the few in Asia, did us proud by obtaining the carbon neutral certification from a leading carbon consultancy company.

IFRS Convergence

I am pleased to report that financial statements for the year ended 31 March 2013 has been prepared and presented in accordance with the new Sri Lanka Accounting Standards (SLFRS) which is aligned to International Financial Reporting Standards (IFRS). This is our first Annual Report under IFRS and it covers the key policy changes as required by first time adoption including the restated previous year's financials for comparative purposes. Further details on the methodology, approach and IFRS impact to each of our businesses are found in the Financial Report Section of this Annual Report.

Determination

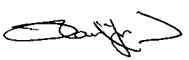
The reporting year accomplished as our theme indicates"tagged" with a global outreach, strong positioning in key markets and prospective brands. Yet, we have so much more potential to ascend in our corporate journey. While we will not underestimate the trials ahead, I am confident that our "dare to dream" vision with our dynamic team coming together with their free spirited ideas will lay a clear path for our conglomerate to deliver the goals in the year ahead.

In closing

In the year 2012/13, my management and their teams worked hard to accomplish our corporate goals. I take this opportunity to congratulate and thank all employees for a job well done and hope to see the same commitment and dynamism in the year ahead.

I extend my heartfelt gratitude to the Chairman and fellow Directors on the Board for their visionary support to take our Group in the journey towards prosperity.

To all stakeholders, thank you for your trust and loyalty placed in our conglomerate.



Hanif Yusoof
Group Chief Executive Officer

BOARD OF DIRECTORS

Osman Kassim
Executive Director and Chairman of the Board

Osman Kassim is an Executive Director and Chairman of the Board. He is also 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 Investments Limited and Vidullanka PLC. He also holds directorships in Pak-Kuwait Takaful Company Ltd – Pakistan, Crescent Rating (Private) Limited – Singapore and Amana Takaful Maldives Limited - Maldives.

Hanif Yusoof
Executive Director and Chief Executive Officer of the Company

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. Hanif also holds the distinction of being a graduate of the Stanford International Management Program.

His enterprising nature has led him to be well admired and he was recently the recipient of the 'Asia Pacific Entrepreneurship Special Achievement Award' by Enterprise Asia. 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.

Sattar Kassim
Executive Director

Sattar Kassim is one of the founder Directors of Expolanka Holding PLC, which is one of the large diversified conglomerates in Sri Lanka. He is the Group Director of the International Trading Sector which has many overseas offices and trading operations. He also sits of the Board of Vidullanka PLC as an Independent Director.He has more than 30 years of senior management experience in private sector organizations locally and overseas. He is a pioneer in Commodity Trading business in Sri Lanka and is also actively involved in Entreport Trading, Import & Export of Agricultural Produce and also Executive Council Member of the Sri Lanka Pakistan Business Council. He has been through several business cycles and has a thorough understanding of commodity market movements,

Shafik Kassim
Executive Director

Shafik Kassim is an Executive Director and was a founding member of the Expolanka Group and has been involved in developing the Company from its humble beginning to its present conglomerate. He holds a MCom and also a Pilot's License and counts over 30 years of senior management experience. He has acquired vast experience in aviation, airline representation, air cargo management and is also well experienced in international trading.

His untiring efforts and attention to detail and quality have made Expolanka Teas a major export Company for teas in Sri Lanka.

Farook Kassim
Non-Executive Non Independent Director

Farook Kassim is a Non-Executive Non Independent Director and was a founding member of the Expolanka Group. He is an Alumini of Harvard Business School, and an Old Royalist. A successful entrepreneur he possesses vast experience in trading, Management & Investments counting over 38 Years. Farook Kassim holds a number of directorships at companies in the UAE, South Africa and Singapore.

Dr.S.Selliah (MBBS, M.Phil.)
Non-Executive Independent Director

Dr. Sivakumar Selliah is a Non-Executive Independent Director of Expolanka Holdings PLC. Dr. Selliah joined the board of Expolanka Holdings PLC in 2011. Dr. Selliah holds a MBBS degree and a Master's Degree (M.Phil.). He has over 21 years of experience in various fields. He is currently the Deputy Chairman of Lanka Walltiles PLC and Lanka Floor Tiles PLC.

He is also the Deputy Chairman of Asiri Hospitals Holdings PLC, Deputy Chairman of Asiri Surgical Hospital PLC and Central Hospital Private Ltd. He is a Director of Horana Plantation PLC, Softlogic Holdings PLC, Swisstek (Ceylon) PLC, Swisstek Aluminium Pvt Ltd, and Unidil Packaging Ltd. Dr. Selliah is the Chairman of Cleanco Lanka Pvt Ltd. Dr.Selliah serves on the Remuneration Committee and Audit Committee of some of the companies listed above.

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

Harsha Amarasekera, President's Counsel has a wide practice in the Original Courts as well as in the Appellate Courts, particularly in the areas of Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law. He serves as an Independent Director in several listed companies in the Colombo Stock Exchange including Vallibel One PLC, CIC Holdings PLC, Keells Food Products PLC, Amaya Leisure PLC, Vallibel Power Erathna PLC and Amana Bank.

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.

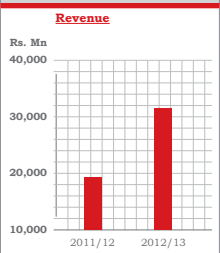
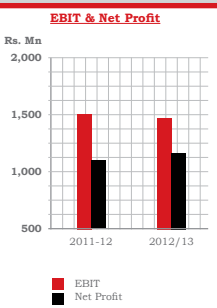
Sanjay Kulatunga has a MBA from the University of Chicago 'Booth School of Business'. He is an Associate member of the Chartered Institute of Management Accountants (ACMA) as well as a Chartered Financial Analyst (CFA).

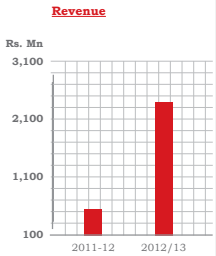
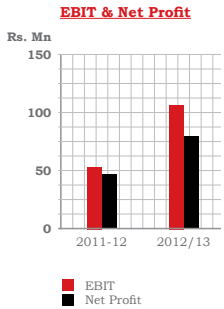
SENIOR MANAGEMENT OF THE GROUP

Name	Designation	Company	Experience and Qualifications
Dr. Athula Pitigala-Arachchi	CEO	APIIT	Industry experience of 32 years. PhD from the University of Bristol, United Kingdom; BDS from the University of Peradeniya, Sri Lanka
Abdullah Kassim	Managing Director	Neptune Papers (Private) Ltd	Industry experience of 05 years. MSc in International Business from the Manchester Business School, University of Manchester; BA (Hons.) in Business Administration, First Class from Staffordshire University, UK
Aboo Yusoof	Managing Director	Lanka Premier Foods (Prvate) Ltd	Experience of over 20 years. B.Sc. Degree in International Management from Golden Gate University in San Francisco, California
Asitha Jayatunga	Head of Group Human Resources	Expolanka Holdings PLC	Professional experience of 14 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 Postgraduate 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 (PMI USA), ITIL V3 (Certificate in IT Service Management), Certified in PRINCE2 (UK)
Aslam Assen	Jt. CEO	Neptune Papers (Private) Limited	Industry experience of 07 years. Professional Post Graduate Diploma in Marketing (CIM – UK); Chartered Marketer
Azmy Mohideen	COO	Expolanka Commodities (Private) Limited	Industry experience of over 26years
Chaminda Dias	Executive Director	Akquasun Lanka (Private) Limited	Industry experience of 16 years
Dhilshad Sideek	CEO	Expolanka Teas (Private) Limited	Industry experience of 23 years. MBA from Edith Cowan University, Australia; Diploma in Marketing from the Chartered Institute of Marketing, UK
Hassan Kassim	Head of Entreport Trading	Expolanka Commodities (Pvt) Ltd	Industry experience of 03 years. BA (Hons.) in Business Administration from the University of Nottingham, UK
Jagath Pathirane	CEO	Expolanka Freight (Private) Limited	Industry experience of over 20 years and a combined 23 years of experience in Senior Management roles.
Kanishka Wijesinghe	Director	Expolanka Airline Division	Industry experience of 30 years. Qualified in Airline Marketing fromIATA and Certified in Airline operations, Sales, Marketing, Customer Relations and Management with Sri Lankan Air Lines, Emirates and Lufthansa.
M F Annam	Director/CEO	Expolanka (Private) Limited	Industry experience of 36 years. Chartered Institute of Management Accountants Finalist
Mohamed Ziauddin	Managing Director	Norfolk Foods (Pvt) Ltd	Industry experience of 37 years. MSc in Technological Economics, Sterling, UK, HND in Food Technology South Bank Polytechnic, UK, PGD in Management Studies, Luton Management Centre UK

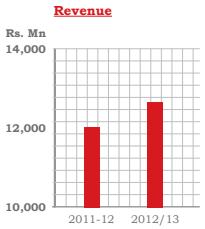
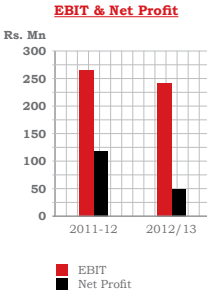
Name	Designation	Company	Experience and Qualifications
S Senthilnathan	COO	Expolanka International (Private) Limited	Industry experience of 33 years.
Shantanu Nagpal	Head of Strategic Planning & Business Development	Expolanka Holdings PLC	Industry experience of 18 years. MBA from INSEAD, France, BA Economics from Oxford (UK)
Paddy Weerasekera	Head of Marketing, Corporate Communications & CSR	Expolanka Holdings PLC	Industry experience of 18 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 07 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 15 years. MBA from University of Colombo; Bachelor of Science Honours degree in Business Administration (Finance Special); Associate Member of both the Institute of Charted Accountants of Sri Lanka and Chartered Management Accountants, Sri Lanka
Ravi Raveendran	CEO	Hello Corp (Private) Limited	Industry experience over 22 years. MBA, Henley Management College, UK. BEng (Hons), Leicester University, UK
Riza Bahardeen	CEO	Bio Extracts (Private) Limited	Industry experience of 19 years. MBA from the University of Buckinghamshire, UK; Executive Diploma in Business Administration (EDBA) from the University of Colombo; Post Graduate Diploma in Marketing from the Sri Lanka Institute of Marketing (SLIM); Institute of Financial Accountants (IFA), UK.
Saif Yusoof	Director	Expolanka Freight (Private) Limited, Classic Travel (Private) Limited	Industry experience of 05 years. Bachelor of Business Administration with a specialisation in Integrated Supply Management from the Haworth College of Business at Western Michigan University
Suresh Mendis	CEO	Classic Travel (Private) Limited	Industry experience of 36 years. IATA worldwide qualification issued by Air Lanka
Niroza Gazzali	CEO	SG Logistics (Private) Limited	Industry experience of 21 years
Wasantha Sooriyarachchi	Director - Warehousing	Logistic Park (Private) Limited	Experience spanning over 13 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)

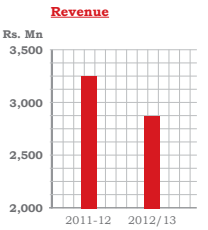
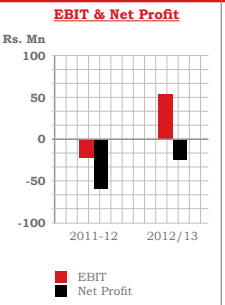
SECTOR SNAPSHOT

Segment	Product Mix	Highlights 2012/13	Revenue	Profits	Strategy
Freight & Logistics	• Air Freight • Sea Freight • Logistics • Warehousing	• Sector consolidated across three continents and rebranded under "efl". • Completed the works of the state-of-the-art warehouse facility in Sri Lanka. • Sustained the positioning primarily in the niche vertical, fashion logistics. • Strong performance recorded in Bangladesh and Sri Lanka and sustained market position in India. • Posted a positive performance in new markets - US, China & Hong Kong. • Notable increase in the overall sector revenue. • Margins eroded primarily due to increases in freight rates.			• Consolidate and focus on yield management to drive a higher bottom-line and on the niche, fashion logistics. • Enhance efficiency by synergising, improving economies of scale and deploying effective IT solutions. • Add value to offer bespoke solutions and strengthen the supply chain with innovation. • Strategic investments to drive expansions in potential geographies. • Manage externalities on the environment through carbon neutral solutions.

Segment	Product Mix	Highlights 2012/13	Revenue	Profits	Strategy
Travel & Leisure	• Outbound Leisure & Corporate Travel • Destination Management • Expo Rail	• Outbound corporate travel & leisure segment in Sri Lanka led the sector performance to exceed targets. • Opened a new Classic Travels branch in Ratnapura. • Leveraged on the synergies from the investment in Akquasun. • Leveraged on the Expo Rail brand.			• 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 focusing on the Indian outbound market. • Seek synergies between the sector companies to grow the market share - cross-sell & leverage on economies of scale. • Explore new geographies with high outbound markets Intra-Asia.

SECTOR SNAPSHOT

Segment	Product Mix	Highlights 2012/13	Revenue	Profits	Strategy
International Trading & Manu-facturing	• Bulk & Value Added Tea Trading & Plantation • Export of Fresh & Desiccated Coconuts • Export of Fruit & Vegetable • Processed Fruit • Commodity Imports • Processed Herbal Pharmaceuticals • Bakery Products • Processed Meats • Export Waste Paper for Recycling	• Sector performance challenged by the volatilities in the global trading environment and the macroeconomic policies within the domestic economy. • Tea sector sustained its market positioning and supported the overall performance despite negativities in key markets. • Measures were taken to increase operational efficiency to safeguard the falling margins.			• Focus on core businesses and restructure the ailing portfolio that has potential to yield returns. • 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.

Segment	Product Mix	Highlights 2012/13	Revenue	Profits	Strategy
Investments & Services	• GSA Services • Tertiary Education • BPO • Investments • Corporate Services	• Sector revenues declined, yet managed to improve cost efficiencies and minimise losses. • Improved performance of GSAs and the education arm complemented the sector bottom line. • BPO reaped the dividends of the investments made in the previous year to restructure operations and posted profits.			• Consolidate on investments that give adequate returns. • Divest investments with inadequate returns. • Strengthen ties with business partners, adopt cost effective strategies and increase the outreach to enhance top and bottom line results. • Diversify investments to balance between risks and returns.

exp
Business Beyond Borders

Freight & Logistics

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

With a cluster of companies focusing on multi-modal freight and transport solutions and a global footprint, spanning 4 continents and 16 countries, we are one of the top international freight & logistics service providers.

FREIGHT & LOGISTICS

Sector Highlights

Network
- 49 Cities
- 16 Countries

Regional Player
- Asia
- Middle East
- Sub Saharan Africa

New Stations
- USA
- Hong Kong
- China

Multimodal Transportation, Warehousing & Logistics Management

Focus Area
- Fashion Industry

Market Exposure
- 49% North America
- 29% Europe
- 9% Asia
- 13% Other

Revenue
Rs.32,183 Mn

Profits
Rs.1,177 Mn

Assets
Rs.10,922 Mn

Return on Capital Employed
24.9%

Return on Equity
25.6%

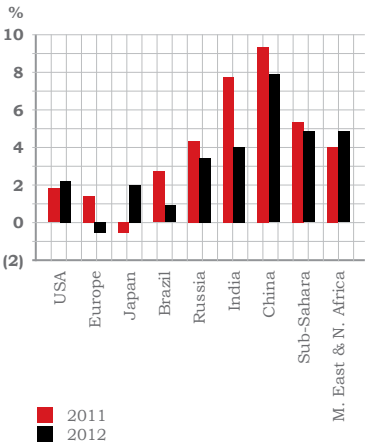
Business Landscape

Global Economy & Trade

The global economy in 2012 showed signs of gradually moving towards a recovery from the sub-prime mortgage led recession which began in the year 2008. The advanced economies witnessed the upside, though modestly from slow growth, high unemployment and bleak consumer and investor sentiments. The US showed signs of turning around in the backdrop of an accommodative monetary policy regime including quantitative easing. Yet, the country in the midst of hyper-partisan politics and the near fiasco of the fiscal cliff was not completely responsive to the stimuli and fell short of its anticipated recovery trends. The euro zone kept its unification in place and bottomed out from the downward spiraling dynamics. The year witnessed greater efforts by the region, especially by the core assisting with the requisite reforms to uplift the ailing peripheral countries. Japan in the aftermath of the natural disasters sought options through fiscal and monetary policy alterations to make a difference to the sluggish economy. The unrelenting Arab Spring uprising created instability in the Middle Eastern region with profound implications on the rest of the world. The emerging and developing economies which were upholding the world economy thus far, gave way to the tenuous conditions in the advanced economies as well as inherent issues within. Therefore, the world economy grew at a decelerated pace of 3.2 percent in 2012 compared to the growth of 4 percent in 2011.

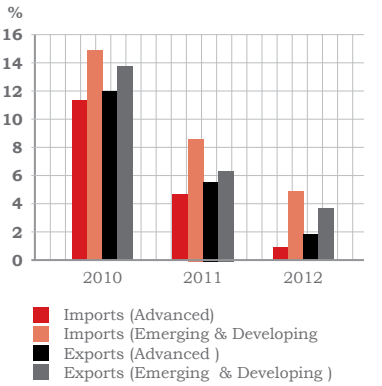
In this context, world trade was beset with an anemic demand from the advanced economies in turn creating imbalances in the external front of those nations depended on exports. In 2012, the growth in the overall trade volumes posted a sharp decline to 2.5 percent from the rebounded growth of 12.6 percent in 2010 and 6.0 percent growth in 2011. Import growth from advanced economies significantly fell to 1 percent in comparison to 4.7 percent in 2011. Import growth in the emerging and developing economies also saw a notable decline to 4.9 percent in comparison to 8.6 percent growth in the preceding year. In tandem, all economies witnessed a sharp decline in the export sector. The export growth from the emerging and developing economies plummeted to 3.7 percent as compared to the growth of 6.4 percent in 2011.(World Economic Outlook, IMF January 2013 & April 2013).

Global Growth Trends



Source: World Economic Outlook, January & April 2013, IMF

World Trade (Volume)



Source: World Economic Outlook, January & April 2013, IMF

FREIGHT & LOGISTICS

Global Freight

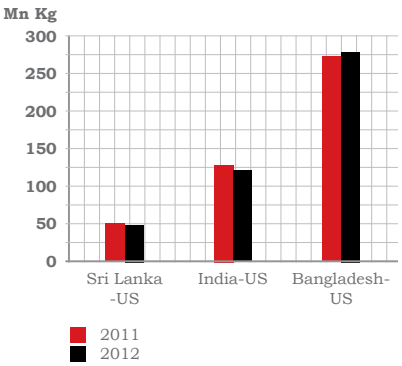
Global air freight market in the recent past has been contracting and pressured by over-capacity and lower yields. With companies moving towards lean inventories and the increasing shift to other freight modes were also contributory factors to this contraction. Global air freight traffic in 2012 declined further by 2.3 percent in comparison to the decline of 1 percent in the preceding year and in sharp contrast to the rebounded growth in 2010. International air freight trade posted a negative growth of 4.8 percent. All trade lanes except Latin America to North America witnessed a significant air freight volume decrease. Fashion and perishable sectors however, posted a volume growth whereas hi-tech, telecom and chemicals posted significant declines. In line with this, Expolanka will continue to focus on its niche in fashion logistics.

International ocean trade growth however, recorded an increase of 2.9 percent led by the strong performance of developing economies. (Source: Seabury, November 2012, IATA January 2013)

Apparel Exports US

Apparel exports to the US from the sub-continent in the year 2012 closely followed the trends of the preceding year. Sri Lanka sustained its levels on par with 2011 whilst India recorded a marginal drop and a modest increase for Bangladesh.

Apparel Exports to US Sub Continent Trends



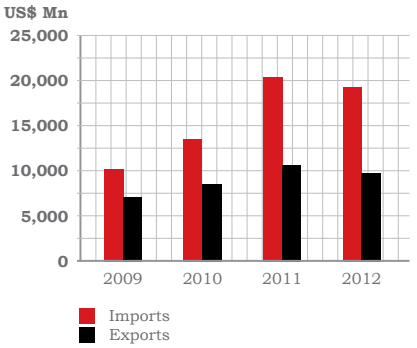
Source: US Census Department

Sri Lanka's Economy & Trade Performance

Sri Lanka, in the year 2012,succumbing to a considerable extent to the fragilities in the global economy and the geopolitical undercurrents coupled with the macroeconomic challenges within the country, slackened in its growth pace of above 8 percent achieved in the preceding two years. Nevertheless, the country grew at 6.4 percent and reached relatively sound macro fundamentals by the end of the year supported by some noteworthy policy adjustments.

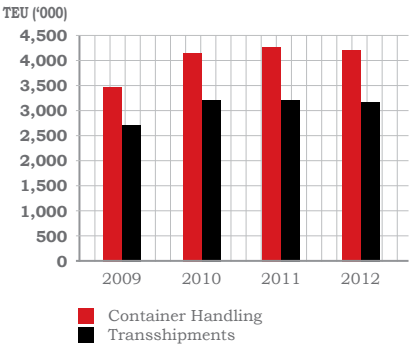
In the early part of the year 2012, the country came under a tight monetary policy with increases in policy rates and a credit ceiling on commercial bank lending to arrest the macro imbalances witnessed in the post conflict boom. The exchange rate was given greater flexibility and the duty structure on imports was revised upwards. These policies had a significant impact on the country's imports and led to a decline of 5.4 percent in import expenditure in comparison to the preceding year's unprecedented growth of 50 percent. The export performance was afflicted by the sluggish demand mainly from the advanced economies and posted a decline of 7.4 percent in comparison to a 22 percent growth in the preceding year. The earnings from the key export sector, textiles and garments declined by 4.8 percent primarily following the soft demand trends in the euro region. Hence, the trade deficit moderated by only 3.1 percent to reach US$ 9,409 as against 2011. The balance of payments recorded a surplus supported by the inward remittances of the migrant workers, tourism earnings and other foreign inflows. The gross reserve position as at the end of the year improved to 4.3 months of imports from 3.5 months in 2011.

Sri Lanka Exports & Imports (Value)



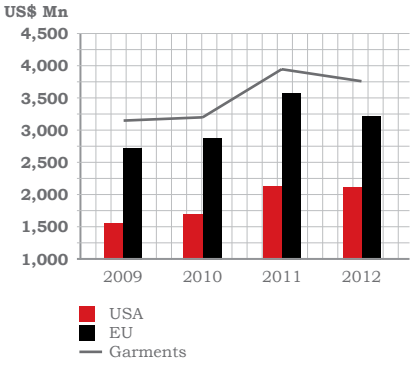
Source: Annual Report 2012, Central Bank of Sri Lanka

Container Handling & Transshipment (Volume)



Source: Annual Report 2012, Central Bank of Sri Lanka

Direction of Exports vs. Garment Export Earnings



Source: Annual Report 2012, Central Bank of Sri Lanka

Amidst the lethargy in international trade and the slump in the domestic imports, the growth in cargo handling, ports and civil aviation sub sector within the services sector moderated to 5.7 percent as against 7.2 percent growth in 2011. The total container handling posted a negative growth of 1.8 percent to reach 4.2 million twenty foot equivalent container units (TEUs), lower compared to the 3 percent growth in the previous year and a sharper fall against the growth of 19.4 percent recorded in 2010. Transshipment volume also recorded a negative growth of 1.5 percent,albeit representing a marginal drop as compared to the previous year. The increase in total cargo handled was sustained at the same levels as the previous year at 65.1 million metric tons. Total air cargo handling, however, grew by 11 percent as against 2011.

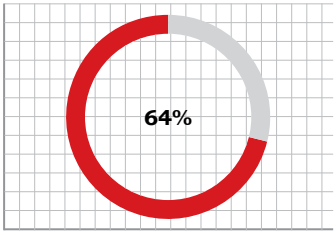
FREIGHT & LOGISTICS

Operational & Financial Performance

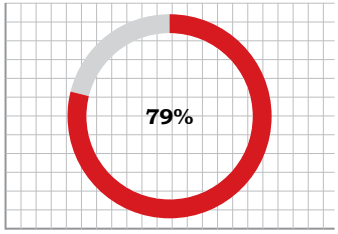
Freight & Logistics			
For the Y.E	**2012/13 (Rs. million)**	**2011/12 (Rs. million)**	**% Change**
Revenue	32,183	19,570	64%
Earnings Before Interest & Taxes (EBIT)	1,485	1,502	-1%
Finance Cost	49	29	68%
Profit Before Tax	1,436	1,473	-2%
Profit After Tax	1,177	1,104	7%
Total Assets	10,922	8,141	34%
Total Equity	4,604	3,534	30%
Total Debt	318	109	193%
Capital Employed	4,923	3,720	32%
Return on Equity	25.6%	31.3%	-18%
Return on Capital Employed	24.9%	30.5%	-18%

Contribution to the Group

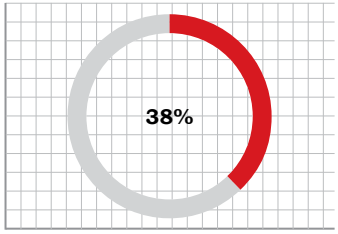
Revenue



EBIT



Capital Employed



Overview

Freight and logistics is Expolanka's flagship sector, accounting for 64 percent of the Group's revenue and 79 percent of earnings before interest and taxes. The sector endorsed by the International Air Transport Association (IATA) is headquartered in Sri Lanka with a network spanning 16 countries in 49 cities in the Indian sub-continent, East Asia, Middle East,Sub Saharan Africa and even North America. A large share of the total operations are accounted by Sri Lanka, India and Bangladesh. The client base is dominated by the fashion vertical, accounting for a significant share of the sector revenue whilst the balance is absorbed by pharmaceuticals, agriculture, telecommunication and electronic segments.

Financial Performance

During the year under review, our freight and logistics sector resiliently withstood the sluggishness of the global trading environment. The sector focused on aggressively growing the market share. Overall volumes within the air export and import businesses posted a remarkable increase of over 50 percent. The US trade lane especially between Bangladesh and Sri Lanka performed creditably whilst air imports posted a strong performance on the back of the Asian operations. In this backdrop, the sector recorded revenue of Rs. 32,183 million, corresponding to a remarkable increase of 64 percent compared to the preceding financial year.

However, in an overcapacity situation with intense competition pressured our profitability. The sector was beset with higher shipping and airline freight buying rates which demanded more working capital and pressured our gross profit margin. Therefore, the yields were lower than anticipated. The stabilisation of the rupee against the US dollar towards the latter part of 2012 also played its part in dampening our earnings and the bottom line. But, given our superior market positioning in the industry especially in our niche - fashions logistics, we maintained our status quo in profitability and posted profit after tax of Rs. 1,177 million which represented an increase of 7 percent as against the previous year.

Operational Performance

Sector Update FY 2012/13
Overall
• Rebranded with a new tagline "simple logistics" under the logo "efl".
• Consolidated operations of freight and logistic companies across the globe to offer a seamless one-stop service.
• Integrated, streamlined and reinforced IT and HR functions.
• Air freight export and import volumes were buoyed by the market positioning and brand image.
• Sea freight export volumes were supported by the European trade lane.
• Sea freight import volumes in the US and European trade lanes declined.
• Completed the construction of the state of the art warehouse facility.
• Sustained the market position in India as one of the largest freight forwarders.
• Performed well in intra-Asia.
• Consolidated operations in the region and invested in markets such as China, Hong Kong & USA.
• US posted successful and commendable results.
• China & Hong Kong posted encouraging results.

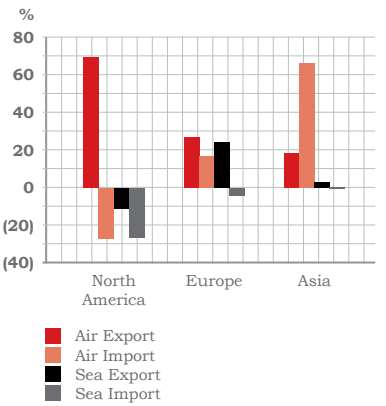
FREIGHT & LOGISTICS

In the reporting year, our operations spreading across Asia, Africa and to a lesser extent North America focused on managing the challenging business environment - sluggish global trends especially in our end markets in Europe and escalating energy prices. Notwithstanding this, we continued to consolidate our operations along with strategic expansions and basked in strong referrals based on our strength of being a multi agent freight forwarder with a solid reputation for reliability and standards.

Segment Analysis - Overall

Segment	Products	Overall Volume Growth (%)
Air Freight	Exports	50%
	Imports	64%
Sea Freight	Exports	6%
	Imports	-3%

EFL Trade Lanes - Freight Volume



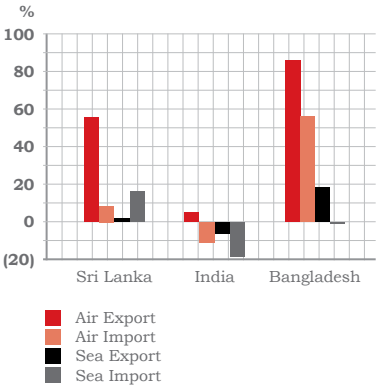
Our air freight sector predominantly catering to the fashion industry, continued to be challenged by the lackluster performance in the global trading arena and the resultant implications on our export sector. The fashion industry was directly affected by the tenuous fundamentals and depressive consumer sentiments in the key markets in the euro region and to a lesser extent in the US.

Yet, we were resilient and managed these downward trends, buttressed by the strength of our market positioning, loyal client relationships, reputation and brand image connoted with reliability, delivery quality and standards. We were bullish on upholding our volumes and we performed exceptionally well in terms of air exports in the North American trade lane. Air freight volumes in the European trade lane were sustained at moderate levels and posted a positive growth. The Asian trade lane performed impressively in terms of air imports. In this backdrop, in the financial year under review, our overall air freight operations buoyed, underpinned by a 50 percent increase in export volumes and 64 percent in imports as compared to the preceding financial year. This significantly contributed to the sector top-line growth.

Ocean freight, in the reporting year, experienced mixed sentiments. Overall sea export volumes continued to grow and posted an increase of 6 percent vis à vis the previous financial year led by a positive growth, albeit modest, in the European trade lane. Sea exports in the North American trade lane slumped to record a negative growth. Sea imports in both North American and European trade lanes recorded a negative growth which pressured the overall sea freight imports to decline by 3 percent.

Country Analysis

EFL Key Stations - Freight Volume Growth



In the sub-continent, our operations in Sri Lanka and Bangladesh did exceptionally well even in the face of challenging macro dynamics especially affecting our key vertical in fashion logistics. The operations

posted a strong performance in terms of air export volumes with a growth of 56 percent and 86 percent respectively. Bangladesh posted an impressive growth in air imports of 56 percent whilst Sri Lanka's growth touched 9 percent.

In India where we have a strong presence with 18 offices spreading across strategic cities, we sustained our market position in an intensely competitive freight forwarding industry. We maintained a substantial presence in pharma, sports and tech verticals as well as project cargo for infrastructure development. The operations posted a positive growth in freight volumes in terms of air exports. However, freight volume performance in terms of air imports and sea freight plummeted to post a negative growth.

In East Asia including Vietnam, Philippines and Indonesia commendably managed the operations led primarily by the fashion vertical in terms of air freight. We strengthened our operations in the Sub Saharan Africa – South Africa, Kenya, Mauritius and Madagascar supported by facilitative trade policies focusing on fashion, pharma, tech and perishable. Middle East sector also performed creditably in terms of air exports despite the implications from the Arab Spring.

In the preceding year, we sought to strategically strengthen our network in both source and end markets and expanded operations in the US, China and Hong Kong. In the first year of operations, during the reporting year, the office set up in New York, USA was able to strengthen our vertical in retail fashion and positioned us tactically to cover nearly 50 percent of our end market exposure. We were able to give greater support and uphold our relationships with our existing clientele whilst being bullish in securing new relationships especially with premier brands.

The two new offices we established in our source market network - Shanghai in China and Hong Kong took off successfully with the performance well exceeding the targets. We focused on supporting the existing customer base on "B2B" supply arrangements and explored opportunities to grow the market outreach and create a presence in these two emerging economies.

Warehousing

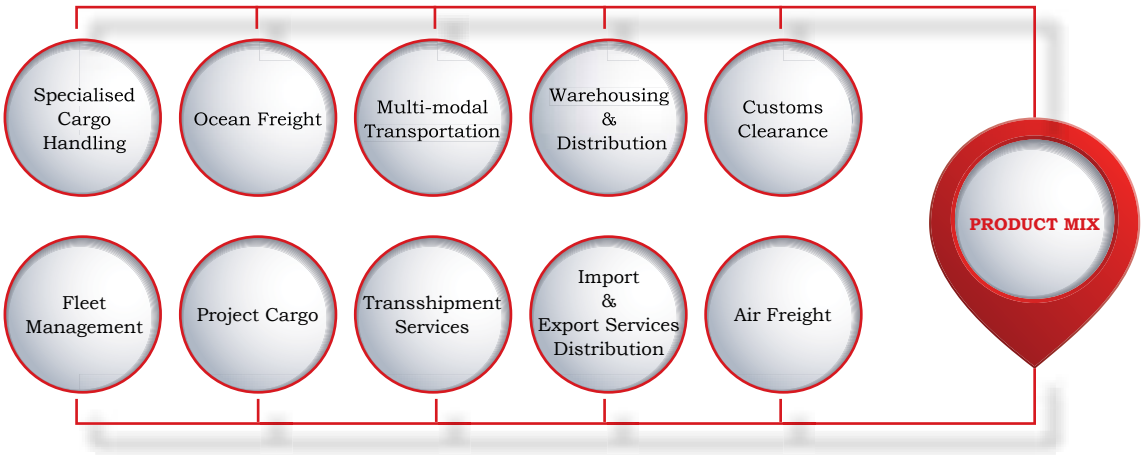
In the reporting year, we completed the works of the modernisation and expansion of our warehouse into a state-of-the-art warehouse facility strategically located at Orugodawatte. This facility added 100,000 square feet of storage and logistics capacity. The facility is scheduled to commence fully-fledged commercial operations in the second quarter of 2013.

This revamped and expanded warehouse facility marks another milestone in our freight and logistics operations and has set precedence for higher standards in the industry. This has reinforced our presence as a total solution provider in the supply chain. This facility is expected to drive our market outreach and enable us to negotiate premium pricing to support the sector performance.

FREIGHT & LOGISTICS

Inland Fleet

We revamped our inland trucking fleet of 250 vehicles and carried our new logo on the entire fleet to showcase the new brand. We also ensured that the fleet is fully equipped and carried an online cargo tracking system and high security measures to enable real time monitoring of cargo shipments and to minimise theft, illegal trade and losses.



Rebranding

During the year, we focused on consolidating and positioning our lead sector as a foremost freight forwarder in the world. In keeping with the contemporary global business practices, we strengthened the operations of the line companies both freight and logistics in Sri Lanka as well as across the globe and brought them under one platform to be a single window service provider in the supply chain from cargo bookings between the origin and destination, ground transportation, warehousing, inventory management to logistics.

Topping up this consolidation, we launched an integrated marketing communication campaign and rebranded the sector to establish a common identity and to highlight our strength as a seamless freight forwarder of bundled-together and personalised freight and logistic solutions to our customers.

Our aim was to position the sector among the top freight forwarders in the world by creating a positive and a strong brand identity “efl” with a tagline – “simple logistics” which connotes a unique and a focused point of differentiation of our operations – personalised and simple logistical solutions. The cargo container shaped logo with a bevel edge brings in the simplicity and novelty whilst the bold and vivid orange colour brings the dynamism characteristically representing the Expolanka culture. Aligned to the re-branding strategy, we revamped all communication material including brochures, stationery, memorabilia and the vehicle fleet.

"Simple Logistics"
Our logo is Simple and Personal reflecting our strong heritage. Its lines are clean and clear, reflecting our belief that confidence, consistency, transparency and trust should drive everything we do.

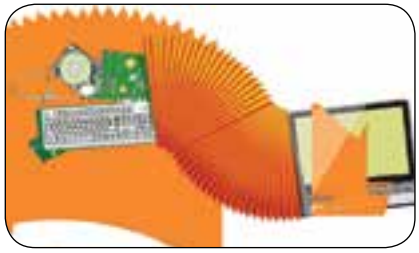
It is the hallmark of our passion and that of our people and the promise of our future.

"efl" Brands

Apparel Industry

Pharmaceuticals

Information Technology



Perishables

Telecommunication Industry

Sporting Industry

FREIGHT & LOGISTICS

Support Structure

As at the year end, the freight and logistics sector had 1,742 employees across the globe. We appointed three separate heads to overlook the key support functions of HR, Finance and IT in line with the Group policies set within the holding company.

Human Resources (HR)

In terms of the HR function, in the reporting year, we stepped up our employee-wellbeing schemes, performance appraisal mechanism and training initiatives. Our training sought to develop skills strategically needed to take the business forward as well as to add value to the careers in the employee standpoint. In the year, our training included technical and industry skills development as well as training programmes affiliated to recognised business schools. We sought to enhance training opportunities as well as share best practices in HR within our network spanning the three continents.

IT & Streamlined Processes

During the year, we deliberated on the options of integrating the operational platforms to a single platform of all the line companies within the freight cluster to facilitate a seamless operation with real-time entries for speedy decision making and bringing in cost efficiencies to bolster the bottom-line. We also sought to adopt collaborative tools for effective communications and endeavoured to bring most of our operations within the realm of cloud technology.

In the year, we streamlined our planning process and clearly set out the scoping requirements and identified the key performance indicators for cluster operations. We documented the standard operating procedure so that the entire cluster will operate consistently in keeping with the recommended standards, procedures and practices.

Marketing

The global sales team is responsible for the marketing aspects of the operations. During the year, with the consolidation of the freight and logistics sector, the team was tasked to aggressively communicate the new brand and market the services across the global network. Much thought went into building and implementing the most appropriate communication strategy. Below the line tactics were primarily deployed for brand communication and promotions. We also depended on press releases and advertorials in national newspapers and business magazines to spread the campaign. We held several road shows in the US and in Central America to drive our expansion plans, participated in trade shows and engaged in international fora.

Path Ahead

Future Outlook

The downturn in the global economy has bottomed out and is projected to gradually accelerate towards the up-side with the right macroeconomic policy mix of fiscal adjustments and accommodative monetary measures.

The global economy is expected to be led by the developing and emerging nations. Yet, the recovery is uneven and uncertain given the continued apathy in the United States and Japan and weaknesses in the euro area including the fallout of Cyprus. Therefore, the forecasts have been set moderately with the world economy to grow in 2013 at 3.3 percent and 4 percent in 2014, improving gradually from 3.2 percent growth in 2012. World trade is forecasted to post a growth of 3.6 percent in 2013 significantly up from the performance of 2.5 percent in 2012. In 2014, world trade is expected to grow by 5.3 percent (World Economic Outlook, April 2013, IMF).

Sri Lanka in the post conflict backdrop has placed the economy on the fast track to keep pace with the emerging Asia. The recent policy adjustments to correct the macro imbalances in the economy triggered by the excessive sentiments of investors and consumers have now consolidated for the economy to grow sustainably to reach above 8 percent levels in the medium term (Annual Report 2012, Central Bank of Sri Lanka).

Our Strategy

Freight and logistics arm of Expolanka which was rebranded and consolidated by bringing the line companies across the globe with greater clarity under one umbrella, “efl”, is now fully geared to take its place in the nation’s development agenda and also to make its mark in the international

arena. The operations with over three decades of expertise have built strong linkages to the supply chain and well accepted by the clients especially the top most fashion industries for service excellence. We have the support of a strong network in the end-markets as well as in the source markets in key continents.

We have tactically invested to grow our market share, consolidate, rebrand and streamline our operations. We expect to reap the benefits from our investments through operational efficiencies and economies of scale in the ensuing years. Hence, we are extremely bullish on this sector especially in our niche, fashion logistics and we intend to fully leverage our position to maximise wealth creation and bolster the returns for our shareholders. Key focus areas of our strategy are outlined below.

Market Share

The country with a burgeoning economy and complemented by the political stability in relation to the sub-continent is well positioned to reach the aspired heights to be the commercial hub in the Indian Ocean. The surge in infrastructure projects from roads and highway development, building a port city in Colombo including the South Container Terminal, port development project in the South and the recently launched international airport at Mattala, Hambantota has given the opportunity for the nation to edge closer to its aspired goals. A facilitative trade policy regime with the recently enacted legislation on a free port environment has set a firm foundation to consolidate key trade lanes and accelerate the hub concept. This has set the platform for the nation's way forward and fuelled the demand for freight and logistic solutions.

We see great potential in the years ahead with our presence in Hambantota especially when the Southern Provinces takes off as a significant player in the country's trade front. Our strategic and state of the art warehousing facilities together with our inland transportation fleet will give us the necessary boost to take our place in the South as well the nation's overall drive for trade superiority in the sub-continent.

Globally, we have established a strong presence in the most strategic countries that complement the network operations with greater opportunities and synergies to cover the whole gamut of freight and logistic requirements. We believe that the world economy will be back on track for us to drive the sector growth in the global arena in the ensuing years.

Our focus will be on strengthening the market position and expand deeper into Intra-Asia trade lane especially to avail the growing trade prospects in the emerging markets. We are already very strong in India and intend to further strengthen our ties in China and in Hong Kong which have aptly demonstrated the potential to grow our scale by the performance in the first year of operations. We have concrete plans to enter Maldives where we have already established our links in other sector such as travel. We are also strong on entering Myanmar, a country that is emerging with great prospects for growth after a protracted period of political and economic instability. Our plans also include entering Egypt given the potential trade links to the US and to Europe coupled with a conducive cost structure. We will further brace our operations in North America. Currently, the New York office in the US has taken-off ground and succeeded to add value to our existing business base.

Value Addition

Our focus in the ensuing years will continue to be on the fashion vertical. Although the fashion industry especially Sri Lanka has its own inherent challenges with GSP+, higher wages and waning tax concessions, the industry still has potential for growth. Hence, we will seek to reinforce our positioning in this industry and differentiate our services from the competition as a personalised service provider of simple logistics, combined with our solid network and value addition in quality and delivery standards, flexibility, speedy and just in time solutions.

International Trading & Manufacturing

Pioneering the export of fresh produce from Sri Lanka, Expolanka has rapidly expanded its range of export products to a fuller spectrum. Agricultural products such as teas, coconut and other commodities join our original core products as our expansion opens fresh pastures including the Middle Eastern, European and the African markets.

Our excursion into the manufacturing sector is marked by our diversification into varied industries. The manufacturing sector adds to the Group portfolio an assortment of interests, including herbal pharmaceuticals, fresh and processed food produce and eco-friendly paper recycling.

exp
Business Beyond Borders

INTERNATIONAL TRADING & MANUFACTURING

Sector Highlights

Food Processing
- Bakery & Food Products
- Meat Products

Agro Processing
- Value Added Agro Products
- Herbal Pharmaceuticals

Trading & Manufacturing
- Agriculture Commodities
- Fresh Fruit & Vegetable
- Coconut
- Tea & Plantation
- Recycling

Major Brands
- T-sips
- Mo Fruit
- Baraka
- Crescent Norfolk
- Paan Paan

Key Export Markets
- Middle East
- CIS Countries
- Europe
- Australia

Revenue
Rs. 12,646 Mn

Profits
Rs. 50 Mn

Assets
Rs. 6,042 Mn

Return on Capital Employed
6.8%

Return on Equity
3.9%

Business Landscape

Global Overview

The year saw the world economy still confronting the flawed fundamentals of the advanced economies and the emerging and developing world succumbing to the slowdown as discussed in detail under the Freight & Logistics Section in this Annual Report. The geopolitical ripples especially those caused by the "Arab Spring" in the Middle East and the continued impact of climate change did not ease the pressures in the global context.

Sri Lanka Overview

In Sri Lanka, the economy had to deal with a tight monetary policy coming into effect to contain the macro imbalances that took root with the buoyancy of the economy in the post conflict settings. The Central Bank of Sri Lanka increased the policy rates and restricted commercial bank lending which together with a flexible exchange rate policy aimed to curb the rising inflation and correct the country's lopsided balance of payments and the dwindling reserve position. Towards the latter part of the year, these policies stabilised the macro fundamentals with single digit inflation levels, low unemployment, declining trends in policy rates, balance of payments surplus and satisfactory reserve position.

Sectoral Growth

In this background, the economy settled at a growth rate of 6.4 percent reduced from growth rates of 8 percent and above experienced in the preceding two years. The industry sector led by the construction sub sector, posted a steady growth of 10.3 percent as was the case in the preceding year. However, the factory industry accounting for the largest slice in the industry sector grew only by 5.2 percent in comparison to 8.3 percent growth in 2011.

The services sector, the largest contributor to the economy's GDP, grew moderately at 4.6 percent as against 8.6 in 2011. This moderation is largely in view of the dynamics faced by trade activity – sluggish conditions in the global market and the import restrictive policies that were in place in the domestic scenario. Apart from trade, transport, hospitality, finance, port and communication sub sectors, albeit steady, grew at a more decelerated pace in comparison to the preceding year.

The agriculture sector including paddy was propped by the bountiful harvest in the Maha season although offset by the Yala season which was affected by adverse weather patterns. The overall agriculture sector grew at 5.8 percent compared to 1.4 percent in 2011.

GDP & Sector Growth

Source: Annual Report 2012, Central Bank of Sri Lanka

Exports & Imports

On the external front, export earnings notably from the industry sector, representing 75 percent of total earnings, gave way to falling commodity prices and the shrinking demand from the key markets mainly the advanced countries. Export earnings decelerated by 7.4 percent, a sharp drop from a stronger performance in the preceding year that surpassed the US$ 10 billion mark with a 22 percent growth.

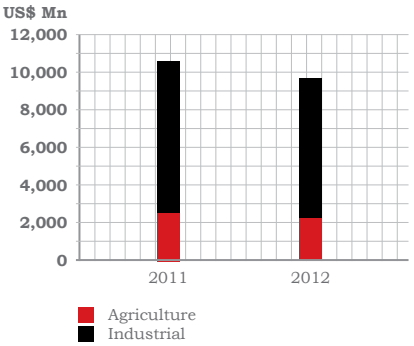
INTERNATIONAL TRADING & MANUFACTURING

Export earnings from industry led by garments were the worst affected by the global economic fragilities. Garment export earnings, the key contributor to the total, saw a decline of 4.8 percent as against 2011 permeating the impact on the overall export performance. Most other industrial exports including petroleum and rubber products and food, beverage and tobacco did not perform as the previous year and recorded substantial declines in earnings.

In terms of agriculture, earnings from exports posted a year on year drop of 7.8 percent led by the country's key agricultural commodities. The tea sector representing nearly 15 percent of total earnings was affected by the political instability that continued to prevail in the key markets in the Middle Eastern region. Although the prices were at an elevated level due to the supply-shortages in black tea, the average prices fetched in the markets were moderate compared to the levels in the previous year. This together with a marginal drop in volumes resulted in lower earnings from the tea sector by 5.3 percent. Earnings from rubber exports posted a significant drop of nearly 40 percent attributable to both falling prices and volumes. The coconut export earnings declined by 21.5 percent led by the drop in earnings from kernel products such as desiccated coconut. Even vegetable export earnings recorded a 21.2 percent drop whilst spices managed to grow by 8.9 percent.

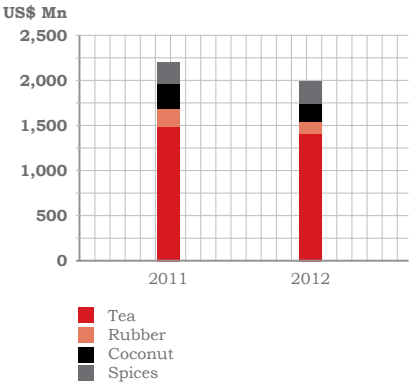
In 2012, within the macro-prudential policy framework including restrictive import duties, the country's unprecedented import bill witnessed in the preceding year was curtailed significantly. Imports only grew by 5.4 percent with substantial cuts in consumer and intermediate imports. This reduced the trade gap which together with the continued foreign inflows cushioned the balance of payments crisis that prevailed in the preceding year.

Export Earnings



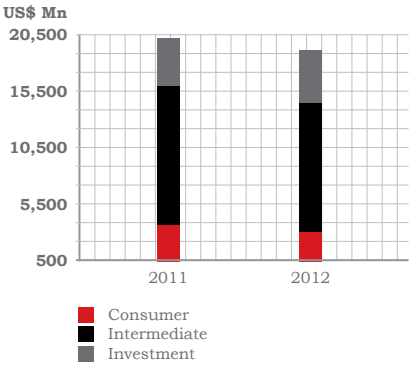
Source: Annual Report 2012, Central Bank of Sri Lanka

Key Agricultural Exports



Source: Annual Report 2012, Central Bank of Sri Lanka

Import Expenditure



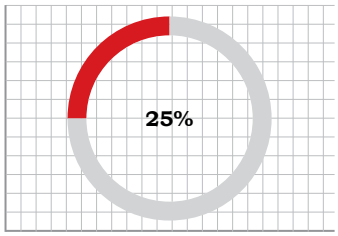
Source: Annual Report 2012, Central Bank of Sri Lanka

Operational & Financial Performance

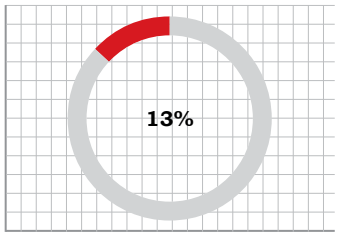
International Trading & Manufacturing			
For the Y.E	2012/13 (Rs. million)	2011/12 (Rs. million)	% Change
Revenue	12,646	12,026	5%
Earnings Before Interest & Taxes (EBIT)	241	264	-9%
Finance Cost	156	96	62%
Profit Before Tax	86	168	-49%
Profit After Tax	50	119	-58%
Total Assets	6,042	5,528	9%
Total Equity	1,294	1,088	19%
Total Debt	1,739	1,449	20%
Capital Employed	3,033	2,601	17%
Return on Equity	3.9%	10.9%	-64%
Return on Capital Employed	6.8%	8.2%	-18%

Contribution to the Group

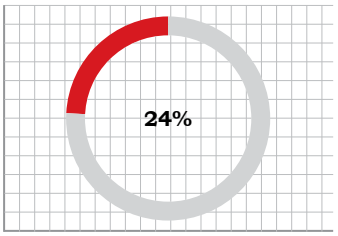
Revenue



EBIT



Capital Employed



Overview

The second largest within the Expolanka Group, the international trading and manufacturing sector accounts for 25 percent of consolidated revenue and 13 percent of earnings before interest and taxes. The international trading arm is engaged in trading agricultural commodities, perishable, tea and exporting waste paper whilst the processing arm focuses on herbal pharmaceuticals, processed food and agro processing.

Financial Performance

The international trading and manufacturing sector sustained the revenue on par with the levels posted in the preceding year. Sector revenue touched Rs. 12,646 million, corresponding to a modest increase of 5 percent supported by the results posted primarily by tea exports. However, most of the other core businesses were pressured by the volatility in prices spurred by the macroeconomic dynamics both in the domestic and the global domain which had a knock-on effect on the overall sector performance. The sector net profits slumped by 58 percent as compared to the previous year to record Rs. 50 million.

INTERNATIONAL TRADING & MANUFACTURING

Operational Performance

Sector Update FY 2012/13			
Tea • Tea production was affected by adverse weather. • Plantation sector performance afflicted by high cost of production. • Exports to the key markets in the Middle East slumped. • T-sips continued to grow in brand strength. • Expo Teas maintained rank within the top 10 tea exporters.	**Coconut** • Middle East crisis and the recession in Europe adversely affected the sector. • Intense competition faced from the sub-continent. • Coconut pricing uncompetitive due to Cess Levy. • New markets entered - Pakistan & South Africa. • Fresh coconut posted low volumes and margins. • Desiccated coconut held ground given the superior quality that offset pricing issues.	**Fruit & Vegetable** • Branded and promoted fresh fruit and vegetable under "Fresh". • Bountiful harvest during the first half of the year. • Higher pricing by suppliers pressured margins. • Direct cultivation initiatives continued. • Value-added range - "Mo Fruit" introduced juices, fruit bars & dried fruit to the local market. • Distribution issues contained the Mo-Fruit performance.	**Agro Commodities** • Price volatility in the global markets pressured the sector performance. • Import restrictions within the country limited the sector growth. • Long standing relationships with suppliers globally supported the sector top-line.
Recycling • 95% of operations account for waste paper exports whilst 5% for polythene & plastic recycling. • Rebranded under Neptune Recyclers and expanded the market share. • Paper recycling volumes increased by 19%. • Operational efficiency maintained given the restructuring in the previous year. • Sluggish global market conditions and competition pressured margins.	**Bakery** • Commenced operations in February 2012. • Opened 1st high-end retail outlet in June 2012. • Offers assortment of bread & bread products as per European standards. • Targets the upper-mid socio economic strata.	**Processed Meats** • Reinforced efficiency in the processed meat facility. • Introduced more value added products to the range. • Challenges faced by the supermarket network affected the business performance. • Overall performance sustained at modest levels.	**Herbal Pharmaceuticals** • Capex investments in the previous year supported the sector growth. • Enhanced the product range. • Strengthened our marketing and distribution links.

Tea

Fruit & Vegetable

Processed Meat

Bakery Products

Recycling

Herbal Pharmaceuticals

Tea

Our tea trading sector performance, as was the case for the entire industry was susceptible to the erratic weather patterns that prevailed in the reporting year, coupled with the adverse trends in the global economy and the political and civil strife in our key markets in the Middle East.

Plantation

Our tea plantation in the low grown area in Kalawana registered a drop in production, primarily affected by the drought conditions that prevailed especially in the first half of the year. However, we sustained our leaf-intake which was supported by the satisfactory quantities of bought leaf from the smallholders. Yet, the higher estate wage structure and the arbitrary increases in electricity and in fuel prices affected our cost of production which did not portend well for the plantation sector performance.

Tea Trading

With over 75 percent of our tea exports targeted to the Middle East, the sector performance mirrored the implications of the geopolitical issues in the region, in particular, the domestic conflict in Libya and the ongoing Syrian crisis.

INTERNATIONAL TRADING & MANUFACTURING

Our valued added and specialty teas branded under "t-sips" strengthened its presence,especially in Canada, Australia and Maldives and maintained its market share. The sector earnings were also propped by the rupee depreciation within the flexible exchange rate policy regime. Hence, notwithstanding the slump in exports to the Middle East, we sustained our ranking to be within the top 10 tea exporters in Sri Lanka in terms of earnings.

Coconut

We are a significant market player in the coconut sector in Sri Lanka engaged in both fresh and desiccated coconut produce and exports. The inconsistencies experienced in the sector as a whole in the preceding year continued into this year. This segment pressured by a high cess levy imposed on coconut exports in view of boosting the supply-side of the domestic market had to face some key challenges in the year under review.

Our fresh coconut export segment, during the year, focused on keeping the operations viable by striving to maintain the market share and thereby achieve the sector targets. However, our key market, the Middle East that accounts for nearly 60 percent of our coconut exports continued to face civil and political unrest. In this backdrop, we lost our ground in the Middle East market which responded with full force to our non-competitive pricing in favour of our competitive regional players viz. India. Our market share in other key markets in Europe, mainly the UK, accounting for nearly 40 percent of our coconut exports also dropped significantly given the recessionary trends in the eurozone.

Therefore, in the reporting year, we focused on consolidating the market share in new markets – Pakistan and even South Africa to a lesser extent which supported the sector top-line. Yet, the sector did not manage to completely offset the negative impact of losing market share in the Middle East and Europe and thereby resulted in significant losses during the year.

Our strategy, in the year, was to reinforce our desiccated coconut export segment focusing on quality. We were able to sustain performance even though the world demand was subdued, prices trended downwards and we had strong competition from Vietnam, Indonesia and Thailand. However, most of our markets opted to retain their business with us given the superior quality of our produce as against pricing. Hence, we managed to perform satisfactorily retaining our market share and maintaining our margins.

Other Agro Commodities

The Group's import and entrepot trading segment focusing on agriculture commodities – spices, dates, lentils and sugar continued to be pressured by the conditions that dominated the commodity prices in the world market. The higher duty structure in the domestic front including the special commodity levy imposed on imports of sugar and dhal together with the rupee depreciation ignited by the floating exchange rate did not offer solace to the performance of this sector. Hence, we were compelled to limit our import volumes as well as take the hit on our margins. Our long standing relationships with a wide network of suppliers and buyers across the global markets however, gave the sector some relief from price volatility.

Fruit & Vegetable

We restructured and strengthened our pioneering export, fresh fruit and vegetable during the year,under our new brand "Fresh". This segment was supported by the bountiful supply achieved especially during the first part of the year. This however was moderated given the adverse weather that prevailed during the latter part of the year. On the overall, also spurred by government patronage, our suppliers were able to maintain a steady supply to our operations. Hence, we were able to sustain our export volume as targeted.

In the year, however, our margins were pressured given the higher prices demanded by our suppliers fuelled by the rising trend in the domestic demand. It was not feasible to pass on this price increase on to our already price-sensitive customer base without taking a "hit" on our market share. On the demand side, our key market, the Middle East continued to be strong even despite the geopolitical issues in the region and intense competition from other countries in the sub-continent. We also explored opportunities with other markets.

We continued to support our direct cultivation initiatives focusing on sustainable agricultural practices which are expected to complement our export activities in the fruit and vegetable segment. During the year, we commenced the cultivation of exotic vegetables – bell pepper, cucumber and lettuce on limited scale as a "trail-run" and results are yet to be ascertained.

Our efforts were placed on promoting the value added range – juices, dried fruit and fruit bars, branded under "Mo Fruit" within the domestic market. However, this did not completely take off ground as anticipated,due to distribution issues we faced during the year. On the export side, we focused on promoting fruit bars to the European market and sought our options with Japan on a limited scale.

Bakery

We launched our bakery operations in February 2012 with a retail outlet in Colombo offering an assortment of breads in line with European quality and standards, essentially targeting the urban market – upper-mid socio economic strata. We branded the outlet with a colloquial phrase "paan-paan" effectively to capture the imagination and strengthen the brand in the minds of the targeted audience. By April 2013, we branched out to our 2nd outlet in Colombo.

Processed Meats

Efforts were in place in the year under review to build on our FMCG investment of the controlling stake in Norfolk Foods (Pvt) Ltd. We sought to bring in and reinforce efficiency in the processing facility which was revamped during the preceding two years. We introduced new products to the range branded under Crescent. However, the business environment in which we operated especially catering to the higher end market was not conducive for the sector to reap its full potential. Our distribution channel – supermarkets were under considerable pressure in the year under review which in turn reflected on our results. However, our efforts to bring in financial discipline and enhance productivity and efficiency within the facility supported the sector to achieve modest growth and sustain net profits.

Recycling

The recycling operations, the Group's flagship "go-green" project, in the year, continued to make commendable strides as the leader in providing total recycling solutions to the nation. Having restructured and streamlined the processes in the preceding year, the year witnessed the operations growing in its core business - exporting waste paper as well as diversifying into waste plastics and polythene. Waste metal operations which were tried out in the previous year, did not take-off as envisaged. Waste paper exports accounts for nearly 95 percent of the total recycle operations.

As Sri Lanka's pioneer in the recycling business, we reinforced our presence by rebranding our operations under "Neptune Recyclers" and captured the growing market for environmental friendly solutions. With a clientele including reputed corporates, banks, schools, hospitals, government and non-government organisations, the reporting year saw waste paper volume increase by 19 percent. This strengthened our top-line although, margins were contained given the global market dynamics including intense competition from the sub-continent. Recycling of plastic and polythene catering mainly to the industry sector also recorded a volume growth, in turn contributing to the top-line.

INTERNATIONAL TRADING & MANUFACTURING

Herbal Pharmaceuticals

During the year under review, our pharmaceutical and nutraceutical manufacturing arm, processing and promoting black seed based herbal products availed the benefits from the capex investments and initiatives taken to restructure the operations in the previous financial year. We will be able to reap full dividends of these investments once we have completely shifted the outsourced activities into our revamped manufacturing facility.

During the year, we further focused on processing a range of value-added products branded under "Baraka". We introduced new products to the market ranging from pharmaceuticals, food supplements and aroma therapy oils. We invested well to continue with the clinical research and development in collaboration with the University of Colombo, University of Kelaniya & Ayurvedic Research Institute, Navinna.

We strengthened our marketing and the distribution network targeting the local market including pharmacies and supermarkets across the island. Our specialised retail market outlets - 'Nature Shoppe' in central locations in Colombo also supported our distribution efforts. Apart from the local market, we also sought our options in the export markets.

Path Ahead

Future Outlook

In the near term, the protracted contraction in the global economy is expected to bottom-out with most advanced economies projected to recover, even indolently. The emerging and developing Asia is expected to lead the global economy. On the domestic front, the policy adjustments that were directed to bring balance to macro fundamentals are anticipated to permeate positive signals for sustainable growth. However, we must be conscientious of the uncertainties that underpin this optimism especially considering the continued sluggishness in the global economy and the implications of a looming power crisis on the growth momentum of the country.

The manufacturing and the trading arm of the Group has the potential to contribute to the nation's development aspirations. We have strategically invested and built solid businesses in the key and growing sectors of the economy from exporting tea, agro and food processing, manufacture herbal pharmaceuticals, to recycling paper. We will seek to consolidate our operations within this sector and limit new ventures if any, to synergistic acquisitions to strengthen our existing operations.

The sector is extremely susceptible to the world market dynamics, intense competition mainly from the sub-continent and the macro challenges of the economy. Therefore, it is important that we focus on minimising the operational volatility by restructuring portfolios and consolidating the existing businesses. We will seek to strengthen our market share and uphold the margins. We will invest further to restructure our ailing core businesses whilst even divest the non-core operations if the desired performance is not forthcoming in the ensuing years.

Our strategy for our key businesses is discussed below.

Strategy Ahead

The most significant within the international trading and manufacturing, our tea sector, is expected rebound within the settings of positive adjustments anticipated in the political landscape of its key markets in the Middle East. In the short to medium term, we will seek to grow the markets with special focus on leveraging on the brand "T-Sips". It is important for this sector to explore further opportunities to diversify the markets and thereby reduce the dependency on the Middle Eastern region. Our efforts will also continue to reinforce efficiency improvements to our processes and thereby prop the tea sector bottom-line.

Our strategy of entry will focus on the major supermarket chains in the country, with plans to penetrate the mass market in the medium term. We are well aware of the competition we will face from other established brands in the local market. Yet, we are confident that competition can be weathered given the consistent quality and the value-addition of our teas.

Our strategy for the fresh coconut segment is to diversify our markets to lessen the dependency on the Middle Eastern region. Our efforts will be focused on penetrating deeper in to our new markets, Pakistan and South Africa as well on vertical diversification where we intend to tie up or supply to our key competitor country, India. We will continue to reinforce our desiccated coconut segment with greater emphasis on quality.

Notwithstanding these micro measures, the future of the coconut sector in the long run is greatly reliant on a stable policy framework to increase coconut yields and to address the issues of the coconut planters as well as exporters. This has to be approached holistically by all stakeholders. Expolanka, being a significant player in the export industry intends to be at the forefront together with the Exporters Association to advocate a joint strategy to take this sector forward.

Performance of the fresh fruit and vegetable sector is inextricably linked and susceptible to weather patterns as well as to intense competition within the sub-continent. Hence, it is significant that we continue to focus on strengthening the linkages of our value chain, thereby sustaining our market share and even improving our margins. We intend to foster good relations with our suppliers to ensure continuous and quality supplies. We will also to seek to extend our cultivation initiatives that will complement our core exports as well as our value added range.

We are optimistic and plan to further develop our brands -"Mo Fruit", "Crescent" and the pharmaceutical range under "Baraka" in the ensuing year. We intend to strengthen our ties with our existing distribution channel within the local market as well as increase our outreach through new distributors. We will seek to initiate greater value addition along with a stronger communication campaign deploying below-the-line tactics to promote these products for our targeted audience. In terms of the export market, we envisage to consolidate our opportunities in Europe and Japan.

In terms of our commodity import business, we have to hedge our risks arising from the world market conditions and import policies of the government. We will seek to initiate a price-risk mitigation strategy such as spot pricing and drive concentrated volumes with lower working capital and higher turnover cycle. We will focus on increasing the viability of this segment and even scale down operations if the conditions are not conducive to yield substantial returns.

The future prospects for our recycling operations are immense in terms of growing the business as well as promoting "greener" policies for the nation. In the immediate future, our efforts will continue to drive market share in paper recycling and diversify the product base more effectively. Our intention is to build steadfast relationships with industries and corporates in firming the recycling efforts thereby bolstering the social responsibility in the commercial world. We will seek opportunities to collaborate with the public sector and non-government organisations to create greater public awareness on the importance of recycling waste. However, in the long term, we intend to venture into a public-private partnership in a more ambitious project in solid waste management in a commercially viable manner. This is a dire necessity for the country's way forward. (Environmental aspects of our recycling operations will be discussed in detail under the Sustainability Section of this Annual Report.)

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Business Beyond Borders

Travel & Leisure

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

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

TRAVEL & LEISURE

Sector Highlights

Network
- Sri Lanka
- India
- Maldives

Business Mix
- Outbound
- Destination Management

Product Mix
- Corporate Travel
- MICE
- Leisure

Branches in Sri Lanka
- Hambantota
- Galle
- Ratnapura

Strategic Alliance
50% Stake
Akquasun Holidays India

Expo Rail
Domestic &
Experiential Tourism

Revenue
Rs.2,377 Mn

Profits
Rs. 76 Mn

Assets
Rs. 949 Mn

Return on Capital Employed
28.8%

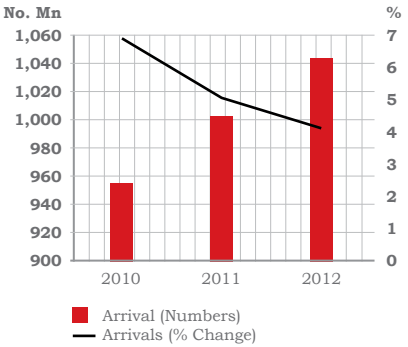
Return on Equity
48.8%

Business Landscape

Global Tourism

Despite the global economic trends, world tourism kept its pace with most destinations sustaining the demand and posting a commendable performance. Out of the tourism sample of 149 countries, 83 percent posted an increase in arrivals whilst 27 percent reached double digit growth. International tourist arrivals for the first time ever surpassed the 1 million mark, corresponding to an increase of 3.8 percent as compared to the preceding year. Tourism receipts in most destinations followed the arrival trends (UNWTO, World Tourism Barometer, Volume 11, January 2013).

International Tourist Arrivals



Source: UNWTO World Tourism Barometer, Volume 11, January 2013

Sri Lanka Tourism

Within the post conflict setting, the tourism sector has been on a growth trajectory since 2010. The sector, during the recent years, has brought in significant foreign inflows to support the country's external front and created a strong supply chain leading to employment generation. The road map for the nation's development agenda has rightly identified tourism to be a thrust sector of the economy.

In the year 2012, in the midst of global economic and political weaknesses, tourist arrivals posted a growth of 17.5 percent, representing a sharp decline in contrast to the 30.8 percent growth in 2012. Yet, in absolute terms, the country reached the highest levels in tourist arrivals, surpassing the 1 million mark, bringing the nation closer to its target of 2.5 million tourists by 2016. (Annual Report 2012, Central Bank of Sri Lanka).

Outbound Travel

Reflecting the country's rising per capita income into a mid-income level category, the outbound market for leisure as well as for business has been robust and trending upwards in the recent times. As per the available statistics, over 1.2 million Sri Lankans left for overseas travel in 2011 representing a 12 percent increase vis à vis the year 2010 (Annual Statistical Report, 2010 & 2011,Sri Lanka Tourism Development Authority).

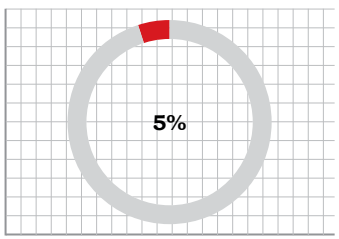
TRAVEL & LEISURE

Operational & Financial Performance

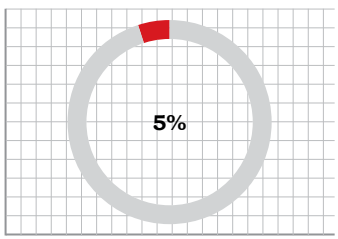
Travel and Leisure			
For the Y.E	2012/13(Rs. million)	2011/12 (Rs. million)	% Change
Revenue	2,377	562	323%
Earnings Before Interest & Taxes (EBIT)	103	51	102%
Finance Cost	16	0	0%
Profit Before Tax	87	51	71%
Profit After Tax	76	45	70%
Total Assets	949	516	84%
Total Equity	156	150	4%
Total Debt	163	84	95%
Capital Employed	320	230	39%
Return on Equity	48.8%	29.9%	63%
Return on Capital Employed	28.8%	19.5%	48%

Contribution to the Group

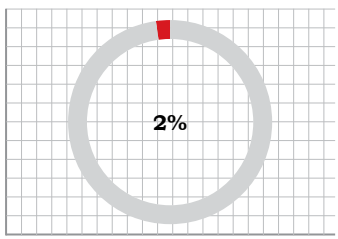
Revenue



EBIT



Capital Employed



Overview

In the recent years, travel and leisure sector has firmly emerged to secure its place in the Group's operations. The sector, during the year under review, absorbed a larger share of operations in comparison to the preceding year both in terms of revenue and profits. Currently, this sector accounts for 5 percent of the Group's revenue and earnings before interest and taxes in contrast to the share of 2 percent and 3 percent respectively in the preceding year.

The sector primarily focuses on outbound tourism catering to corporate travel as well as leisure requirements. The sector offers an array of products and services from airline ticketing, visa formalities, hotel reservations to destination management with a considerable outreach in Sri Lanka as well as India and Maldives.

Financial Performance

Our travel and leisure sector posted an outstanding performance in the financial year under review,underpinned by our efforts to increase the market share and enhance value addition in terms of service levels and product offering. The sector recorded an exponential growth in revenue to reach Rs. 2,377 million as anticipated from this sector. The net profits posted a notable increase of 70 percent.

Operational Performance

Sector Update FY 2012/13		
Outbound Travel	**Destination Management**	**Expo Rail**
• Increased corporate outbound travel supports the top-line. • Focused on offering end to end solutions to obtain premium pricing. • Financial performance well exceeded budgetary expectations. • Opened a new branch in Ratnapura. • Entered into an affiliate partnership with a global online travel booking service company. • Implemented the findings of an employee climate survey to drive productivity. • Strengthened operational performance at Classic Maldives.	• Consolidated inbound operations with Akquasun Holidays. • Leveraged on the Akquasun Holiday's exposure to the Indian outbound market. • Focused on bringing financial discipline to Akquasun's operations.	• Strengthened ties with Sri Lanka Railways. • Operated in four key routes. • Kandy was the top performing route with 90% capacity utilisation. • Created brand value and effectively leveraged on Group synergies.

Outbound Travel

Our outbound operations sustained its dominance in the reporting year as the market leader in the outbound travel industry in Sri Lanka. The operations accredited to the standards of the International Airline Transport Association (IATA), and underpinned by the solid brand and reputation of "Classic Travels" posted a phenomenal performance exceeding the targets. Corporate travel, representing nearly 80 percent of our outbound business, witnessed a surge complemented primarily, by the IT and garment industries as well as non-government organisations. This contributed significantly to the sector top-line. Leisure and free independent travel accounting for the balance also supported the top-line growth.

During the year, our focus was set to uphold our operations as a "one stop shop" for outbound travel offering end-to-end services with value addition - airline ticketing, visa assistance, immigration formalities, travel insurance, photo studio facilities, hotel bookings, airport transfers to issuing travellers cheques. This has given us an edge to resort to premium pricing as in the case of "Classic Plus" package which in effect bolstered the sector bottom-line.

Classic Maldives of which we acquired a controlling stake of 49 percent in the preceding year, performed creditably. We expanded our market outreach and

successfully tapped the growing outbound numbers in Maldives.

We were keen on continuing with our plans to enhance our outreach in Sri Lanka and we opened a new branch in Ratnapura to capture the potential outbound market. We further strengthened our branches in Galle and Hambantota which were strategically set up in the preceding year to avail the opportunities of the recently launched international airport in Mattala and the long term aspirations of making the Southern Province a commercial hub in the region.

We continued to leverage on our relationships with airlines and sustained the ranking within the major airlines. We reinforced our role as a preferred sales agent (PSA) for Star Cruises Singapore in the Asia Pacific region and the more recent Royal Orchid Holidays, the holiday division of Thai Airways International. Our PSA status for Sri Lankan Airlines for Hambantota also gathered momentum with the launch of the new airport.

In the year under review, we entered into an affiliate partnership with Expedia, the largest online travel booking service globally. This together with our partnership with "Agoda" has opened up opportunities to earn commissions and benefit from incentives and promotions, thereby enabling us in turn to offer our clients comprehensive packages and competitive pricing.

Destination Management

In the financial year under review, we sought to leverage on our acquisition of the controlling stake of 50 percent in Akquasun Holidays India in which we invested during the preceding year. Within one year into operations of Akquasun Holidays under our management control, we pursued to reinforce the operations and bring in greater financial discipline. Our focus was to uphold the market share of the large and growing outbound Indian market, targeting 16 destinations through the destination management companies in Sri Lanka, Hong Kong and Maldives and through franchise agents in Mauritius, Russia and CIS countries. Yet, tainted by the macroeconomic dynamics in India as well as in the global front, the outbound trends in India were subdued and therefore the growth in the market share and the resultant top-line did not reach the anticipated levels. However, we looked at moving the operations towards greater efficiency, bracing on economies of scale which supported the bottom-line to maintain the margins.

Expo Rail

Nearly two years into operations, Expo Rail has established a solid brand and set the standards for railways in Sri Lanka aligned to its strategic visions "Rail Travel Redefined". Expo Rail has successfully collaborated with Sri Lanka Railways on a public-private partnership model and set forth a platform for the private sector involvement to uplift rail travel and promote domestic tourism as identified in the national strategy with cascading benefits to international tourism.

The operations which commenced as a luxury carriage on the regular Colombo-Kandy inter-city train expanded in the reporting year to 03 other key routes in the island - Badulla, Vavuniya, and Trincomalee with seven carriages offering an experiential rail travel to both the international and domestic travellers. The priority this year was to strengthen the service quality and add value to the Expo Rail product including a "24/7" call centre and hotel bookings, transfers and excursions through an online booking system.

In terms of performance, the year saw a marked improvement in the passenger counts. Kandy was the top most route with capacity utilisation reaching over

90 percent, followed by Badulla, albeit moderately. Although margins still remain low, Expo Rail has significantly contributed to strengthen the brand presence with knock-on effects to the entire Group. Expo Rail has contributed immensely in terms of corporate social responsibility through promoting eco-friendly transportation and giving the much needed boost to this sector by bringing in quality and standards to the industry.

Path Ahead

Future Outlook

With the much anticipated recovery in the advanced countries and steady growth in the emerging and the developing world, tourism is expected to be buoyant in the year ahead. Most destinations are projected to post a robust growth which has warranted setting the growth forecast in international tourist arrivals between 3 percent and 4 percent for the year 2013 as against the year 2012. (UNWTO World Tourism Barometer, Volume 11, January 2013).

The travel and leisure sector has been identified as a key thrust sector in the country's development plans. Both inbound travel with bullish trends emerging in the global arena and outbound travel with Sri Lanka's expanding economy and the resultant lifestyle and attitudinal changes are evidently on a rising path with growing prospects for investments. Hence, our Group will further consolidate our operations to retain our role in this sector and explore opportunities to expand strategically, if it brings in good returns to the investments.

Strategy Ahead

In keeping with the growth momentum of the country, the prospects for outbound travel are immense. As the market leader, we have the opportunities to grow our outbound operations and sustain our standing as a flexible and responsible travel agency in the industry. Key focus areas of our strategy are outlined below.

Market Share

In the ensuing years, we will aggressively reinforce our client relationships and retain our existing market share. We intend to offer a loyalty programme for our long standing clients. We also have plans to grow our outreach with new branches in strategic locations across the island. In our immediate pipeline, we intend to set up our next branch in the export zone in Katunayake. We will seek to fully leverage on our entry as the first travel agency in the budding commercial hub in Hambantota, especially with the PSA status for Sri Lankan Airlines. We also intend to further our recent horizontal investments in Sri Lanka and in the Maldives and thereby grow our market prospects and maximise the return on investments.

We intend to further consolidate and synergise our destination management operations and strengthen ties with the franchise agents to bolster the market share whilst exploiting the economies of scale for cost effectiveness. We will continue to focus on the vibrant outbound market of India through Akquasun Holidays. However, in the medium term, we will consider our options to move on to the other fast growing economies such as China with a higher propensity for outbound travel.

We will continue to strengthen our operations at Expo Rail. In the next few years, we will seek to reinforce our ties and further collaborate with Sri Lanka Railways to develop value and leverage rail travel as a means to promote travel and tourism in this country.

Investments & Services

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

exp
Business Beyond Borders

INVESTMENTS & SERVICES

Sector Highlights

Portfolio
- Tertaiary Education
- BPO Services
- Airline GSA
- Corporate Services
- Investments

Operational Highlights
- Education sector continued to grow
- BPO -enhanced business continuity and operations turned-around
- GSA stellar performance in profits

Revenue
Rs. 2,870 Mn

Profits
Rs. (25) Mn

Assets
Rs. 4,436.Mn

Return on Capital Employed
-0.4%

Return on Equity
-0.6%

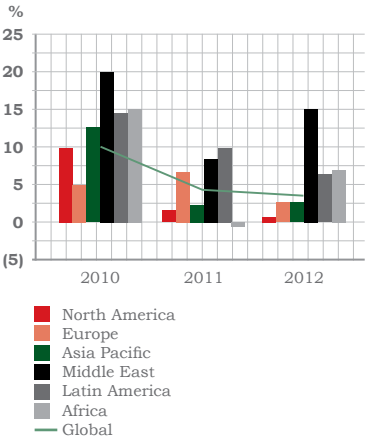
Business Landscape

Airline Industry

In the year 2012, the global economy gradually moved towards a recovery, yet continued to experience dispiritedness in consumers and businesses alike. The airline industry grappled to sustain its buoyancy through restructuring and improvements to operational efficiency. The industry witnessed a trimming-up process with new alliances and joint ventures and lesser threats from new entrants, in turn bringing rationalisation and permeating efficiency gains across the industry. This supported the industry to withstand the sluggish global environment resulting in lower traffic mainly in cargo and to face the escalation in costs due to continued rising jet fuel prices.

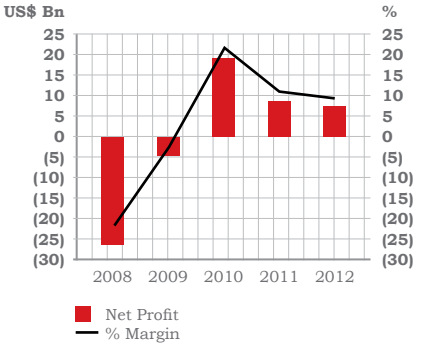
In 2012, the growth in total traffic further dropped to 3.2 percent in contrast to the growth of 4.1 percent in 2011 and in sharp contrast to 10.4 percent in 2010. The Middle East, however, notably posted a double digit growth to regain its position as the fastest growing region. The net profit of the global airline industry is forecasted to touch US$ 7.6 billion with a margin of 1.2 percent. This is encouraging in terms of the global outlook, although representing a decline as compared to the preceding year of US$ 8.8 billion and margin of 1.5 percent (Source: Industry Financial Forecast, March 2013, IATA).

Global Commercial Airlines - Pax & Cargo Traffic (RTK) %



Source: Industry Financial Forecast, March 2013, IATA; (2012- Estimate)

Profitability - Global Commercial Airlines



Source: Industry Financial Forecast, March 2013, IATA; (2012- Estimate)

In the domestic front, in the year 2012, the civil aviation sector handled 7 million passengers including transit passengers representing a 15 percent increase compared to 2011. Air cargo also registered an increase of 11 percent. The highlight of the year, however, was the launch of the Phase 1 of the Mattala Rajapaksa International Airport, at Hambantota on March 2013 with expectations to bolster aviation passenger and cargo volumes in the ensuing years. (Annual Report 2012, Central Bank of Sri Lanka).

The airlines and its related services like the GSA sector continued to be affected by the global trends of high fuel prices and lower yields in an intensely competitive environment.

National Tertiary Education

Education undoubtedly is accepted as the key to take the nation on a sustainable development path which will define Sri Lanka among the upper-mid-tier per capita income countries aspired to by 2016. Yet, much has to be done to up-lift the education standards to bring on par with international best practices as well as to match the labour market trends and requirements. The task at hand is not completely within the scope of the public sector, especially to cope with the tertiary educational needs. Sri Lanka has only 15 public sector led universities since

INVESTMENTS & SERVICES

2005 with a student population of a mere 69,879. New admissions in 2011 touched 22,016 whilst in 2012, admissions were withheld due to pending litigation relating to the issue of the "z score"(Annual Report, 2012, Central Bank of Sri Lanka).

In this backdrop, there is a huge vacuum in tertiary education which has to be absorbed by the private sector to meet the growing aspirations of a developing nation. The need for the private sector led investment in tertiary education is now well recognised and the government has increasingly extended its support for greater involvement in this sector.

Public Sector University Education	2012 Indicators
Number for Universities	15
Number : Student/Teacher Ratio	17
Age Specific Enrolment Ratio (20-24 age category)	4.5%
Eligible for university admission	59%
Public expenditure	1.8%

Source: Annual Report, 2012, Central Bank of Sri Lanka

Business Process Outsourcing (BPO)

The BPO industry is one of the fastest evolving industries in the world today, even in a down-turn global economy where the rationale for off-shore operations has come into question in terms of deteriorating macro fundamentals including rising unemployment within the domestic economies and increasing tendencies for polarisation among nations.

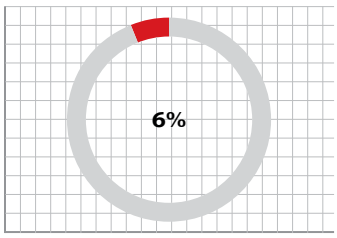
Despite this, the role of the BPO industry in Sri Lanka has steadily grown with significant contributions to both employment and foreign exchange earnings to the country. In 2012, the gross inflows of the IT sector including BPO posted US$ 436 million, corresponding to an increase of 23 percent as compared to the preceding year. This is a decline in comparison to the growth achieved in 2011 which is reflective of the global undercurrents that pressured the BPO industry especially catering to off-shore businesses (Annual Reports 2012, Central Bank of Sri Lanka). Yet, Sri Lanka with the requisite basics in infrastructure and human capital has set the mark within the top 20-30 BPO countries in the global arena. The Tholons Top 100 Outsourcing Destination Report-2013 ranked Colombo, Sri Lanka at number 20 among the leading regional destinations including India, Philippines, China, Vietnam and Malaysia.

Operational & Financial Performance

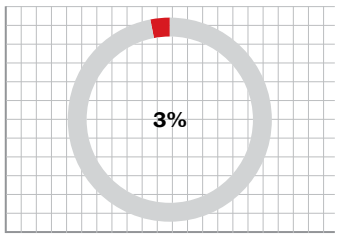
Investments & Services			
For the Y.E	**2012/13 (Rs. million)**	**2011/12 (Rs. million)**	**% Change**
Revenue	2,870	3,257	-12%
Earnings Before Interest & Taxes (EBIT)	53	(21)	-353%
Finance Cost	6	12	-47%
Profit Before Tax	61	(28)	-319%
Profit After Tax	(25)	(58)	-57%
Total Assets	4,436	3,170	40%
Total Equity	4,183	4,446	-6%
Total Debt	441	388	14%
Capital Employed	4,624	4,827	-4%
Return on Equity	-0.6%	-1.3%	-54%
Return on Capital Employed	-0.4%	-1.0%	-58%

Contribution to the Group

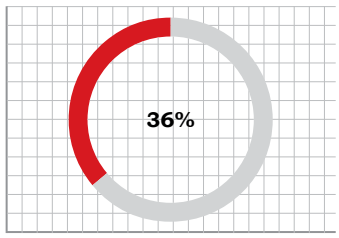
Revenue



EBIT



Capital Employed



Overview

Investments and services accounting for 6 percent of the Group's revenue and 3 percent of earnings before interest and taxes primarily focuses on tertiary education, BPO, General Sales Agents (GSA) for airlines. Corporate services and investments are also accounted within this sector.

Financial Performance

The investment & services sector during the year rebounded primarily with the GSA sector posting a better performance compared to the preceding year. Our education arm continued with an outstanding performance and supported the sector bottom-line. The BPO performed extremely well, supported by the restructuring initiatives taken during the previous year.

Hence, although the revenue of the investments and services sector posted a decline of 12 percent to reach Rs. 2,870 million, earnings before interest and taxes improved to Rs. 53 million, in comparison to the loss recorded in the preceding year. The overall net losses were lessened from Rs. 58 million to Rs. 25 million in the year under review, representing an improvement of 57 percent.

INVESTMENTS & SERVICES

Operational Performance

Sector Update FY 2012/13		
GSAs	**Tertiary Education**	**BPO**
• Restructured & improved operational efficiency. • Withstood the global industry trends - passenger & cargo traffic & rising jet fuel prices. • Posted strong operational and financial results.	• Strengthened ties with partner university in the UK. • Increased the student intake from Sri Lanka and from the sub-continent. • Improved capacity of training facilities. • Posted strong operational and financial results.	• Continued call centre services to the national carriers. • Secured new accounts in insurances and freight sectors. • Improved up-time & maintained optimum levels of business continuity. • Operations were turned-around and posted profits.

GSAs

Tertiary Education

BPO

General Sales Agents (GSAs)

Notwithstanding the continued apathy in the global arena which had adverse implications on the aviation industry, the Group's airline sector including international and local GSAs posted a creditable performance in relation to targets as well as the weaknesses experienced in the preceding year.

In a bid to control costs and improve yields, in the year under review, we restructured our GSA operations and introduced creative and innovative solutions to effectively face the challenges afflicting the business environment. This in effect was complemented by the structural improvements made across the airline industry. This coupled with our in-depth knowledge of local markets and vast global network including effective distribution channels supported us during the year to offset the subdued airfreight prices. The year on year gross profit improved whilst net profits recorded a significant increase of 58 percent as against the financial year 2011/12.

Tertiary Education

Our tertiary education institute in the reporting year, continued to make further strides with greater focus on student intake, capacity improvements, strengthening ties with the affiliated university and advocating standards and best practices within the private sector education domain.

In the year, amidst rising competition, our education arm was able to sustain its image as one of the foremost tertiary education providers in the private sector. We

were able to attract more students from Sri Lanka as well as foreign nationals from Maldives, Bangladesh and Nepal. Our year-on-year student intake increased by 11 percent to reach 453 as compared to the previous year.

To complement the rising student population, we strengthened the capacity in terms of training infrastructure facilities as well as our panel of qualified (minimum post graduate qualifications) resource persons. In the year, we added on new resource persons to the panel as well as invested on professional teacher training programmes both in Sri Lanka and abroad. We strengthened our accreditation ties with the well acclaimed Staffordshire University in the UK. We also revisited the existing academic programmes to enhance the scope with the necessary updates and changes to the curriculum and introduced a new degree programme in the International Business Management in consultation with our partner university.

In this backdrop, our education sector continued to post strong results with both the top-line and profitability exceeding the targets set for the year as well as surpassing the results of the preceding year. The margins of the sector were well maintained at high levels witnessed in the preceding year.

BPO

Having recognised the potential for BPO in today's business dynamics, we have sought to reinforce our BPO arm during the recent years. We restructured with a new management and introduced an effective processing structure, predominantly catering to the domestic business processing needs. We eliminated uneconomical and low-end value outsourcing services and focused on the high-end of the value chain with greater value addition to boost the margins. Our approach was to create vertical expertise in travel and leisure in terms of call centre assistance - telemarketing, customer service, and technical support. In the present context where tourism industry is thriving in the post conflict economy, this niche assumes greater significance and is expected to bring in the required customer accounts as well as the margins to generate adequate returns.

In the year under review, we continued to successfully carry out call centre services to the national carrier, Sri Lankan Airlines as well as entered into a new call centre contract with Mihin Airlines. Additionally, we secured new accounts in the insurance and freight forwarding sectors which reinforced our operations. We strived to improve our up-time and maintain optimum levels of business continuity. Our focus was on resource planning including effective roster-planning and maintaining minimum levels of overheads. Consequently, in the year, our BPO operations posted a remarkable turn-around from significant losses in the financial year 2010/11 and recorded a healthy bottom line in 2012/13.

Investments

Our investment strategy is two pronged. We seek investments to strengthen our entrepreneurial conglomerate especially in synergistic businesses and thrust sectors of the economy. Our passive investments concentrate in the medium term, on high yielding equity as well as lower risks investments.

Active Investments:
- Synergistic Businesses
- Thrust Sectors in the Economy

Passive Investments:
- High Yielding Equity
- Government Securities
- Deposits - Mudarabah Schemes

INVESTMENTS & SERVICES

Corporate Services

Human Resources

- Sets and follows-up on the Group HR policies and practices.
- Oversees the HR function of the line companies aligned to the Group HR policies.

Information Communication Technology

- Deploys technology to support business processes to bring efficiency to operations.

Corporate Finance

- Manages corporate finance, financial reporting and management accounting support for the Group.

Treasury Operations

- Manages Group investments - active and passive investments.

Tax

- Plans and strategises to ensure tax efficiencies in operations and manages tax administration and compliance

Risk and Control

- Functions of risk management, internal audit, insurance and reports to the Audit Committee on recommendations.

ERP & Shared Services

- The Group currently runs on Oracle ERP platform where financial and management information is generated.

Marketing , Corporate Communications and CSR

- Carries out internal and external corporate communications, Group branding and strategic marketing
- Manages CSR projects.
- Manages investor relations.

Strategic Planning & Business Development

- Plans and monitors operations aligned to achieve the Group's strategic objectives.
- Evaluates, recommends & finalises acquisitions and mergers.

Legal & Secretarial

- Coordinates the Group's legal issues and cases.
- Manages Board affairs.

Path Ahead

Future Outlook

Our engagement in this sector is essentially linked to the thrust sectors important to the country's development agenda. GSA related services, tertiary education and IT services inter alia, have been identified and documented as key drivers with immense opportunities to grow within the country as well as within the global arena which will trigger trickle-down benefits to the entire nation.

In the recent past, we have successfully faced the key challenges especially within a volatile global economic and geopolitical environment coupled with the imbalances in the macro economy in the domestic front. We have availed of the opportunities to grow the businesses to be commercially viable through strengthening the operational efficiencies.

We plan in the ensuing years to fully leverage on this sector by identifying opportunities and develop or sustain our strategic initiatives. The imminent global recovery and the medium term policy initiatives within the domestic economy, we believe will support the way forward for this sector. However, we will also follow-up on our non-core investments and will not hesitate to divest if we identify such opportunities where we could unlock significant value to our shareholders.

Strategy Ahead

GSA Sector

With the tell-tale signs of a recovery from the worst in the global economic downturn, in the year 2013, the airline industry is expected to continue on its upward trajectory with projections to register a strong performance in passenger and cargo traffic. Yet, the uncertainties in the recovery still prevail especially with the tenuous macro fundamentals in the advanced economies. Hence, the forecast for 2013 cautiously has set the growth in global traffic to 4.7 percent. This remains a key challenge for the industry in the ensuing year. Apart from this, the industry in itself is at a mature stage with limited potential for growth. The focus therefore, is essentially on managing cost to uplift the shrinking bottom-line especially in a scenario of rising fuel prices.

In this milieu, we see our GSA sector which was steadfast in its recovery in the year under review, consolidating its performance to deliver the targets set for the financial year 2013/14. In the following year, we will continue to be focused on cost effective strategies and reinforce the operational efficiencies which were initiated in the preceding year. We will further seek to establish solid relationships with new airlines whilst leveraging on our long standing relationships to obtain best rates to improve our margins.

Tertiary Education

Tertiary education is rightly accepted as the most crucial sector that drives the capacity and skills required to take the nation towards achieving its development goals. However, given the budgetary constraints of the public sector in the recent times, fiscal policies have set in to provide a conducive environment for the private sector participation in this sector.

In this context, our role in tertiary education is significantly warranted. This is more so, since we benchmark and emulate the best practices in providing education services, lacking in many of the private sector led tertiary institutes that are currently proliferating in the country. We fully accede to the current deliberations to bring a regulatory framework including legislation to private education at all levels to ensure quality and standards required to bring the desired results for the youth to effectively take this country forward.

In this backdrop, we see great potential for our education institute which has established its position and yielding good returns on investment.

INVESTMENTS & SERVICES

We will continue to focus on strengthening our panel of lecturers with adequate training programmes extended to develop their teaching skills, knowledge and to keep abreast of the latest curricular developments. We will strengthen the existing accreditation partner programme with Staffordshire University in the UK whilst seeking for new accreditation opportunities with reputed universities in Australia. We will aggressively seek to increase the number of students not only tapping the growing market in Sri Lanka but also of the sub-continent. To this end, we intend to deploy a well-balanced marketing campaign including newspaper advertorials and tie-ups with secondary education providers for career guidance programmes.

BPO

Sri Lanka has the right ingredients to move ahead as a leading destination for BPO operations. The country has the necessary demographics –educated and trainable youth who can take on the responsibilities entailed within BPO operations, both globally and domestically. This is complemented by the patronage extended by fiscal and other concessionary incentives to take this budding industry forward.

Our BPO operation supported by the Group's brand image and the synergies is well poised to take its place in Sri Lanka's BPO agenda. We entered the market ahead of the other industry players as a premier BOI approved entity and over the year under review, we have earned our stability in the industry with key accounts in hand and commercial viability to our credit. We have optimised the infrastructure placed in this sector and intend to consolidate on the current investment in the near term.

FINANCIAL REVIEW

Consolidated Financial Performance – Synopsis				
	2012/13 Rs. Mn	2011/12 Rs. Mn	Change %	Comments
Revenue	50,075	35,415	41%	• Freight and logistics sector dominated the consolidated revenue growth, supported by both volumes and rates. • Focused on top line strategies to drive scale in key markets and trade lanes boosted freight and logistics sector to grow by 64%. • Travel and leisure sector revenue increased by 4.2 times, led by the buoyant outbound travel in Sri Lanka.
Cost of Sales	(41,954)	(29,308)	43%	• Higher freight rates and increase in revenue influenced the cost of sales to rise.
Gross Profit	8,122	6,106	33%	• High freight rates and price volatility within the international trading and manufacturing sector pressured the GP margin to slump to 16.2% from 17.2% in the financial year 2011/12.
Other Income and Share of Profit of an Associate	506	639	-21%	• Other income declined due to lower net exchange gains compared to the financial year 2011/12. • Higher operating income from other sources positively contributed to other income.
Overhead Expenses	(6,730)	(4,944)	36%	• Greater investments in recently incorporated overseas ventures and acquisitions, improving processes, restructuring and creating brand visibility led to higher overheads costs. • Revenue growth and inflationary impact affected overhead cost to rise.
Earnings Before Interest & Taxes	1,897	1,801	5%	• Rise in overheads and drop in other income offset the significant rise in gross profit influencing EBIT to post a marginal growth.
Finance Cost	(227)	(137)	66%	• The increase in lending rates given the tight monetary policy resulted in higher finance cost. • Higher working capital requirements due to expansions and the increase in revenue levels impacted the finance cost.

FINANCIAL REVIEW

Consolidated Financial Performance – Synopsis				
	2012/13 Rs. Mn	2011/12 Rs. Mn	Change %	Comments
Profit Before Tax	1,670	1,664	0.3%	• Higher finance cost offset the top-line increases and profit before tax improvement is only marginal.
Income Tax Expense	(392)	(455)	-14%	• Focused tax planning and management resulted in lower tax expenses and better effective tax rates.
Profit After Tax	1,279	1,210	6%	• Profit after tax sustained above rupees one billion mark. Lower taxes positively contributed to the bottom line.
Return on Capital Employed (ROCE)	11.7%	12.0%		• Lower ROCE due to the increase in capital base and finance cost.
Return on Equity (ROE)	12.5%	13.1%		• Lower returns from international trading and manufacturing businesses affect the overall ROE and ROCE.

Revenue

Despite the trading dynamics that prevailed during the year, our flagship sector freight and logistics concentrated on growing the market share in key markets and trade lanes. Both air imports and exports recorded increases of 64 percent and 50 percent respectively. This supported the freight and logistics sector to grow by 64 percent in revenue, in turn influencing the consolidated revenues to increase by 41 percent as against the preceding financial year, to reach Rs. 50,075 million.

During the reporting year, our travel and leisure sector emerged as a significant contributor to the consolidated revenue performance. The sector posted a remarkable increase in revenues by 4.2 times, primarily due to the buoyant outbound travel business and the investments we made during the preceding year in Maldives and India.

Gross Profit

In absolute terms, the consolidated gross profit during the financial year under review posted an increase of 33 percent as against the financial year 2011/12. However, due to higher freight rates and the focus on volume growth, the overall GP margin declined by one percentage point to 16.2 percent in contrast to the previous financial year. The overall margins were further affected by the lower margins witnessed in the international trading and manufacturing sector due to price volatility amidst challenging conditions in the world market.

Earnings Before Interest & Taxes (EBIT)

The reporting year saw the Group increasingly investing in strengthening the new ventures and existing operations with process improvements, restructuring under performing businesses, training and creating brand visibility. This coupled with the inflationary impact influenced a 36 percent increase in the Group's overhead costs.

With the stabilising rupee towards the latter part of the year in a flexible exchange rate regime, net exchange rate gains were lower

in the financial year under review compared to the preceding year. Net exchange gains declined to Rs. 120 million in contrast to the gains of Rs. 373 million in the financial year 2011/12. However, the income from other operating sources contributed an additional Rs. 120 million over the preceding year. Further, the restructuring activities that took place during the year under review also partially impacted the EBIT.

In this context, EBIT performance did not reflect the significant increase in gross profit. Instead, EBIT marginally improved by 5 percent as against the preceding year.

Profit Before Tax

During the reporting year, the Sri Lankan economy was under a tight monetary policy with higher lending rates and a ceiling on commercial bank credit to balance the inflationary pressures. In this scenario, intensified by the Group's higher working capital requirements given the expansion of businesses and the increase in the revenue levels, spurred a significant increase of 66 percent in finance cost. Hence, profit before tax although strengthened by the top line, only posted a marginal improvement of 0.3 percent.

Profit After Tax

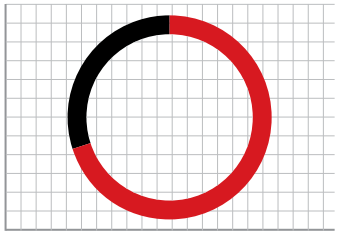
Notwithstanding the difficult macroeconomic environment, the consolidated profit after tax sustained the level above rupees one billion mark as was the case in the two immediate preceding years. Effective tax planning and management supported the overall bottom line. Profit after tax increased by 6 percent to touch Rs. 1,279 million.

Returns on Capital Employed and Equity

Notwithstanding the increase in consolidated net profits supported by the top-line, the consolidated returns were lower both in terms of capital and equity. The lower returns yielded from the international trading and manufacturing sector given the difficult business environment in which it operated pressured the consolidated returns. The increase in capital base and higher finance cost also contributed to the lower returns on capital employed.

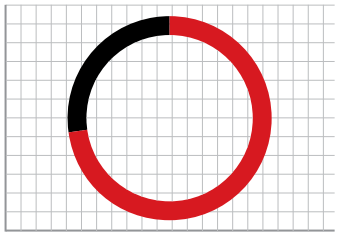
FINANCIAL REVIEW

Revenue



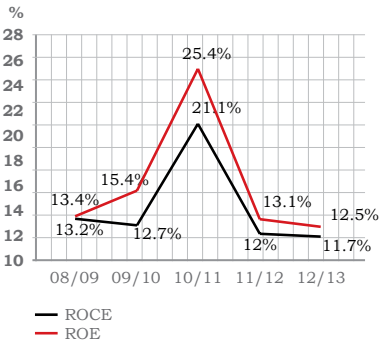
International	70%
Local	30%

NPAT

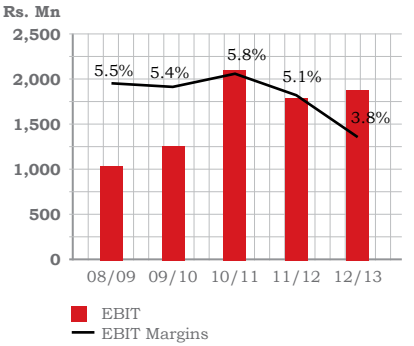


International	73%
Local	27%

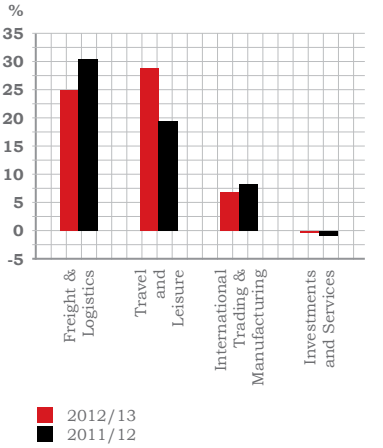
ROE Vs ROCE



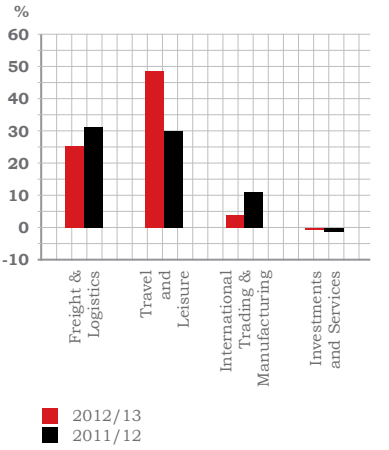
EBIT & EBIT Margin



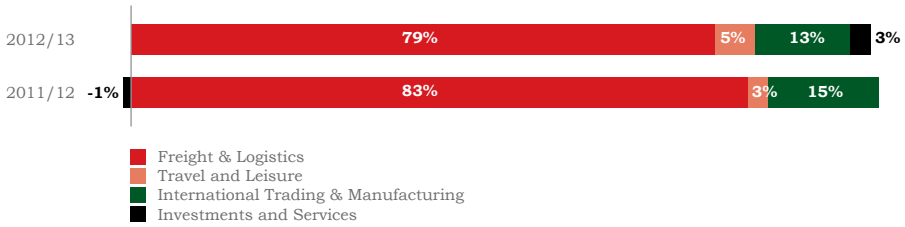
Industry Group ROCE Comparison



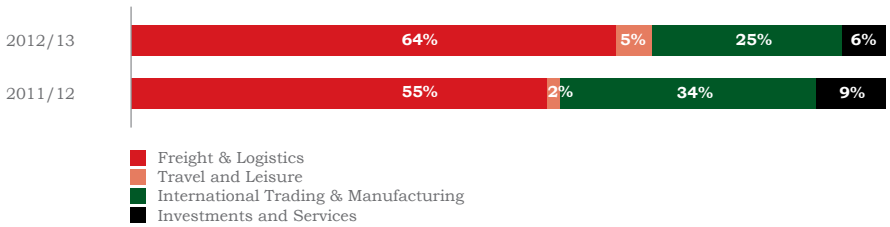
Industry Group ROE Comparison



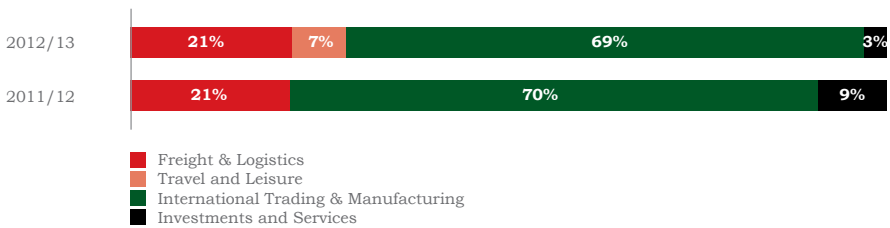
EBIT Composition



Revenue Composition



Finance Cost Composition



SHARE INFORMATION

Share Summary

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

The Company is categorised under the Diversified Sector.

Summary of Expo share as of 31st March 2013 is set out below.

Number of Shares in Issue	1,954,915,000
Number of Shares Traded during the Year	109,712,782
Number of Transactions for the Year	11,208
Value of Shares Traded During the Year (Rs. Million)	759,277,451.10
Market Capitalization as of 31st March 2013	13,293,422,000

The Expo share has maintained its price within the range of Rs. 6.00 – Rs. 7.00 and witnessed market interest in its share with 109,712,782 shares having been traded during the period under review.

The Expo Share Price closed at Rs. 6.80 as of 31st March 2013 as compared to Rs. 6.20 as of 31st March 2012.

Expo Share Performance

The movement of the Expo share price during the 4 quarters is given below.

	High	Low	Closing	Volume of shares Traded
1st Quarter	6.60	5.50	5.80	18,557,423
2nd Quarter	8.10	5.80	7.70	57,922,312
3rd Quarter	7.90	6.50	7.00	12,635,719
4th Quarter	7.30	6.60	6.80	20,597,328

Expo-Price Movement

The share price has been stable within the range of Rs. 6.00 – Rs. 7.00 during the entire year and has continued to maintain this without much volatility in the price post March 2013 as well.

Share Valuations

The share valuations are provided below for Expolanka Holdings PLC's consolidated performance.

	2012/13	2011/12	2010/11*	2009/10*▲
Net Asset Per Share	5.24	4.72	3.22	1.90
Earnings Per Share (EPS)	0.543	0.529	0.868	0.291
Trailing P/E Multiple	12.52	11.31	-	-

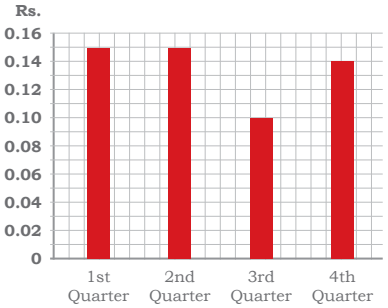
* *The Expo share was not listed during the Financial Year's 2010/11 & 2009/10*

▲ *The calculations are as per SLAS*

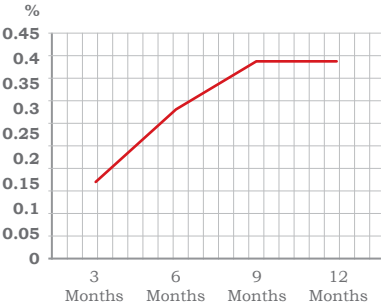
The company was able to stabilize and consolidate its earnings during the financial year and in turn was able to stabilize its EPS as well.

The below chart indicates the movement of EPS during the Financial Year and the EPS indicator for each quarter.

EPS - Quarterly



EPS - Quarterly



Share Distribution

The Expo share is currently owned by a base of 8,926 voting registered shareholders as at 31st March 2013. 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	3,735	3,033,582	0.15
1,001-10,000	3,884	17,318,128	0.89
10,001 – 100,000	1,004	35,712,037	1.82
100,001 – 1,000,000	231	77,051,032	3.94
Over 1,000,000	72	1,821,800,221	93.19

SHARE INFORMATION

Analysis of Shareholding

Resident / Non Resident

	No. of Shareholders	No. of Shares	% of Shares
Nationals	8,819	1,875,644,829	95.95%
Non-Nationals	107	79,270,171	4.05%

Individuals / Institutional

	No. of Shareholders	No. of Shares	% of Shares
Individuals	8633	1,631,321,627	83.4%
Institutional	293	323,593,373	16.6%

Public Holding of Shares

As of 31st March 2013, the Public Holding of Expolanka Holdings PLC shares stood at 524,998,120 shares which amounts to 26.85% of the issues 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 .Sattar Kassim	286,315,516
Mr. Osman Kassim	283,865,516
Mr. Hanif Yusoof (Group CEO)	283,865,516
Mr. Shafik Kassim	283,865,516
Mr. Farook Kassim	281,415,516
Dr. S Selliah	3,500,000
Mr. Sanjay Kulatunga	-
Mr. Harsha Amarasekera	70,700
Total	1,422,827,580

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 31st March 2013
The below tables provides the details of the 20 top shareholders of Expolanka Holdings PLC as at 31st March 2013.

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	Northern Trust CO S/A Prince Street Opportunities Ltd	19,660,000	1.01%
12	Bank of Ceylon A/C Ceybank Unit Trust	13,455,803	0.69%
13	Amana Bank Limited	10,556,437	0.54%
14	Ceylon Guardian Investment Trust PLC A/C # 01	10,000,000	0.51%
15	Timex Garments (Pvt) Limited	8,363,700	0.43%
16	Arunthathi Selliah	6,931,600	0.35%
17	J.B. Cocoshell (Pvt) Ltd	6,857,980	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	1,714,994,270	87.73%

Dividends

In keeping with the Company's consistent Dividend Policy, an interim dividend of Rs. 0.12 per share was declared during the financial year 2012/13 and was paid on the 24th of August 2012. The total value of dividends paid was Rs. 234,589,800.00.

Financial Year	Dividend Per Share	Value of Dividends
2011/12	0.12	234,589,900
2012/13	0.12	234,589,900

RISK MANAGEMENT REPORT

Risk management is a vital part in our business functions that supports the organisation in decision making by acceptance or mitigation of uncertainty and risks. Operational, strategic and economic risks would increase the possibilities of business perils and impact adversely on our corporate goals. Thus a risk management process to identify, prioritise and manage those risks for a conglomerate with a significant national and international presence has never been more appropriate especially with the Group's drive to expand the current portfolio through organic growth and strategic acquisitions with both local and foreign interests.

The Risk Committee

The governance of the Group was strengthened during the year under review with the formation of the Group Risk Committee which was set up to assist the Audit Committee in meeting the Board's ultimate responsibility of managing the Group risks. During the year under review the Group Risk and Control established the Risk Committee under the direction of the Audit Committee which acts as a platform to address risks discussed at the quarterly Audit Committee meetings.

The primary purpose of the Risk Committee is to assist the Audit Committee in fulfilling its oversight responsibilities with regard to the risk appetite of the line companies, risk management and compliance framework and governance structure. The risk committee operates and oversees the Risk Management of key areas in the Group. The role is set out under the Risk Committee charter which is approved by the Audit Committee. The specific duties and responsibilities are set out below:

- Create awareness within the Group on the purpose and benefit of Enterprise Risk Management exercise thereby foster and create a risk intelligent Group
- Ensure each company maintains a register where risks pertaining to all areas from operations to strategy are captured
- Review significant risk exposures and the steps management has taken to monitor, control and report such exposures including liquidity, reputational, fraud, strategic and technology
- Review and approve the Company's risk appetite statement on an annual basis; approve any material amendment to the risk appetite statement
- Review the status and ensure the closure of high risk issues identified through internal and external audit.

The efforts have therefore been made to identify the different risks pertaining to each company in different industries through Internal Audit, thereby identification of lapses, implementation of controls and monitoring the process for improvement.

The Risk Committee meetings held so far reviewed the strategic to operational risks tabled at the Audit Committee meetings and has acted as a platform to assess their impact, likelihood and ensured controls and procedures are implemented to mitigate these risks through Group Risk and Control team. Minutes of the meetings held are reported to the Audit Committee and are then escalated to the Main Board of Expolanka Group.

Some of the key outcomes which resulted from the committee have been mentioned below

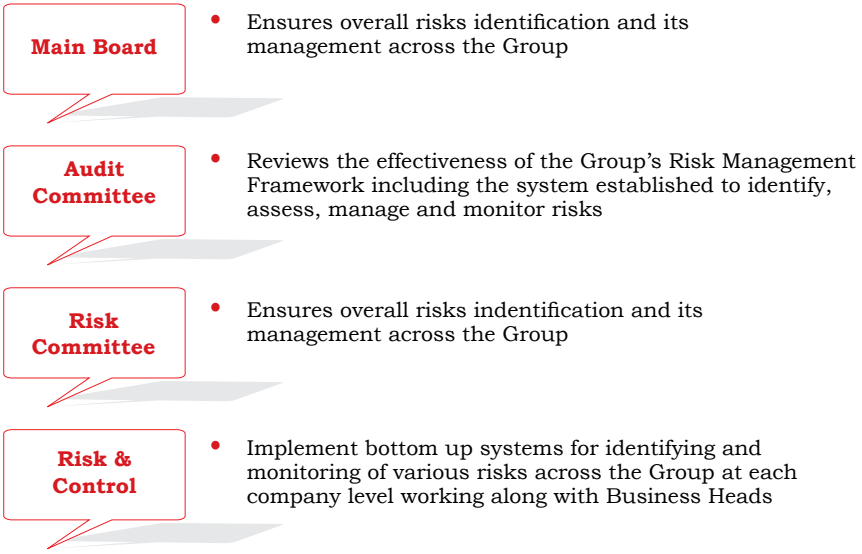
- Implementation of screening process for agreements entered by the line companies with third parties
- Streamlining the process for compliance towards statutory bodies
- Review of insurance strategy to cover the risk exposure at the Group level

- Process to monitor and closure of findings from Internal Audit carried out at line companies
- Streamlining the approval process for direct investments in equity by line companies
- Process to streamline and monitor credit exposure at the Group level

The identification of risk and opportunities strengthens the ground breaking ideas from the line companies to embrace new techniques and entertain new opportunities while being aware of the risk involved. Risk assessment will facilitate enhanced decision making on accepting business ventures while being aware of the risk involved.

Risk Management Structure

The below diagram depicts the current risk management structure for the Expolanka Group



Key Risk Categories, Controls & Commitments

The table presents the ten key risk factors (not listed out in order of priority) for the Group along with the present controls in place to mitigate the same. Table also presents the commitment for the next financial year in order to strengthen the controls for each identified area of risk.

RISK MANAGEMENT REPORT

Risk type	Key Controls and Mitigation actions in place	Commitment 2013-2014
Business Partner Risk	• Legal clearance by Legal Department on contracts and agreements signed before entering into the contracts • Improve on the Service Level Agreements	• Take appropriate measures to broaden customer base to dilute the dependence on several key customers • Post reviews and independent evaluations of the investments
Product / Market Dependency Risk	• Synergistic acquisitions to broaden the product and market range • Venture into new markets with existing products for growth opportunities	• Continue the existing market expansion strategy by focusing on several key markets per year • Broaden product offering by giving the customer a complete solution to their business needs • Move into more value added activities from the current transaction oriented businesses
Credit risk	• Credit Evaluation and Approval Policy and Process • Periodic debtor meetings • Efficient and timely follow up mechanism • Credit default recoveries through centralised Legal Department	• Formation of Group Credit Committee • Roll out Group Accounts Receivable Policy
Human Capital Risk	• HR leadership programmes and training programs to develop employee and management skills. • Attract the best in the industry and initiate programmes for career development and employee wellbeing. • Reward and recognise hard work, innovation and excellence.	• Continuation of the leadership development programmes initiated • Enhance and improve the sources for recruitment • Continue the health and wellbeing activities • Review the reward programmes in place

Risk type	Key Controls and Mitigation actions in place	Commitment 2013-2014
Internal Controls Risk	• Continuous process monitoring and transaction monitoring • Independent audit by Internal Auditors • Spot check and follow up audits by Group Risk & Control • Group financial policies • Periodic internal control alerts	• Process studies for critical functions and business operations. • Internal Audit for foreign entities • Risk Management Policy • Fraud Risk Management Policy
Compliance Risk	• Monthly status follow ups, Audit and reviews on conformance with applicable laws and regulations • Preparation of Monthly Compliance Reports • Assistance of the Legal Department in handling matters relating to the Management	• Documentation of business processes and identify controls gaps and address legal involvement for each SBU • Carry out an in-depth Intellectual Property Compliance Audit • Perusal of Commercial Compliance Audits and maintenance of a comprehensive database for the same.
Foreign Exchange Risk	• Natural Hedging through receivables and payables • Convert or hold foreign currency strategy based on exchange rate movements	• Roll out the Group Treasury Policy in order to standardise and streamline the current practices. • Independent Treasury Audit
Investment Risk	• 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	• Define the organisation's risk appetite and agree on risk tolerance levels for new investments • Align Investment Committee goals to corporate and risk management strategies.

RISK MANAGEMENT REPORT

Risk type	Key Controls and Mitigation actions in place	Commitment 2013-2014
Technology Risk	• Application wise disaster recovery plans • Robust controls to secure IT systems and processing information to increase confidentiality and integrity of data. • Independent ITGC review by Internal Auditors	• Follow up audit on ITGC report by Internal Auditors to ensure gaps are closed • Strengthen the existing Business Continuity & Disaster Recovery infrastructure/capabilities with new cost effective redundant data centre solution • Enhancement of IT security infrastructure with state of the art security solutions • Improve the versatility of the IT resources by providing necessary training, tools and adopting best practices to meet the dynamic business requirements • Continuous development and growth of the IT application portfolio to provide business aligned IT solutions through adoption of latest technologies and methodologies
Asset Risk	• Rolled out Group FA Policy • Insurance Risk Reviews by Insurance Consultant • Spot checks by Group Risk & Control • Independent Fixed Asset Verification	• Independent Fixed Asset Verification • FA Policy Audit

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

Dear Stakeholder,

Our corporate culture which we have built over three decades transcends mere economic value creation. We are committed to uphold the best business practices and tenets encompassing integrity, professionalism and responsibility towards all stakeholders. Our success is built on this foundation.

During the past year, we strived to reinforce our governance structure and best business practices, aligned to our responsibilities as a public quoted company. We have with us independent directors, clear segregation of Board duties and sub committees with two new additions – investment and risk committees together with internal and external risk management and controls in place.

The Board, senior management and all employees across the entire network abide by our Code of Business Conduct and Ethics and affirm that there were no material violations of the Code during the year under review. We have adopted and are in compliance with the Codes of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, the Continuous Listing Rules set out in Section 7.10 of the Colombo Stock Exchange and the Companies Act No. 7 of 2007.

On behalf of my colleagues at the Board, I present hereto the Report on Corporate Governance outlining how the Company has applied business ethics and affirm our compliance with the provisions of the applicable Codes as mentioned above for the year ended 31 March 2013.

Osman Kassim
Chairman
Expolanka Holdings PLC

REMUNERATION COMMITTEE REPORT

The Remuneration Committee which is appointed as a sub-committee by and responsible to the main Board consists of the following members;

Names	Profile	Status
Mr. Harsha Amarasekara (Chairman)	Attorney-at-Law	Independent Non-Executive Director
Sanjay Kulatunga	MBA, ACMA, CFA	Independent Non-Executive Director
Dr. Sivakumar Selliah	MBBS, M. Phil	Independent Non-Executive Director

The above three Directors are independent of management and free from any business or other relationship which could impair their independent judgement. The Remuneration Committee is responsible to ensure that members of the Executive Management of the Group are provided with appropriate levels of remuneration and incentives to attract and retain the best professionals, required for successful management and operations. The salient responsibilities of the Committee are set out below.

- Encourage enhanced performance
- Ensure fair and responsible rewards for individual contributions to the success of the Company
- Review the relevance of the remuneration policy and make required changes

The Remuneration Committee met three times during the reporting year. The Committee interacted with the Group CEO and the other Executive Directors as and when necessary. 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.

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 salary reviews were based on individual performance, future focus and internal and external equity. This was the method adopted by the Remuneration Committee in respect of all salary revisions across the Group. In addition to the salary reviews, the Remuneration Committee also reviewed the HR processes of the Group.

Harsha Amarasekera
Chairman
Remuneration Committee

AUDIT COMMITTEE REPORT

The Audit Committee which is appointed as a sub-committee to the Main Board has the responsibility of overseeing the preparation of financial statements in accordance with the current laws and rules of the country.

It is also responsible for strengthening the Group's internal control, financial reporting and risk management.

Composition and Meeting Attendance

The Audit Committee which consists of two Non-Executive Independent Directors meets at least quarterly to approve the Annual and Quarterly Financial Statements and to assess and address the issues taken up in the previously held Meetings.

During the year under review, the Audit Committee has held four meetings with the attendance by invitation of the Group CEO, Director Group Finance, Group Head of Finance, Group Management Accountant, External and Internal Auditors and Assistant Manager - Group Risk and Control.

The proceedings of the Audit Committee which are minuted were duly reported to the Board of Directors.

Dates of Meeting	Sanjay Kulatunga (Chairman) MBA, ACMA, CFA	Dr Sivakumar Selliah MBBS, M. Phil	Key Points of Discussion
23 May 2012	●	●	• Review of Financial Statement for the quarter ending 31st March 2013 • Financial review by External Auditors with key focus on high level inventory holding companies • Presentation on the list of overseas investments and its background • Significant Audit Findings discussion with Internal Auditors • Risk and control initiatives to address Internal and External Audit findings • Discussion on the formation of Nomination and Risk Committee to strengthen the governance structure
29 Jun 2012	●	●	• Review of Financial Statement for the year ending 31st March 13 with critical analysis of Balance Sheet item movements • Acquisition of minority interest of a subsidiary • Evaluation of the investment and capital expenditure approval hierarchy • Discussion with PWC on the Internal Audit progress and key findings • Presentation on the on-going key initiatives under the Risk & Control

AUDIT COMMITTEE REPORT

Dates of Meeting	Sanjay Kulatunga (Chairman) MBA, ACMA, CFA	Dr Sivakumar Selliah MBBS, M. Phil	Key Points of Discussion
23 Oct 2012	●	●	• Evaluation on the Approval Limits of the Investment Committee • Review of Quarterly Consolidated Financials for the 2nd Quarter with a focus on the performance of new companies • Review of key Balance Sheet items such as Inventory, Debtors and Investments • Discussion on Group Overhead Analysis • Review of progress on key initiatives under Risk & Control • Review of under performing companies from risk point of view
01 Feb 2013	●	●	• Status review of action points agreed during the previous meeting • Discussion on the action plan for under performing units and way forward for new acquisitions • Risk Mitigation and Tax Planning of Holdings Company cost • Process to streamline Equity Investments by line companies • Quarterly Financial review and critical company Debtor Analysis • IFRS Gap Study and Impact discussion with E&Y Auditors • Transition of International Companies Audit to E&Y

Role of the Audit Committee

The roles and responsibilities of the Audit Committee as set out by the Audit Committee Charter and approved by the Board of Directors are set out below:

- 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 and the proposed remuneration of the both internal and external Auditors.
- Assess and monitor the independence and the performance of the External Auditors and Internal Auditors.
- Discuss Company's Annual Audited Financial Statements and Quarterly Financial Statements with Management and the Auditor.
- Assess the effectiveness of the Company's internal control system, including information technology security and control and ensure implementation of sound system 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 operational to strategic risks.
- Ensure day to day operations in compliance with the applicable laws and regulations of the country and policies and procedures mandated by the Board.

- Meet separately and periodically with Management, External Auditors and Internal Auditors.
- Report regularly to the Board of Directors.

External Audit

The Company's External Auditors, Ernst & Young Chartered Accountants remained as the External Auditors to local companies within the Expolanka Group.

The Audit Committee met with the External Auditors to review the Annual Audit Plan and Financial Statements during the Annual Audit apart from reviewing the independence and objectivity of the independent auditors.

Prior to the commencement of the External Audit, the Audit Committee held meetings with the External Auditors and the Senior Management in order to agree on the scope of the Audit. Thus any issue arisen during the time of the Audit has been discussed and resolved on an on-going basis.

Group Risk & Control centrally coordinates between the auditors and the line companies in order to ensure time lines are met and issues and findings encountered during the interim audit are addressed before the final audit.

The Audit Committee also reviews the Management Letters issued by the External Auditors and agree on responses and expected progress on both parties: the Ernst & Young Chartered Accountants and line company Management.

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

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

Internal Audit and Group Risk & Control

Internal Audit within the Expolanka Group has designed systems and procedures to promote efficiency and ensure adequate implementation of the policies to safeguard assets and streamline processes. Thus it has been a vital role of the Audit Committee to ensure independence and objectivity of the Internal Audit function.

PWC Auditors continued to monitor and report on the financial and operational systems across the Group's local companies to provide independent review of the system of internal controls as established by the management, it's adequacy and integrity and to determine the extent of adherence to the controls, contributed strongly to improve and implement a sound system of Internal Controls through recommendations.

The Internal Audit kick-off meetings, exit meetings and closure meetings with PWC for each company are held in the presence of the respective CEO and senior management of the company, Group Head of Finance and the Group Risk and Control team.

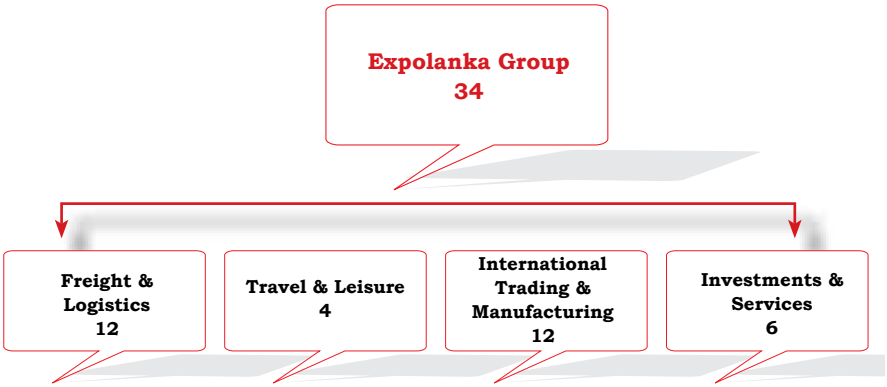
The scope of the Audit covered Group functional areas such as Human Resources, Finance and Information Technology and company wise business operations. With the guidance of the Audit Committee, Group Risk and Control has carried out follow up Audits to ensure recommendations were implemented as per the agreed time lines.

During the year under review, the Internal Auditors reported on the Audit Findings which were graded as High, Medium and Low based on the impact and occurrence to the Audit Committee which critically reviewed the findings which are significant in impact and risk involved on operations of each line company.

AUDIT COMMITTEE REPORT

Internal Audit Process Manual was approved by the Audit Committee which sets the guidelines with a streamlined outlook on the internal audit process to be carried out and to address the challenges faced during the previous year to ensure smoother and timely completion of audit.

The Internal Audit reviews carried out by PWC for each sector are shown below:



International Financial Reporting Standards (IFRS)

As per the requirement of Institute of Chartered Accountants of Sri Lanka (ICASL), the Company adopted the new Sri Lanka Accounting Standards comprising of SLFRS/LKAS with effect from 01st January 2012 across the Group. Ernst & Young Chartered Accountants were appointed to advice on the implementation study to all sectors in the Expolanka Group where the diagnostic was carried out for each and every company within the Group.

An IFRS Action Plan was internally developed for the gaps identified during the diagnostic stage which carries the Management decisions for each gap which was shared with the line companies and the External Auditors. The auditors presented the findings of the study to the Audit Committee where the impacts of key standards were discussed.

The summary of the SLAS conversion project carried out is set out below:

- Diagnostic of the accounting and process issues in adopting new SLASs
- Implementation of the new SLAS
- IFRS Training throughout the Group

Group Legal Function

The Group Legal function was centrally established during the year to ensure compliance to the applicable laws and regulations. It functions with the vision to:

The Group legal function broadly covers the below:

- Corporate Affairs
- Regulatory Affairs
- Litigation
- Company Secretarial
- Conveyance
- Compliance

Conclusion

The Audit Committee is satisfied that an effective system of internal control is in place to provide reasonable assurance on safeguarding of the Company's assets and reliability of Financial Statements and that the affairs of the Group are managed in accordance with Group policies. Effectiveness of the Company's system of Internal Controls is evaluated through reports provided by Management, Internal Auditors, Independent Auditors and Group Risk & Control.

Sanjay Kulatunga
Chairman
Audit Committee

CORPORATE GOVERNANCE

The Group corporate governance framework has been institutionalised at all levels of the Group through a culture of duty and responsibility to act in the best interest of the company, its employees, stakeholders and the society at large.

The corporate governance structure and processes are vital in determining the success and the direction of the business through enhanced integrity, accountability and transparency. Here at Expolanka we recognize the importance of adhering to relevant laws, rules and regulations and promoting a sound framework of Corporate Governance.

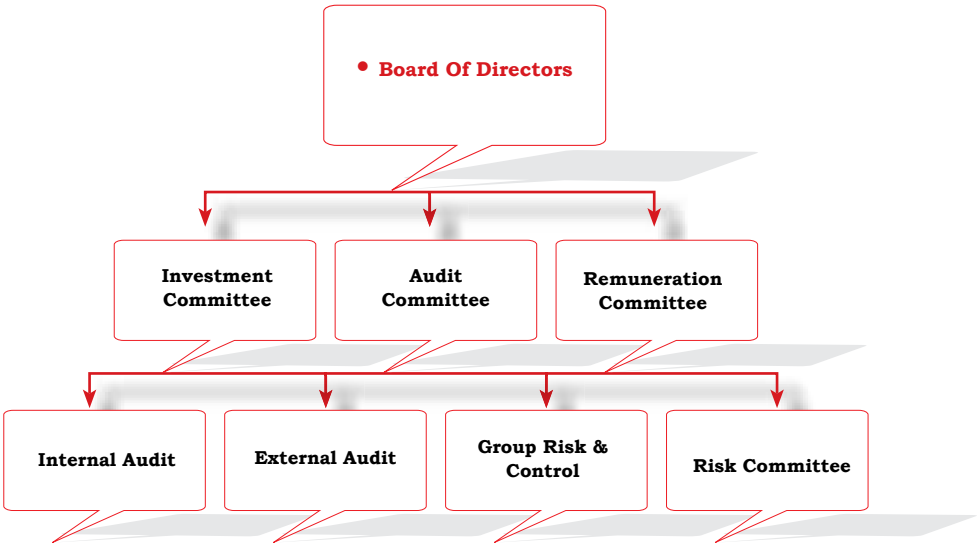
Within a framework of upright Corporate Governance structure within Expolanka is drawn up and practiced in full compliance with the following acts and guidelines:

- Companies Act No.7 of 2007
- The Code of Best Practice on corporate governance as published by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants, Sri Lanka
- Listing Rules of the Colombo Stock Exchange

Governance Structure

The internal governance structure comprises of the Board of Directors, Board Committees and the Senior Management. It is responsible and accountable for implementing and maintaining the governance within the Group. The Internal Governance Structure set out below ensures the monitoring and upholding of the stewardship function.

During the year under review, the formation of the Risk Committee and the Investment Committee have been significant mile-stones towards enhancing the Corporate Governance framework within the Expolanka Group.



Directors

The Chairman and the Board of Directors

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 is embedded into the culture of the Group in becoming more socially responsible day by day.

Responsibility of the Group:

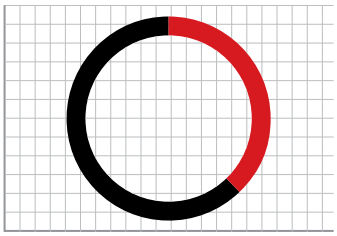
- Ensuring the formulation and implementation of a sound business strategy
- Ensuring that the Chief Executive Officer (CEO) and Management Team possess the skills, experience and knowledge to implement the strategy
- Ensuring the adoption of an effective CEO and Senior management succession strategy
- Ensuring effective systems to secure integrity of information, Internal Controls and Risk Management
- Ensuring compliance with laws, regulations and ethical standards
- Ensuring all stakeholder interests are considered in corporate decisions
- Ensuring that the company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations
- Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.

Board Composition

The Board consists of eight Directors with a balanced combination of Executive and Non-Executive Independent Directors.

The Board composition as at 31st March 2013

Composition of the Board



Board Meetings and Attendance

Board Member	Directorship Status	Independence	Board Meeting Attendance
Osman Kassim	Executive Director	Non-Independent	5/6
Hanif Yusoof	Executive Director	Non-Independent	6/6
Sattar Kassim	Executive Director	Non-Independent	6/6
Shafik Kassim	Executive Director	Non-Independent	6/6
Farook Kassim	Non-Executive Director	Non-Independent	6/6
Dr. Sivakumar Selliah	Non-Executive Director	Independent	6/6
Harsha Amarasekera	Non-Executive Director	Independent	6/6
Sanjay Kulatunga	Non-Executive Director	Independent	6/6

CORPORATE GOVERNANCE

The Investment Committee

Along with the governance of operations the Board seeks to evaluate business on its risk-return level, therefore the formation of the Investment Committee has strengthened the decision making process and has contributed immensely over the past few months it has been in operation.

In 2012, the Investment Committee was established under the guidance of the Board in order to act as an evaluating body for all major investments of the Expolanka Group. Subsequently the responsibilities of the committee were broadened and currently encompass the following:

- Evaluate investments of Expolanka Holdings or any portfolio company
- New company/business formations & incorporations
- Evaluate and approve mergers, acquisitions, joint ventures and divestures of portfolio companies.
- Provide final approval for all Memorandum-of-understanding (MOU) agreements after legal audit.
- Assess all treasury investments other than 90 Day Deposits.

The committee comprises four members from Expolanka Holdings Management Team and it reports directly to the Board of Directors. Investment Committee has the ability to approve or reject a given project based on the framework established by the Board of Directors. The framework used in evaluating a project is given below:

- Focus: The investment has strategic importance to the Group
- Scalability: Has the ability to increase scale and generate meaningful profits to the Group
- Return: Investment is expected to achieve the benchmark ROE rate of the Group

Compliance to the Prescribed Codes

Compliance towards the prescribed Codes of Best Practices on Corporate Governance, set out in two Sections – A & B acknowledges Expolanka' s strong emphasis and commitment on adopting and implementing sound principles and practices of good corporate governance.

SECTION A

This covers the extent of Group's commitment and compliance to the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL) under the following six headings:

A. Directors
B. Directors' Remuneration
C. Relations with Shareholders
D. Accountability and Audit
E. Institutional Investors
F. Other Investors

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
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 31st March 2012. The profiles of the Board of Directors are set out on pages 20 to 21 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. The details of the meetings and attendance of the members are set out above on pages 89 to 90, 95
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.

CORPORATE GOVERNANCE

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
			• 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.
A.1.4	Company Secretary	Compliant	SSP (Pvt) Ltd is appointed as the Group's Company Secretary and all Directors have access to the advice and services of the secretaries. The company secretary ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed.
A.1.5	Independent judgment of the Directors	Compliant	Non-Executive Directors are responsible for bringing independent and objective opinion and 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 recognizes the need for continuous training. Adequate knowledge sharing opportunities are provided to acquire requisite skills and exposure to effectively discharge their duties.
A.2. Chairman and CEO **The Code prescribes to clearly differentiate the roles between the Chairman and the CEO to ensure balance of authority and good governance. The Chairman of the Group is responsible to effectively lead and guide the Board whilst the CEO is responsible to lead the senior management to ensure effective functioning of day to day operations of the Group, in consultation and guidance of the Chairman and the Board.**			
A.2.1	Segregated roles and responsibilities of the Chairman and CEO	Complaint	The position of the Chairman and CEO are separated in order to prevent unfettered powers of decision making to a sole individual.

CORPORATE GOVERNANCE

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
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: • Effective participation of both Executive and Non-Executive Directors, • Effective contribution of all Directors to decision making, • Balance of power between Executive and Non-Executive Directors, • The views of all Directors on issues are considered, • Complete control and alertness to the affairs and obligations of the Company to all shareholders and other stakeholders, • Close contact with all Directors and • Meetings with Non-Executive Directors without the presence of Executive Directors
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. One of the Directors is an Associate Member of a professional accounting body and chairs the Board Audit Sub Committee.

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.**			
A.5.1	Presence of Non-Executive Directors	Compliant	Out of a total of eight Directors in the Board, four are Non-Executive Directors. Names of the Directors category wise are set out on page 169 in the Annual Report of the 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 a Senior Independent Director	Not Applicable	The roles of the Chairman and the CEO are separated negating the applicability of this requirement.
A.5.7	Confidential discussions with Senior Independent Director	Not Applicable	Please refer the comment for A.5.6 above.
A.5.8	Chairman's meetings with Non-Executive Directors	Compliant	The Chairman meets with Non-Executive Directors as deemed necessary.

CORPORATE GOVERNANCE

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.5.9	Recording of concerns in the Board Minutes	Compliant	All concerns that are not unanimously resolved are recorded in the Board Minutes as per Company Policy. 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 and statistics required 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	Adequate time given for effective Board meetings	Compliant	All papers related to the Board and Sub-Committee meetings are circulated at least one week (seven days) prior to the meetings to facilitate its effective conduct.
A.9 Appraisal of Board Performance **The code requires the Board should periodically appraise their own performance in order to ensure the Board responsibilities are satisfactorily discharged**			
A.9.1, A.9.2	Annual performance evaluation of the Board	Compliant	The Chairman and the Remuneration committee evaluates the performance of the executive and its committees Directors
A.9.3	Disclosure of Performance	Compliant	Please refer remuneration Committee Report on Evaluation criteria on the page 88

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.10 Director's Disclosures **The Code specifies disclosure of directors to all shareholders through the Annual Report.**			
A.10.1	Director details disclosures	Compliant	This Annual Report discloses the relevant details of the Board as follows : Names of Directors and profiles - refer pages 20-21 Number of meetings attended - refer pages 95 Details of directorships and memberships in Boards and Committees - refer pages 20-21
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 formally and transparently to independently determine the remuneration policy and 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	Remuneration Committee consists of 3 Independent Non- Executive Directors and the Chairman of the committee is appointed by the Board.

CORPORATE GOVERNANCE

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
B.1.3	Chairman and the members of the Remuneration Committee	Compliant	The Remuneration Committee consists of following Independent Non-Executive Directors: • Harsha Amarasekera - Chairman • Dr. Sivakumar Selliah - Member • Sanjay Kulatunga – Member
B.1.4	Determination of remuneration of Non-Executive Directors	Compliant	The Board determines the remuneration of the Non- Executive Directors which it believes in line with 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 Level 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 remuneration of Executive Directors to be linked to corporate and individual performance.**			
B.2.1	Executive Directors' remuneration package	Compliant	The Remuneration Committee formulates the required package to attract, motivate and retain after reviews industry and market practices.
B.2.2	Comparison of remuneration with other companies	Compliant	The Remuneration Committee compares the remuneration levels of the Company within the industry to ensure the level of remuneration provided is competitive and in line with their performance.
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.
B.2.5	Executive share Options	Not Applicable	Presently the Group does not have Executive share option schemes.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
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 page 88 of this Annual Report.
B.2.7 & B.2.8	Early termination of Executive Directors	Not Applicable	No early termination clauses are included in the contract of Executive Directors which would entitle them extra compensation.
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 be transparent on the remunerations policy and remuneration of the Directors and necessary disclosures to be included 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 88 of this Annual Report. The details of remuneration to the Board are disclosed on page 88 of this Annual Report.
C. Relations with Shareholder			
C.1. Annual General Meeting **The Code stipulates that the Board shall convene an Annual General Meeting (AGM) to have a dialogue on company matters with the shareholders.**			
C.1.1	Use of proxy votes	Compliant	A Form of Proxy accompanies the Annual Report, when they are dispatched to the shareholders. The Company has a mechanism to record all proxy votes and proxy votes lodged on each resolution.
C.1.2	Separate resolution for all separate issues at the AGM	Compliant	Each substantial issue is proposed as a separate resolution. The adoption of the Annual Report of the Board of Directors, along with the Financial Statements, is also proposed as a separate resolution.

CORPORATE GOVERNANCE

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
C.1.3	Board Sub-Committee Chairmen to be present at the AGM	Compliant	The Chairman of the Board ensures that the Chairmen of Audit and Remuneration 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 is dispatched to the shareholders 15 working days prior to the AGM, as per Section 135 of the Companies Act No. 07 of 2007 in order to provide an opportunity to all the shareholders to attend the AGM.
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 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.2.1	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. If any, will be disclosed in the Quarterly/ Annual Financial Statements

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D. Accountability and Audit			
D.1 Financial Reporting **The Code requires a balanced and understandable assessment of Company'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 SLFRS/ LKAS 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 2012/13.
D.1.2	Directors' Report in the Annual Report	Compliant	The Annual Report of the Board of Directors on the affairs of the Company is given on pages 168 to 172 of this Annual Report covers all areas of this section.
D.1.3	Statement of Directors' and Auditor's responsibility for the Financial Statements	Compliant	The Statement of Directors' Responsibilities is given on page 173 of this Annual Report. The Auditor's Report on the financial statements for the year ended 2012/13 is given on page 173
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 24 to 77 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 172 of this Annual Report.
D.1.6	Summon an Extra Ordinary General Meeting (EGM) to notify serious loss of capital	Not Applicable	Reason for such an EGM has not arisen as yet but would be complied with if such situation arises.

CORPORATE GOVERNANCE

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D.2 Internal Control **The Board is required to maintain a comprehensive system of Internal Controls to safeguard the shareholder's wealth and Company's sustainability.**			
D.2.1	Review the effectiveness of internal controls	Compliant	The Board has the overall responsibility for the system of internal controls covering financial, operational, compliance and risk management. The Board has delegated these responsibilities to the Audit Committee. Systems have been designed to provide the Directors with the reasonable assurance that assets are safeguarded; transactions are authorized and recorded properly whilst material errors and irregularities are prevented, detected and rectified effectively.
D.2.2	Reviewing the need for an internal audit function	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 follow up audits, spot checks and special assignments across the Group.
D.3 Audit Committee **Board is responsible to appoint a Board Sub Committee to ensure the company's internal controls are in place as per good governance.**			
D.3.1	Composition of the Audit Committee	Compliant	The Audit Committee comprises two Independent Non-Executive Directors. Please refer the Audit Committee Report on pages 89 to 93 of this Annual Report.
D.3.2	Duties of the Audit Committee	Compliant	Please refer the Audit Committee Report as specified in D.3.1
D.3.3	Terms of Reference of the Audit Committee	Compliant	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.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D.3.4	Disclosures of the Audit Committee	Compliant	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 for the Company to adopt a Code of Business Conduct and Ethics 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 87, 168 to 173 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 **The Code requires the Company to practice good corporate governance. The Directors are responsible to disclose any material violations.**			
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

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
E. Shareholders			
E.1 Institutional Shareholders **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 Shareholder feedback on governance **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 to make informed 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 2012/13 and the way forward: Chairman's Review CEO's Review Management Discussion and Analysis Annual Financial Statements

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
F.2	Individual shareholder voting	Compliant	All shareholders are encouraged to participate at the AGM and cast their votes or exercise their proxy for decision making.

Section B

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

A. Non- Executive Directors
B. Independent Directors
C. Disclosures relating to Directors
D. Remuneration Committee
E. Audit Committee

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.1(a)	Non-Executive Directors	Two or one third of the total number of Directors, whichever is higher, shall be Non-Executive Directors.	Compliant	The Board comprises of four Non-Executive Directors out of the total of eight Directors.
7.10.2 (a)& (b)	Independent Non- Executive Directors	Two or one third of Non-Executive Directors, whichever is higher, shall be independent. Declaration of Independence by Non-Executive Directors	Compliant	The Board comprises of three independent Non-Executive Directors. Non-Executive directors have submitted declaration of Independence
7.10.3(a)	Disclosure relating to Directors	The names of all Independent Directors shall be disclosed in the Annual Report.	Compliant	Please refer to page 169 of this Annual Report for Directors' disclosures

CORPORATE GOVERNANCE

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.3(b)	Disclosure relating to Directors	In the event a Director does not qualify as "independent" as per the rules of Corporate Governance but if the Board is of the opinion that the director is nevertheless independent, it shall specify the basis of the determination in the Annual Report.	Compliant	No such determination has been carried out by the Board.
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director which includes information on the nature of his/her expertise in relevant functional areas is to be published in the Annual Report.	Compliant	Please refer to pages 20 to 21 of this Annual Report.
7.10.3(d)	Disclosure relating to Directors	Upon appointment of a new Director to its Board, the Company shall forthwith provide to the CSE a brief resume of such Director.	Compliant	No new Directors were appointed during the year under review.
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Compliant	Refer page 88 for Remuneration Committee Report of this Annual Report.
7.10.5(a)	Remuneration Committee – Members	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher.	Compliant	The Remuneration Committee comprises three Independent Non-Executive Directors.
7.10.5(b)	Remuneration Committee Functions	The Remuneration Committee shall recommend to the Board remuneration payable to the Executive Directors and to the CEO	Compliant	Refer page 88 for the Remuneration Committee Report of this Annual Report.

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.5(c)	Disclosure in the Annual Report	The Annual Report should set out: • Names of the Directors of the Remuneration Committee • The statement of Remuneration Policy • Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Refer the following pages of this Annual Report • Names of the Directors on pages 20 to 21. • Remuneration Policy on page 88 • Aggregate Remuneration on page 233
7.10.6	Audit Committee	A listed company shall have an Audit Committee	Compliant	Refer pages 89 to 93 of this Annual Report for the Audit Committee Report.
7.10.6(a)	Composition of the Audit Committee	• The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher. • One of the Non-Executive Directors shall be appointed as the Chairman of the Committee by the Board of Directors • The CEO and CFO shall attend the Audit Committee meetings • The Chairman or one member of the Audit Committee shall be a member of a recognized professional accounting body	Compliant	• The Audit Committee comprises of two Independent Non-Executive Directors • Mr. Sanjay Kulatunga (Independent Non-Executive Director) acts as the Chairman of the Committee • The Group CEO and CFO attend meetings by invitation • The Chairman is an Associate Member of the Chartered Institute of Management Accountants

CORPORATE GOVERNANCE

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.6(b)	Functions of the Audit Committee	The Audit Committee shall oversee the following functions. • Preparation, presentation and disclosure of the financial statements and ensure they are in line with SLFRS/LKAS • Compliance with financial reporting, Companies Act and other financial reporting regulations and requirements • Processes to ensure that Internal Controls and Risk Management are adequate to meet the requirements of SLFRS/LKAS • Assessment of the independence and performance of external auditors • Appointment, re-appointment and removal of external auditors and approve the terms of remuneration and terms of engagement.	Compliant	Refer the Audit Committee Report as specified in 7.10.6

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.6(c)	Disclosure in the Annual Report	The Annual Report shall disclose: • Names of the Directors of the Audit Committee • The determination of the independence of the Auditors and the basis for such determination • A Report by the Audit Committee setting out the manner of compliance with the listing rule 7.10 on Corporate Governance	Compliant	Refer the Audit Committee Report as specified in 7.10.6 and the Directors' Disclosures on pages 89 to 93

SUSTAINABILITY REPORT

"THE WORLD EXPECTS MUCH FROM US, WE HAVE TO DELIVER WHAT EACH & EVERY STAKEHOLDER EXPECTS FROM US; THIS IS THE TIME THAT WE HAVE TO FOCUS OUR ENERGIES & RE-INVIGORATE OUR THOUGHT PROCESS TO CONTRIBUTE POSITIVELY TOWARDS OUR SHAREHOLDERS, THE ENVIRONMENT, SOCIETY & GREATER HUMANITY; THIS IS OUR PROMISE; THIS IS OUR PLEDGE"

About The Report

Content and Scope

In this Sustainability Report, we have attempted to elaborate on our triple-bottom-line initiatives and measures we have adopted to address the issues, engage and manage our key stakeholders in the reporting period spanning 1st April 2012 to 31st March 2013. The Report which focuses on the business operations and activities of the network in Sri Lanka excluding the overseas operations, associates and joint ventures, unless otherwise noted, is presented as a part of the 2012/13 Annual Report of Expolanka Holdings PLC.

The Report is set out in four sections, encompassing the economic contribution in our wealth creation process, employees who are at the core of our operations and initiatives for the community and the environment along the lines of our corporate social responsibility model. The Report discusses at length the performance of the year under review; benchmarking the trends vis à vis the preceding year 2011/12 performance and outlines our future plans as appropriate.

Methodology

The Report presents an impartial view of our performance. The Report was prepared by the CSR Unit appointed and reporting to the Management Committee of the Board.

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.

In the preceding year, we adopted a more structured process to report on our sustainable initiatives in keeping with the internationally recognised sustainability reporting framework, the Global Reporting Initiative (GRI). This Report is also aligned to the GRI G3.1 principles and meets the application criteria of a self-claimed level of C.

Inquiries

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

Sustainability Vision

Expolanka will 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 organization.

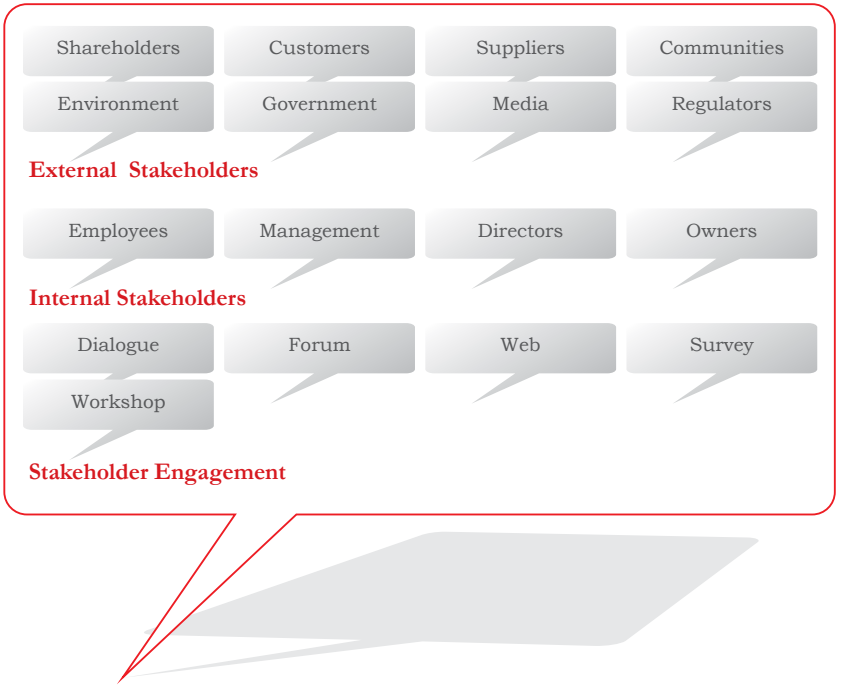
Sustainability Mission

- 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.
- Be a leader in corporate citizenship and sustainable development, caring for our employees and stakeholders.
- Enrich the quality of life for the communities in which we do business and serve as good stewards of society and the environment.
- Operate in an economically, socially and environmentally responsible manner whilst balancing the interests of diverse stakeholders.
- Foster change for global sustainable business and society.

Stakeholder Engagement

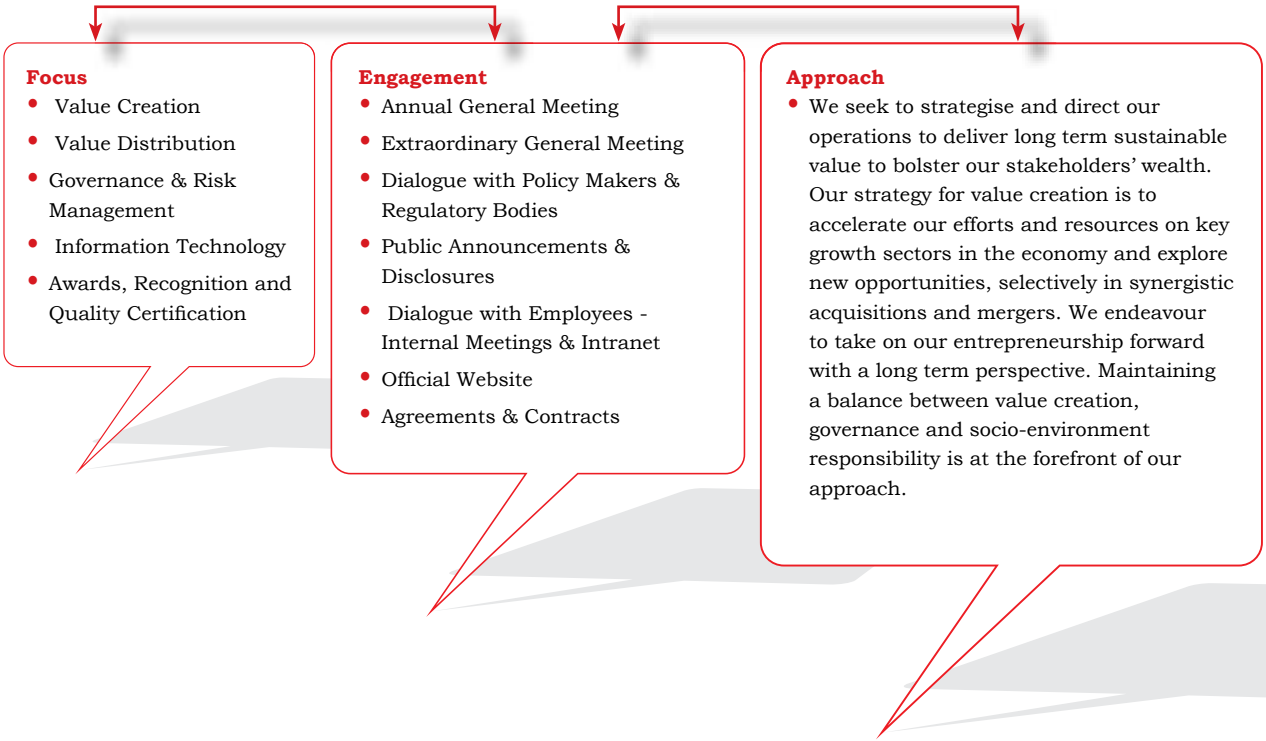
Given the scale of our operations in varied sectors of the economy, our stakeholders are diverse covering customers, partners, investors, employees, government, regulatory bodies and the communities and the environment in which we live and work. Therefore, engaging with our stakeholders effectively is crucial to the success of our operations and has always underpinned our milestones we have achieved throughout the years.

We are focused and give strategic priority to plan and set out a blueprint for stakeholder engagement, customised to each stakeholder Group with transparency, accountability and integrity. We are extremely proactive to understand, interact and respond to the needs of our stakeholders. The Stakeholder Management Section will discuss in detail our engagement approach tailored to our key stakeholders.



SUSTAINABILITY REPORT

Economic Contribution – Creating Value



For over three decades, we at Expolanka have been at the forefront of our nation's drive for wealth creation. We have made our mark as a tactical, innovative and a disciplined entrepreneur, fully focused on creating value for all stakeholders. At Expolanka, value creation however, is not confined to mere commercialism with exploited resources. We seek to co-create financial prosperity with social and environmental well-being. Our business practices across our network have embraced good governance, risk management and social responsibility which have set us on a path to sustainability.

Economic Value Creation

What We Do

Freight & Logistics

- Services & Products
  - Freight Forwarding
  - Warehousing
  - Logistics Management
- Network Outreach
  - Asia - Sri Lanka, India, Bangladesh etc
  - Middle East
  - Sub-Sahara
  - USA
- Number of Companies : 27
- Number of Employees : 1,742
- Financial KPIs - FY 2012/13
  - Sector Revenue : Rs. 32,183 Mn
  - Sector Net Profits : Rs. 1,177 Mn
  - Sector ROE: 25.6%

Travel & Leisure

- Services & Products:
  - Inbound travel
  - Outbound travel
- Network Outreach
  - Sri Lanka, India, Maldives
- Number of Companies : 7
- Number of Employees: 231
- Financial KPIs - FY 2012/13
  - Sector Revenue : Rs. 2,377 Mn
  - Sector Net Profits : Rs. 76 Mn
  - Sector ROE: 48.8%

International Trading & Manufacturing

- Services & Products:
  - Imports - Agricultural Commodities
  - Exports - Fruit & Vegetable
  - Exports - Tea
  - Exports - Waste Paper for Recycling
  - Manufacture - Herbal Pharmaceuticals
  - Manufacture - FMCG Products
- Network Outreach: Sri Lanka
- Number of Companies: 15
- Number of Employees: 503
- Financial KPIs - FY 2012/13
  - Sector Revenue : Rs. 12,646 Mn
  - Sector Net Profits : Rs. 50 Mn
  - Sector ROE: 3.9%

Investments & Services

- Services & Products
  - Airline GSA
  - Tertiary Education
  - Business Process Outsourcing
  - Investments
- Network Outreach: Sri Lanka
- Number of Companies: 20
- Number of Employees: 292
- Financial KPIs - FY 2012/13
  - Sector Revenue : Rs. 2,870 Mn
  - Sector Net Profits : Rs. -25 Mn
  - Sector ROE: -0.6%

SUSTAINABILITY REPORT

Value Addition

Expolanka's conglomeratic operations for over three decades with 64 subsidiaries and five joint ventures in Sri Lanka and with a presence in 17 countries and 50 cities have contributed significantly to stimulate economic growth and job creation. We play a vital role in the economy as an entrepreneur and investor in creating wealth in four key sectors, employer of over 2,768 persons, purchaser in the supply chain and as a tax payer contributing to public finance.

The value added statement sets out the economic value generation and distribution across stakeholders for the reporting year 2012/13, taking into account the amounts retained and reinvested in the Group for the replacement of assets and development of operations.

For the year ended 31st March In Rs. Mn	Group Total 2012/13 Rs. Mn	%	Freight & Logistics	Travel and Leisure	International Trading & Manufacturing	Investments and Services	Group Total	Eliminations/ Adjustments	Consolidated Total
Direct economic value generated									
Revenue	50,075	99.0%	32,183	2,334	12,646	3,002	50,164	(89)	50,075
Dividend income	3	0.0%	308	2	3	350	663	(660)	3
other operating income	488	1.0%	319	81	116	103	618	(130)	488
Share of profit of an associate	15	0.0%	-	-	-	15	15	-	15
Total Value Added	50,581	100.0%	32,810	2,416	12,765	3,469	51,460	(879)	50,581
Economic value distributed									
Operating costs	44,635	88.2%	28,691	2,015	11,902	2,361	44,969	(335)	44,635
Employee wages & benefits	3,405	6.7%	2,152	299	435	519	3,405	-	3,405
Payments to providers of funds	462	0.9%	680	40	200	281	1,201	(739)	462
Payments to government*	665	1.3%	399	11	167	54	632	34	665
Total Distributed	49,167	97.2%	31,923	2,365	12,705	3,214	50,207	(1,040)	49,167
Economic value retained									
Depreciation & Amortisation	371	0.7%	161	27	93	90	371	-	371
Profit after dividends	1,044	2.1%	726	25	(32)	165	883	161	1,044
Retained for reinvestment/growth	1,414	2.8%	887	51	60	255	1,254	161	1,414

In the midst of the global economic and geo-political headwinds and the challenging domestic macro fundamentals, the consolidated income of the Group for the reporting period recorded Rs. 50,075 million. This corresponded to a increase of 41 percent against the preceding year. After accounting for other income and provisions, the total value generated was Rs. 50,581 million.

As depicted in the value added statement, most of the value generated has been re-absorbed to the economy and 97.2 percent of the value created was distributed to employees as wages and benefits. Government received 1.3 percent as taxes whilst financiers received 0.9 percent as cost of finance. The earnings per share and price earnings ratio were Rs 0.54 and 12.5 times respectively. Economic value retained for reinvestment and growth accounted for 2.8 percent of the value created.

Supply Chain

With our vast network and scale of operations, we play a significant role in the country's supply chains in key sectors of the economy. As a policy, as discussed in the Community Section of this Sustainability Report, we give precedence to local suppliers when and where possible.

As a key purchaser, we are able to exert a considerable degree of influence on the supply chain. This is not limited to our role in demand and market for their produce or services. We are also able to influence and even demand from our suppliers quality, standards and best practices in governance. Our selection criteria for suppliers apart from the basic factors such as cost, availability, quality, percentage of rejects and lead time for delivery, considers the sustainability of their business processes and practices with special emphasis on the environment, child and forced labour, other legislation and regulatory requirements.

Corporate Governance & Risk Management

Governance

- Clear segregation of Board responsibilities
- Independent Directors
- Effective Board Sub Committees
- Dedicated compliance/legal officer to report on infringements to governance.
- Compliance with governance requirements of regulatory bodies & applicable legislation.
- Compliance with the relevant reporting and accounting standards
- Code of business conduct and ethics for the Board, management and employees.

Risk Management

- Board Audit Committee to ensure a balance between risks and opportunities in decision-making.
- Dedicated team for day to day risk management in consultation with Board Audit Committee.
- Internal Audit is independent from operations.
- External Audit function consolidated across the Group.

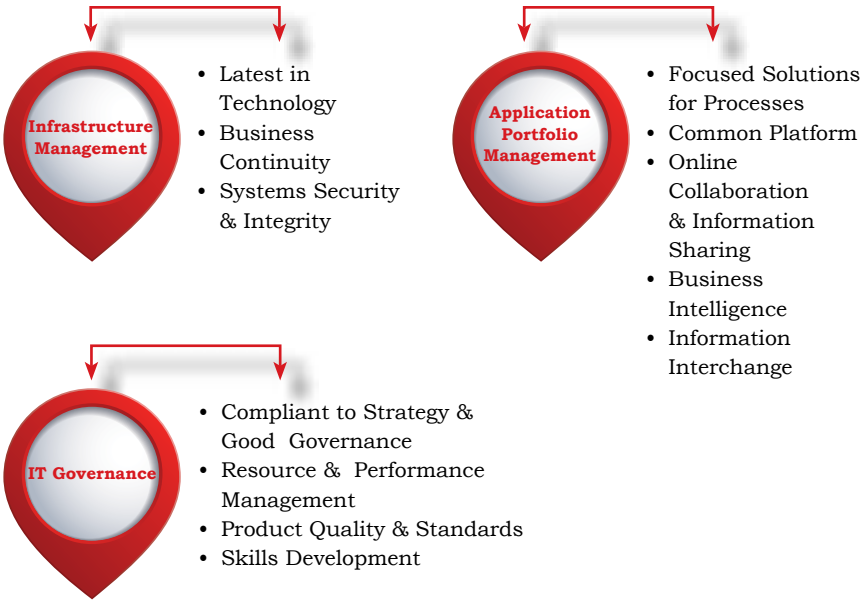
SUSTAINABILITY REPORT

Today, the corporate world is easily distracted by the status quo of prosperity in the short term at the expense of broader business ethics and prudence. As a foremost public quoted conglomerate in the country, Expolanka recognises the importance of upholding ethical and best governance practices including strategic risk management to ensure that the operations will withstand the test of time, beyond mere commercial viability in the short-term. Towards this end, we have adopted effective measures and practices across the Group which are detailed out in the Corporate Governance and Risk Management Sections of this Annual Report.

Information Technology

As is the case in most of the corporate businesses today, information technology (IT) has taken up a pivotal role in our value creation process. We give priority and allocate necessary funds to strategically invest on the latest and appropriate IT solutions to support our businesses to be more agile and efficient, in turn improving quality, customer service and our competitive advantage.

IT Strategic Framework



Our approach to IT as a service enabler is pragmatic and systematic. We have in place an IT Strategic Framework which sets out a three pronged approach to develop and manage IT solutions to achieve the Group's corporate goals. The framework which is set out for three years – 2011-2013, covers the governance structure, strategic direction, goals and the action plan including key performance indicators. During the reporting year, in line with this Strategic Framework, we invested on state of the art IT infrastructure, product development and service delivery to give the Group an edge in an intensely competitive business environment.

IT Infrastructure Management

IT is a centralised function at Expolanka. The holding company is responsible to oversee and support the Group's IT infrastructure requirements and optimise the processes in line with the latest developments in the industry.

Expolanka maintains a dedicated virtual network with Sri Lanka Telecom which has enabled the business processes to grow more economically with a lesser IT footprint. Our computers are purchased from authorised dealers with warranties and are well maintained with the licensed software including all updated office

applications, virus guards and firewalls. We give utmost care to ensure IT integrity and security. We have taken comprehensive measures to safeguard confidentiality of information and data loss that may affect the continuity of the business.

In the reporting year, we sought to upgrade and migrate to more sophisticated IT solutions as detailed out below.

- Established a modern disaster recovery and business continuity framework with data centre restructuring, DPM 2010 backup and recovery solution and enhanced network security framework.
- Improved data communication performance of the Expolanka Group with upgraded internet, network links and new wireless solutions and secured with an upgraded corporate firewall solution.
- Deployed Polycom Video Conferencing to enable high quality global video conferencing facility.
- Extended the server virtualization infrastructure into the next level with Microsoft Server Virtualization 2012 which also supported the corporate green initiatives by reducing power utilisation on data centres, adding high performance and scalability with cost efficiency.
- Moved all corporate websites into cloud environment further reducing power consumption and supporting the green initiative.
- Migrated to LYNC 2013, SCOM 2012, Exchange 2010, Blackberry Enterprise Server and Checkpoint Upgrade.
- Implemented ITIL Ready Help Desk System to improve the end user technical support.

IT Application Portfolio Management

Application management assumes greater significance in a vast business network such as ours where it is necessary to streamline operations, standardise work flow processes and integrate our businesses where ever possible under a common platform to enable effective and collective decision making. Most of our operations including back-office functions from finance, HR management to corporate communications are automated and integrated under one domain which has given us an edge over cost and value creation.

In terms of software engineering, we are equipped with a set of versatile resources - Java/J2EE, .Net, Android and Oracle based application engineering. Project management is done by PMP/ PRINCE2 certified professionals.

The product quality is tested and periodically reviewed internally through software quality assurance tools and techniques on par with industry standards. We have in the recent past sought to enhance our application portfolio, empowering the business processes across the conglomerate as detailed out below.

- Deployed transport management system to drive the transport operations with a TMS portal to provide visibility of operations to customers. The solution package includes GPS based vehicle tracking where customers can monitor vehicle movements on Google Maps. It too includes an Android application for client side factory operations.
- Explored and developed Android mobile applications to be published on Google Play for ExpoRail, transport management and cargo tracking.
- Implemented Share Point 2013 for online information sharing and collaboration, supporting the green initiative of a “paperless” office.
- Implemented system integration with external systems including real-time data transfer, web services and payment gateways, adding more value and capabilities to Expolanka’s clientele.

IT Governance

With IT taking up a central role in our operations, ensuring the best IT policies and practices have become our priority in the recent years. We fully understand the importance and are focused on striking a balance between "business fit" and the latest in technology and ensure information security and integrity. We have in place a cross functional team – "Biz-IT Alignment Team" to ensure that business process re-engineering optimises business IT alignment.

We also seek independent assurance from Internal and External Audits as well as from other professional bodies for timely feedback and fair assessment on the IT measures we have adopted in relation to the overall corporate objectives and in line with the standards and best practices in the industry. We give precedence to training our employees on the latest applications and to ensure that they are up-to-date and in compliance with the Group's IT policies, practices and standards.

The key IT governance practices of the Group are set out below:

- Periodic audit by Internal and External Auditors to ensure that systems are well maintained.
- Independent review and penetration test by third party IT consultants to confirm that systems and processes are on par with best international practices.
- Train employees on applications and compliance to IT policies, practices and standards.
- IT Governance best practices to ensure the proper management and control of IT.
- Surveillance on all IT projects or initiatives executed to ensure the benefit of realisation.
- Properly defined and monitored resource and performance management processes.

Financial software

Online Documentation

Cargo Tracking Mobile Applications

SUSTAINABILITY REPORT

Awards & Recognition

Expolanka (Pvt) Ltd - was awarded two Gold awards under the 'Extra Large category for Value Added Agriculture – Coconut based products' and as the "Most Outstanding Exporter for Value Added Agriculture Exports' at the National Chamber of Exporters Awards Ceremony for the Year 2011 held in Colombo last September.

Expolanka Freight (Pvt) Ltd - was awarded Silver for 'Extra Large Service Provider' at the NCE Awards 2011; the only company being recognised with an award under the category this year.

Hello Corp (Pvt) Ltd - was awarded the "Merit award in Export of Business & Professional Services – Small' at the NCE Award ceremony.

Expolanka Freight(Pvt) Ltd - was awarded the Silver award for B2B Brand of the Year and Bronze for CSR Brand of the Year at the SLIM Brand Excellence Awards 2012 held in October.

Expolanka Freight(Pvt) Ltd - was awarded for Brand Excellence in Logistics at the World Brand Congress in December 2012.

Expo Freight (Pvt) Ltd - was awarded the GOLD Award for 'Logistics & Transport" at the prestigious National Business Excellence Awards ceremony 2012.

Expolanka Holdings PLC - was presented with the prestigious award for 'Best Global Reach' at the National Business Excellence Awards ceremony 2012.

Expolanka Group - was awarded with the prestigious Silver award in the Diversified Group of Companies at the National Business Excellence Awards ceremony 2012.

Expolanka Holdings PLC - was presented with the award for Social Marketing at the World Brand Congress for its extensive list of CSR projects.

Expolanka Group - was awarded the Gold Award for Best of Category - Grand Award for the year 2011 in Green/Environmentally Sound Annual Reports at the 26th Arc Awards International held in New York City, September 2012.

Expolanka Group - was awarded the Gold award for Non Traditional Annual Report, Bronze for Cover Design and Honours award for Printing & Production at the 26th Arc Awards International held in New York City, September 2012.

BUSINESS
DELIVERED
EXCELLENCE
EXPOLANKA HOLDINGS & EXPO FREIGHT(EFL) AWARDED AT THE NATIONAL BUSINESS EXCELLENCE AWARDS 2012
eft
exp

Excellence in every delivery.
in
out
eft

SUSTAINABILITY REPORT

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

Luxe Asia (Pvt) Ltd
- Sri Lanka Association of Inbound Tour Operators

Norfolk (Pvt) Ltd
- Ceylon Chamber of Commerce
- The Council for Business with Britain
- Sri Lanka Maldives Bilateral Business Council

Certification

Expolanka Freight Ltd
- US Customs and Border Protection
- Certified Customs - Trade Partnership against Terrorism (C-TPAT)
- Carbon Neutral®Certificate -Carbon Neutral Company

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
- SORIYA SINGHA Accreditation

Norfolk (Pvt) Ltd
- HALAAL Certificate - All Ceylon Jamiyyathul Ulama
- HACCP - Sri Lanka Standard Institute

APIIT Lanka (Pvt) Ltd
- ISO 9001:2008 - Quality Management System

SUSTAINABILITY REPORT

People – Our Strength

Focus

- Workforce planning & staffing
- Training & Development
- Organisation Development
- Performance Management
- Employee Relations

Engagement

- Employee Handbook
- Code of Business Practices and Ethics
- Employee Surveys
- Intranet
- Circulars & Newsletters
- Memorandum
- Training
- Staff Meetings & Conferences

Approach

- Our aim is to be an equal opportunity employer. We strive to attract and retain the best-in-class to pitch Expolanka to the next plateau, amidst a challenging environment. Our HR policies seek to create an enabling culture for our employees to learn and grow whilst reaching out to the corporate strategic goals. Our approach is to equip the Group with the "right people" for the "right Job", empower our employees through training and development and ensure their wellbeing.

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.

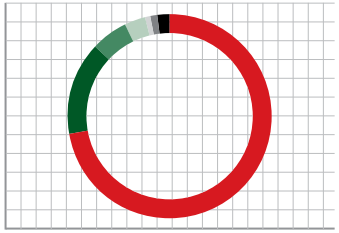
The HR function which is decentralised is supported by a centralised centre of expertise located at the corporate office.

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.

Cadre – Sri Lanka & Overseas

The total cadre as at 31st March 2013 of the Expolanka network including the operations in Sri Lanka and overseas stands at 2768 employees. Out of the total cadre, 1,740 are employed in Sri Lanka corresponding to 62 percent of the total. In terms of overseas operations, focused on freight and logistics, India tops the number employed with 562 employees, followed by Bangladesh with 227 employees, representing 20 percent and 8 percent of the total cadre respectively.

Cadre Geographic Representation

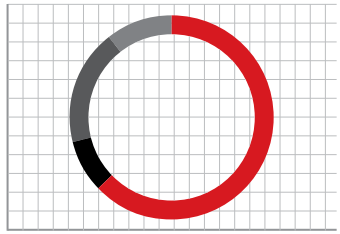


Sri Lanka	62%	USA	1%
India	20%	Africa	2%
Bangladesh	8%	Middle East	2%
Other Asia	5%		

Sector Composition

As at 31st March 2013, Expolanka employed 2,768 persons in four key sectors in the country. Freight and logistics, Expolanka's lead sector accounted for nearly 63 percent of the total with 1,742 employees.

Cadre Sector Composition

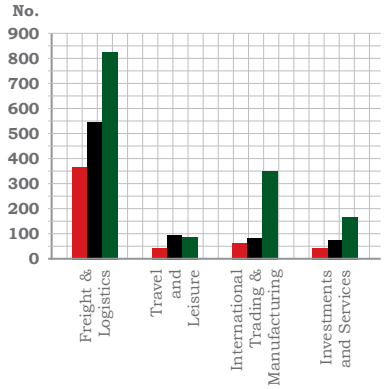


Freight & Logistics	63%
Travel & Leisure	8%
International Trading & Manufacturing	18%
Investments & Services	11%

Employment Type

We have a balanced organisation structure with a good mix of employee categories– managers, executives and operational staff which has given a solid platform to translate decision making to action. The employee categories and their responsibilities are well spread and distributed for our operations to effectively meet the deliverables without bottlenecks due to lopsided staffing.

Sector Staff Category Comparison



- Assistant Managers & above
- Executive Staff
- Non Executive Staff

Contracts

Our recruitment policy advocates permanent employment, so that our employees have the stability and job security to make them feel part of the team. Nearly 83 percent of our cadre is on permanent employment. Employment on contract basis is limited to project related activities and short term requirements. However, we have in place provisions for contract employment to be absorbed into the permanent cadre, subject to vacancies available and the suitability and performance of individuals.

Embracing Diversity

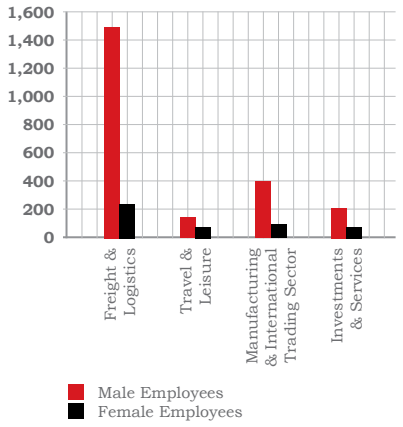
We are well aware that our way forward lies on the creativity, talents and above all on the dedication of our employees. Therefore, we are constantly seeking to make our Group

"one of the best places to work". Our goal is to truly be an equal opportunity employer fitting for a conglomerate such as ours. To this end, we are focusing on moving towards an inclusive culture where diversity in terms of socio-economic considerations be it gender, age, ethnicity and religion, inter alia, is valued and nurtured for our future advancement.

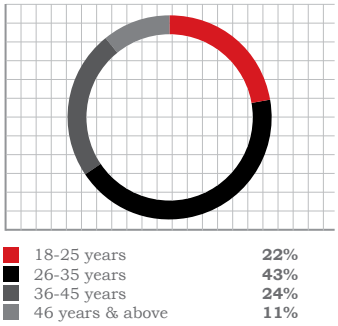
Gender

The overall gender distribution is skewed towards male employees, representing 82 percent of the total cadre. The gender imbalance is more pronounced in the freight and logistics sector, mainly due to the nature of the operations. However, the Group in the recent years has strived to achieve a healthy gender balance which in fact has shifted towards improved representation in the year under review, albeit modestly.

Gender Distribution - Sectors



Age Analysis



We are well aware of the importance of managing the exposure to demographic risk. We are keen to maintain a healthy balance between the generations so that our workforce will be versatile and dynamic. As evidenced by the age analysis, we maintain a good combination between experienced staff and the millennials, blending in the expertise, insight and stability with creativity, tech enthusiasm, and vitality.

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 out sourced service providers.

Talent Acquisition & Retention

Talent Acquisition

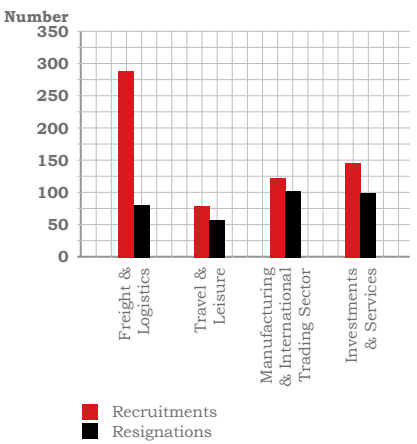
Our aim is to develop an organisation structure to support our efforts to be an equal opportunity employer. We seek to build a multifaceted team that would bring in the necessary skills and experiences to enhance creativity, innovation and organisational excellence. The Group's "Recruitment and Selection Policy" nurtures an inclusive culture, moving away from any social prejudices. Our recruitment is structured and transparent. It is purely based on qualifications, skills, expertise, experience, personality traits and attitude.

Our policy gives precedence to internal promotions and transfers subject to meeting the recruitment criteria. For external recruitments, all vacancies are advertised, in recognised online employment job boards, on social media such as Facebook and LinkedIn and on our official website. Vacancies are also advertised on national newspapers as the need may be. Short-listing is based on the pre-agreed advertised criteria aligned to our recruitment scheme and selection is through competitive interviews including written examinations, case studies and presentations.

We have in place a comprehensive induction programme for new recruits. This programme gives the new employees an overview of the Group's operations in the four sectors. The induction programme mentors the new recruits to the Group's vision, policies, practices and procedures and gives them the necessary technical skills to carry out their duties. The induction programme also is coupled with a programme on motivating and energizing the new comers to enable their quick onboarding to the company.

In the reporting year, we recruited 636 new employees to the Group, out of which 288 employees were to accommodate the expanding operations of our freight and logistics sector.

Recruitments vs Resignations



Our recruitment policy gives precedence to Sri Lankan nationals. Even in our overseas operations, we seek to position Sri Lankans or give them an exposure to the global network, in turn widening their learning opportunities and gaining international best practices in their respective fields.

As a CSR initiative, as discussed under the section Community, we are keen to recruit people from the local communities in which we operate. This policy, whilst giving our communities an opportunity to climb the socio-economic ladder has in fact reinforced our relationships with the communities and created in our employees a sense of belonging and being a part of the operations, leading to motivation and productivity.

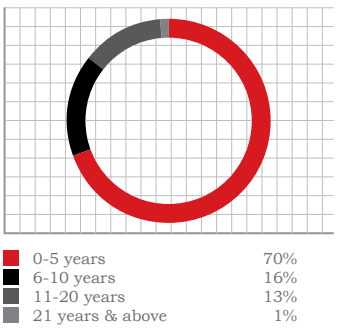
Retention

Our recruitment policy together with the initiatives to bolster employee well-being, due recognition, rewards and career development opportunities have given Expolanka a solid platform to develop good relations with employees and retain them within the network which have been the cornerstone of our Group's success. We have always attempted to retain the best within the network.

During the reporting year, we maintained a healthy service record with nearly 29 percent of employees remaining within the Group network over 6 to 20 years. The average Group staff retention ratio is at 79 percent. However, the staff retention ratio of our key sector, freight and logistics was creditable at a very healthy ratio of 95 percent.

Sectors	Retention Ratio (%)
Freight & Logistics	95
Travel & Leisure	75
Manuf. & Intl. Trading	80
Investments & Services	68

Service Year Analysis Total Cadre - Group



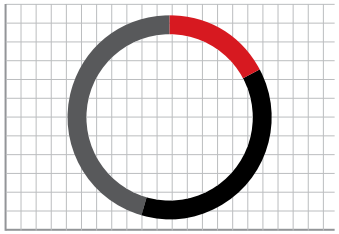
Learning & Development

Training has always been an essential part of our conglomerate. We have continuously invested over the years on training and developing our employees - their skills, talents, personality and professionalism. We have adopted a structured process which is coordinated by the line companies in consultation with the Group HR and Expolanka Leaning Centre.

In this process, we initially assess and prioritise the training requirements prior to formulating the annual training calendar with due consideration to the employees aspirations and aligned to the corporate goals of the Group.

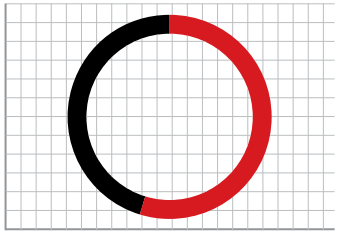
In the reporting year, we continued to invest on training, covering 2,165 employees, including managers, executive and non-executive categories in all four sectors. In the reporting year, the total man hours trained reached 14,192 hours representing an increase of 8 percent as compared to the preceding year. The total investment made for training was Rs 7.46 million.

Training Employee Category



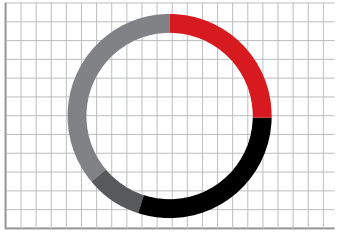
Manager	17%
Executive	37%
Non Executive	46%

Training Programmes



Internal	55%
External	45%

Training Investment



Freight & Logistics	25%
Travel & Leisure	30%
Intl. Trading & Manuf.	9%
Investments & Services	36%

Our approach to training goes beyond the essential work related skills. We seek to give our employees a comprehensive training with focus on technical and soft skills as well as on personal development. Our training programmes, during the year, covered overall skills on customer service, ICT applications, business writing, presenting while some of the programmes encouraged team spirit and importance of having work-life balance.

APPLY

Improve Efficiency & Personal Development

SHARE

Learning & Best Practices

TRAINING & FOLLOW-UP

Essential Skills & Personal Development

We encourage our employees to apply their learning and development garnered from their training programmes in their day to day work-life. Our structured training programmes have measures to ensure that our employees make the best of their training opportunities as well as share their experiences with other colleagues and effectively use the learning and skills to improve the standard and practices in the workplace.

Succession Planning

At Expolanka, succession planning is an on-going and a structured process. The Board of Management plays a central role in identifying and assessing the Group's leadership requirements and mentoring the potential employees to take up their roles at the management and senior management levels. Necessary learning opportunities are extended to develop their leadership skills and thereby laying the foundation for effective succession as and when the need arises.

During the year, the following key initiatives were aimed to reinforce the Group' succession plans;

SUSTAINABILITY REPORT

Airline Division - Familiarization Tour

The Staff at the Airline Division were taken on a familiarization Tour to the Mattala Airport in August 2012 where they were given the opportunity to take a look at the Passenger & Cargo Terminals. The objective behind this visit was to expand the airline's division's operations to the Mattala airport aswell.

Group HR Initiatives - HR Outbound Program

Expo Group has always attributed the passion and commitment of its employees, towards its successes within a commercial landscape that is becoming increasingly competitive. As part of its pledge towards strengthening the unwavering Expolanka spirit, the company invested in a team building exercise to engage the members of its Group wide Human Resources division. The program aptly titled 'Energy to Synergy' was held at Club Che, Hanwella last November and was moderated by Brain HR, Sri Lanka.

15 individuals representing all HR line divisions within Expo Group engaged in a variety of outdoor team building activities designed to foster key values such as planning, coordination, communication, leadership, innovation and collaboration. Ranging from rock climbing and white water rafting, the program proved to be a fun and engaging learning experience and a chance for fellowship and teamwork amongst its participants.

Group HR Initiatives - International Women's Day 2013

International Women's Day has been observed since in the early 1900's, a time of great expansion and turbulence in the industrialized world that saw a booming population growth and the rise of radical ideologies. International Women's Day is annually held on March 8th celebrating the economic, political and social achievements of women past, present and future. It is also known as the United Nations (UN) Day for Women's Rights and International peace. On this day Expolanka Holdings Group HR conducted a celebration for International Women's Day 2013 at the Holdings office, with the participation of all female staffers within the Expo Group.

This event spanned over two days and it was indeed a success. Group HR conducted the International Women's Day workshop for the first time and the festivities brought together many participants that were greeted with the importance of work, life and self-confidence - a presentation by Ms. Dammi Peiris who is a renowned consultant and corporate trainer. A session on Breast Cancer was also conducted for all the ladies by Dr. Neomal Perera from Lanka Hospital (Pvt) Ltd and a cookery demonstration that was conducted by Abans.

Further to the presentations and demonstrations, the participants were also given opportunities to speak and take part in many activities. Each lady who participated received a gift pack provided by Expolanka Holdings PLC.

Executive Development Programme

During the year the first ever Expolanka Executive Development Programme was launched to identify future potential leaders and to develop them and groom them to improve the bench strength of the organization thus contributing to the succession planning process.

Outbound Program

Women's Day

Executive Development Programme

SUSTAINABILITY REPORT

Expolanka Holdings Annual Health Camp

Expolanka Holdings HR in collaboration with Lanka Hospitals Pvt Ltd recently concluded one of most important annual calendar year projects named “It’s time for a checkup”. The program was targeted at the Expolanka Holdings employees, where they were given a chance to get a full health check up at the office premises. This gave the employees a chance to save their valuable time and money and also to get an idea of their health status. The program was held on the 21st February at ELC where all the test samples were taken by the hospital staff, followed up by an individual consultation session where the employees were given a personal report of the reports and necessary guidelines to correct there health issues. Tests available were FBC(Full Blood count), ECG, Total Cholesterol serum, Fasting Blood sugar, SGPT Liver function, BM & BP check up.

Health Camp

Kids Party

Kids Party 2012

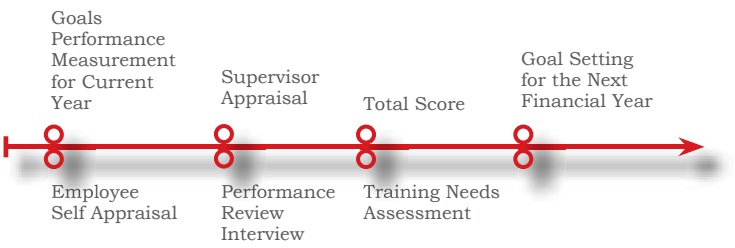
Date 15th December 2012
Venue – Excel World
Participants – Children of all Freight Cluster Employees
This event is annual event organized by the EFL HR.

Rewards & Recognition

The decision making on rewards and recognition at Expolanka is purely based on employee performance which is evaluated transparently on pre-agreed targets aligned to the corporate strategy.

On an annual basis, we effectively use our performance evaluation scheme to assess, recognise and reward employee performance without any personal bias. The scheme following the best industry practices gives precedence to employee competency and commitment to corporate values. This process also supports us to ascertain any skills gap and extend due training to further our employees' professional lives and to meet our corporate goals.

In the financial year under review, we formally reviewed, assessed and provided due recognition and rewards to 2,400 employees, representing 86.7 percent of the total cadre.



Remuneration & Benefits

Remuneration

Our remuneration policy 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.

Defined Benefits

We are committed and consistent in meeting our defined benefit obligations. We contribute as per the stipulated norms, 12 percent of the basic salary to Employee Provident Fund (EPF) and 3 percent to Employee Trust Fund (ETF). As at the reporting period, the Group incurred a cost of Rs. 141,810,849 in terms of EPF and ETF. We are also regular in meeting our obligations on gratuity, payable under the Payment of Gratuity Act No. 12 of 1983. The liability recognised as at the balance sheet date for the Group is Rs. 291,835,110.

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.

SUSTAINABILITY REPORT

Our success in our operations across the globe is underpinned by the collaborative efforts and hard work of all our employees. As we continue to move forward, especially, expanding into global markets, we are well aware of the necessity to pay close attention to the well-being of our workforce which in fact is an underlining factor contributing to motivation and productivity as well as to retain the best talent within the network. Our approach to welfare is holistic and we seek to give a work environment that fosters work/life balance, health and safety and nurture attitude and spirit individually and collectively.

Work/Life

Expolanka is sincere in its efforts to recognise the importance of employees maintaining a balanced lifestyle between work and personal life. We are steadfast in promoting fair delegation of work and responsibilities as well as giving the necessary support especially deploying the latest in technology to enable our employees to manage their time in work and life.

In the reporting year, we encouraged our employees to nurture this balance and we initiated the following:

Health & Safety

Expolanka has in place a comprehensive health and safety management process to minimise the risk of illness and injury among employees. At all times, we seek to maintain standards above the industry norms and keep our employees well educated and updated on the measures that are in place to ensure their health and safety.

During the reporting year, the Group did not incur a cost for any work hazard incidences. Even if an employee sustains an injury, we are geared to extend full reimbursement of medical bills through a comprehensive insurance policy and grant leave of absence with no material change to remuneration.

The health and safety measures we have set in place and the initiatives taken during the reporting year are set out below:

- Annual Health Awareness Camp: Held in various companies of the Group where, all employees were given an opportunity to take a general medical check-up. The Camp also disseminated tips for healthy living on nutrition, disease, fitness, yoga and mind wellness
- 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 ten 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.
- Highest Safety Measures and Standards: We have invested well on standard safety equipment and first-aid across the Group network. Apart from this, we have placed signage of safety instructions and carry out periodic and spot safety checks on operations and processes and drills on contingency plans.

Team Spirit

We are well aware of the importance of motivating our employees and building team spirit which have been central and crucial in our past achievements and will be in our way forward.

This year under review, the HR teams of the different SBUs and the cross functional committee “Expo Sports” organised some exciting activities and events including team building activities, festival celebrations, sports events and outings for employees and their families. These events nurtured team spirit and promoted fellowship among employees to strengthen the “Expo family culture”.

Corporate Social Responsibilty – Focus & Assessment

Our within philosophy has always advocated to go beyond value creation. Supporting the communities we work in and caring for our environment are deeply entrenched in the Expolanka Culture. The CSR model which was formulated in the financial year 2011/12 sets out a structured assessment process to engage all line companies to take up projects aligned to their respective business operations in the five focused areas – education, health, community development, disaster relief and environment which would make a significant difference to the well-being of our society.

SUSTAINABILITY REPORT

Environment – Go Green

Focus

- Focus
- Protect biodiversity
  - Reduce, Reuse & Recycle
  - Paper
  - Energy
  - E-waste
  - Plastics
  - Water
- Effluent Treatment

Engagement

- Employee volunteerism
- Training and building employee awareness
- Collaborate with government & non-government agencies
- Encourage community participation
- Harmonise business decisions with environmental factor

Approach

- We are resolute to align our business decisions to reduce our corporate ecological footprint. Our focus is on developing initiatives and deploying innovation and technology to offer solutions to conserve our environment in the realm of greenhouse gas emissions and energy usage to abate climate change and lobby to protect Earth's biodiversity. We will be responsible and comply with the applicable environmental laws and regulation.

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 infact 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.

EXPOLANKA GROUP ENVIRONMENT POLICY

We as a part of the Expolanka Group recognize 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.**

Hanif Yusoof

Group CEO

SUSTAINABILITY REPORT

Creating Awareness

Earth Hour

World Environment Day

World Water Day

In our fight against climate change, our focus is not limited to solutions that would preserve our biodiversity but we seek to promote the moral and ethical standpoint of the need for a sustainable future. We have the capacity as a leading conglomerate to drive awareness campaigns and engage the public including and most importantly school children, on the necessity of restoring our natural ecosystems and abating climate change. Our key initiatives were based on the world environment calendar as set out below:

Earth Hour

Earth Hour initiated by the World Wild Life Fund (WWF) in Sydney, Australia in 2007 is an acclaimed annual global campaign on climate change. The campaign advocates a compelling proposition to people across the globe to switch off non-essential lights for one hour on the last Saturday of March from 8.30 pm to 9.30 pm as a gesture towards supporting the cause of addressing climate change. On 30th March 2013, Earth Hour united hundreds of millions of people in 7,000 cities and towns in 135 countries around the world.

In collaboration with the Ministry of Environment, Expolanka since 2010 has been in the forefront as a national partner in the Earth Hour campaign in Sri Lanka. This year,Expolanka together with all employees celebrated the Earth Hour with the same commitment - "I Will if You Will" and in the same spirit – "Go Beyond the Hour" to protect the earth from climate change as in the preceding years. The year saw some significant programmes and activities as detailed out below aimed at creating awareness, engaging the public to support the cause and finding pragmatic solutions to battle against climate change.

- Launched a social networking campaign on Facebook challenging the followers to" Go Beyond the Hour". The campaign, a definite success, entailed give-aways of exclusive Earth Hour T-shirts and a lucky draw for a cash price of Rs.10,000/-.
- Broadcasted "Planet Watch" in collaboration with YES FM to draw listener traffic on critical environment issues - green energy, transportation, sustainable development, conservation and biodiversity, recycling and waste reduction. This campaign also promoted Expolanka's Facebook challenge on the Earth Hour.
- Organised a special event for employees with the screening of an award winning documentary directed by Davis Guggenheim on the former United States Vice President Al Gore's environment campaign - "An Inconvenient Truth". The participants at the event placed their signatures on 60 + Earth Hour Board pledging support towards the fight against climate change and global warming.

World Environment Day

Marking the 40th year of the World Environment Day, declared by the Environment Programme of the United Nations (UN), was celebrated across the globe on 5th June 2012. This year's theme "Green Economy: Does it include you?" encompassed human well-being and social equity through reducing environmental risks and ecological scarcities.

Expolanka joined the world to be a part of the efforts to create awareness, engage in meaningful dialogue and effectively advocate environmental friendly measures to reduce the carbon footprint and thereby global warming. In keeping with the theme,the CSR team in collaboration with the freight and logistics sector launched a campaign on 'green air filters' targeting more than thousands of Sri Lankans in Colombo and the suburbs. The campaign advocated trees as an analogue for air filters in vehicles to purify the carbon emissions in the environment. A variety of exotic saplings for planting were gifted to commuters at five central fuel stations in Colombo.

World Water Day

The World Water Day initiated at the 1992 UN Conference on Environment and Development in Rio de Janeiro, was celebrated as per the annual calendar on 22nd March 2012. Expolanka joined hands with United Nations Development Programme (UNDP), Ministry of Environment and Renewable Energy, local authorities, other private sector corporates and the local

communities to mark the day in keeping with the UN declaration for 2013 as the "International Year of Water Co-operation".

This year, Sri Lanka's campaign for World Water Day was celebrated on the lines of the on-going UN Project "Every Drop Matters" complementing the theme of the year. The campaign focused on "empowering communities through water" by engaging the public to adopt sustainable practices in water conservation by deploying technology and through participation.

A series of events and programmes were organised on the Kelani River Basin in Biyagama to mark this day as set out below,

- corporate sector workshop on improving water quantity and quality,
- foundation ceremony for a bio-gas facility to process solid waste and wastewater,
- awareness and advocacy campaigns on water and sanitation,
- street drama organised by the volunteers from Youth for Greener Sri Lanka and
- collection of CFL bulbs, plastic ware, e-waste and unused medicine.

Carbon Neutral Certification

Setting precedence in the industry, Expolanka's flagship company, "efl" obtained internationally recognised carbon neutral certification from Carbon Consulting Company, currently working in 32 countries and partnering some of the largest multi-nationals across the globe. This is the first time a freight and logistics company has obtained this certification in Sri Lanka and also joined ranks with the first few companies in Asia. This is a testimony of Expolanka's commitment towards making a difference to climate change.

Based on the footprint calculation, Expolanka Freight Ltd has neutralised it's carbon footprint for the year 2011 by purchasing the necessary carbon offsets. The offsets were in accordance with the requirements stipulated by the Carbon Neutral Protocol. We will continue with our efforts to further reduce our carbon footprint in the ensuing years and we have set a target of 10 percent for the next financial year.

3R Concept

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.

Key initiatives in our stewardship on 3R are detailed out below.

Electronic Documents & Filing System

- Greater acceptance of electronic documents in the decision making process.
- Implemented a document scanning system to transfer paper documents to electronic records.
- Created a secure and sharable electronic document library.
- Microsoft SharePoint 2013 for effective electronic documentation.

Electronic Communication

- Microsoft LYNC for internal communication including online chatting, video conferencing, file sharing etc.
- E mails for both internal & external communication.
- E Memorandums for reporting and approvals.

Intranet

- Securely share information within the Group.
- Hold internal meetings and web based training.
- Communicate Group policies, circulars and announcements.

Interactive Website

- Update official website periodically to reflect the latest information relevant to stakeholders.
- Online transactions for some business processes.

Recycle Paper

- Systematic storage for used paper to be recycled.
- Recycle paper through Neptune Papers.
- Use recycled paper products for daily operations and for corporate gifts – note books, diaries, greeting cards etc.

Print Policy

- Print policy for essential documents and for final copies.
- Resort to double sided printing.
- Print on used paper subject to confidentiality.
- Instructions on print policy set as sign boards in office areas.
- Email alerts to promote the print policy

SUSTAINABILITY REPORT

The 3R concept aptly fits our mission to move towards the ideal "paperless office" that will underpin convenience, speed, smart processes and cost effectiveness. We are well aware that a paperless office will not translate into a paper free office. Electronic documentation will not be able to completely phase out paper documents, still essential in our operational framework as is the case in the rest of the commercial world. Yet,what we are striving for is to reduce the volume of paper used, so that we could become a "less paper office" thereby improve our business efficiency and embrace sustainability.

During the reporting year, we stepped up our 3R initiatives -advocating electronic documents and filing, communicating online, using recycled paper and printing sparingly which indeed have made an impact on efficiency in paper usage across our line companies.

Our Recycling Business

Taking off over a decade ago on an employee's initiative based on the 3R concept of creating fancy packaging from discarded cardboard cartons, our recycling arm, Neptune Papers has succeeded to be the premier exporter of waste paper for recycling in Sri Lanka.

Apart from targeting the needs of the Group network, the Company has built strong links with responsible corporates, government and non-government agencies, foreign missions, schools and hospitals.

In terms of the Expolanka network in Sri Lanka, Neptune Papers collected and shredded 13,954 kilograms of waste paper in the year financial year 2012/13.

Saving & Contribution to the Environment
Expolanka Group – Sri Lanka

Resources	Unit	2012/13
Trees	Number	237
Water	Liters	443,458
Electricity	KWH	55,816
Oil	Liters	24,489
Land Fill	Cubic Meters	42
Reduction - Green House Gas Emission	(KG Carbon Equivalent)	13,954

Source: Neptune Papers (Pvt) Ltd

Energy Usage

The dire need to save energy for our own sustainability with a positive impact on the world's fast dwindling non-renewable resources underpins our rationale for prioritising efficiency in energy usage across our Group network. Our energy policy advocates lean and best energy management practices, focusing on electricity and fuel. To this end, we deploy the most effective technology and invest in energy efficient equipment. But, above all, we continuously engage with our employees to seek and implement the most pragmatic measures to put a cap on energy usage and waste which translates positively to our bottom-line as well as to reduce our corporate footprint.

Engage Employees

- Continuous dialogue with employees across the Group on the necessity to address energy issues.
- Employee behavioural change programmes.
- Constant reminders on energy conservation

Energy Audit

- Seek baseline and set benchmarks for energy usage.
- Implement recommendations to improve energy efficiency.

Energy Saving Measures

- Install automatic lighting controls.
- Convert incandescent lighting to energy saving CFL & LED bulbs.
- Maximize the usage of air conditioning by maintaining temperatures at 24 degree celcius.
- Server virtualisation infrastructure to reduce energy usage on data centres.
- Corporate websites in cloud environment.
- Ensure proper and timely maintenance of the vehicle fleet.
- Compliance to global standards - EPEAT, TCO, Energy Star.

Energy Audit

During the reporting year, we carried out and completed a comprehensive energy audit in 18 line companies. The audit was conducted by 25 foreign engineering students attached to AISEC, the largest student body in the world, in consultation with the Engineering Faculty of the University of Moratuwa. The energy audit report was made available and the findings there in were taken on board to improve and conserve energy usage, supporting our measures to abate climate change.

SUSTAINABILITY REPORT

Expo Rail

Transportation industry has a higher propensity to emit greenhouse gases which are harmful to our environment. Rail travel is one of the most sustainable alternatives to minimise the impact on the environment. It is well documented that trains use less energy and are less damaging to the environment than the most common forms of travel – planes and automobiles.

Policy makers in Sri Lanka are keen to promote energy efficient rail travel, vital for sustainable development. Besides, it is an ideal solution to reduce city traffic congestion which will lead to an efficient economic system and spur the growth aspired for the nation. Hence,developing and modernising Sri Lanka Railways is one of the priorities set out in the Roadmap for the country's progress.

Our premier initiative in railways, Expo Rail operates on a public-private partnership model with Sri Lanka Railways. The rail service covering a total of 60 major towns in four key routes has been an ace to promote rail travel among the public. As at date, Expo Rail has serviced over 50,000 customers, both domestic travellers and tourists. Expo Rail has brought in the best practices and standards essential to uplift the rail services in the country and thereby support the nations' drive for sustainable development.

Compliance to Rules and Regulations

As a responsible corporate citizen, we have adopted dynamic measures as discussed in this section to mitigate the adverse impact of our footprint on the environment. Expolanka including all our subsidiaries are compliant to the rules and regulations stipulated by the Central Environment Authority and the legislation passed on environment protection. The Group has not been subjected to any fines for non-compliance.

Management of Other Resources

With the progress of Expolanka over the years, we have aggressively sought to modernise our operations with technology and sophisticated equipment. We are extremely aware of our footprint on the use of these products that are made with non bio-degradable material. Hence, our 3R policy focuses on effectively managing and disposing non-biodegradable waste. We seek at all times to dispose used plastics, metal and electronic items responsibly.

We have taken measures to dispose E waste including batteries and CFL bulbs safely and responsibly through an E waste disposal company. Our recycling arm, Neptune Papers has also added on plastics for recycling on a limited scale which we expect to grow in the near future, in turn

supporting our efforts to minimise our footprint on non-biodegradable resources.

Water Conservation

Water is the life source for all living species. Without conservation, water which is a finite resource, particularly, fresh water may become exhausted. At Expolanka, we have adopted water preservation solutions and taken even minute measures to moderate our water consumption.

Engage Employees

- Educate and motivate all employees to conserve water.
- Install signs to remind staff to save water in wash rooms, restrooms and work areas.
- Encourage employee participation to find solutions to conserve water.

Water Saving Measures

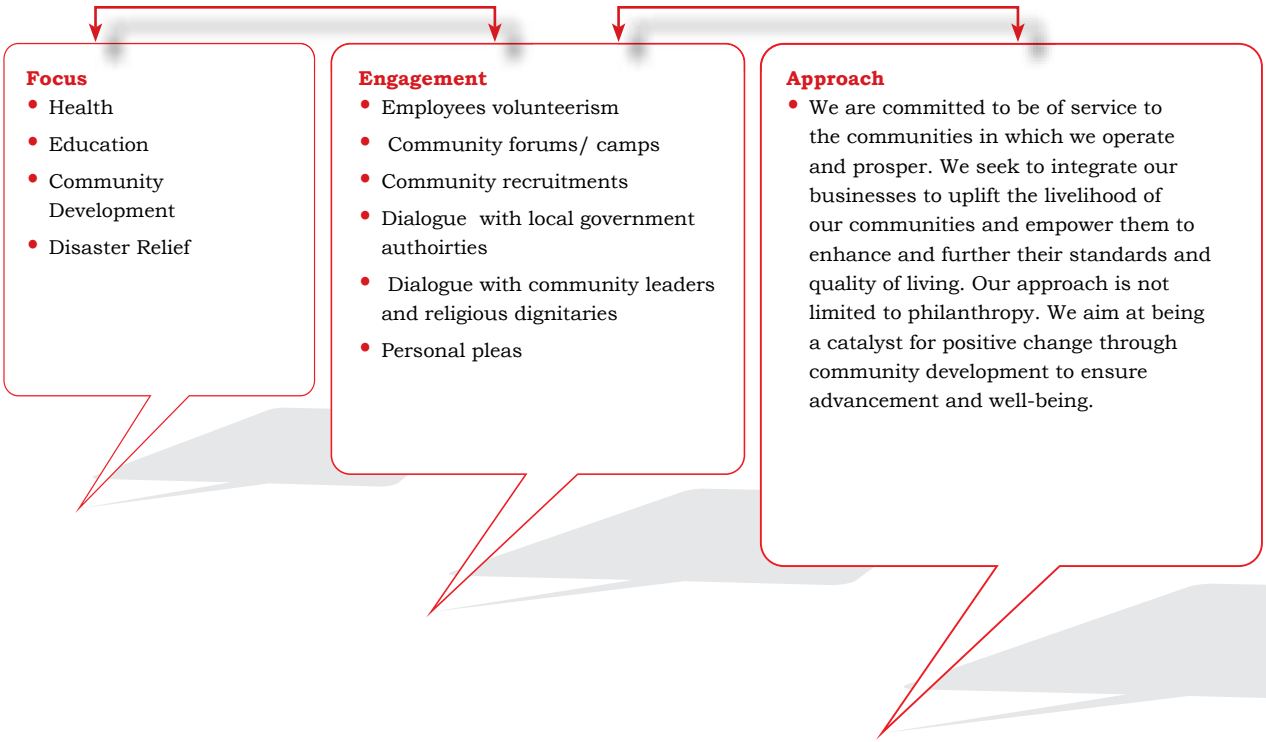
- Install water saving equipment - taps, flush systems etc.
- "SAVE WATER" signage reminders to minimise wastage of water.

Monitor Water Consumption

- Closely monitor and meter water consumption to identify areas where water saving is possible.
- Prompt detection of leaks in water systems for remedial action.

SUSTAINABILITY REPORT

Community – Building a Better Nation



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. Our projects and activities for the reporting period are presented below.

Education – Transforming the Future

We share the nation's conviction that education plays a central role in the roadmap for development. Education is the most potent way of empowering our youth to bring in the much needed skills and innovation to drive this country forward.

Our initiatives in the realm of education to sustain our communities come from our strategic investment in the BOI approved tertiary education institute, the Asia Pacific Institute of Information Technology (APIIT). Through APIIT which is affiliated to the Staffordshire University in the UK, we have sought to make a difference in harnessing quality, standards and best practices in tertiary education to create high calibre academics and professionals. In effect, we are steadfast in spreading our best practices as well as in supporting the government's proposals to bring in a regulatory framework for private education much needed to reach the nation's aspired heights.

In the year under review, we initiated the following programmes through our education arm, APIIT.

Expolanka-APIIT Entrepreneurship Incubation Programme

As an effective and a sustainable model to uplift the minds of the future generation, APIIT in collaboration with Expolanka set out an incubator framework for entrepreneurial minded students and graduates. This programme facilitated the participants to learn and emulate industry best practices and to transform innovative ideas into a pragmatic business plans, leading up to potential start-up companies. This also gave an opportunity for the participants to network with the country's top most executives and paved the way to ascertain the employment options in the country.

The programme conducted at the Law School of APIIT, encompassed a series of workshops by a panel of experts on start-ups, creativity and innovation including an overview into the workings of Expolanka's entrepreneurial success. The key note address – "The Psyche of the Entrepreneur and the Spirit to Forge Ahead with a Vision" was delivered by Mr.Aslam Omar, an imminent entrepreneurial personality in the country.

"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 million for this programme.

Health – Building a Healthy Nation

Our aim is to promote community well-being through facilitating health care to all, especially targeting the underprivileged segments of our society. Although our country advocates free health care services, much work needs to be done to fill in the gaps for quality and affordable facilities as well as to create awareness among the general public on healthy lifestyles. During the year under review, we initiated key projects in collaboration with our health-care oriented line companies, to build a more healthy society that would make a difference to the growing nation. The key initatives are set out below.

Well-being through Expo Medix

Expolanka operates low cost health care centres in six central locations – Grandpass, Muttakkuliya, Slave Island, Hunupitya, Panadura and Kalutara targeting the low-income earners. The centres are fully equipped with medical amenities and professional health care personnel to ensure the requisite quality and standards. The centres extend free consultations and medicine at cost for common ailments, enabling the community to have access to health care within their means. The clinic attracts over 200 patients per week and we have treated more than 70,000 patients at the above mentioned centres as at date.

Expo Medix also organises annual free health camps with emphasis on general health, diabetes, cancer, AIDs, dengue and oral hygiene. This year, the camp was held at Slave Island and over 300 people participated to check on their well-being by availing the services offered at the camp.

World Health Day

In commemoration of the World Health Day, declared by the World Health Organisation (WHO), the CSR arm of Expolanka together with its subsidiary, Bio Extracts Ltd organised a health camp at the SOS Children's Village.

In keeping with the theme "Good Health Adds Years to Life", the health camp carried out general health check-ups on over 230 children, focusing on their nutrition habits and offering free prescription medicine for their common ailments. The camp also outlined the benefits of Expolanka's herbal supplements branded under "Baraka" which are aimed at enhancing people's well-being. Leaflets on health tips, educational posters and videos on national health, courtesy of WHO Sri Lanka, Ministry of Health and the Ministry of Social Services were presented to the Assistant Village Director of the SOS Village.

"Save Lives" - Dengue Eradication Programme

The dengue eradication programme was organised by the CSR unit at Expolanka in collaboration with Bio Extracts Ltd. The programme sought to create awareness on the mosquito borne disease - dengue and advocated safety and preventive actions that can be taken to arrest the disease from spreading further among the general public.

The campaign effectively engaged the public on the issues of dengue which entailed street promotions in prime locations in Colombo and the suburbs including areas in Maharagama, Nugegoda, and Pelawatte. A street drama themed "take action now and eliminate dengue" and roaming mascots dressed up as giant mosquitoes showcasing message boards - "Dengue Kills" were the highlights of the promotions. Mosquito repellents produced under the brand, "Baraka" and leaflets on the deadly disease and preventive measures were freely distributed especially to the audience who came to watch the street drama. The campaign was also effectively communicated on social media - Facebook.

Well-being through Expo Medix

World Health Day

"Save Lives" - Dengue Eradication Programme

Signage - Ragama National Hospital

At the request of the National Hospital in Welisara, Ragama, Expolanka donated and placed sign boards at the Chest Ward of the hospital. The signage of directional and destination names facilitated patients, visitors and health care personnel to easily identify locations and made the ward more orderly and efficient.

Community Development - Empowerment

Community Employment

As a responsible corporate citizen, we firmly believe that it is vital to uphold our policy of recruiting within the communities we operate in and thereby be a catalyst for the national drive towards abating unemployment and alleviating poverty. This policy has set out a sustainable workforce for our operations whilst, easing out community relations and facilitating a culture where issues can be resolved without an impairment to the operational continuance. We also make an effort to integrate our businesses to the community supply chain, thereby ensuring a market for their products. These measures have positively contributed to the communities with trickle down benefits in terms of income generation and quality of living, culminating in national development.

Neptune Papers Ltd, the Group's wastepaper exporter provides employment for over 25 women on non-permanent basis. Neptune supports the community's micro and sole industries producing recycled paper products with raw material at cost whilst the Group companies patronises these industries with a ready market for their products.

"Classic Cares" - Maharagama Sucharithodaya Home

This CSR project was initiated by Classic Travels, a subsidiary of Expolanka to uplift the well-being of the individuals residing within the Maharagama Sucharithodaya Home. This initiative will support the home with financial assistance and volunteerism on a monthly basis.

“Venture Engine”- Enabling Sri Lankan Entrepreneurs

Officially launched in 2012, “Venture Engine” is a unique project aimed at creating opportunities for Sri Lankan entrepreneurs to drive the nation’s development agenda. Conceptualised by Blue Ocean Ventures and the Indian Angel Network and supported by Expolanka, the project creates a platform for entrepreneurs to pitch directly to potential investors with mentoring and technical support for the selected businesses.

The project called for submissions of business plans of aspiring entrepreneurs and those seeking investments to expand from their early stage of businesses. The short-listed entrepreneurs were called in to present their proposed projects and were given an opportunity to participate in a mentoring workshop and to network with leading investors and businessmen from the region to fine tune their business plans. In effect, apart from the top three selections, the budding entrepreneurs were encouraged to explore the investment opportunities outside the scope of this programme.

The first programme held during the year was a resounding success with investment opportunities for 11 businesses for total sum of Rs.100 million. This programme is intended to be an annual event in Expolanka’s CSR agenda.

Disaster Relief – Extending a Helping Hand

Flood Relief Programme

In response to the critical situation and urgent pleas due to flash floods in the year under review, Expolanka and its subsidiary network came together to provide relief to the affected flood victims in Elahera and Polonnnaruwa. With the assistance of the local government officials, Expolanka identified a total of 800 people i.e. 350 affected families and supported them with essential dry rations and volunteer community service.

GRI Index 3.1

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1. Strategy and Analysis				
1.1	Statement from the most senior decision-maker of the organization.	Fully	Chairman's Message & CEO's Review	16-19
2. Organizational Profile				
2.1	Name of the organization.	Fully	Expolanka Holdings PLC	
2.2	Primary brands, products, and/or services.	Fully	Sector Snapshot, Sector Review	24-27
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	Group Chart	24-27
2.4	Location of organization's headquarters.	Fully	Corporate Information	2
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	Sector Review	10-11
2.6	Nature of ownership and legal form.	Fully	Corporate Information	2
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	Sector Review	10-11
2.8	Scale of the reporting organization.	Fully	Financial Review & Statements, Annual Report of the Board of Directors	73-75, 168-172
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	Chairman's Message,CEO's Review, Annual Report of the Board of Directors	12-14 16-19 168-170
2.10	Awards received in the reporting period.	Fully	Sustainability Report - Economic Contribution	126

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3.2	Date of most recent previous report (if any).	Fully	Sustainability Report - 2011/12	116
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3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	Sustainability Report -About the Report	116
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Partially	Sustainability Report -About the Report	116
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	Financial Statements	176 - 183
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	No significant changes from previous reporting on the scope, boundary or measurement methods.	N/A
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	Contents	159-165

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4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	Corporate Governance	94 - 95
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	Corporate Governance	94 - 95
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Fully	Corporate Governance, Board of Directors	95
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4.14	List of stakeholder groups engaged by the organization.	Fully	Sustainability Report - Stakeholder Management	118, 130, 142
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	Sustainability Report - Economic Contribution, People, Community & People	118, 130, 142
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Economic performance				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Fully	Sustainability Report - Economic Contribution	120

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Profile Disclosure	Disclosure	Level of Reporting	Location of disclosure/ Direct Response	Corresponding Page No.
EC4	Significant financial assistance received from government.	Fully	Not received any financial assistance from the government	N/A
Market presence				
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Partially	Sustainability Report - Economic Contribution	120
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EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	Sustainability Report - Community	141-158
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Fully	Sustainability Report - Economic Contribution & Sector Reviews	120
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Energy				
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Fully	Sustainability Report - Environment	142
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Fully	Sustainability Report - Environment	142
Emissions, effluents and waste				
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Partially	Sustainability Report - Environment	146
Products and services				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fully	Sustainability Report - Environment	147

Profile Disclosure	Disclosure	Level of Reporting	Location of disclosure/ Direct Response	Corresponding Page No.
Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	None	N/A
Social: Labor Practices and Decent Work				
Employment				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	Sustainability Report - People	131-133
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Partially	Sustainability Report - People	131-133
Occupational health and safety				
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Fully	None	N/A
Training and education				
LA10	Average hours of training per year per employee by gender, and by employee category.	Partially	Sustainability Report - People	135-137
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	Sustainability Report - People	134-135
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Partially	Sustainability Report - People	139-140

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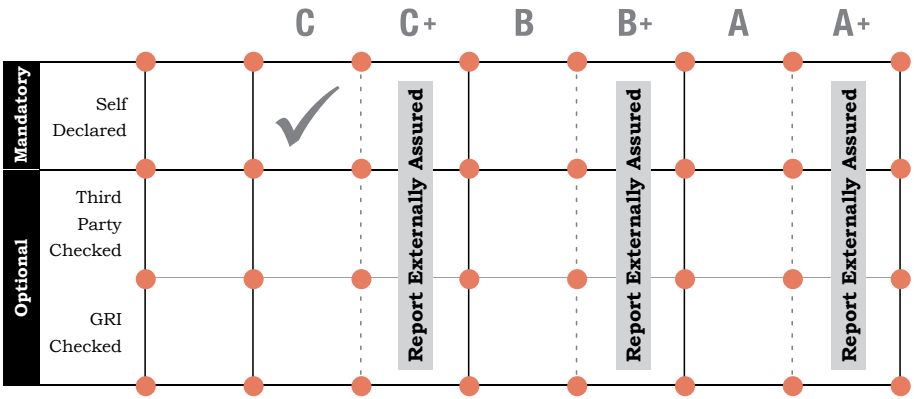
Profile Disclosure	Disclosure	Level of Reporting	Location of disclosure/ Direct Response	Corresponding Page No.
Diversity and equal opportunity				
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	Sustainability Report - People	131
Social: Human Rights				
Non-discrimination				
HR4	Total number of incidents of discrimination and actions taken.	Fully	Sustainability Report - People	132
Child labor				
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Fully	Sustainability Report - People	121
Forced and compulsory labor				
HR7	Operations and significant 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.	Fully	Sustainability Report - People	121
Social: Society				
Local communities				
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Partially	Sustainability - Community	152-158

Profile Disclosure	Disclosure	Level of Reporting	Location of disclosure/ Direct Response	Corresponding Page No.
Compliance				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	Sustainability Report - Environment (Expolanka has not been subjected to fines for the reporting period for any non compliance to laws and regulations.)	142-151

Report Application Level

We have self assessed our report as...



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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 31st March 2013 of Expolanka Holdings PLC a Diversified Holding Company, listed on the Colombo Stock Exchange, Audited Consolidated Financial Statement of the Group and the Auditors' Report on those Financial Statements. Expolanka Holdings PLC which was incorporated in Sri Lanka on 05th March 2003 as a Private Limited Liability Company under the Companies Act No. 17 of 1982 and Re-registered on 11th November 2008 a Public Limited Liability Company under the Company's Act No 07 of 2007 and the Company's Re-registration Number is PB 744.

The contents of this Report are in accordance with the statutory requirements, the requirements of relevant regulatory authorities and best accounting practices which have been brought to the notice of the shareholders and other stakeholders. These Audited Financial Statements were approved by the Board of Directors at the Board Meeting held on 25th June 2013.

COVENANT AND CORE VALUES

Expolanka's covenant is;

'Building a great business with a dare to do spirit' and the Expolanka's core values are;

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

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

PRINCIPAL ACTIVITIES

Expolanka Holdings PLC, the Group's holding Company manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the Expolanka Group, and provides numerous function based services to its Group Companies. The Companies within the Group and its holding percentages are described on pages 185-186 of this Annual Report. The principal activities of the Group are categorized into 4 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 176 to 242.

AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 175.

ACCOUNTING POLICIES

The elements of the Accounting Policies have been discussed in detail under Note 2 to the Audited Financial Statements. It should be noted that there have been changes in the Accounting Policies adopted by the Group during the year under review. For all periods up to and including the year ended 31st March 2012, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS) which were effective up to 31 March 2012. These Financial Statements for the year ended 31st March 2013 are the first the Group has prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) immediately effective from 01st April 2012. These SLFRS/LKAS's have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

REVENUE

Revenue generated by the Company amounted to Rs. 132,114,731 (2012 - Rs. 129,045,324) whilst Group revenue amounted to Rs. 50,075,358,292 (2012- Rs. 35,414,567,620). Contribution to the group revenue from the different business segments is provided in page 77.

RESULTS AND APPROPRIATIONS

The profit after tax of the holding Company was Rs. 170,317,991 (2012 - Rs. 201,193,340) whilst the Group profit attributable to equity holders of the parent for the year was Rs. 1,060,657,818 (2012 – Rs. 1,033,329,029).Results of the Company and of the Group are given in the income statement in the audited financial statement.

An interim dividend of Rs. 0.12 per share was paid for the financial year 2012/2013. 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. 7,500 (2012 - Rs. 355,000) and Rs. 14,148,585 (2012 - Rs. 6,767,206) respectively. The amounts do not include contributions on account of Corporate Social Responsibility (CSR) initiatives. The CSR initiatives, including completed and on-going projects, are detailed in the sustainability report of the annual report.

PROPERTY, PLANT AND EQUIPMENT

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 71,857,492 (2012 - Rs. 50,413,123) and Rs. 4,221,064,159 (2012 - Rs. 3,420,460,745 for the Company and the Group respectively. Capital expenditure for the Company and the Group amounted to Rs. 43,272,559 (2012 - Rs. 31,284,409) and Rs. 1,422,426,901 (2012 - Rs. 605,420,207) 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. 4,930,524,481 (2012 - Rs. 5,289,844,913) respectively. Detailed description of the short and long term investments held as at the balance sheet date, are given in Notes 6 to 8 to the financial statements.

STATED CAPITAL MOVEMENTS

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

Stated Capital	Rs
As at 01st April 2012	4,097,985,000
Movements during the year	-
As at 31st March 2013	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

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

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 31st March 2013.

DIRECTORS REMUNERATION

Directors' remuneration, in respect of the Company for the financial year 2012/13 is Rs. 29,610,000. Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2012/13 is Rs. 176,310,708.

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 31st March 2013.

Name of Director	No of Shares
Osman Kassim	283,865,516
Sattar Kassim	286,315,516
Farook Kassim	281,415,516
Shafik Kassim	283,865,516
Hanif Yusoof	283,865,516
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 31st Mar 13	%	As at 31st Dec 12	%
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

	Name of Shareholder	As at 31st Mar 13	%	As at 31st Dec 12	%
11	Northern Trust CO S/A Prince Street Opportunities Ltd	19,660,000	1.01	19,660,000	1.01
12	Bank of Ceylon A/C Ceybank Unit Trust	13,455,803	0.69	12,935,867	0.66
13	Amana Bank Limited	10,556,437	0.54	3,450,000	0.18
14	Ceylon Guardian Investment Trust PLC A/C # 01	10,000,000	0.51	12,099,300	0.62
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	J.B. Cocoshell (Pvt) Ltd	6,857,980	0.35	6,857,980	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 87 to 115 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 2,768 (2012 - 2,499). 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.

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

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 REPORTING DATE

No circumstances have arisen since the Reporting 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. The Sustainability Report form part of this annual report and could refer on pages 116 to 165.

ANNUAL REPORT

The Board of Directors has approved the Company and the Consolidated Financial Statements on 25th June 2013. 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 Boganvilla, Galadari Hotel, No. 64, Lotus Road, Colombo 01, on Friday 26th July 2013 at 4.30 pm.

By Order of the Board

Osman Kassim
Director

Hanif Yusoof
Director

SSP Corporate Services (Pvt) Ltd
Secretaries

25 June 2013

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;

- Statement of financial position 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 175 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 a certificate from the auditors, prior to declaring the interim dividend of Rs. 0.12 per share during this financial year.

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

THE STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 29.2.2 to the financial statements covering contingent liabilities.

Osman Kassim
Director

Hanif Yusoof
Director

25 June 2013

INDEPENDENT AUDITOR'S REPORT

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

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 2013, 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 2013 and the financial statements give a true and fair view of the financial position of the Company as at 31 March 2013 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 2013 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 2013
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 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

STATEMENT OF FINANCIAL POSITION

As at 31 March 2013	Note	Group 2013 Rs.	Group 2012 Rs.	Group As at 1 April 2011 Rs.	Company 2013 Rs.	Company 2012 Rs.	Company As at 1 April 2011 Rs.
ASSETS							
Non-current Assets							
Property, Plant and Equipment	3	**4,221,064,159**	3,420,460,742	2,973,443,295	**71,857,492**	50,413,122	34,776,499
Investment Property	4	**-**	-	122,512,000	**-**	-	-
Intangible Assets	5	**508,745,162**	227,462,415	28,912,686	**-**	8,414,583	16,777,939
Investments in Subsidiaries	6	**-**	-	-	**4,220,198,902**	4,046,431,369	3,164,586,704
Investment in Associate	7	**89,405,770**	74,590,104	-	**43,990,000**	43,975,000	-
Other Financial Assets	8	**618,613,600**	562,375,688	383,150,297	**501,511,269**	461,616,379	258,785,140
Deferred Income Tax Assets	16	**45,540,882**	47,465,543	49,474,132	**-**	-	-
		5,483,369,573	4,332,354,495	3,557,492,410	**4,837,557,663**	4,610,850,453	3,474,926,282
Current Assets							
Inventories	10	**1,155,214,148**	1,104,390,576	727,630,861	**-**	-	-
Trade and Other Receivables	11	**11,559,009,945**	8,151,025,671	6,899,991,557	**979,646,770**	1,056,684,239	500,201,203
Prepayments		**1,044,981,354**	724,881,593	505,656,985	**26,910,048**	24,028,151	12,195,587
Other Financial Assets	8	**388,884,764**	433,613,068	7,414,143	**164,824,310**	526,246,168	6,318,690
Other Investments	9	**111,262,500**	236,179,681	25,475,050	**-**	211,576,000	-
Income Tax Recoverable		**29,464,895**	22,946,749	40,138,290	**-**	-	-
Cash and Cash Equivalents	12	**2,576,285,350**	2,349,425,695	2,228,020,408	**9,870,985**	71,961,480	112,337,536
		16,865,102,956	13,022,463,033	10,434,327,294	**1,181,252,113**	1,890,496,038	631,053,016
Total Assets		**22,348,472,529**	17,354,817,525	13,991,819,704	**6,018,809,776**	6,501,346,491	4,105,979,298

As at 31 March 2013	Note	Group 2013 Rs.	Group 2012 Rs.	Group As at 1 April 2011 Rs.	Company 2013 Rs.	Company 2012 Rs.	Company As at 1 April 2011 Rs.
EQUITY AND LIABILITIES							
Stated Capital	13	**4,097,985,000**	4,097,985,000	1,782,915,000	**4,097,985,000**	4,097,985,000	1,782,915,000
Reserves	14	**73,294,563**	119,162,692	(9,375,334)	**(20,256,133)**	(6,663,680)	-
Retained Earnings		**4,910,155,367**	4,037,136,883	3,210,491,523	**1,543,916,936**	1,607,596,800	1,637,551,872
Equity Attributable to Equity Holders of Parent		**9,081,434,930**	8,254,284,575	4,984,031,189	**5,621,645,803**	5,698,918,120	3,420,466,872
Non-controlling Interest		**1,155,563,970**	964,466,397	748,923,293	**-**	-	-
Total Equity		**10,236,998,900**	9,218,750,972	5,732,954,482	**5,621,645,803**	5,698,918,120	3,420,466,872
Non-current Liabilities							
Financing and Lease (Ijara) Payables	15	**702,663,963**	384,350,285	1,172,142,286	**360,076,823**	281,736,575	466,000,889
Deferred Income Tax Liabilities	16	**76,202,476**	81,965,472	16,073,825	**-**	-	-
Retirement Benefit Obligation	17	**291,835,110**	264,636,315	214,305,106	**9,922,036**	9,634,071	10,965,779
		1,070,701,549	730,952,072	1,402,521,217	**369,998,859**	291,370,646	476,966,668
Current Liabilities							
Financing and Lease (Ijara) Payables	15	**1,959,598,493**	1,644,734,236	1,101,923,177	**1,000,000**	305,887	185,596,694
Trade and Other Payables	18	**8,724,922,752**	5,411,826,180	5,415,817,330	**26,165,114**	510,751,838	22,949,064
Income Tax Liabilities		**356,250,835**	348,554,065	338,603,498	**-**	-	-
		11,040,772,080	7,405,114,481	6,856,344,005	**27,165,114**	511,057,725	208,545,758
Total Equity and Liabilities		**22,348,472,529**	17,354,817,525	13,991,819,704	**6,018,809,776**	6,501,346,491	4,105,979,298
Net Assets per Share		**5.24**	4.72	3.22	**2.88**	2.92	1.92

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

Mushtaq Ahamed
Director - Group Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by,

Hanif Yusoof
Director

Osman Kassim
Director

The accounting policies and notes on pages 184 through 242 form an integral part of the financial statements.

25 June 2013
Colombo

INCOME STATEMENT

Year ended 31 March 2013	Note	Group 2013 Rs.	Group 2012 Rs.	Company 2013 Rs.	Company 2012 Rs.
Revenue	19	**50,075,358,292**	35,414,567,620	**132,114,731**	129,045,324
Cost of Sales		**(41,953,766,340)**	(29,308,109,366)	**-**	-
Gross Profit		**8,121,591,952**	6,106,458,254	**132,114,731**	129,045,324
Other operating income and gains	20	**491,016,548**	633,414,386	**375,983,557**	322,451,818
Selling and distribution expenses		**(627,140,848)**	(488,846,870)	**(4,684,259)**	(3,492,744)
Administrative expenses		**(6,102,998,168)**	(4,454,881,649)	**(332,747,731)**	(238,628,876)
Operating profit		**1,882,469,484**	1,796,144,122	**170,666,298**	209,375,522
Finance costs	21	**(226,996,396)**	(137,094,568)	**(348,306)**	(8,182,180)
Share of profit of an associate (net of tax)	7.2	**14,840,666**	5,232,856	**-**	-
Profit before tax	22	**1,670,313,754**	1,664,282,410	**170,317,992**	201,193,342
Income tax expense	23	**(391,794,929)**	(454,736,347)	**-**	-
Profit for the year		**1,278,518,825**	1,209,546,063	**170,317,992**	201,193,342
Attributable to:					
Owners of the Parent		**1,060,657,819**	1,033,329,029		
Non-controlling Interest		**217,861,005**	176,217,035		
		1,278,518,825	1,209,546,064		
Basic Earnings Per Share	24	**0.543**	0.529		
Dividend Per Share	24.3			**0.12**	0.12

The accounting policies and notes on pages 184 through 242 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Profit for the year	**1,278,518,825**	1,209,546,063	**170,317,992**	201,193,342
Other comprehensive income				
Net Exchange differences on translation of foreign operations	**(32,275,677)**	139,871,943	**-**	-
Net loss on available - for - sale financial assets	**(13,592,453)**	(11,333,917)	**(13,592,453)**	(6,663,680)
Actuarial gains on defined benefit plans	**7,360,378**	9,388,062	**591,944**	3,441,386
Income tax effect	**(1,060,592)**	(38,353)	**-**	-
	6,299,786	9,349,710	**591,944**	3,441,386
Other comprehensive income for the year, net of tax	**(39,568,344)**	137,887,736	**(13,000,509)**	(3,222,294)
Total comprehensive income for the year, net of tax	**1,238,950,481**	1,347,433,799	**157,317,483**	197,971,048
Attributable to:				
Owners of the Parent	**1,019,495,708**	1,170,067,609		
Non-controlling Interest	**219,454,773**	177,366,190		
	1,238,950,481	1,347,433,799		

The accounting policies and notes on pages 184 through 242 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Group Year ended 31 March 2013	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 2011	1,782,915,000	-	(9,375,334)	3,210,491,523	4,984,031,189	748,923,293	5,732,954,482
Profit for the year	-	-	-	1,033,329,029	1,033,329,029	176,217,035	1,209,546,064
Other comprehensive income	-	(11,333,917)	139,871,943	8,200,554	136,738,580	1,149,155	137,887,736
Total comprehensive income	-	(11,333,917)	139,871,943	1,041,529,583	1,170,067,609	177,366,190	1,347,433,799
Issue for cash consideration - Initial Public Offer - Gross	2,408,000,000	-	-	-	2,408,000,000	-	2,408,000,000
Direct cost relating to Issue of Shares (Cost of Initial Public Offer)	(92,930,000)	-	-	-	(92,930,000)	-	(92,930,000)
Interim Dividend Paid for 2012	-	-	-	(234,589,800)	(234,589,800)	(108,354,967)	(342,944,767)
Amount transferred due to changes in holdings	-	-	-	(5,676,672)	(5,676,672)	146,531,881	140,855,209
Capital Reserve of Investment in associates	-	-	-	25,382,249	25,382,249	-	25,382,249
As at 31 March 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
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	-	-	-	1,060,657,819	1,060,657,819	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	-	-	-	(7,057,457)	(7,057,457)	20,246,375	13,188,918
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

Company Year ended 31 March 2013	Stated Capital Rs.	Available for sale Reserve Rs.	Retained Earnings Rs.	Total Rs.
As at 1 April 2011	1,782,915,000	-	1,637,551,872	3,420,466,872
Profit for the Year	-	-	201,193,342	201,193,342
Other comprehensive income	-	(6,663,680)	3,441,386	(3,222,294)
Total comprehensive income	-	(6,663,680)	204,634,728	197,971,048
Issue for cash consideration - Initial Public Offer - Gross	2,408,000,000	-	-	2,408,000,000
Direct cost relating to Issue of Shares (Cost of Initial Public Offer)	(92,930,000)	-	-	(92,930,000)
Interim Dividend paid for 2012	-	-	(234,589,800)	(234,589,800)
As at 31 March 2012	4,097,985,000	(6,663,680)	1,607,596,800	5,698,918,120
As at 1 April 2012	4,097,985,000	(6,663,680)	1,607,596,800	5,698,918,120
Profit for the year	-	-	170,317,992	170,317,992
Other comprehensive income	-	(13,592,453)	591,944	(13,000,509)
Total comprehensive income	-	(13,592,453)	170,909,936	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

The accounting policies and notes on pages 184 through 242 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2013	Note	Group 2013 Rs.	Group 2012 Rs.	Company 2013 Rs.	Company 2012 Rs.
Cash Flows From / (Used in) Operating Activities					
Profit before Income Tax Expenses		**1,670,313,754**	1,664,282,410	**170,317,992**	201,193,342
Adjustments for,					
Depreciation	3.1.2	**362,149,892**	340,199,479	**21,828,188**	14,626,952
Amortization	5.1.2	**13,780,415**	8,363,357	**8,414,583**	8,363,357
Income from Investments		**(61,418,891)**	(68,195,946)	**(49,900,063)**	(63,558,009)
Profit on Sale of Property, Plant and Equipment		**(51,467,416)**	(41,540,539)	**(4,057,500)**	(205,150)
Profit on Sale of Subsidiaries		**(8,383,893)**	-	**(8,000,000)**	-
Finance Cost		**226,996,396**	137,094,568	**348,306**	8,182,180
Profit share of investment in associates	7.2	**(14,840,666)**	(5,232,856)	**-**	-
Provision for Bad and Doubtful Debtors		**139,979,884**	54,451,282	**-**	-
Provision for Defined Benefit Plans		**47,370,629**	67,983,423	**1,354,909**	2,109,678
Operating Profit / (Loss) before Working Capital Changes		**2,324,480,104**	2,157,405,178	**140,306,416**	170,712,349
(Increase)/Decrease in Inventories		**(50,823,571)**	(376,759,716)	**-**	-
(Increase)/Decrease in Trade and Other Receivables		**(3,439,995,937)**	(1,281,004,796)	**77,676,408**	(546,235,651)
(Increase)/Decrease in Prepayments		**(320,099,761)**	(219,224,608)	**(2,881,897)**	(11,832,564)
Increase/(Decrease) in Other Payables		**(6,122,303)**	(6,841,880)	**-**	-
Increase/ (Decrease) in Trade and Other Payables		**3,265,710,352**	2,850,730	**(458,586,724)**	487,802,774
Net change in working capital due to Group structure change		**84,586,881**	(48,186,167)	**-**	-
Cash Generated from Operations		**1,857,735,764**	228,238,740	**(243,485,797)**	100,446,908
Finance Cost paid		**(226,996,396)**	(137,094,568)	**(348,306)**	(8,182,180)
Income Tax Paid		**(555,279,315)**	(404,485,499)	**-**	-
Defined Benefit Plan Costs paid		**(11,893,502)**	(15,681,088)	**(475,000)**	-
Net Cash From / (Used in) Operating Activities		**1,063,566,551**	(329,022,414)	**(244,309,103)**	92,264,728

Cash Flows From / (Used in) Operating Activities Year ended 31 March 2013	Note	Group 2013 Rs.	Group 2012 Rs.	Company 2013 Rs.	Company 2012 Rs.
Cash Flows From / (Used in) Investing Activities					
Investment Income Received		**61,418,891**	68,195,946	**49,261,127**	53,310,622
Acquisition of Property, Plant and Equipment	3.1.5	**(1,259,962,175)**	(518,264,947)	**(43,272,559)**	(31,284,409)
Acquisition of Intangible assets		**(37,687,001)**	(9,487,522)	**-**	-
Proceeds from Sale of Property, Plant and Equipment		**302,156,542**	78,693,592	**4,057,500**	1,225,993
Net other current Investments		**90,190,891**	(647,169,314)	**519,510,512**	(157,879,950)
Net other non current investments		**9,346,875**	(152,296,649)	**-**	-
Investment in associates		**-**	(43,975,000)	**-**	(43,975,000)
Net Acquisition of Subsidiaries		**(339,968,148)**	(136,483,962)	**(194,782,533)**	(881,844,615)
Proceeds from Sale of Subsidiaries		**3,000,000**	-	**3,000,000**	(783,118,492)
Net Cash Flows Used in Investing Activities		**(1,171,504,124)**	(1,360,787,857)	**337,774,047**	(1,843,565,852)
Cash Flows From / (Used in) Financing Activities					
Net Proceeds From Financing and Lease (Ijara)		**237,643,047**	(228,134,075)	**4,277,446**	(2,125,133)
Repayment of Loans and Borrowings		**-**	-	**-**	(184,324,327)
Proceeds from Share Issue (Initial Public Offer)		**-**	2,408,000,000	-	2,408,000,000
Direct Cost relating to Share Issue		**-**	(92,930,000)	**-**	(92,930,000)
Dividends Paid to Minority Share holders		**(48,603,575)**	(108,354,967)	**-**	-
Dividends Paid to Parent Company Share Holders		**(234,589,800)**	(234,589,800)	**(234,589,800)**	(234,589,800)
Net Cash Flows From / (Used in) Financing Activities		**(45,550,329)**	1,743,991,158	**(230,312,354)**	1,894,030,740
Effect of Exchange Rate Changes		**(32,275,677)**	139,871,943	-	-
Net Increase / (Decrease) in Cash and Cash Equivalents		**(185,763,579)**	194,052,829	**(136,847,410)**	142,729,617
Cash and Cash Equivalents at the beginning of the year	12	**1,727,813,265**	1,533,760,436	**(209,775,093)**	(352,504,710)
Cash and Cash Equivalents at the end of the year	12	**1,542,049,686**	1,727,813,265	**(346,622,503)**	(209,775,093)

The accounting policies and notes on pages 184 through 242 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Expolanka Holdings PLC is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. 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 2013, 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

Expolanka Holdings PLC does not have an identifiable parent undertaking of its own.

1.4 Date of Authorisation for Issue

The Financial Statements for the year ended 31 March 2013 were authorized for issue by the Board of Directors on 25 June 2013.

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

For all periods up to and including the year ended 31 March 2012, Expolanka Group prepared its Financial Statements in accordance with Sri Lanka Accounting Standards effective as at 31 March 2012. These Financial Statements for the year ended 31 March 2013 is the first, the Expolanka Group has prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter "SLFRS"). Accordingly, the Group has prepared financial statements which comply with SLFRS applicable for periods ending on or after 1 April 2012, together with the comparative period data as at and for the year ended 31 March 2012, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 April 2011, the Group's date of transition to SLFRS. Refer Note 2.7 for explanation of the transition.

The financial statements have been prepared on a historical cost basis, except for the following items and unless otherwise indicated in these financial statements,

- Certain classes of Property, Plant and Equipments
- Financial instruments are measured at fair value through profit or loss are measured at fair value
- Available-for-sale financial assets are 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 2013.

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.

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 loses 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	
	2012/13	2011/12
Asia Pacific Institute of Information Technology Lanka (Private) Limited	**44%**	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%**	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%**	51%
International Airline Services (Private) Limited	**100%**	100%
Logistics Support Services (Private) Limited	**100%**	100%
Luxe Asia (Private) Limited	**100%**	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%
Akquasun 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%
Progressive Investment	**70%**	70%
GTS Logistics (Private) Limited	**60%**	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%**	80%
Pulsar Freight (Private) Limited	**100%**	
Alpha Aviation (Private) Limited	**60%**	
Alpha Air Solutions (Private) Limited	**55%**	

NOTES TO THE FINANCIAL STATEMENTS

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	
	2012/13	2011/12
Asia Pacific Institute of Information Technology Lanka (Private) Limited	**44%**	44%
Expolanka Bangladesh Limited	**45%**	45%

The following subsidiaries have been incorporated outside Sri Lanka.

Name	Country of Incorporation	Holding Percentage	
		2012/13	2011/12
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%**	
EFL Global Logistics	Singapore	**100%**	
Expolanka USA LLC	USA	**70%**	
Expolanka Freight (Hong Kong) Ltd	Hong Kong	**100%**	
Expolanka Freight (Shanghai) Ltd	China	**75%**	
Akquasun Holidays India Pvt Ltd	India	**50%**	
Expo Commodities SARL	Madagascar	**90%**	
AVS Cargo Management Services Pvt Ltd	India	**46%**	

Acquisition of Subsidiaries

With effect from year 2012/13, following companies have been included as subsidiaries of the Group.

Company	Holding %
Pulsar Freight (Private) Limited	100%
Alpha Aviation (Private) Limited	60%
Alpha Air Solutions (Private) Limited	55%
Classic Travels Maldives Pvt Ltd	49%
EFL Global Logistics	100%
Akquasun Holidays India Pvt Ltd	50%
Expo Commodities SARL	90%
AVS Cargo Management Services Pvt Ltd	46%

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

ASSETS	
Property Plant & Equipment	5,568,747
Inventory	5,544,558
Trade and Other Receivables	162,686,367
Cash & Bank Balance	19,401,635
	193,201,306
LIABILITIES	
Financing and Lease (Ijara) Payables	29,519,342
Trade and Other Payables	80,906,721
Amount Due to related party	2,000,000
Income Tax Payable	737,323
	113,163,385
NET ASSETS	80,037,920
Goodwill	295,063,162

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.

2.4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the Consolidated Financial Statements and in preparing the opening SLFRS Statement of Financial Position at 1 April 2011 for the purpose of the transition to SLFRSs, 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

Acquisitions on or after 1 April 2011

Business Combinations occurred after 1 April 2011 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.

Acquisitions prior to 1 April 2011

As part of the transition to SLFRSs, the Group elected to restate only those business combinations that occurred on or after 1 April 2011. In respect of acquisitions prior to 1 April 2011, goodwill represents the amount recognised under the previous Sri Lanka Accounting Standards (SLASs)

Transactions with non - controlling interests

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".

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

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

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 of the Group are;

Name	Country of Incorporation	Holding Percentage	
		2012/13	2011/12
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

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes 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 share of profit of an associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its 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 profit of an associate' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining 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 retaining investment and proceeds from disposal is recognized in profit or loss.

Name	Holding Percentage	
	2012/13	2011/12
Amana Takaful Maldives PLC	**22.73%**	**22.73%**

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. Any goodwill arising on the acquisition of a foreign operation subsequent to 1 April 2011 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate. Prior to 1 April 2011, the date of transition to SLFRS, the Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the

parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

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

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Tax on Dividend

Tax on dividend income from subsidiaries are recognized as an expense in the Consolidated Income Statement.

2.4.6. 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 Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

After initial recognition the company measure all of its investment property in according with requirements in accordance with LKAS 16, Property, Plant and Equipment other than those meets the criteria to be classified as held for sale.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale

If the property occupied by the Company as an owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. When the Company completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

2.4.8 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.

For arrangements entered into prior to 1 April 2011, the date of inception is deemed to be 1 April 2011 in accordance with the SLFRS 1.

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 finance cost 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.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4.9 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 finance cost and other costs that an entity incurs in connection with the borrowing of funds. The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 April 2011.

2.4.10 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.

2.4.11 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.

NOTES TO THE FINANCIAL STATEMENTS

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 finance cost rate 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 EFCR. The EFCR 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 EFCR, 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 EFCR. The EFCR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs. The Group did not have any held to maturity investments during the years ended 31 March 2013,2012 and 2011.

d) Available-for-sale financial investments
Available-for-sale financial investments include equity investments. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

Quoted available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for sale reserve to the income statement in finance costs.

After initial recognition unquoted equity instrument that do not have a quoted market price in and active market and whose fair value cannot be reliability measured are carried at cost.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's

intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EFCR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EFCR. 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 finance cost 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. Finance income continues to be accrued on the reduced carrying amount and is accrued using the rate of finance cost used to discount the future cash flows for the purpose of measuring the impairment loss. 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, finance cost bearing loans and borrowings are subsequently measured at amortised cost using the EFCR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EFCR 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 EFCR. The EFCR

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 an active market and whose fair value cannot be reliability measured are carried at cost.

2.4.12. 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:

Raw materials:
- Purchase cost on a first in, first out basis

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.

Inventories of commodity broker – trade
- Inventories are measured at fair value less cost to sell

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.4.13. Cash and Cash Equivalents
Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts – (finance cost free).

2.4.14 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.

2.4.15. 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 finance cost 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 17. 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. Accordingly, the Group recognised all cumulative actuarial gains and losses at the date of transition to SLFRS. Further details are disclosed in financial statements.

The gratuity liability is not funded.

2.4.16. 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.

2.4.17 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) Finance Income
For all financial instruments measured at amortised cost and finance cost bearing financial assets classified as available for sale, finance income or expense is recorded using the effective finance cost rate (EFCR), 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.

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) Rental Income
Rental income is recognized on an accrual basis.

f) 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.

g) Other Income
Other income is recognized on an accrual basis.

2.4.18 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 finance cost, 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 will be effective for the financial periods beginning on or after 01 January 2015.

(ii) SLFRS 13 -Fair Value Measurement

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

This standard was originally effective for the financial period beginning on or after 01 January 2013 and early application was allowed. However effective date has been deferred subsequently .

However use of principles of measurement in this standards are recommend.

In addition to the above, following standards were also issued with an original effective date of 01 January 2013, which were also deferred subsequently.

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

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

2.7 First-time adoption of SLFRSs

These financial statements, for the year ended 31 March 2013, are the first the Company has prepared in accordance with SLFRSs. For periods up to and including the year ended 31 March 2012, the Company prepared its financial statements in accordance with Sri Lanka Accounting Standards as issued by the Institute of Chartered Accounts of Sri Lanka.

Accordingly, the Company has prepared financial statements which comply with SLFRSs applicable for periods ended on or after 31 March 2013, together with the comparative period data as at and for the year ended 31 March 2012, as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 01 April 2011, the Company's date of transition to SLFRSs. This note explains the principal adjustments made by the Company in restating its statement of financial position as at 1 April 2011 and its previously published financial statements as at and for the year ended 31 March 2012.

Exemptions applied

SLFRS 1 First-Time Adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain SLFRS.

The Group has applied the following exemptions:

- SLFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for SLFRS, or of interests in associates and joint ventures that occurred before 1 April 2011. Use of this exemption means that the local GAAP carrying amounts of assets and liabilities, which are required to be recognised under SLFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SLFRS. Assets and liabilities that do not qualify for recognition under SLFRS are excluded from the opening SLFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of SLFRS recognition requirements. SLFRS 1 also requires that the local GAAP carrying amount of goodwill must be used in the opening SLFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with SLFRS 1, the Group has tested goodwill for impairment at the date of transition to SLFRS.
- The Group has not applied LKAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SLFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.
- Property Plant and equipment, were carried in the statement of financial position prepared in accordance with Sri Lanka Accounting Standards on the basis of valuations performed on 1 April 2011. The Group has elected to regard those values as deemed cost at the date of 1 of April 2011 as they were broadly comparable to fair value. Certain items of property, plant and equipment have been measured at fair value at the date of transition to SLFRS.

- The Group has elected to disclose the following amounts prospectively from the date of transition (SLFRS ordinarily requires the amounts for the current and previous four annual periods to be disclosed): (i) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and (ii) the experience adjustments arising on the plan liabilities and the plan assets.
- The Group has applied the transitional provisions in LKAS 23 Borrowing Costs and capitalises borrowing costs on assets where construction was commenced on or after the date of transition.
- The Group has designated unquoted equity instruments held at 1 April 2011 as available-for-sale investments.

Estimates

The estimates at 1 April 2011 and at 31 March 2012 are consistent with those made for the same dates in accordance with SLAS (after adjustments to reflect any differences in accounting policies) apart from the following items where application of SLAS did not require estimation:

- Available-for-sale financial assets – unquoted equity shares

The estimates used by the Group to present these amounts in accordance with SLFRS reflect conditions at 1 April 2011, the date of transition to SLFRS and as of 31 March 2012.

2.7 First Time Adoption of SLFRSs (contd.)

2.7.1 Group reconciliation of equity as at 1 April 2011 (date of transition to SLFRS)

	Notes	Previous SLASs Rs.	Remeasurements Rs.	SLFRS as at 1 April 2011 Rs.
Assets				
Non-current assets				
Property, Plant and Equipment	A	2,318,680,658	654,762,636	2,973,443,295
Investment Property		122,512,000	-	122,512,000
Intangible Assets		28,912,686	-	28,912,686
Other Non Current Financial Assets		383,090,447	59,850	383,150,297
Deferred Income Tax Assets	E	42,716,741	6,757,391	49,474,132
		2,895,912,532	661,579,877	3,557,492,410
Current assets				
Inventories		727,630,861	-	727,630,861
Trade and Other Receivables	B & C	7,480,565,299	(580,573,741)	6,899,991,557
Advances and Prepayments	C	-	505,656,985	505,656,985
Other Current Financial Assets		7,473,993	(59,850)	7,414,143
Income Tax Recoverable		40,138,290	-	40,138,290
Amounts Due from Related Parties		36,026,529	(36,026,529)	-
Other Investments		25,475,050		25,475,050
Cash and Cash Equivalents		2,228,020,408	-	2,228,020,408
		10,545,330,430	(111,003,135)	10,434,327,294
Total assets		13,441,242,962	550,576,742	13,991,819,704
Equity and liabilities				
Equity				
Stated Capital		1,782,915,000	-	1,782,915,000
Reserves	F	928,086,532	(937,461,866)	(9,375,334)
Retained Earnings	A & F	1,723,999,994	1,486,491,529	3,210,491,523
Shareholders' Funds		4,435,001,526	549,029,663	4,984,031,189
Non Controlling Interest		748,923,293	-	748,923,293
Total equity		5,183,924,819	549,029,663	5,732,954,482
Non-current liabilities				
Financing and Lease (Ijarah) Payables		1,172,142,286	-	1,172,142,286
Deferred Income Tax Liabilities	E	14,526,746	1,547,079	16,073,825
Retirement Benefit Obligation	D	214,305,106	-	214,305,106
		1,400,974,138	1,547,079	1,402,521,217
Current liabilities				
Financing and Lease (Ijarah) Payables		1,101,923,177	-	1,101,923,177
Trade and Other Payables		5,387,392,320	28,425,010	5,415,817,330
Income Tax Liabilities		338,603,498	-	338,603,498
Amounts Due to Related Parties		28,425,010	(28,425,010)	-
		6,856,344,005	-	6,856,344,005
Total equity and liabilities		13,441,242,962	550,576,742	13,991,819,704

NOTES TO THE FINANCIAL STATEMENTS

2.7 First Time Adoption of SLFRSs (contd.)

2.7.2 Group reconciliation of equity as at 31 March 2012

	Notes	Previous SLASs Rs.	Remeasurements Rs.	SLFRS as at 31 March 2012 Rs.
Assets				
Non-current assets				
Property, Plant and Equipment	A	3,474,401,287	(53,940,545)	3,420,460,742
Intangible Assets		30,036,851	197,425,564	227,462,415
Investment in Associate		74,590,104	-	74,590,104
Other Non Current Financial Assets		524,053,179	38,322,509	562,375,688
Deferred Income Tax Assets	E	43,024,160	4,441,383	47,465,543
Goodwill		197,425,564	(197,425,564)	-
		4,343,531,145	(11,176,653)	4,332,354,492
Current assets				
Inventories		1,104,390,576	-	1,104,390,576
Trade and Other Receivables	B&C	8,943,837,845	(792,812,174)	8,151,025,671
Advances and Prepayments	C	-	724,881,593	724,881,593
Other Current Financial Assets		708,115,258	(274,502,190)	433,613,068
Income Tax Recoverable		22,946,746	3	22,946,749
Other Investments		-	236,179,681	236,179,681
Amounts Due from Related Parties		45,783,410	(45,783,410)	-
Cash and Cash Equivalents		2,349,425,695	-	2,349,425,695
		13,174,499,530	(152,036,497)	13,022,463,033
Total assets		17,518,030,675	(163,213,150)	17,354,817,525
Equity and liabilities				
Stated Capital		4,097,985,000	-	4,097,985,000
Reserves	F	1,840,176,881	(1,721,014,189)	119,162,692
Retained Earnings	A&F	2,447,597,779	1,589,539,104	4,037,136,883
Shareholders' Funds		8,385,759,660	(131,475,085)	8,254,284,575
Non Controlling Interest		962,342,937	2,123,460	964,466,397
Total equity		9,348,102,597	(129,351,625)	9,218,750,972
Non-current liabilities				
Financing and Lease (Ijarah) Payables		384,350,285	-	384,350,285
Deferred Income Tax Liabilities	E	83,922,456	(1,956,984)	81,965,472
Retirement Benefit Obligation	D	296,540,857	(31,904,542)	264,636,315
		764,813,598	(33,861,526)	730,952,072
Current liabilities				
Financing and Lease (Ijarah) Payables		1,644,734,236	-	1,644,734,236
Trade and Other Payables		5,390,243,050	21,583,130	5,411,826,180
Income Tax Liabilities		348,554,065	-	348,554,065
Amounts Due to Related Parties		21,583,130	(21,583,130)	-
		7,405,114,481	-	7,405,114,481
Total equity and liabilities		17,518,030,675	(163,213,150)	17,354,817,525

2.7 First Time Adoption of SLFRSs (contd.)

2.7.3 Group reconciliation of total comprehensive income for the year ended 31 March 2012

	Notes	Previous SLASs Rs.	Remeasurements Rs.	SLFRS for the year ended 31 March 2012 Rs.
Sale of goods		12,327,051,968		12,327,051,968
Rendering of services		23,087,515,652		23,087,515,652
Revenue		35,414,567,620	-	35,414,567,620
Cost of sales	A	(29,322,899,551)	14,790,186	(29,308,109,366)
Gross profit		6,091,668,069	14,790,186	6,106,458,255
Other operating income		633,209,103	205,283	633,414,386
Selling and distribution costs	B	(464,823,810)	(24,023,060)	(488,846,870)
Administrative expenses	A,D&G	(4,447,246,257)	(7,635,392)	(4,454,881,649)
Operating profit		1,812,807,105	(16,662,982)	1,796,144,123
Finance costs		(137,094,568)	-	(137,094,568)
Share of profit of an associate		5,232,856	-	5,232,856
Profit before tax		1,680,945,393	(16,662,982)	1,664,282,411
Income tax expense	E	(450,915,606)	(3,820,741)	(454,736,347)
Profit for the year		1,230,029,788	(20,483,724)	1,209,546,064
Other comprehensive income				
Net Exchange differences on translation of foreign operations	H		139,871,943	139,871,943
Net (loss)/gain on available - for - sale financial assets	G		(11,333,917)	(11,333,917)
Actuarial gains and (losses) on defined benefit plans	D		9,388,062	9,388,062
Income tax effect	D&E		(38,353)	(38,353)
			9,349,710	9,349,710
Other comprehensive income for the year ,net of tax			137,887,736	137,887,736
Total comprehensive income for the year, net of tax			117,404,012	1,347,433,799

NOTES TO THE FINANCIAL STATEMENTS

2.7 First Time Adoption of SLFRSs (contd.)

2.7.4 Notes to the reconciliation of equity as at 1 April 2011 and 31 March 2012 and total Comprehensive income for the year ended 31 March 2012

A. Property, plant and equipment

The Group has elected to measure certain items of property, plant and equipment at fair value at the date of transition to SLFRS. At the date of transition to SLFRS, an increase of Rs. 654,762,636/- (31 March 2012: decrease of Rs. 53,940,545/-) was recognised in property, plant and equipment. This amount has been recognised against retained earnings.

Further, as a result of the above fair value measurement of property, plant and equipment, the corresponding increase/decrease in the depreciation charge has been adjusted in the Statement of Comprehensive Income for the year ended 31 March 2012.

B. Trade receivables

Provision for bad and doubtful debts made under previous standards consisted of both a specific amount for incurred losses and a general amount for expected future losses.

SLFRS does not permit recognition of impairment for expected future losses and instead required on a collective as well as individual basis assessment based on objective evidence that there has been an impairment.

Based on such assessment an amount of Rs. 24,023,060/- has been adjusted to arrive at the provision for impairment of Trade debtors as at 31 March 2012.

C. Advances and Prepayments

In accordance with Sri Lanka Accounting Standards applicable before 01 April 2012 (SLAS), the Company presented advances and prepayments under Trade and Other receivables. Under SLFRS, as advances and prepayments do not fall within the definition of Financial Assets as defined in LKAS 39 - Financial Instruments: Recognition and Measurement, that have been presented separately in the Statement of Financial Position. Accordingly, Rs. 505,656,987/- has been reclassified as advances and prepayments as at 1 April 2011. (2012 - Rs. 724,881,594/-)

D. Defined Benefit Obligation

With the adoption of SLFRS the management has adopted actuarial valuation for determination of the Defined benefit obligation. As a result the said obligation has decreased by Rs. 31,904,542/- as at 31 March 2012.

Further, management has decided to recognise actuarial gain/loss in other comprehensive income along with the income tax effect. Previously, it had been recognized as an expense in the Income Statement. Accordingly Rs. 9,349,710/- has been recognised as actuarial losses, net of tax, in other comprehensive income for the year ended 31 March 2012.

E. Deferred tax

The various transitional adjustments lead to different temporary differences. According to the accounting policies in the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity. As at the date of transition to SLFRS, an increase of Rs. 6,757,391/- (31 March 2012: Rs. 4,441,383/-) was recognised under Deferred Tax Asset. Further, an increase in Deferred Tax Liability of Rs. 1,547,080/- was recognised as at the transition date (31 March 2012: decrease of Rs. 1,956,984/-).

Further, the corresponding adjustments for the increase/decrease in the Deferred Tax Asset/Liabilities recognised as at 31 March 2012, has been made in the Statement of Comprehensive income for the year ended 31 March 2012.

F. Retained earnings

Except for the reclassification items, all the adjustments above were recognised against opening retained earnings and other reserves as at the respective reporting dates.

G. Gain/Loss on Available for Sale Financial Assets

With adoption of SLFRS, Gain/loss arising from available for sale financial assets is recognised in other comprehensive income. Previously, it has been recognized as an expense in the Income Statement. Accordingly Rs. 11,333,917/- has been recognised as loss arising from disposal of Available for Sale Financial Assets in other comprehensive income for the year ended 31 March 2012.

H. Net Exchange differences on translation of foreign operations

With adoption of SLFRS, Net Exchange differences on translation of foreign operations is recognised in other comprehensive income. Previously, it has been recognized separately, under the Statement of Changes in Equity. Accordingly, an amount of Rs. 139,871,943/- has been recognised as Net Exchange differences on translation of foreign operations in Other Comprehensive Income for the year ended 31 March 2012.

I. Statement of cash flows

The transition from SLAS to SLFRS has not had a material impact on the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

2.7 First Time Adoption of SLFRSs (contd.)

2.7.5 Company reconciliation of equity as at 1 April 2011 (date of transition to SLFRS)

	Notes	Previous SLASs Rs.	Remeasurements Rs.	SLFRS as at 1 April 2011 Rs.
Assets				
Non-current assets				
Property, Plant and Equipment		34,776,499	-	34,776,499
Intangible Assets		16,777,939	-	16,777,939
Investments in Subsidiaries	E	1,529,081,863	1,635,504,841	3,164,586,704
Other Investments		258,725,290	59,850	258,785,140
		1,839,361,591	1,635,564,691	3,474,926,282
Current assets				
Trade and Other Receivables	A	18,891,626	481,309,577	500,201,203
Advances and Prepayments	A	-	12,195,587	12,195,587
Other Investments		6,378,540	(59,850)	6,318,690
Income Tax Recoverable		-	-	-
Amounts Due from Related Parties		493,505,164	(493,505,164)	-
Cash and Cash Equivalents		112,337,536	-	112,337,536
		631,112,866	(59,850)	631,053,016
Total assets		2,470,474,457	1,635,504,841	4,105,979,298
Equity and liabilities				
Equity				
Stated Capital		1,782,915,000	-	1,782,915,000
Retained Earnings	C	2,047,031	1,635,504,841	1,637,551,872
Total equity		1,784,962,031	1,635,504,841	3,420,466,872
Non-current liabilities				
Financing and Lease (Ijara) Payables		466,000,889	-	466,000,889
Deferred Income Tax Liabilities		-	-	-
Retirement Benefit Obligation	B	10,965,779	-	10,965,779
		476,966,668	-	476,966,668
Current liabilities				
Financing and Lease (Ijara) Payables		185,596,694	-	185,596,694
Trade and Other Payables		14,270,668	8,678,396	22,949,064
Income Tax Liabilities		-	-	-
Amounts Due to Related Parties		8,678,396	(8,678,396)	-
Total liabilities		208,545,758	-	208,545,758
Total equity and liabilities		2,470,474,457	1,635,504,841	4,105,979,298

2.7 First Time Adoption of SLFRSs (contd.)

2.7.6 Company reconciliation of equity as at 31 March 2012

	Notes	Previous SLASs Rs.	Remeasurements Rs.	SLFRS as at 31 March 2012 Rs.
Assets				
Non-current assets				
Property, Plant and Equipment		50,413,122	-	50,413,122
Intangible Assets		8,414,583	-	8,414,583
Investments in Subsidiaries	E	2,410,926,528	1,635,504,841	4,046,431,369
Investment in Associate		43,975,000	-	43,975,000
Other Investments		423,293,870	38,322,509	461,616,379
		2,937,023,103	1,673,827,350	4,610,850,453
Current assets				
Other Investments		776,144,674	(249,898,506)	526,246,168
Trade and Other Receivables	A	43,151,621	1,013,532,618	1,056,684,239
Advances and Prepayments	A	-	24,028,151	24,028,151
Other Investments		-	211,576,000	211,576,000
Amounts Due from Related Parties		1,037,560,772	(1,037,560,772)	-
Cash and Cash Equivalents		71,961,480	-	71,961,480
		1,928,818,547	(38,322,509)	1,890,496,038
Total assets		4,865,841,650	1,635,504,841	6,501,346,491
Equity and liabilities				
Equity				
Stated Capital		4,097,985,000	-	4,097,985,000
Reserves		-	(6,663,680)	(6,663,680)
Retained Earnings/ (Losses)	C	(38,013,107)	1,645,609,907	1,607,596,800
Total equity		4,059,971,893	1,638,946,227	5,698,918,120
Non-current liabilities				
Financing and Lease (Ijara) Payables		281,736,575	-	281,736,575
Retirement Benefit Obligation	B	13,075,457	(3,441,386)	9,634,071
		294,812,032	(3,441,386)	291,370,646
Current liabilities				
Financing and Lease (Ijara) Payables		305,887	-	305,887
Trade and Other Payables		19,427,272	491,324,566	510,751,838
Amounts Due to Related Parties		491,324,566	(491,324,566)	-
Total liabilities		511,057,725	-	511,057,725
Total equity and liabilities		4,865,841,650	1,635,504,841	6,501,346,491

NOTES TO THE FINANCIAL STATEMENTS

2.7 First Time Adoption of SLFRSs (contd.)

2.7.7 Company reconciliation of total comprehensive income for the year ended 31 March 2012

	Notes	Previous SLASs Rs.	Remeasurements Rs.	SLFRS for the year ended 31 Mar-12 Rs.
Continuing operations				
Rendering of services		129,045,324	-	129,045,324
Revenue		129,045,324	-	129,045,324
Cost of sales		-	-	-
Gross profit		129,045,324	-	129,045,324
Other operating income		322,451,818	-	322,451,818
Selling and distribution costs		(3,492,744)	-	(3,492,744)
Administrative expenses	D	(245,292,557)	6,663,680	(238,628,876)
Other operating expenses		-	-	-
Operating profit		202,711,841	6,663,680	209,375,522
Finance costs		(8,182,180)	-	(8,182,180)
Finance income		-	-	-
Share of profit of an associate		-	-	-
Profit before tax		194,529,661	6,663,680	201,193,342
Income tax expense		-	-	-
Profit for the year		194,529,661	6,663,680	201,193,342
Other comprehensive income				
Net (loss)/gain on available-for-sale financial assets		-	(6,663,680)	(6,663,680)
Actuarial gains and losses on defined benefit plans	B	-	3,441,386	3,441,386
Other comprehensive income for the year ,net of tax		-	(3,222,294)	(3,222,294)
Total comprehensive income for the year,net of tax		194,529,661	3,441,387	197,971,048

2.7 First Time Adoption of SLFRSs (contd.)

2.7.7 Notes to the reconciliation of equity as at 1 April 2011 and 31 March 2012 and total comprehensive income for the year ended 31 March 2012

A. Advances and Prepayments

In accordance with Sri Lanka Accounting Standards applicable before 01 April 2012 (SLAS), the Company presented advances and prepayments under Trade and Other receivables. Under SLFRS, as advances and prepayments do not fall within the definition of Financial Assets as defined in LKAS 39 - Financial Instruments: Recognition and Measurement, that have been presented separately in the Statement of Financial Position. Accordingly, Rs. 12,195,587/- has been reclassified as advances and prepayments as at 1 April 2011. (2012 - Rs. 24,028,151)

B. Defined Benefit Obligation

With the adoption of SLFRS the management has adopted actuarial valuation for determination of Defined benefit obligation. As a result the said obligation has decreased by Rs. 3,441,386/- as at 31 March 2012, which has been adjusted against the retained earnings during the same period.

Further, management has decided to recognise actuarial gain/loss in other comprehensive income. Previously, it had been recognized as an expense in the Income Statement. Accordingly Rs. 3,222,294/- has been recognised as actuarial losses, in other comprehensive income for the year ended 31 March 2012.

C. Retained earnings

Except for the reclassification items, all the adjustments above were recognised against opening retained earnings and other reserves as at the respective reporting dates.

D. Gain/Loss on Available for Sale Financial Assets

With adoption of SLFRS, Gain/loss arising from available for sale financial assets is recognised in other comprehensive income. Previously, it has been recognized as an expense in the Income Statement. Accordingly Rs. 6,663,680/- has been recognised as loss arising from disposal of Available for Sale Financial Assets in other comprehensive income for the year ended 31 March 2012.

E. Investments in Subsidiaries

The Company has elected to measure it's investment in Expolanka International (Pvt) Ltd, Expolanka Plantation, Neptune Holdings,Tropical Green and Expolanka Consolidators in separate financial statements at carrying value of net assets as at the date of transition to SLFRS. At the date of transition to SLFRS, an increase of Rs. 1,635,504,841 was recognized in investment in subsidiaries. This amount has been recognized against retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Freehold Buildings	Rail Carriage	Plant and Machinery		Furniture and Fittings	Office and Factory Equipment
				Freehold	Leasehold		
3.1 Group							
3.1.1 Cost							
As at 01 April 2011	1,194,287,927	809,859,225	-	191,285,841	122,693,234	318,670,220	200,135,732
Additions	39,950,700	40,005,007	43,238,390	116,008,078	591,667	59,421,167	14,091,497
Acquisition of subsidiary	-	52,553,133	-	81,457,007	-	1,782,853	20,634,978
Disposals	-	(19,277,044)	-	(60,887,528)	(41,312,050)	(30,170,199)	(33,163,873)
Transfers from investment property	96,000,000	33,140,000	-	-	-	-	-
Transfers from / to others	236,194,425	(236,194,425)	-	-	-	-	-
Exchange translation difference	1,989,047	2,020,193	-	-	-	13,150,393	5,093,933
As at 31 March 2012	1,568,422,099	682,106,089	43,238,390	327,863,398	81,972,851	362,854,434	206,792,267
Additions	-	12,634,668	-	91,624,972	21,546,678	93,176,744	44,562,809
Acquisition of subsidiary	-	4,740,011	-	-	31,235,637	6,697,229	4,266,529
Disposals	-	-	-	(8,610,230)	-	(26,322,110)	(26,120,047)
Transfers from / to others	-	-	-	-	-	-	-
Exchange translation difference	(12,921,232)	6,500,045	-	(53,007)	-	(6,312,625)	(4,276,255)
As at 31 March 2013	1,555,500,867	705,980,814	43,238,390	410,825,133	134,755,166	430,093,672	225,225,303
3.1.2 Accumulated Depreciation							
As at 01 April 2011	-	41,314,194	-	88,471,948	12,150,864	172,496,193	114,563,677
Charge for the year	-	35,605,759	-	169,226,046	7,441,981	-	-
Acquisition of subsidiary	-	1,361,826	-	53,395,775	-	944,900	14,963,536
Disposal	-	(16,170,129)	-	(59,854,857)	(12,991,957)	(25,683,924)	(24,610,839)
Transfers from/ to others	-	6,628,000	-	-	-	-	-
Exchange translation difference	-	309,465	-	-	-	7,317,721	3,029,910
As at 31 March 2012	-	69,049,115	-	251,238,912	6,600,888	155,074,890	107,946,284
Charge for the year	-	35,460,445	14,751,338	38,810,747	6,772,795	44,944,603	25,915,479
Acquisition of subsidiary	-	376,966	-	-	-	1,097,633	631,354
Disposal	-	-	-	(4,765,130)	-	(14,566,077)	(17,311,220)
Transfers from/ to others	-	-	-	-	-	-	-
Exchange translation difference	-	265,889	-	(51,727)	-	(3,785,946)	(2,036,851)
As at 31 March 2013	-	105,152,415	14,751,338	285,232,802	13,373,683	182,765,102	115,145,047
3.1.3 Carrying Value							
As at 31 March 2013	**1,555,500,867**	**600,828,399**	**28,487,052**	**125,592,331**	**121,381,483**	**247,328,570**	**110,080,256**
As at 31 March 2012	1,568,422,099	613,056,974	43,238,390	76,624,486	75,371,963	207,779,544	98,845,983
As at 01 April 2011	1,194,287,927	768,545,031	-	102,813,893	110,542,370	146,174,027	85,572,055

Technological Equipment	Computer and Accessories	Motor Vehicle Freehold	Motor Vehicle Leasehold	Tools and Equipment	Other Assets	Leasehold Improvements	Capital work in progress	Total
134,451,534	429,168,707	431,362,617	150,201,985	72,401,661	39,011,563	44,836,562	25,453,248	4,163,820,056
20,222,836	58,020,793	76,726,497	71,744,567	17,512,224	13,331,258	9,543,227	25,012,299	605,420,207
1,123,001	906,361	5,488,905	10,005,791	-	-	27,052,750	3,344,798	204,349,577
(17,069,841)	(34,577,365)	(38,630,896)	(42,315,544)	(489,058)	(14,832,624)	-	(12,469,644)	(345,195,666)
-	-	-	-	-	-	-	-	129,140,000
-	-	-	-	-	-	-	-	-
-	9,466,528	14,070,665	(6,514,832)	46,213	53,350	47,961	-	39,423,451
138,727,530	462,985,024	489,017,788	183,121,967	89,471,040	37,563,547	81,480,500	41,340,701	4,796,957,625
35,571,645	84,981,948	138,679,202	123,268,563	17,307,535	35,657,897	48,821,554	674,592,687	1,422,426,902
300,340	3,629,808	28,887,255	-	218,660	-	-	648,952	80,624,422
(21,256,515)	(30,534,594)	(145,012,968)	(59,296,906)	(20,975,634)	(10,552,290)	(810,311)	-	(349,491,604)
-	-	-	-	-	-	-	(162,464,727)	(162,464,727)
(740,763)	(7,533,158)	(4,533,860)	(223,904)	(10,202)	-	14,719	(30,278)	(30,120,519)
152,602,237	513,529,028	507,037,418	246,869,720	86,011,399	62,669,154	129,506,462	554,087,335	5,757,932,098
134,451,534	250,989,149	218,287,918	57,395,842	59,103,019	32,581,199	8,571,224	-	1,190,376,761
-	-	98,125,415	21,898,116	-	87,022	7,815,140	-	340,199,479
434,563	18,882	5,488,905	3,538,734	-	-	353,055	-	80,500,176
(15,453,804)	(33,539,040)	(42,365,795)	(38,731,050)	(355,103)	(1,362,106)	-	-	(271,118,604)
(57,169,658)	57,169,658	-	-	-	-	-	-	6,628,000
-	7,617,468	11,448,634	143,342	36,432	8,099	-	-	29,911,071
62,262,635	282,256,117	290,985,077	44,244,984	58,784,348	31,314,214	16,739,419	-	1,376,496,883
22,905,133	57,255,334	44,039,268	48,252,696	6,062,540	4,895,602	12,083,913	-	362,149,892
41,560	3,966,585	1,658,832	-	27,540	-	-	-	7,800,471
(16,670,966)	(32,669,728)	(69,193,384)	(17,777,560)	(16,281,778)	(10,552,290)	(44,390)	-	(199,832,524)
-	-	-	-	-	-	-	-	-
(674,267)	(4,881,499)	2,261,951	(854,364)	(1,285)	-	11,316	-	(9,746,783)
67,864,095	305,926,809	269,751,744	73,865,755	48,591,364	25,657,526	28,790,258	-	1,536,867,939
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**
76,464,895	180,728,907	198,032,711	138,876,983	30,686,692	6,249,333	64,741,081	41,340,701	3,420,460,742
-	178,179,558	213,074,699	92,806,143	13,298,642	6,430,364	36,265,338	25,453,248	2,973,443,295

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

3.1.4 The Group has elected to measure certain items of property, plant and equipment at fair value at the date of transition to SLFRS. At the date of transition to SLFRS, an increase of Rs. 654,762,636/- (31 March 2012: decrease of Rs. 53,940,545/-) was recognised in property, plant and equipment. Accordingly Group Property, Plant and Equipment stated at cost or deemed cost.

3.1.5 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 1,422,426,901/- (2012 - Rs. 605,420,207/-). Cash payments amounting to Rs. 1,259,962,175/- (2012 - Rs. 518,264,947/-) were made during the year ended for purchase of Property, Plant and Equipment.

	Motor Vehicles		Office	Technological	Furniture and	Computer and	Leasehold	Capital work in	
	Freehold	Leasehold	Equipment	Equipment	Fittings	Accessories	Improvements	progress	Total
3.2 Company									
3.2.1 Cost									
As at 01 April 2011	4,360,503	4,510,000	6,432,889	34,928,709	8,204,801	5,908,682	6,812,026	-	71,157,610
Additions	17,945,607	-	1,224,440	2,455,321	1,013,086	4,127,644	2,642,835	1,875,476	31,284,409
Disposals	-	(1,750,000)	-	-	-	-	-	-	(1,750,000)
As at 31 March 2012	22,306,110	2,760,000	7,657,329	37,384,030	9,217,887	10,036,326	9,454,861	1,875,476	100,692,019
Additions	10,569,378	5,250,000	302,441	13,777,128	2,996,108	-	10,377,504	-	43,272,559
Disposals	(4,063,386)	-	-	-	-	-	-	-	(4,063,386)
Transfers from / to others	-	-	-	-	-	-	1,865,475	(1,865,475)	-
As at 31 March 2013	28,812,102	8,010,000	7,959,770	51,161,158	12,213,995	10,036,326	21,697,840	10,001	139,901,192
3.2.2 Accumulated Depreciation									
As at 01 April 2011	4,177,911	1,997,000	1,889,026	23,755,890	815,139	(588,128)	4,334,273	-	36,381,111
Charge for the year	3,239,219	756,167	840,635	5,015,755	1,038,273	2,197,677	1,539,227	-	14,626,953
Disposal	-	(729,167)	-	-	-	-	-	-	(729,167)
As at 31 March 2012	7,417,130	2,024,000	2,729,661	28,771,645	1,853,412	1,609,549	5,873,500	-	50,278,897
Charge for the year	5,498,527	1,056,585	956,275	6,354,706	1,520,348	2,165,943	4,275,805	-	21,828,189
Disposal	(4,063,386)	-	-	-	-	-	-	-	(4,063,386)
As at 31 March 2013	8,852,271	3,080,585	3,685,936	35,126,351	3,373,760	3,775,492	10,149,305	-	68,043,700
3.2.3 Carrying Value									
As at 31 March 2013	19,959,831	4,929,415	4,273,834	16,034,807	8,840,235	6,260,834	11,548,535	10,001	71,857,492
As at 31 March 2012	14,888,980	736,000	4,927,668	8,612,385	7,364,475	8,426,777	3,581,361	1,875,476	50,413,122
As at 01 April 2011	182,592	2,513,000	4,543,863	11,172,819	7,389,662	6,496,810	2,477,753	-	34,776,499

3.3 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 43,272,559/- (2012 - Rs. 31,284,409/-). Cash payment amounting to Rs. 38,022,559/- (2012- Rs. 31,284,409/-) were made during the year ended for purchase of Property, Plant and Equipment.

4. INVESTMENT PROPERTY

	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Cost			
As at 1 April	-	129,140,000	231,801,125
Transferred to Property, Plant and Equipment - Freehold Land	-	(96,000,000)	-
- Buildings		(33,140,000)	-
Disposal During the year	-	-	(102,661,125)
As at 31 March	-	-	129,140,000
Depreciation			
As at 1 April	-	6,628,000	4,971,000
Transferred from Property, Plant and Equipment - Buildings	-	(6,628,000)	-
Charge for the year	-	-	1,657,000
As at 31 March	-	-	6,628,000
Net Book Value	-	-	122,512,000

The fair value of investment property was determined by means of a revaluation during the financial year 2010/2011 by Messrs A.Y. Daniel & Son an independent valuer in reference to market based evidence. The results of such revaluation amounting to Rs. 219,600,000/- was incorporated in these Financial Statements.

5. INTANGIBLE ASSETS

5.1 Group

	Computer Software Rs.	Goodwill Rs.	2013 Rs.	Computer Software Rs.	Goodwill Rs.	2012 Rs.
Cost						
As at 1 April	**55,075,695**	**197,425,564**	**252,501,259**	45,588,173	-	45,588,173
Additions/Transfers	**-**	**295,063,162**	**295,063,162**	9,487,522	197,425,564	206,913,086
As at 31 March	**55,075,695**	**492,488,726**	**547,564,421**	55,075,695	197,425,564	252,501,259
Amortisation						
As at 1 April	**25,038,844**	**-**	**25,038,844**	16,675,487	-	16,675,487
Amortisation during the year	**13,780,415**	**-**	**13,780,415**	8,363,357	-	8,363,357
As at 1 April	**38,819,259**	**-**	**38,819,259**	25,038,844	-	25,038,844
Carrying Value						
As at 31 March 2013						508,745,162
As at 31 March 2012						227,462,415
As at 01 April 2011						28,912,686

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS (CONTD.)

5.1.1 Goodwill

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

	2013 Rs.	2012 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
World Spices and Teas (Private) Limited	**7,156,610**	7,156,610
Amoha (Private) Limited	**4,750,000**	4,750,000
Travel Express (Private) Limited	**4,255,202**	4,255,202
Pulsar Shipping Agencies (Private) Limited	**2,599,869**	2,599,869
GTS Logistics (Private) Limited	**200,000**	200,000
Saffron Foods (Private) Limited	**75,000**	75,000
Akquasun Holidays India (Pvt) Ltd	**136,456,123**	-
EFL Global Logistics	**134,335,565**	-
Expo Commodities SARL	**9,109,961**	-
Classic Travels Maldives (Private) Limited	**7,747,312**	-
Alpha Air Solutions (Private) Limited	**5,382,553**	-
Alpha Aviation (Private) Limited	**1,599,199**	-
	492,588,726	197,958,014

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.

5.2 Company

Computer Software	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Cost			
As at 1 April	**33,453,426**	33,453,426	33,453,426
Retired/Transferred during the year	**-**	-	-
As at 31 March	**33,453,426**	33,453,426	33,453,426
Amortisation			
As at 1 April	**25,038,844**	16,675,487	8,312,130
Amortisation during the year	**8,414,583**	8,363,357	8,363,357
As at 1 April	**33,453,426**	25,038,844	16,675,487
Net Book Value	**-**	8,414,583	16,777,939

6. INVESTMENTS IN SUBSIDIARIES

6.1 Company

	2013		2012		As at 1 April 2011	
Non - Quoted	Holding %	Rs.	Holding %	Rs.	Holding %	Rs.
SG Logistics (Private) Limited	**100**	**79,105,042**	100	79,105,042	100	79,105,042
Bio Extracts (Private) Limited	**100**	**6,250,050**	100	6,250,050	100	6,250,000
Classic Travel (Private) Limited	**100**	**25,597,538**	100	25,597,538	100	25,597,538
Expolanka International (Private) Limited	**100**	**1,924,090,988**	100	1,924,090,988	100	1,924,090,988
Expolanka Commodities (Private) Limited	**100**	**174,558,639**	100	174,558,639	100	174,558,639
Expolanka Freight (Private) Limited	**100**	**292,098,014**	100	292,098,014	100	292,098,014
Expolanka (Private) Limited	**100**	**371,111,561**	100	371,111,561	100	371,111,561
Expolanka Pharmaceuticals (Private) Limited	**100**	**407,668**	100	407,668	100	407,668
Expolanka Plantations (Private) Limited	**90**	**37,232,918**	90	37,232,918	90	37,232,918
Expolanka Teas (Private) Limited	**90**	**87,844,407**	90	87,844,407	90	87,844,407
Freight Care (Private) Limited	**100**	**4,423,590**	100	4,423,590	100	4,423,590
Globe Air (Private) Limited	**100**	**17,214,477**	100	17,214,477	100	17,214,477
International Airline Services (Private) Limited	**100**	**10,027,726**	100	10,027,726	100	10,027,726
Neptune Holdings (Private) Limited	**90**	**5,788,580**	90	5,788,580	90	5,788,580
Neptune Papers (Private) Limited	**100**	**70,671,636**	100	70,671,636	100	70,671,636
Skycare (Private) Limited	**100**	**1,679,053**	100	1,679,053	100	1,679,053
UCL Logistics (Private) Limited	**100**	**17,631,222**	100	17,631,222	100	17,631,222
Expo Consolidators (Private) Limited	**100**	**1,173,555**	100	1,173,555	100	1,173,555
Peri Logistics (Private) Limited	**100**	**10,000,000**	100	10,000,000	100	10,000,000
Luxe Asia (Private) Limited	**100**	**5,000,000**	100	5,000,000	100	5,000,000
Logistic Support Service (Private) Limited	**100**	**260,000**	100	260,000	100	260,000
Tropical Green (Private) Limited	**100**	**1,000,050**	100	1,000,050	100	1,000,050
Classic Vacation (Private) Limited	**100**	**30**	100	30	100	30
Asia Pacific Institution of Information Technology Lanka (Private) Limited	**44**	**51,189,485**	44	51,189,485	44	21,420,010
Castle Commercial (Private) Limited	**90**	**90**	90	90	-	-
World Spices Teas (Private) Limited	**90**	**50**	90	50	-	-
Progressive Investment (Private) Limited	**-**	**-**	70	21,000,000	-	-
Nofolk foods (Private) Limited	**50**	**300,000,000**	50	300,000,000	-	-
Lanka Premier Foods (Private) Limited	**80**	**16,080,000**	80	16,000,000	-	-
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**	-	-	-	-
Akquasun Holidays (India) Pvt Ltd	**50**	**120,552,533**	-	-	-	-
Total Carrying Value of Investments in Subsidiaries		**4,220,198,902**		4,046,431,369		3,164,586,704

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT IN ASSOCIATE

	Group			Company		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Carrying Value						
Cost	**43,990,000**	43,975,000	-	**43,990,000**	43,975,000	-
Share of post acquisition Profit	**20,033,522**	5,232,856	-	**-**	-	-
Share of Capital Reserve	**25,382,248**	25,382,248	-	**-**	-	-
	89,405,770	74,590,104	-	**43,990,000**	43,975,000	-
7.1 Share of Associate's Balance Sheet						
Total Assets	**116,016,106**	87,431,020	-	**-**	-	-
Current Liabilities	**(42,526,869)**	(32,138,580)	-	**-**	-	-
Net Assets	**73,489,236**	55,292,439	-	**-**	-	-
Share of Capital Reserve	**25,382,248**	25,382,248	-	**-**	-	-
Net Carrying Value of the Investments	**98,871,484**	80,674,687	-	**-**	-	-
Fair value of Goodwill	**(6,084,583)**	(6,084,583)	-	**-**	-	-
Exchange Fluctuation	**(3,381,132)**	-	-	**-**	-	-
Net Assets	**89,405,769**	74,590,104	-	**-**	-	-
7.2 Share of the Associates Revenue and Profit/(Loss)						
Revenue	**145,626,715**	73,102,841	-	**-**	-	-
Profit/(Loss) before Income Tax	**18,360,262**	5,386,386	-	**-**	-	-
Income Tax	**(3,519,597)**	(153,530)	-	**-**	-	-
Profit/(Loss) after Income Tax	**14,840,666**	5,232,856	-	**-**	-	-

8. OTHER FINANCIAL ASSETS

	Group			Company		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Financial instruments at fair value through profit or loss						
Investments in Equity Securities (8.1)	**876,542**	8,613,068	7,414,143	**-**	-	6,318,690
Available-for-sale investments						
Investments in Securities (8.2)	**528,971,201**	524,053,179	383,090,447	**411,868,870**	423,293,870	258,725,290
Investments in Equity Securities (8.3)	**89,642,399**	38,322,509	59,850	**89,642,399**	38,322,509	59,850
	618,613,600	562,375,688	383,150,297	**501,511,269**	461,616,379	258,785,140
Loans and receivables						
Investments in Fixed/Savings Deposits - Mudarabha	**388,008,222**	425,000,000	-	**164,824,310**	526,246,168	-
	388,008,222	425,000,000	-	**164,824,310**	526,246,168	-
Total current	**388,884,764**	433,613,068	7,414,143	**164,824,310**	526,246,168	6,318,690
Total non-current	**618,613,600**	562,375,688	383,150,297	**501,511,269**	461,616,379	258,785,140

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 an active market and whose fair value cannot be reliability 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.

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER FINANCIAL ASSETS (CONTD.)

8.1 Investments in Equity Securities - Current

	2013		2012		As at 1 April 2011	
Group	No. of Shares	Rs.	No. of Shares	Rs.	No. of Shares	Rs.
Sierra Cables PLC	**61,500**	**202,963**	61,500	202,963	61500	210,553
Overseas Reality (Ceylon) PLC	**50,000**	**670,000**	50,000	670,000	-	-
Sri Lanka Telecom PLC	**100**	**3,579**	100	3,579	100	4,900
Agalawatta Plantations PLC	-	-	10,000	422,000	-	-
Asiri Surgical Hospitals PLC	-	-	50,000	380,000	97600	829,600
Bairaha Farms PLC	-	-	100	2,396	-	-
Balangoda Plantation PLC	-	-	10,000	260,000	-	-
Bogawanthalawa Tea Estate PLC	-	-	25,000	275,000	-	-
Browns Company PLC	-	-	-	-	3000	869,700
Cargills Ceylon PLC	-	-	100	5,420	-	-
Ceylon Hospital PLC	-	-	10,000	725,000	-	-
Coco Lanka PLC	-	-	-	-	8700	693,390
Dailog Axiata PLC	-	-	25,000	175,000	-	-
Hapugastanna Plantation PLC	-	-	1,000	40,900	-	-
Haycarb PLC	-	-	10,000	1,580,000	-	-
Hemas Holdings PLC	-	-	10,000	265,000	18000	828,000
Horana Plantations PLC	-	-	10,000	266,000	-	-
Keells Foods PLC	-	-	100	5,000	-	-
Kegalle Plantation PLC	-	-	-	-	3600	747,000
Kotmale Holdings PLC	-	-	10,000	395,000	-	-
Lanka Ceramic PLC	-	-	-	-	5600	819,840
Lanka IOC PLC	-	-	-	-	50000	880,000
Laugfs Gas PLC	-	-	10,000	253,000	-	-
Nawaloka Hospitals PLC	-	-	100,000	310,000	-	-
Sunshine Holdings PLC	-	-	10,000	202,000	-	-
Textured Jersey Lanka PLC	-	-	208,200	1,519,810	-	-
United Motors Lanka PLC	-	-	-	-	5300	806,660
Vidullanka PLC	-	-	50,000	310,000	115000	724,500
Watawala Plantation PLC	-	-	25,000	262,500	-	-
York Arcade Holdings PLC	-	-	5,000	82,500	-	-
Total Investments in Quoted Equity Securities		**876,542**		8,613,068		7,414,143

8.1 Investments in Equity Securities - Current (contd.)

Company	2013 No. of Shares	2013 Rs.	2012 No. of Shares	2012 Rs.	As at 1 April 2011 No. of Shares	As at 1 April 2011 Rs.
Asiri Surgical Hospitals PLC	-	-	-	-	97600	829,600
Browns Company PLC	-	-	-	-	3000	869,700
Coco Lanka PLC	-	-	-	-	8700	693,390
Hemas Holdings PLC	-	-	-	-	18000	828,000
Kegalle Plantation PLC	-	-	-	-	3600	747,000
Lanka Ceramic PLC	-	-	-	-	5600	819,840
United Motors Lanka PLC	-	-	-	-	5300	806,660
Vidullanka PLC	-	-	-	-	115000	724,500
Total Investments in Quoted Equity Securities		-		-		6,318,690

8.2 Investments in Securities

	2013 Rs.	2012 Rs.	1 April 2011 Rs.
Group			
Lanka Commodity Brokers (Private) Limited	**88,512,060**	75,518,310	75,518,310
Amana Bank Limited	**407,505,870**	407,505,870	277,601,133
Amana Investment Limited	**4,388,000**	4,436,078	-
SLFFA Cargo Services Limited	**717,921**	717,921	717,922
Asia Pacific Golf Course Limited	**-**	-	1,750,000
Airline Cargo Resources India (Private) Limited	**-**	-	5,100,000
Expolanka Freight Limited - Philippines	**-**	-	22,403,082
Madagascar (Private) Limited	**-**	11,405,000	-
EFL Global Logistics (Pte.) Limited	**-**	11,400,000	-
Classic Maldives	**-**	13,070,000	-
Expo Global Distribution Centre (EGDC)	**27,847,350**	-	-
Total Investments in Non Quoted Equity Securities	**528,971,201**	524,053,179	383,090,447
Company			
Amana Bank Limited	**407,505,870**	407,505,870	258,725,240
Amana Investment Limited	**4,363,000**	4,388,000	-
World Spices Teas (Private) Limited	**-**	-	50
EFL Global Logistics (Pte.) Limited	**-**	11,400,000	-
	411,868,870	423,293,870	258,725,290

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER FINANCIAL ASSETS (CONTD.)

8.3 Investments in Equity Securities

	2013		2012		As at 1 April 2011	
Group	No. of Shares	Rs.	No. of Shares	Rs.	No. of Shares	Rs.
Amana Takaful PLC	**52,730,823**	**89,642,399**	20,169,742	38,322,509	28,500	59,850
		89,642,399		38,322,509		59,850

	2013		2012		As at 1 April 2011	
Company	Carrying No. of Shares	Market Rs.	Carrying No. of Shares	Market Rs.	Carrying No. of Shares	Market Rs.
Amana Takaful PLC	**52,730,823**	**89,642,399**	20,169,742	38,322,509	28,500	59,850
		89,642,399		38,322,509		59,850

8.4 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		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Financial assets						
Trade and other receivables	**11,559,009,945**	8,151,025,671	6,899,991,557	**11,559,009,945**	8,151,025,671	6,899,991,557
Other financial assets						
Financial instruments at fair value through profit or loss	**876,542**	8,613,068	7,414,143	**876,542**	8,613,068	7,414,143
Loans and other receivables	**388,008,222**	425,000,000	-	**388,008,222**	425,000,000	-
Available-for-sale investments	**618,613,600**	562,375,688	383,150,,297	**618,613,600**	562,375,688	383,150,297
Cash and short-term deposits	**2,576,285,350**	2,349,425,695	2,228,020,408	**2,576,285,350**	2,349,425,695	2,228,020,408
Total	**15,142,793,659**	11,496,440,122	9,518,576,405	**15,142,793,659**	11,496,440,122	9,518,576,405

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 2013, 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 2013 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets at fair value through profit or loss	**876,542**	876,542	-	-
Available-for-sale financial assets Equity shares	**618,613,600**	89,604,749	-	529,008,581

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

As at 31 March 2012, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	As at 31 March 2012 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets at fair value through profit or loss	8,613,068	8,613,068	-	-
Available-for-sale financial assets Equity shares	562,375,688	38,322,509	-	524,053,179

During the reporting period ending 31 March 2012, there were no transfers between Level 1 and Level 2 fair value measurements.

As at 1 April 2011, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	As at 1 April 2011 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets at fair value through profit or loss	7,414,143	7,414,143	-	-
Available-for-sale financial assets Equity shares	383,150,297	59,850	-	383,090,447

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.

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER INVESTMENTS

	Group			Company		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Investment in Gold	**111,262,500**	236,179,681	25,475,050	**-**	211,576,000	-
	111,262,500	236,179,681	25,475,050	**-**	211,576,000	-

10. INVENTORIES

	Group		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Raw Materials	**218,406,258**	69,769,815	25,292,379
Packing Materials	**133,701,746**	141,851,017	135,942,821
Work in Progress	**653,225**	82,990	3,464,630
Finished Goods	**557,863,583**	749,915,357	472,862,712
Consumable	**17,122,238**	19,452,220	16,696,808
Stationary	**1,368,581**	-	980,237
Goods in Transit	**231,414,694**	123,319,177	72,391,273
Less: Provision	**(5,316,178)**	-	-
	1,155,214,148	1,104,390,576	727,630,861

11. TRADE AND OTHER RECEIVABLES

	Group			Company		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Trade Debtors	**11,759,221,012**	7,755,097,612	5,908,129,281	**-**	-	-
Less: Provision for Doubtful Debts	**(292,952,507)**	(176,995,683)	(98,521,341)	**-**	-	-
	11,466,268,505	7,578,101,929	5,809,607,941	**-**	-	-
Other Debtors	**92,026,768**	527,140,333	1,054,357,087	**35,405,634**	19,123,467	6,696,039
Amounts Due from Related Parties (11.1)	**714,673**	45,783,410	36,026,529	**944,241,136**	1,037,560,772	493,505,164
	11,559,009,945	8,151,025,671	6,899,991,557	**979,646,770**	1,056,684,239	500,201,203

11.1 Amounts Due from Related Parties

	Relationship	Group			Company		
		2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Bio Extracts (Private) Limited	Subsidiary	-	-	-	**50,825,005**	50,268,500	50,000,000
Expo Consolidators (Private) Limited	Subsidiary	-	-	-	**98,963,064**	101,161,929	37,638,184
Expolanka Commodities (Private) Limited	Subsidiary	-	-	-	**34,832,410**	144,838,274	112,297,700
Expolanka Freight (Private) Limited	Subsidiary	-	-	-	**238,696,555**	209,149,172	93,218,820
Expolanka (Private) Limited	Subsidiary	-	-	-	**130,245,679**	133,434,584	9,288,776
Expolanka Plantations (Private) Limited	Subsidiary	-	-	-	**7,072,410**	9,082,548	4,927,410
Expolanka Teas (Private) Limited	Subsidiary	-	-	-	**42,125,831**	66,901,252	28,462,042
Freightcare (Private) Limited	Subsidiary	-	-	-	**3,000,000**	3,651,454	51,382
HelloCorp (Private) Limited	Subsidiary	-	-	-	**3,190,614**	3,199,644	3,164,086
Luxe Asia (Private) Limited	Subsidiary	-	-	-	**10,287,408**	20,092,388	-
Neptune Holdings (Private) Limited	Subsidiary	-	-	-	**8,557,400**	8,557,400	8,557,400
Neptune Papers (Private) Limited	Subsidiary	-	-	-	**16,576,050**	11,033,898	11,735,035
S G Logistics (Private) Limited	Subsidiary	-	-	-	**65,013**	59,823,365	28,831,700
Classic Travel (Private) Limited	Subsidiary	-	-	-	**63,000,000**	38,285,822	12,182,873
Expolanka International (Private) Limited	Subsidiary	-	-	-	**191,580,719**	135,076,147	87,563,469
International Airlines Services (Private) Limited	Subsidiary	-	-	-	**26,000,104**	17,732,164	-
Expolanka Pharmaceuticals (Private) Limited	Subsidiary	-	-	-	**527,520**	287,476	-
Peri Logistics (Private) Limited	Subsidiary	-	-	-	**-**	120,626	-
Akquasun Lanka (Private) Limited	Subsidiary	-	-	-	**2,326,889**	11,965,858	-
Amoha (Private) Limited	Subsidiary	-	-	-	**86,384**	164,689	-
Logistic Support Service (Private) Limited	Subsidiary	-	-	-	**-**	349,968	-
Tropical Green (Private) Limited	Subsidiary	-	-	-	**8,550,000**	8,550,000	2,250,000
Globe Air (Private) Limited	Subsidiary	-	-	-	**4,765,624**	-	
Norfolk Foods (Private) Limited	Subsidiary	-	-	-	**132,888**	-	
Akquasun Holiday India (Private) Limited	Subsidiary	-	-	-	**1,073,770**	-	
APIIT Lanka (Private) Limited	Subsidiary	-	-	-	**250,000**	-	
Global Logistic Services (Private) Limited	Subsidiary	-	-	-	**270,074**	-	
Lanka Premier Foods (Pvrivate) Limited	Subsidiary	-	-	-	**250,000**	-	
Travel Express (Private) Limited	Subsidiary	-	-	5,996,259	**-**	-	-
World Spices and Teas (Private) Limited	Subsidiary	-	-	8,992,210	**-**	-	-
Pulsar Shipping (Private) Limited	Subsidiary	-	-	6,457,073	**-**	-	-
Saffron Foods (Private) Limited	Subsidiary	-	-	-	**861,946**	-	-
Classic Enterprise (Private) Limited	Affiliate Company	-	-	3,000,000	**-**	-	-
Denshun Industries (Private) Limited	Affiliate Company	-	-	3,396,288	**-**	-	3,336,288
Expack Corrugated Cartons (Private) Limited	Affiliate Company	**65,508**	1,168,125	165,743	**65,508**	1,168,125	-
Expolanka Aviation Services (Private) Limited	Affiliate Company	-	-	271,073	**-**	-	-
Expo Aviation (Private) Limited	Affiliate Company	**649,165**	2,665,488	-	**62,272**	2,665,488	-
Aberdeen Holdings (Private) Limited	Affiliate Company	-	-	6,932,804	**-**	-	-
Silver Wings (Private) Limited	Affiliate Company	-	-	249,214	**-**	-	-
Sky Air (Private) Limited	Affiliate Company	-	-	565,865	**-**	-	-
Food Technologies (Private) Limited	Affiliate Company	-	41,949,797	-	**-**	-	-
		714,673	45,783,410	36,026,529	**944,241,136**	1,037,560,772	493,505,164

NOTES TO THE FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES (CONTD.)

	Group		
	Individually impaired Rs.	Collectively impaired Rs.	Total Rs.
At 1 April 2011	-	98,521,341	98,521,341
Charge for the year	-	78,474,342	78,474,342
Utilised	-	-	-
Unused amounts reversed	-	-	-
At 31 March 2012	-	176,995,683	176,995,683
Charge for the year	-	139,979,884	139,979,884
Utilised	-	-	-
Unused amounts reversed		(24,023,060)	(24,023,060)
At 31 March 2013	-	292,952,507	292,952,507

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

			Past due but not impaired				
	Total Rs.	Neither past due nor impaired Rs.	< 30 days Rs.	30-60 days Rs.	61-90 days Rs.	91-120 days Rs.	> 120 days Rs.
31 March 2013	11,466,268,505	9,470,222,059	684,744,045	363,854,481	296,657,332	281,770,079	369,020,509
31 March 2012	7,578,101,929	6,233,724,717	586,789,942	213,454,553	178,909,304	154,990,404	210,233,009
As at 1 April 2011	5,809,607,941	4,905,198,952	372,457,789	175,667,753	89,402,920	99,790,084	167,090,443

12. CASH AND SHORT-TERM DEPOSITS

	Group			Company		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Cash at banks and on hand	**2,576,285,350**	2,349,425,695	2,228,020,408	**9,870,985**	71,961,480	112,337,536
	2,576,285,350	2,349,425,695	2,228,020,408	**9,870,985**	71,961,480	112,337,536
Cash at banks and on hand	**2,576,285,350**	2,349,425,695	2,228,020,408	**9,870,985**	71,961,480	112,337,536
Bank overdrafts	**(1,034,235,664)**	(621,612,430)	(694,259,972)	**(356,493,490)**	(281,736,575)	(464,842,246)
Cash and cash equivalents	**1,542,049,686**	1,727,813,265	1,533,760,436	**(346,622,505)**	(209,775,094)	(352,504,710)

13. STATED CAPITAL

	2013		2012		As at 1 April 2011	
	Number	Rs.	Number	Rs.	Number	Rs.
Fully Paid Ordinary Shares	**1,954,915,000**	**4,097,985,000**	1,954,915,000	4,097,985,000	1,782,915,000	1,782,915,000
13.1 Fully Paid Ordinary Shares						
Balance at beginning of the year	**1,954,915,000**	**4,097,985,000**	1,782,915,000	1,782,915,000	1,782,915,000	1,782,915,000
New Share issue	**-**	**-**	172,000,000	2,408,000,000	-	-
Direct cost on share issue	**-**	**-**	-	(92,930,000)	-	-
Balance at end of the year	**1,954,915,000**	**4,097,985,000**	1,954,915,000	4,097,985,000	1,782,915,000	1,782,915,000

14. RESERVES

	Group			Company		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Available for Sale Reserve (14.1)	**(24,926,370)**	(11,333,917)	-	**(20,256,133)**	(6,663,680)	-
Foreign Currency Translation Reserve (14.2)	**98,220,932**	130,496,609	(9,375,334)	**-**	-	-
	73,294,563	119,162,692	(9,375,334)	**(20,256,133)**	(6,663,680)	-
14.1 Available for Sale Reserve						
Balance as at 1 April	**(11,333,917)**	-	-	**(6,663,680)**	-	-
Net loss for the year	**(13,592,453)**	(11,333,917)	-	**(13,592,453)**	(6,663,680)	-
Balance as at 31 March	**(24,926,370)**	(11,333,917)	-	**(20,256,133)**	(6,663,680)	-
14.2 Foreign Currency Translation Reserve						
Balance as at 1 April	**130,496,609**	(9,375,334)	-	-	-	-
Currency translation difference during the year	**(32,275,677)**	139,871,943	(9,375,334)	-	-	-
Balance as at 31 March	**98,220,932**	130,496,609	(9,375,334)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCING AND LEASE (IJARA) PAYABLES

15.1 Group

	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Current finance cost bearing loans and borrowings			
Finance Leases - Ijara (15.1.1)	**68,945,309**	52,582,081	40,291,289
Bank Financing (15.1.2)	**1,212,911,009**	970,539,725	832,214,162
Bank Overdrafts - (finance cost free) (12.2)	**677,742,175**	621,612,430	229,417,726
	1,959,598,493	1,644,734,236	1,101,923,177
Non-current finance cost bearing loans and borrowings			
Finance Leases - Ijara (15.1.1)	**110,120,953**	80,682,222	84,622,392
Bank Financing (15.1.2)	**236,049,521**	303,668,063	622,677,648
Bank Overdrafts - (finance cost free) (12.2)	**356,493,490**	-	464,842,246
	702,663,963	384,350,285	1,172,142,286

15.1.1 Finance Leases (Ijara)

	As At 01.04.2012 Rs.	New Leases (Ijara) Obtained Rs.	Repayment Rs.	As At 31.03.2013 Rs.	Current As At 31.03.2013 Rs.	Non-Current As At 31.03.2013 Rs.
Gross Liability	151,217,157	107,550,691	(64,246,464)	**194,521,384**	**-**	**-**
Finance Charges allocated to future periods	(17,952,854)	-	-	**(15,455,122)**	**-**	**-**
Net liability	133,264,303	-	-	**179,066,262**	**68,945,309**	**110,120,953**

15.1.2 Bank Financing

	As At 01.04.2012 Rs.	Finance Obtained Rs.	Repayment Rs.	As At 31.03.2013 Rs.
	1,274,207,788	286,263,029	(111,510,287)	**1,448,960,530**
	1,274,207,788	286,263,029	(111,510,287)	**1,448,960,530**

15.1.3 Secrity and repayment terms

Company	Lending Institution	Nature of facility	Finance rate and security	Repayment terms	2013	2012
Expolanka (Pvt) Ltd	Commercial Bank	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**	300,000,000

Other Bank finance represent the short term borrowings borrowed with prevailing market finance rates.

15.2 Company

	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Current finance cost bearing loans and borrowings			
Lease (Ijara) Payables (15.2.1)	**1,000,000**	305,887	1,272,378
Bank Financing	**-**	-	184,324,316
	1,000,000	305,887	185,596,694
Non-current finance cost bearing loans and borrowings			
Lease (Ijara) Payables (15.2.1)	**3,583,333**	-	1,158,643
Bank Overdrafts - (finance cost free) (12.2)	**356,493,490**	281,736,575	464,842,246
	360,076,823	281,736,575	466,000,889

15.2.1 Lease (Ijara) Payables

	As at 01.04.2012 Rs.	New Leases (Ijara) Obtained Rs.	Repayments Rs.	As at 31.03.2013 Rs.	Current As at 2013 Rs.	Non-Current As at 2013 Rs.
Gross Liability	314,512	7,159,993	1,070,812	**6,403,693**	**1,701,735**	**4,701,958**
Finance Charges Allocated to future periods	(8,625)	(2,159,993)	(348,258)	**(1,820,360)**	**(701,735)**	**(1,118,624)**
Net Liability	305,887	5,000,000	722,554	**4,583,333**	**1,000,000**	**3,583,333**

NOTES TO THE FINANCIAL STATEMENTS

16. DEFERRED INCOME TAX

16.1 Deferred Income Tax Assets

	Group			Company		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Balance as at the beginning of the period	**47,465,543**	49,474,132	41,530,200	**-**	-	-
Income arisen during the period	**(1,924,661)**	(2,008,589)	7,943,932	**-**	-	-
Balance as at 31 March	**45,540,882**	47,465,543	49,474,132	**-**	-	-

Expolanka Holdings PLC has not recognized net deferred tax asset as at 31 March 2013 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. 557,909,283/- (2012 - 421,812,045/-) can be utilized.

16.2 Deferred Income Tax Liabilities

Balance as at beginning of the year	**81,965,472**	16,073,825	8,717,807	**-**	-	-
Provision made during the period	**(6,823,588)**	65,891,647	7,356,018	**-**	-	-
Tax effect on actuarial gains on defined benefit plans	**1,060,592**	-	-	**-**	-	-
Balance as at end of the year	**76,202,476**	81,965,472	16,073,825	**-**	-	-

17. RETIREMENT BENEFIT OBLIGATION - GRATUITY

	Group			Company		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Balance as at beginning of the year	**264,636,315**	214,305,106	177,815,851	**9,634,071**	10,965,779	7,479,537
Service Charge for the year	**20,245,406**	44,409,861	24,073,030	**1,695,340**	903,442	3,198,493
Finance charge for the year	**27,125,222**	23,573,562	19,559,744	**987,492**	1,206,236	822,749
Actuarial Gain/Loss	**(7,360,378)**	(9,388,062)	-	**(591,944)**	(3,441,386)	-
Payments during the year	**(11,893,502)**	(15,681,087)	(6,643,674)	**(475,000)**	-	(535,000)
Transfer during the year	**-**	-	-	**(1,327,923)**	-	-
Exchange difference	**(917,953)**	7,416,935	(499,845)	**-**	-	-
Balance as at end of the year	**291,835,110**	264,636,315	214,305,106	**9,922,036**	9,634,071	10,965,779

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

Discount rate:	**11.75%**	10.25%	**11.75%**	10.25%
Staff withdrawal rate	**9%**	10%	**9%**	10%
Expected remaining working life	**55 Years**	55 Years	**55 Years**	55 Years

18. TRADE AND OTHER PAYABLES

	Group			Company		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Trade Payables	**6,943,246,607**	4,400,948,826	4,315,894,374	**21,807,949**	17,129,359	13,214,449
Amounts Due to Related Parties (18.1)	**15,560,851**	21,583,130	28,425,010	**1,724,025**	491,324,567	8,678,396
Sundry Creditors including Accrued Expenses	**1,766,115,294**	989,294,224	1,071,497,946	**2,633,140**	2,297,912	1,056,219
	8,724,922,752	5,411,826,180	5,415,817,330	**26,165,114**	510,751,838	22,949,064

18.1 Amounts Due to Related Parties

		Group			Company		
		2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Current							
Castle Commercial (Private) Limited	Subsidiary	**-**	-	-	**-**	90	-
Classic Vacations (Private) Limited	Subsidiary	**-**	-	-	**-**	316	558,066
Globe Air (Private) Limited	Subsidiary	**-**	-	-	**-**	1,183,983	4,185,500
International Airlines Services (Private) Limited	Subsidiary	**-**	-	-	**-**	-	45,237
Progressive Investment (Private) Limited	Subsidiary	**-**	-	-	**-**	1,634,161	-
Skycare (Private) Limited	Subsidiary	**-**	-	-	**-**	499,005	500,005
UCL Logistics (Private) Limited	Subsidiary	**-**	-	-	**1,581,320**	2,931,455	3,381,500
Saffron Foods (Pvt) Ltd	Subsidiary	**-**	-	-	**-**	935,211	-
Logistics Park (Private) Limited	Subsidiary	**-**	-	-	**-**	484,132,259	-
World Spices & Teas (Private) Limited	Subsidiary	**-**	-	-	**-**	50	50
Peri Logistics (Private) Limited	Subsidiary	**-**	-	-	**142,705**	-	-
Classic Papers (Private) Limited	Affiliate Company	**-**	-	3,855,819	**-**	-	-
Expack Corrugated Cartons (Private) Limited	Affiliate Company	**6,084,750**	8,877,529	5,989,750	**-**	-	-
Aberdeen Holdings (Private) Limited	Affiliate Company	**-**	-	-	**-**	8,037	8,037
Freight Air (Private) Limited	Affiliate Company	**-**	-	343,422	**-**	-	-
Infodata (Private) Limited	Affiliate Company	**-**	277,344	277,344	**-**	-	-
Nissho Iwai (Private) Limited	Affiliate Company	**-**	-	9,266,069	**-**	-	-
Denshun Industries (Private) Limited	Affiliate Company	**9,376,077**	4,447,448	-	**-**	-	-
APIIT Malaysia	Affiliate Company	**-**	7,980,809	8,692,606	**-**	-	-
Expo Aviation (Private) Limited	Affiliate Company	**100,024**	-	-	**-**	-	-
		15,560,851	21,583,130	28,425,010	**1,724,025**	491,324,567	8,678,396

NOTES TO THE FINANCIAL STATEMENTS

19. REVENUE

	Group		Company	
Summary	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Sales of Goods	**12,913,479,164**	12,327,051,968	**-**	-
Rendering of Services	**37,161,879,128**	23,087,515,652	**132,114,731**	129,045,324
	50,075,358,292	35,414,567,620	**132,114,731**	129,045,324

20. OTHER OPERATING INCOME AND GAINS

	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Other Operating Income	**114,539,992**	55,565,054	**264,593**	63,590,719
Bad Debts Recovery	**33,980,857**	19,167,050	**-**	-
Commission Income	**28,949,784**	26,542,187	**-**	-
Investment Income	**61,418,891**	68,195,946	**363,661,464**	258,655,949
Exchange Gain	**120,411,445**	373,455,223	**-**	-
Rental Income	**60,221,208**	35,690,165	**-**	-
Management Fees	**9,872,225**	10,741,162	**-**	-
Navinna Estate Profit	**1,770,836**	1,638,809	**-**	-
Profit on Disposal of subsidiaries (20.1)	**8,383,893**	-	**8,000,000**	-
Profit on Disposal of Property, Plant and Equipment	**51,467,416**	41,540,539	**4,057,500**	205,150
Sundry Income	**-**	878,251	**-**	-
	491,016,548	633,414,386	**375,983,557**	322,451,818

20.1 During the year ended 31 March 2013 the Company has sold its investments in Progressive Investments (Private) Limited in full for a total consideration of Rs. 29,000,000/-. This has resulted in a gain of Rs. 8,000,000/- to the Company and a gain of Rs. 8,383,893/- to the Group.

21. FINANCE COSTS

	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Finance Charges on Bank Financing	**209,170,283**	122,440,639	**-**	7,935,963
Finance Charges on Lease (Ijara) Liabilities	**17,826,113**	14,653,929	**348,306**	246,217
	226,996,396	137,094,568	**348,306**	8,182,180

22. PROFIT BEFORE TAX

Stated after Charging	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Included in Administrative Expenses				
Employees Benefits including the following				
Defined Benefit Plan Costs - Gratuity	**47,370,629**	67,983,423	**2,682,832**	2,109,678
Defined Contribution Plan Costs - EPF and ETF	**141,810,849**	135,297,965	**13,000,934**	9,471,502
Depreciation	**362,149,892**	340,199,479	**21,828,189**	14,626,952
Directors' Emoluments	**176,310,708**	147,082,906	**29,610,000**	17,970,000
Auditors' Remuneration (Fees and Expenses)	**32,827,269**	31,143,509	**4,200,000**	2,308,700
Donations	**14,148,585**	6,767,206	**7,500**	355,000
Included in Selling and Distribution Costs				
Advertising Costs	**121,374,183**	81,361,266	**85,237**	968,135

NOTES TO THE FINANCIAL STATEMENTS

23. INCOME TAX EXPENSE

	Group		Company	
	2013	2012	2013	2012
Current Income Tax	Rs.	Rs.	Rs.	Rs.
Current Tax Expense on Ordinary Activities for the Year (23.1)	**360,868,310**	402,142,318	**-**	-
10 % of Withholding Tax on inter-company Dividends	**33,704,361**	29,792,707	**-**	-
Deferred Income Tax				
Deferred Taxation Charge/(Reversal)	**(2,777,742)**	22,801,322	**-**	-
	391,794,929	454,736,347	**-**	-
23.1 A reconciliation between tax expense and the product of accounting profit /(loss)				
Accounting Profit before Income Tax	**1,670,313,754**	1,664,282,410	**170,317,992**	201,193,342
Aggregate Disallowable Items	**418,099,159**	443,903,941	**40,844,450**	25,504,623
Aggregate Allowable Expenses	**(349,403,733)**	(271,156,426)	**(33,026,142)**	(14,005,476)
Aggregate Allowable Income	**(314,111,401)**	(258,655,949)	**(313,761,401)**	(258,655,949)
Taxable Profit/(Loss)	**1,424,897,779**	1,578,373,976	**(135,625,100)**	(45,963,460)
Income Tax Expense	**104,115,187**	127,189,785	**-**	-
Income Tax on International Operations	**256,753,123**	274,952,532	**-**	-
Tax losses carried forward	**(772,260,589)**	(696,835,044)	**(391,799,600)**	(345,836,140)
Tax losses incurred during the year	**(272,267,356)**	(77,157,939)	**(135,625,100)**	(45,963,460)
Tax loss utilised	**17,429,520**	1,732,394	**-**	-
Tax losses brought forward	**(1,027,098,424)**	(772,260,589)	**(527,424,700)**	(391,799,600)

24. EARNINGS PER SHARE

24.1 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.

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

	Group		Company	
	2013	2012	2013	2012
	Rs.	Rs.	Rs.	Rs.
Profit attributable to Ordinary Shareholders for basic Earnings Per Share	**1,060,657,819**	1,033,329,029	**170,317,992**	201,193,342

	Group		Company	
	2013	2012	2013	2012
	Number	Number	Number	Number
Number of Ordinary Shares used as the denominator:				
Opening Balance	**1,954,915,000**	1,926,248,333	**1,954,915,000**	1,926,248,333
Weighted average of during the year share issue	**-**	-	**-**	-
Weighted average number of ordinary shares in issue applicable to basic Earnings Per Share	**1,954,915,000**	1,926,248,333	**1,954,915,000**	1,926,248,333

24.3 Dividend

	Rs.	2013	Rs.	2012
Declared and paid during the year				
Interim Dividend	0.12	234,589,800	0.12	234,589,800

NOTES TO THE FINANCIAL STATEMENTS

25. SEGMENT INFORMATION

	Freight and Logistics		Travel and Leisure	
	2013	2012	2013	2012
Operating Segment				
Property, plant and equipment	**1,557,569,026**	985,503,284	**94,266,061**	17,289,906
Other financial assets	**28,565,271**	717,921	**-**	13,070,000
Other non-current assets	**405,282,174**	261,878,932	**33,362,716**	2,367,197
Segment non-current assets	**1,991,416,471**	1,248,100,137	**127,628,777**	32,727,103
Investments in Subsidiaries				
Goodwill				
Eliminations / adjustments				
Total non current assets				
Inventories	**-**	2,237,823	**368,546**	-
Trade and Other Receivables	**7,186,586,758**	5,647,830,210	**775,754,144**	519,496,414
Other financial assets	**87,500,645**	-	**9,526,219**	-
Other investments	**-**	-	**-**	-
Cash and bank balance	**1,783,491,889**	1,424,899,515	**40,424,727**	9,328,620
Other current assets	**967,220,836**	1,120,571,860	**128,360,102**	179,555,926
Segment current assets	**10,024,800,129**	8,195,539,407	**954,433,738**	708,380,960
Eliminations / adjustments				
Total current assets				
Total assets				
Financing and Lease (Ijara) Payables	**464,658,847**	357,279,141	**119,154,334**	-
Other non-current liabilities	**167,155,073**	138,720,237	**19,516,417**	14,805,287
Segment non-current liabilities	**631,813,920**	495,999,378	**138,670,751**	14,805,287
Eliminations / adjustments				
Total non-current liabilities				
Financing and Lease (Ijara) Payables	**213,490,404**	31,516,417	**116,006,596**	83,654,449
Trade and Other Payables	**4,463,436,609**	3,488,054,666	**419,727,428**	220,395,260
Other current liabilities	**1,382,831,620**	943,714,988	**234,219,164**	240,104,102
Segment current liabilities	**6,059,758,633**	4,463,286,072	**769,953,187**	544,153,811
Eliminations / adjustments				
Total current liabilities				
Total liabilities				
Total Segment asset	**12,016,216,600**	9,443,639,544	**1,082,062,515**	741,108,063
Total Segment liabilities	**6,691,572,553**	4,959,285,449	**908,623,939**	558,959,098
Primary segments (business segments)				
Revenue	**32,182,942,131**	19,570,415,347	**2,377,204,715**	561,605,320
Cost of Sales	**(26,951,074,038)**	(15,380,491,921)	**(1,782,890,399)**	(284,446,710)
Gross Profit	**5,231,868,093**	4,189,923,426	**594,314,317**	277,158,610
Other Operation Income	**279,673,803**	332,689,992	**37,128,486**	31,738,606
Overhead	**(4,075,174,269)**	(3,049,597,387)	**(544,212,203)**	(257,834,645)
Share of Profit of an Associate	**-**	-	**-**	-
Profit Before Tax	**1,436,367,628**	1,473,016,031	**87,230,599**	51,062,572
Income Tax Expense	**(259,294,299)**	(368,604,841)	**(11,021,400)**	(6,233,378)
Profit for the year	**1,177,073,329**	1,104,411,190	**76,209,199**	44,829,193

International Trading and Manufacturing		Investments and Services		Total	
2013	2012	2013	2012	2013	2012
2,050,338,980	1,875,266,001	**518,890,092**	542,401,554	**4,221,064,159**	3,420,460,745
-	11,478,078	**590,048,329**	537,109,689	**618,613,600**	562,375,688
56,131,970	45,306,891	**2,662,679,010**	2,467,909,257	**3,157,455,870**	2,777,462,277
2,106,470,951	1,932,050,970	**3,771,617,431**	3,547,420,500	**7,997,133,630**	6,760,298,710
				(2,859,244,634)	(2,621,138,858)
				357,489,661	197,425,564
				(12,009,084)	(4,230,920)
				5,483,369,573	4,332,354,495
1,153,477,021	1,101,119,990	**1,368,581**	1,032,763	**1,155,214,148**	1,104,390,576
2,444,045,022	2,283,770,881	**2,006,664,206**	687,803,638	**12,413,050,130**	9,138,901,143
1,053,120	8,813,118	**290,804,780**	424,799,950	**388,884,764**	433,613,068
-	-	**111,262,500**	236,179,681	**111,262,500**	236,179,681
333,765,127	365,911,830	**418,603,607**	549,285,731	**2,576,285,350**	2,349,425,695
326,683,896	235,655,239	**1,333,269,780**	1,286,965,024	**2,755,534,616**	2,822,748,049
4,259,024,187	3,995,271,058	**4,161,973,454**	3,186,066,787	**19,400,231,508**	16,085,258,212
				(2,535,128,552)	(3,062,795,181)
				16,865,102,956	13,022,463,032
				22,348,472,529	17,354,817,527
298,592,232	330,601,066	**383,545,536**	26,540,837	**1,265,950,950**	714,421,044
118,466,935	90,881,709	**62,899,163**	52,086,845	**368,037,587**	296,494,077
417,059,167	421,482,775	**446,444,698**	78,627,682	**1,633,988,536**	1,010,915,121
				(563,286,987)	(279,963,047)
				1,070,701,550	730,952,074
1,692,835,625	1,387,335,455	**60,209,925**	361,074,080	**2,082,542,550**	1,863,580,401
772,800,511	1,619,482,282	**2,082,143,782**	722,189,810	**7,738,108,330**	6,050,122,018
1,331,768,515	379,108,285	**354,724,133**	771,220,973	**3,303,543,431**	2,334,148,348
3,797,404,651	3,385,926,021	**2,497,077,840**	1,854,484,864	**13,124,194,312**	10,247,850,768
				(2,083,422,231)	(2,842,736,287)
				11,040,772,080	7,405,114,481
				12,111,473,630	8,136,066,555
6,365,495,137	5,927,322,028	**7,933,590,885**	6,733,487,287	**27,397,365,138**	22,845,556,922
4,214,463,818	3,807,408,796	**2,943,522,539**	1,933,112,545	**14,758,182,848**	11,258,765,888
12,645,624,614	12,025,937,954	**2,869,586,832**	3,256,608,999	**50,075,358,292**	35,414,567,620
(11,431,926,768)	(11,102,758,444)	**(1,787,875,136)**	(2,540,412,291)	**(41,953,766,340)**	(29,308,109,366)
1,213,697,846	923,179,511	**1,081,711,696**	716,196,708	**8,121,591,952**	6,106,458,255
82,101,222	147,141,856	**92,113,037**	121,843,931	**491,016,548**	633,414,386
(1,210,297,525)	(902,178,564)	**(1,127,451,415)**	(871,212,489)	**(6,957,135,412)**	(5,080,823,086)
-	-	**14,840,666**	5,232,856	**14,840,666**	5,232,856
85,501,542	168,142,803	**61,213,984**	(27,938,994)	**1,670,313,753**	1,664,282,411
(35,154,999)	(49,559,668)	**(86,324,232)**	(30,338,460)	**(391,794,929)**	(454,736,347)
50,346,544	118,583,135	**(25,110,248)**	(58,277,454)	**1,278,518,824**	1,209,546,064

NOTES TO THE FINANCIAL STATEMENTS

26. 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.

26.1 Transaction with related entities

	Company	
	2013 Rs.	2012 Rs.
Subsidiaries		
Management Fees Charged	**9,540,000**	9,823,300
Technical Fees Charged	**114,574,751**	111,306,040
Secretarial Fees Charged	**4,800,000**	4,896,000
Dividend Received	**311,240,390**	258,009,234
Settlement of Liabilities by the Company on behalf of Subsidiaries	**6,154,478**	8,972,890
Settlements by Subsidiaries	**3,194,101**	-
Advance to Subsidiary	**138,273,135**	1,478,671,755
Settlement of advances by Subsidiaries	**118,746,748**	-
Net Advances	**15,000,000**	-

	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Associate				
Investment made during the year	**-**	43,975,000	**-**	43,975,000
Other related entities and controlled by Key management personnel and Affiliates				
Provide of Services	**38,640,562**	59,905,606	**-**	-
Settlement of Liabilities on behalf of the Company	**3,004,580**	1,888,660	**-**	-

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

26.2 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.

	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Key Management Personnel Compensation				
Short-term employee benefits	**176,310,708**	147,082,906	**29,610,000**	17,970,000
	176,310,708	147,082,906	**29,610,000**	17,970,000

	2013 Rs.	2012 Rs.
Advance to KMP to incur expenses on behalf of the Company		
As at the beginning of the year	-	109,036,045
Advanced recovered during the year	-	(109,036,045)
As at end of the year	-	-

27. ASSETS PLEDGED

Nature of Liability	Company	Carrying Amount Pledged 2013 Rs.	Carrying Amount Pledged 2012 Rs.	Included Under
Diminishing Musharakah	Expolanka (Private) Limited	**421,942,781**	300,000,000	Property, Plant and Equipment

28. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to the reporting date on 14 June 2013, Group has disposed its stake in Hellocorp (Private) Limited, a subsidiary for a consideration of Rs. 60 Mn.

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

NOTES TO THE FINANCIAL STATEMENTS

29. COMMITMENTS AND CONTINGENCIES

29.1 Company

The Company does not have significant capital commitments as at the reporting date.

29.2 Group

29.2.1 Capital Expenditure Commitments

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

29.2.2 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 liability to arise from this guarantee.

	2013 Rs.	2012 Rs.
Institution		
National Development Bank PLC	**1,475,000,000**	1,475,000,000
Commercial Bank of Ceylon PLC	**930,000,000**	695,000,000
Sampath Bank PLC	**350,000,000**	350,000,000
Pan Asia Banking Corporation PLC	**500,000,000**	450,000,000
Standard Chartered Bank	**950,000,000**	950,000,000
DFCC Bank	**-**	33,941,280
Others	**302,762,678**	207,000,000
	4,507,762,678	4,160,941,280

30. 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 interest rates relates primarily to the Group's long-term debt obligations with floating 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 use the facility based on competitive rates. As Majority of the Groups revenue is generated through USD it helps the group in securing short and long term borrowings in USD at competitive rates.

Finance rate sensitivity

The sensitivity to a reasonably possible change in finance rate Increase/decrease of 1 % on the long term borrowing of LKR 262.5 Mn, with all other variables held constant to the Group's profit before tax would be LKR 2.63 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 Rupees 90,481,291. A 92 % increase in comparison to the previous financial year where the market value stood at Rupees 46,935,577.

At the reporting date, the Group exposure to non-quoted equity securities at carrying value was Rupees 529,008,851. This is a marginal increase of 1% on the carrying value which was held in FY 2012 for Rupees 524,053,179.

NOTES TO THE FINANCIAL STATEMENTS

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 31st March 2013	Less than 1 year	Above 1 year	Total
Bank Financing	1,890,653,184	592,543,010	2,483,196,194
Finance Leases (Ijara)	68,945,309	110,120,953	179,066,262
Trade and other payables	8,724,922,752		8,724,922,752

GROUP REAL ESTATE PORTFOLIO

Owning Company & Location	Buildings in SQ.FT	Free Hold Land in Perches	Net Book Value 2013
Properties in Colombo			
Expolanka Pvt Limited No 10, Mile post Avenue, Kollupitiya , Colombo 3	4,530	23.50	110,846,250
Expolanka Commodities Pvt Ltd No 11A Milepost Avenue,Kollupitiya , Colombo 3	5,718	9.64	74,517,200
Expolanka Commodities Pvt Ltd No. 228, Keyzer Street, Pettah, Colombo 11	2,250	2.31	76,693,000
Asia Pacific Institute of Information Technology Pvt Ltd No 388 & 392, Dr Colvin R De Silva Mawatha, Colombo 10.	56,619	43.99	312,639,201
Properties Outside Colombo			
Expolanka Commodities Pvt Ltd Kumara Wanni Palatha, Puttalam	1,600	1,637.00	20,346,875
Expolanka Commodities Pvt Ltd No 245/51 Avisawella Road, Orugodawatte, Kolonnawa	54,115	195.00	198,632,916
Expolanka Freight Pvt Ltd No 69, Ramyaweera Mawatha, Kittampahuwa, Wellampitiya	20,881	303.50	242,703,850
Expolanka Freight Pvt Ltd No 73/2,Ramyaweera Mawatha, Kittampahuwa, Wellampitiya	-	30.97	15,408,937
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	31,740	555.26	435,584,700
Expolanka Plantation Pvt Ltd The Nawinna Estate, Pimbura Village, Kukul Korale, Kalawana	40,750	4,425.00	72,220,179
Properties Outside Sri Lanka			
Expolanka Freight Pvt Ltd No. 23 – 25, Brabazon Road, Croydon, Kempton Park 1619, Johannesburg, South Africa	22,367	41.08	61,154,291
Expo Freight Limited 6th Floor, 206/A, Tejgaon Industrial Area, Dhaka - 1208, Bangladesh	6,717	-	89,762,939
Freight Care Aviation Services Ltd Kawran Bazar, Dhaka City, Bangladesh	1373	-	23,876,146
			2,156,329,266

5 YEAR SUMMARY

31st March In Rs. Millions	2012/13	2011/12	2010/11	2009/10	2008/09
Operating Results					
Group Revenue	**50,075**	35,415	41,067	23,709	18,935
EBIT	**1,882**	1,796	2,115	1,275	1,041
Finance Expenses	**(227)**	(137)	(256)	(348)	(351)
Share of results of associates	**15**	5	-	-	-
Profit before tax	**1,670**	1,664	1,859	926	689
Tax expenses	**(392)**	(455)	(540)	(335)	(299)
Profit after tax	**1,279**	1,210	1,319	591	391
Profit for the year	**1,279**	1,210	1,768	591	391
Attributable to:					
Non Controlling Interest	**218**	176	222	73	81
Equity holders of the parent	**1,061**	1,033	1,547	518	310
Capital Employed					
Share capital	**4,098**	4,098	1,783	1,783	1,783
Capital reserves	**73**	119	(9)	937	726
Revenue reserves	**4,910**	4,037	3,210	673	77
Minority interest	**1,156**	964	749	435	334
Total equity	**10,237**	9,219	5,733	3,828	2,920
Total debt	**2,662**	2,029	2,274	3,595	2,699
Capital Employed	**12,899**	11,248	8,007	7,422	5,619
Assets Employed					
Property plant and equipment	**4,221**	3,420	2,863	2,634	2,612
Other non current assets	**1,262**	912	584	513	390
Current assets	**16,865**	13,022	10,545	11,307	7,428
Liabilities net of debt	**(9,449)**	(6,107)	(5,985)	(7,031)	(4,811)
Assets Employed	**12,899**	11,248	8,007	7,422	5,619
Cash Flow					
Cashflow from operating activities	**1,064**	(329)	2,028	(47)	1,174
Cashflow from / (used in) investing activities	**(1,172)**	(1,361)	97	(496)	(189)
Cashflow from / (used in) financing activities	**(46)**	1,744	(1,339)	635	(272)
Net increase / (decrease) in cash and cash equivalents	**(186)**	194	765	134	604
Key Indicators					
Basic earnings per share (Rs.)	**0.543**	0.529	0.868	0.291	0.174
Finance cost cover (no. of times)	**8.3**	13.1	8.3	3.7	3.0
Net assets per share (Rs.)	**4.65**	4.22	3.22	2.15	1.64
Debt / equity ratio (%)	**26.0%**	22.0%	39.7%	93.9%	92.4%
Dividend payout (Rs. Millions)	**234,589,800**	234,589,800	-	-	-
Current ratio (no.of.times)	**1.5**	1.8	1.5	1.4	1.2
Market price per share (Rs.)	**6.8**	6.2	-	-	-

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, 26th July 2013 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 year ended 31st March 2013 with the Report of the Auditors thereon.

2. To re-elect Mr. Sanjay 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.

3. To re-elect Mr. Harsha Amarasekera, who in terms of Article 86 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.

4. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors and authorise the Directors to determine their remuneration.

5. To authorise the Directors to determine contributions to charities for the Financial Year ending 31st March 2014.

By Order Of The Board

S S P Corporate Services (Private) Limited
Secretaries

No. 101, Inner Flower Road,
Colombo 03
03rd July 2013

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, 101, Inner Flower Road, Colombo 03.

NOTES

FORM OF PROXY

I/We.....……..……of…….....

.....…….being a member/members of Expolanka Holdings PLC hereby appoint

(i)…… ……..of……

…….failing him/her

(ii) Osman Kassim, 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, 26th July 2013, 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 year ended 31st March 2013 with the report of the Auditors thereon.	☐	☐
2. To re-elect Mr. Sanjay 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.	☐	☐
3. To re-elect Mr. Harsha Amarasekera, who in terms of Article 86 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.	☐	☐
4. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors and authorise the Directors to determine their remuneration.	☐	☐
5. To authorise the Directors to determine contributions to charities for the Financial Year ending 31st March 2014.	☐	☐

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

Signature: …….

Note:

(a) *Please delete the inappropriate words.

(b) Instructions are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by filling in legibly your full name and address, your instruction as to voting, by signing in the space provided and filling in the date of signature.

2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the proxy in his/her discretion may vote as he/she thinks fit.

3. The completed Form of Proxy should be deposited at the Registered Office of the Secretaries at No. 101, Inner Flower Road, Colombo 03 at least 48 hours before the time appointed for the holding of the Meeting.

4. If the form of proxy is signed by an attorney, the relative power of attorney should accompany the form of proxy for registration, if such power of attorney has not already been registered with the Company.

Note:
If the shareholder is a Company or body corporate, Section 138 of Companies Act No. 7 of 2007 applies to Corporate Shareholders of Expolanka Holdings PLC. Section 138 provides for representation of Companies at meetings of Companies. A Corporation, whether a Company within the meaning of this act or not, may-where it is a member of another Corporation, being a Company within the meaning of this Act, by resolution of its Directors or other governing body authorized as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represent as that Corporation could exercise if it were an individual shareholder.

CORPORATE INFORMATION

Name of Company
Expolanka Holdings PLC

Legal Form
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 Re-registered on 11th November 2008 as a Public Limited Liability Company under the Companies Act No. 07 of 2007 Ordinary shares listed on the Colombo Stock Exchange

Company Registration Number
P B 744

Board of Directors
Osman Kassim – Chairman
Hanif Yusoof – Chief Executive Officer
Sattar Kassim
Shafik Kassim
Farook Kassim
Dr. Sivakumar Selliah
Harsha Amarasekera
Sanjay Kulatunga

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
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Colombo 03, Sri Lanka

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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

Company Secretaries
SSP Corporate Services (Private) Limited
P V 931
101, Inner Flower Road
Colombo 03
Sri Lanka

Telephone : +94 11 2573894,
+9411 2576871
Facsimile : +94 11 2573609

Company Auditors
Ernst and Young
Chartered Accountants
201, De Saram Place
P. O. Box 101
Colombo 10
Sri Lanka

Design and concept by Copyline (Pvt) Ltd.

EXPOLANKA HOLDINGS PLC
15A, Clifford Avenue, Colombo 03, Sri Lanka.