EXPOLANKA HOLDINGS PLC

THINK

OUT OF THE BOX

ANNUAL REPORT 2011/12

Business Beyond Borders

EXPOLANKA HOLDINGS PLC

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ANNUAL REPORT 2011/12

Thoughts are powerful precursors to great things but here at Expolanka, we take it one step further. We think and act as a streamlined conglomerate that is free from the conventions and limits that bind us. That is why our work has helped build and renew a vibrant nation. Our innovation ensures that we are streamlined and ready to take on the opportunities presented to us by an ever changing economic and social environment. Our reach has become phenomenal, both in the local and international spheres and this in turn has helped change the way we do business, continuing our efforts as a constructive force in Sri Lanka while maintaining our global presence. All by thinking out of the box.

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office

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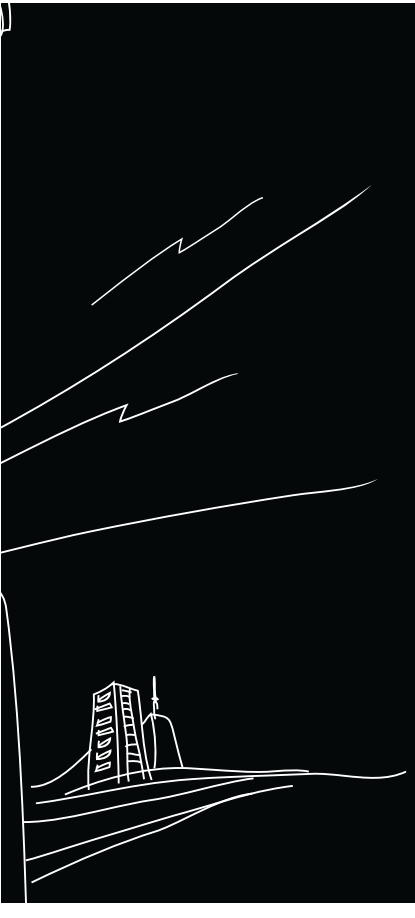

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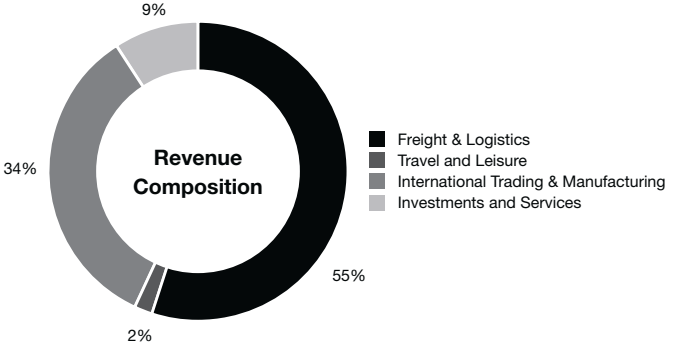
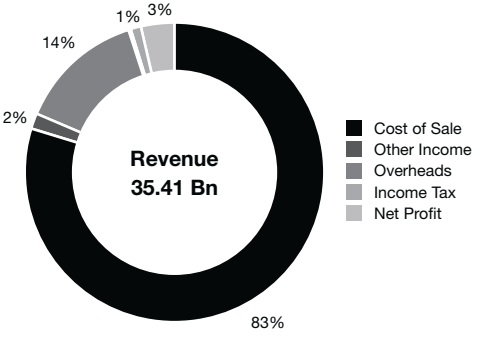
FINANCIAL HIGHLIGHTS





Rs. 1.23 Bn
Profit After Tax

Rs. 0.45 Bn
Income Tax

Rs.
0.14 Bn
Finance Cost

Rs.
1.82 Bn
EBIT

Rs.
6.09 Bn
Gross Profit

Rs.
35.41 Bn
Revenue

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

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

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

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

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

2003

Expolanka Invests in India through Expo Freight India.

Virgin Atlantic appoints Expolanka as their Cargo GSA in Dubai

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.

2010

Divestment of Expo Aviation and Denshun

Sell down major shareholders to broad base ownership

Established Expo Freight Vietnam and PT Unipara

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

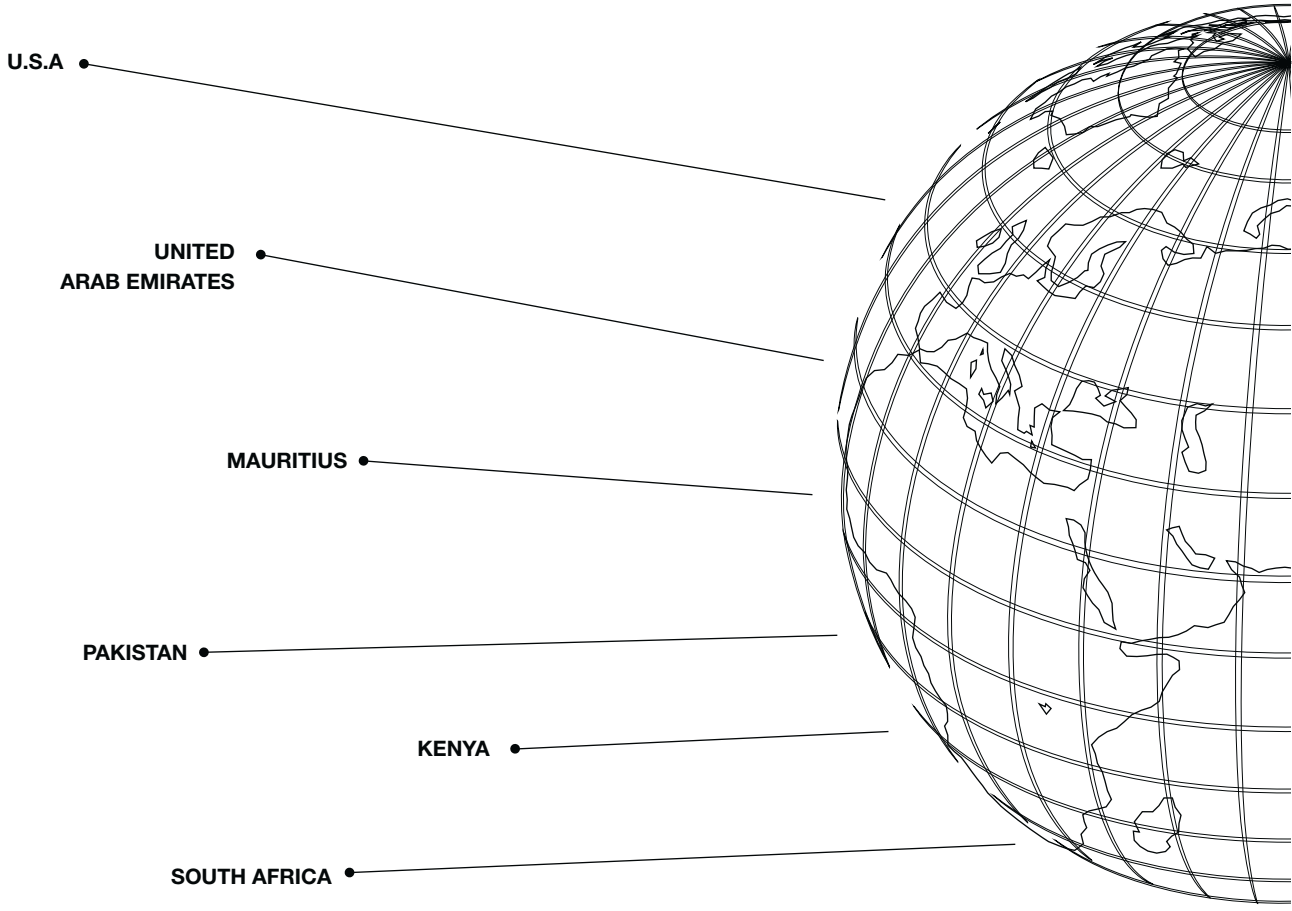
Expolanka represents Virgin Passenger operations in Bangladesh after entering into a Joint Venture agreement with Airline Services Limited

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

EXPOLANKA OFFICES



VIETNAM

BANGLADESH

HONG KONG

INDIA

PHILIPPINES

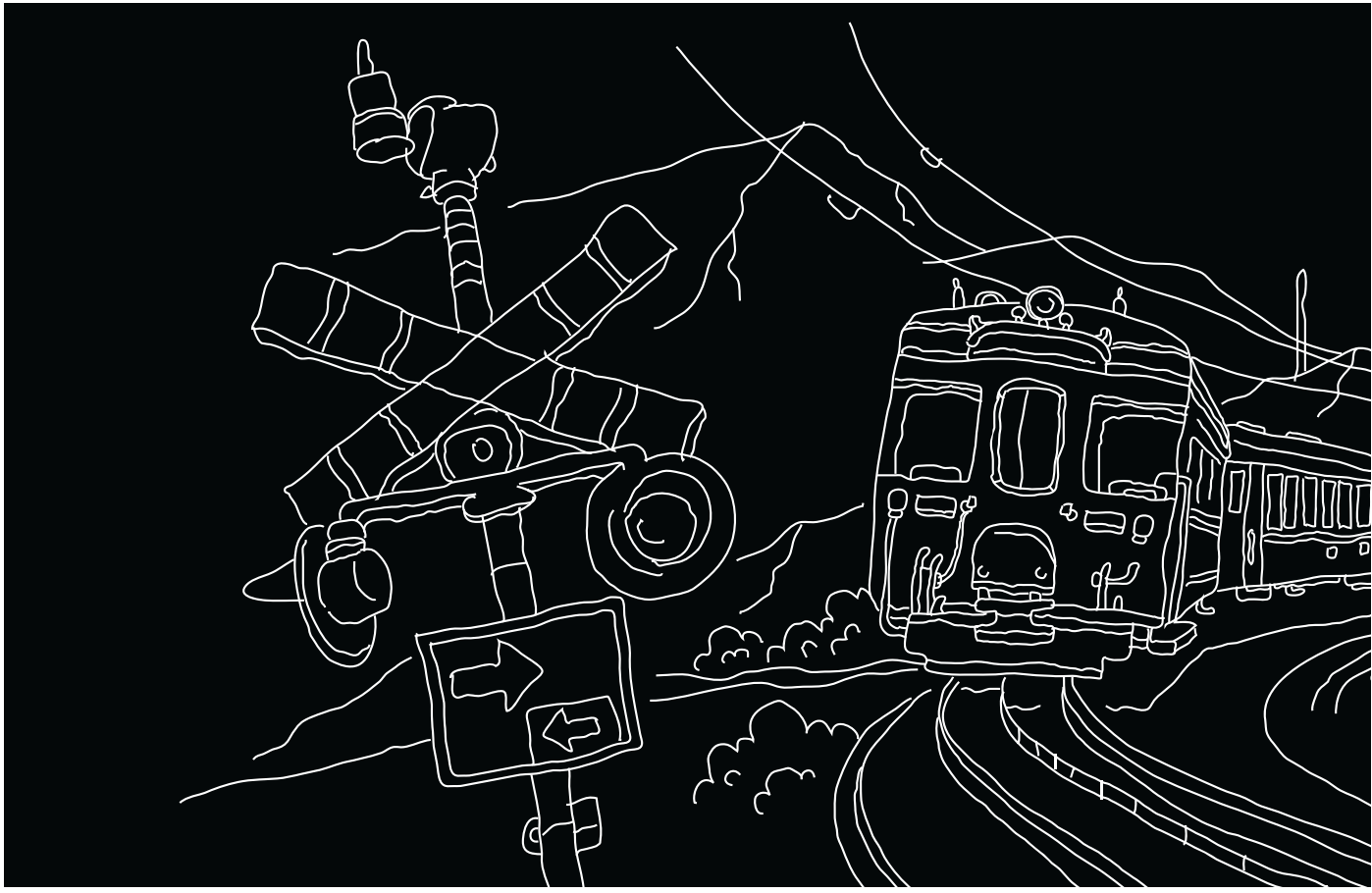
SRI LANKA

CHINA

MADAGASCAR

MALDIVES

INDONESIA



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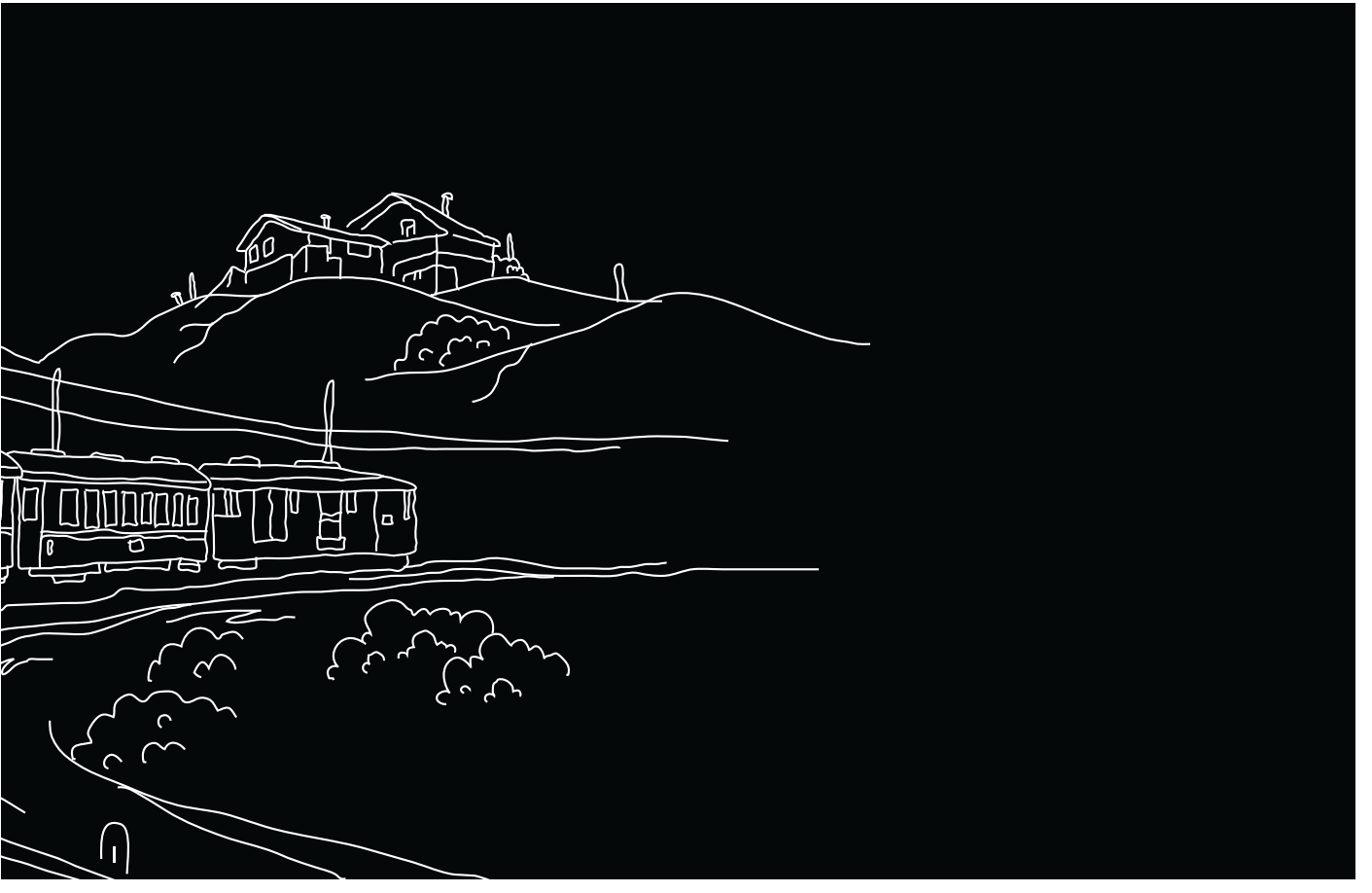
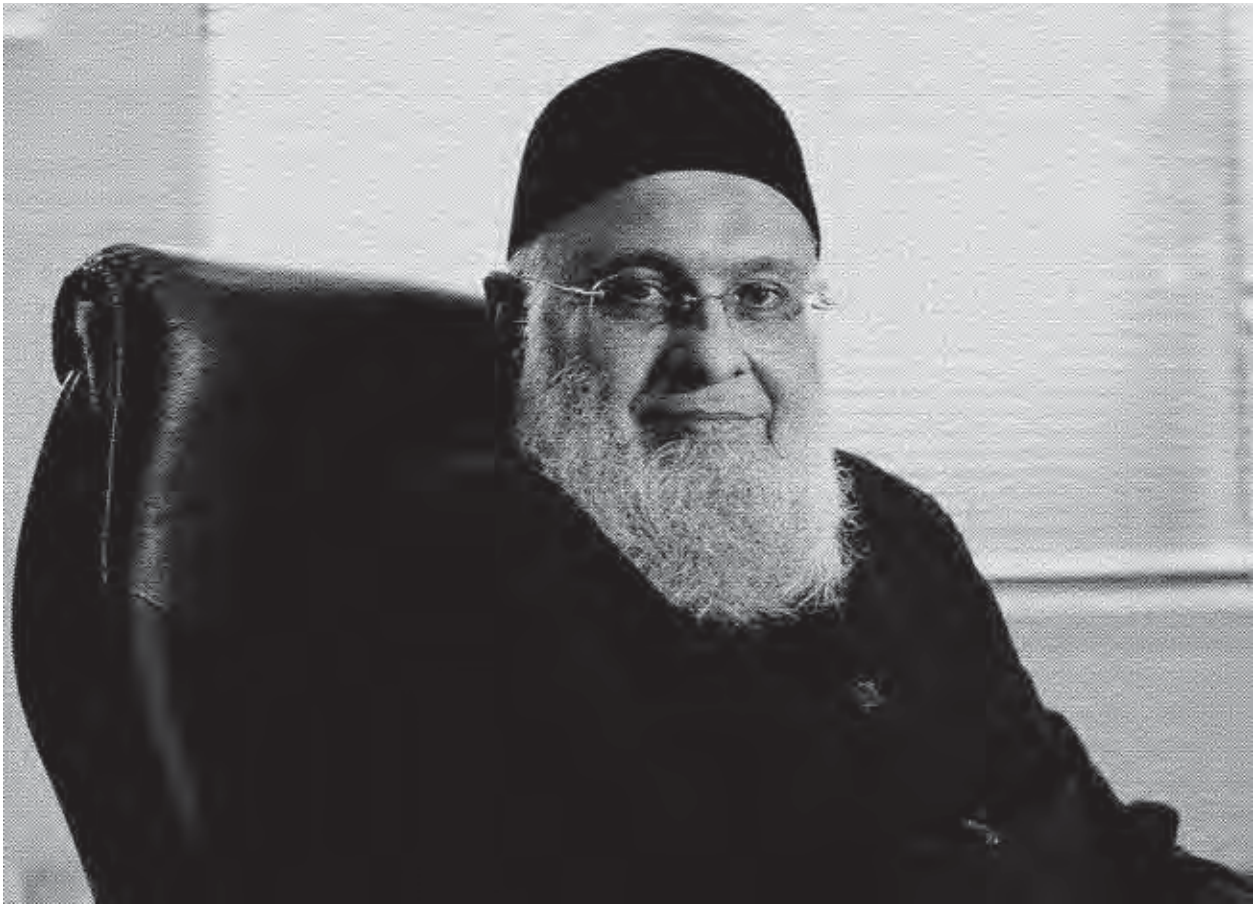


CHAIRMAN'S MESSAGE



Our vision for the future is to be the foremost blue chip conglomerate not just within, but beyond borders. We are assertive in our far-reaching operating strategy to expand our global presence.

In the year 2011, Expolanka set sail to the public domain, underpinned by the strength of the foundation of the business and the culture we have built over the years. We have made further strides in our ventures whilst reaching out to being a responsible corporate. In this backdrop, I am privileged, on behalf of the Board of Directors to set forth to you the Annual Report and the Audited Statement of Accounts for the financial year 2011/12 of your Company.

Macro Environment

We witnessed the world in 2011, with trepidation given the ongoing concerns of subdued growth in the advanced economies, sovereign debt crisis in the Eurozone, the overheating in the emerging Asia and geopolitical uncertainty especially in the Middle East. Yet, the resilience with the relatively sound macro fundamentals of the Sri Lankan economy, especially in the first part of the year, gave the necessary impetus for the key sectors to move forward and sustain the post conflict economic vibrancy for the second successive year.

Broad Basing and Building Partnerships

Our journey spanning over 30 years, was always known to deliver the best and the exceptional. We have built a solid conglomerate seeking and securing the most strategic acquisitions and mergers to diversify operations that have been the strength in times of uncertainties. In the year under review, post listing on the Colombo Stock Exchange, we witnessed a new paradigm, taking our operations to the next level.

Our Company, cognizant of the challenges of a public quoted company, is committed to meet the responsibilities of our shareholders, not just a few family members as before, but nearly 9500 shareholders. We treat each and every shareholder as a “silent”, yet, a “valued” partner and we work towards the best in terms of operations, governance and sustainability. We firmly believe that our shareholders will be honoured to be a part of a Group that does not look at success in mere economic sense but in a broader perspective encompassing sustainable profits, good governance and business ethics.

Corporate Strategy and Outlook

Our vision for the future is to be the foremost blue chip conglomerate not just within, but beyond borders. We are assertive in our far-reaching operating strategy to expand our

CHAIRMAN'S MESSAGE

global presence. We have already established a network of 60 companies in 16 countries spanning South and East Asia, Sub Saharan Africa and the Middle East. This year, our helm turned towards Hong Kong, China and the USA to further our prospects in the freight and logistics key sector.

We also intend to consolidate and seek opportunities to expand further in Sri Lanka, most valued cornerstone of our success. The growth opportunities are in abundance in the post conflict development plans for Sri Lanka. Our network has built a sound business, positioning ourselves within the key growth sectors identified in the Nation's development agenda. We have a strong brand presence, firm market share, healthy financial performance, the requisite know-how and the capability to embrace the myriad opportunities that is present in our economy and the resilience to weather any downturn. The exuberance of our corporate culture built over a time from modest roots augurs well to be a strong ally of the vibrant Sri Lankan economy.

Mainstay

Regardless of our business acumen, what set us apart are our timeless principles of business ethics - righteousness, integrity, dedication to quality, accountability and transparency. Our past, present and future rest on this foundation. Our business decisions will always champion the "right choice" and we will ensure that our choices will not be a detriment to the human being, environment or to the nation at large. Indeed, during the course of this financial year, we firmed up our stronghold on sustainability measures. My admiration lies with our employees who worked voluntarily and with zeal to ensure that sustainability is at the core of our operations.

We have always upheld and practiced good governance in our corporate journey. Even as a family owned company, we advocated free-space for independent decision making, delegation of authority and professionalism. Therefore, complying and adopting corporate governance principles recommended for listed companies came naturally to us and we embraced the principles with ease, openness and commitment.

We have with us a robust Board of Management, dedicated to take the Expolanka Group to the aspired heights and excel in corporate governance practices. The three independent directors, multi-disciplined and talented, bring in the requisite versatility to the Board and their efforts are appreciated and valued.

We also have in place audit and remuneration committees to ensure the best practices are radiated across our operations.

Our employees are our greatest asset, exceptional in their involvement, commitment and performance. We will harness their potential as an "equal opportunity employer" with due recognition and remuneration, the necessary training to enhance their skills and above all ensure their wellbeing. At all times, we strive to maintain a well-rounded team with top quality management to ensure that the best possible skill and talent is available to support our ambitious goals. We will not hesitate to seek the best in the Nation to be a part of our team.

Aspirations

For over 30 years, Expolanka has been setting standards and progressively building a future encompassing diversified fields

and geographical locations whilst respecting and caring for the preservation of the environment, for the society and for our country. Expolanka is well poised, "God willing", to meet the challenges that lie ahead and make further strides in our journey towards growth sustainably, into the next level especially in Sri Lanka and in Asia.

Appreciations

I take this opportunity to express my sincere gratitude to my colleagues, at the Board, for their commitment and visionary contribution to the management of the Expolanka Group.

My appreciation is extended to the senior management, all staff and associates overseas for their dedication, diligent efforts and professionalism that have led the Company to where it is today.

I am grateful for all our shareholders for their trust and for sharing the enthusiasm in our future.

Finally, to all other stakeholders, thank you for the corporation and support extended to us in our endeavours.

Osman Kassim
Chairman

CEO'S REVIEW

We see our Company consolidating in the year ahead reinforcing our entrepreneurship by driving our core existing business to the next level. Our strategic focus especially on asset allocation will be on bolstering our shareholder wealth.

Expolanka Holdings PLC marked a momentous year in 2011/12 with some significant milestones. Our Company that was family owned, nurtured from humble beginnings to a diversified conglomerate establishing subsidiary and joint venture companies in 16 countries, witnessed a successful listing on the Colombo Stock Exchange, taking the operations to the next dimension. It is nearly a year since we were quoted as a public company. In this backdrop, I take great pleasure in presenting a review of your Company – operational highlights of 2011/12, our strategy for the way forward and how we have reshaped our business to embrace the best governance and sustainable practices.

Initial Public Offering (IPO)

In June 2011, we raised Rs. 2.4 billion on a successful IPO creating a free float of 27.4 percent. As intended, with part IPO proceeds, we commenced construction of 107,208 square feet warehouse at Orugodawatte to support the growing needs of our key sector, freight and logistics. This warehouse is expected to be completed and be operational by March 2013. Part of the proceeds of the IPO was also used to settle Rs. 908 million long term debts and part was utilized for the working capital needs of the Group companies. This eased out our gearing and strengthened the balance sheet, setting the platform for further expansion and growth.

In Retrospect

Our financial position at year end was sound, with the Group recording consolidated revenue of Rs. 35,414 million and net profit of Rs.1,230 million.

In a broadly challenging global environment, our freight & logistics sector was able to consolidate its overall performance. Being a primarily a niche fashion forwarder, we are influenced by the retail demand from our main market segments. Our ability to consolidate our performance in this sector, given the market conditions we operated in, is a true testament to the service that we offer and the brand that we have built.

Although the global headwinds had an adverse impact on the growth in our freight volumes, our operational efficiencies and superior service delivery enabled us to drive our revenue to Rs. 19,570 million whilst we were able to maintain a profit after

CEO'S REVIEW

tax of Rs. 1,116 million. Our aim was to drive volume growth. We proactively ventured during the early part of 2012 into new potential markets, Hong Kong, China and USA, sought after by our existing customer base as well, to bolster the volumes thereby strengthening our market share, much needed to hedge the uncertainties currently underlying the sector.

The travel & leisure sector of the Group was able to show a 15 percent growth in profitability driven by our travel company, Classic Travels which was able to maintain a leading market position on the outbound travel market of the country. The Company underwent a recent rebranding exercise showcasing our value proposition to our customers and living up to our promise of creating "A World of Difference" in our product offering & service standards.

The recently established inbound division of the travel & leisure sector, Akquasun Lanka (Pvt) Limited, was able to show admirable growth and further strengthened its position in the Sri Lankan market. The Company is positioned as a destination management company and operates in an asset-light model. We believe that the tourism industry in Sri Lanka and in the region has the opportunity to expand and would provide tremendous value to the Group.

Further consolidating our position in the travel & leisure sector, the Company synergistically acquired 51 percent stake in Classic Maldives, driving the scale of business to secure compelling growth prospects. Classic Colombo made steady progress reinforcing its market share and control. This operation is set to grow further with the rising prospects for outbound travel in Sri Lanka and Maldives.

Our international trading and manufacturing arm was very much susceptible to the uncertain conditions in the global trading arena. Our exports, especially tea, witnessed a dip led mainly by the political pressures that prevailed in our key market, the Middle East. Our commodity imports were no less affected by the price volatility and volumes in this scenario. We aimed at consolidating our existing product and customer base whilst seeking the best option in our value added range.

Our waste paper export company was able to obtain a leading market position during the year, whilst we further strengthened our position in the herbal pharmaceutical industry by moving into a new production facility, enabling us to increase our volumes. Our focus with the international trading & manufacturing sector is to minimize operating volatility and to grow with projects and operations with minimum risks.

The investments and services sector of the Group consists of active and passive Investments. APIIT, our tertiary education facility experienced a very strong year showing consistent growth. The education sector in the country has received significant attention from the State which is seeking to promote Sri Lanka as a destination which offers world class education services.

The GSA sector, a historically key contributor to the Group however, was affected by the uncertainties of a downturn global economy and was not able to deliver the profits accomplished

in the past. Yet, we held ground by leveraging on our competitiveness on pricing and brand positioning.

During the year, we undertook a strategic restructure of our BPO operations which has yielded us immediate benefits. The BPO operations are now firmly set to focus on offering customized solutions for a gamut of business outsourcing opportunities. During the reporting period, our services to operate the contact centre and the online marketing arm of our national carrier, Sri Lankan Airlines played a vital role in turning around our BPO operations.

Whilst continuing to focus on our core business sectors, the Group ventured into further strengthening its presence in the FMCG sector through the acquisition of Norfolk Foods, a leading FMCG brand in Sri Lanka.

Strategy Ahead

We see our Company consolidating in the year ahead, reinforcing our entrepreneurship by driving our core existing business to the next level. Our strategic focus especially on asset allocation will be on bolstering our shareholder wealth. Return on equity will be our catalyst for growth. To meet this end, we will selectively venture into the most strategic and synergistic acquisitions and mergers both domestically and overseas. However, our focus will mainly be on strengthening our existing operations and will aggressively seek, "out of the box" to make a mark in terms of our brand identity, firm up our market share and leverage on our competitiveness. Our aim is to reach out to optimum performance and maximize the value of our existing ventures, new investments, and acquisitions culminating in the best returns to our shareholders. Our Strategic Plan – 2012/2015 together with the structured monitoring and evaluation procedures that are in place play a pivotal role in this process.

In this context, we will primarily focus on freight and logistics, the highest revenue earner for the Group, with continued zeal to expand and drive in our global footprint. The stage is already set, with the Nation's aspiration of making Sri Lanka the foremost commercial hub in Asia. The upcoming new harbour and airport together with plans for star-class hotels at Hambantota, the recent legislations passed on free trade with sweeping tax exemptions will give a boost to reach out to the goals set out for the freight and logistics companies within the Group. Our plan to rebrand this sector with a firm identity that gives out a true international "flavour" is appropriate and timely.

Our focus would be to continuously pursue driving growth in our main market segment North America whilst fulfilling the potential on our European segment. We hope to consolidate our performance in our Intra-Asia segment which we foresee will grow positively during the next few years. Our focus over the last year was to lay the foundation for this growth.

We firmly believe that the tourism sector in the region has the potential to grow at a rapid pace. Our focus is to increase our market share of the sub-continent region and consolidate our performance as a leading destination management company. We recently (post balance sheet date) invested into a global destination management company which has a strong Indian

CEO'S REVIEW

market source. With the growth in the outbound Indian market we feel that there is tremendous potential to drive forward for this sector.

Fundamentals

Our employees have been our greatest strength and our driving force over a 30 year corporate journey. We have with us over 2,400 dedicated and hardworking employees in our network. We will offer the best training to all our employees, in every sphere - relevant to their respective work, broad base their knowledge, enhance their skills and tap their potential talents. We are committed to further the best HR practices to create a sound working environment and move towards employee wellbeing. Besides, our focus will be on attracting the best professionals in the country especially to the senior management team to give a solid steer to move the Company and the Group forward. We have already reinforced our management team by recruiting high caliber professional talent to head key functions that add value to the stakeholders of the Company. Some of the key recruitments were to head the Group Strategic Planning and Business Development, Marketing & Corporate Communications, Finance and Legal functions.

We believe that Information Technology (IT) is a key strategic driver of any corporate organization; we are continuously striving to drive forward and align our IT strategy with our business strategy which would enable us to have strong competitive advantage. As always, we will further invest to modernize and install state of the art IT infrastructure, where required, and train our employees to keep abreast and to make the most of the latest developments. We will encourage our employees to move away from manual and cumbersome processes to a more automated, efficient and streamlined work environment which is vital for our way forward.

Corporate governance has been a learning experience for our Company and we have continuously evolved in bringing in best practices both in the board room as well as in our business operations. We are committed to further strengthen and instill good governance continuously. This together with our deep passion for adopting sustainability measures with much valued projects led by our dedicated sustainability team, such as Expo Medix medical clinics, Earth Hour programme, SOS Children's health camp, world water day awareness programme, degree scholarships, paper recycling and mobile toilets for domestic tourists, have and will take our Company to a level that transcends mere economic value creation. Our senior management and all employees recognize and work towards integrating and balancing our day to day operation with the aim of adding value and furthering partnerships with our stakeholders and protecting and reducing the carbon footprint of our environment, aligned to the principles upheld by the Global Reporting Initiatives (GRI) reporting standards. We are committed to sustainability, not "fashionably", but in true spirit.

"Dare to Dream"

Our future planning is proactive, inclusive and participatory. Recently initiated, the project "Dare to Dream" is a culmination of free spirited ideas resulting from brainstorming sessions of Group CEOs, and their respective teams. "Dare to Dream" has enlivened and inspired our Group to dream – "out of the box" and to nurture them for future prosperity.

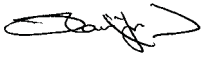
The Group's strength now lies in its capacity to develop over the ensuing years. Even if unfavourable economic conditions prevail, our mainstay is prepared, under control and functioning well. This gives us a solid platform from which to soar.

Appreciation

In closing my review, my appreciation is extended to all employees of the Expolanka Group, for their commitment, hard work and loyalty. My trust is placed in them to be focused in the year ahead, in reaching out to being the foremost blue chip conglomerate in the nation.

I extend my sincere appreciation to the Chairman and the Board of Management for their unstinted guidance and support extended for taking the Company to a higher plateau.

Finally to all our stakeholders, thank you for the confidence placed in the Company.



Hanif Yusoof
Group Chief Executive Officer

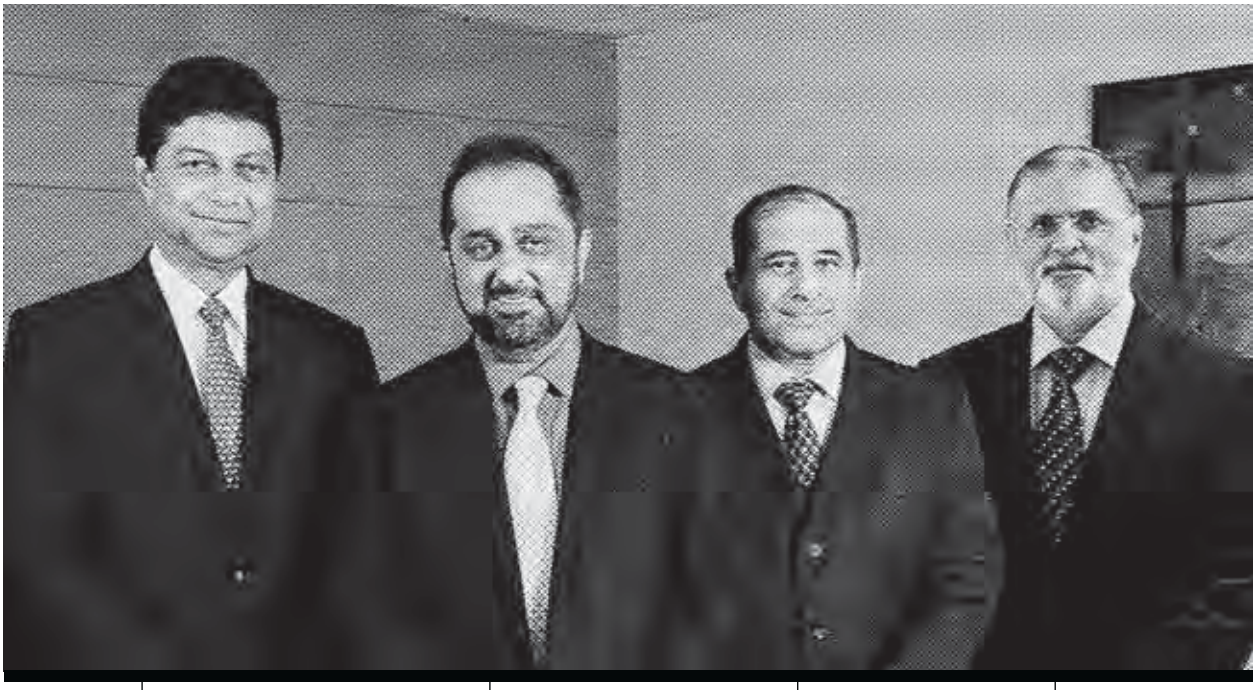
BOARD OF DIRECTORS

Sanjay Kulatunga
Non-Executive Independent Director

Sattar Kassim
Executive Director

Osman Kassim
Executive Director and
Chairman of the Board

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



Harsha Amarasekera
Non-Executive Independent Director

Hanif Yusoof
Executive Director and
Chief Executive Officer

Shafik Kassim
Executive Director

Farook Kassim
Non-Executive
Non Independent Director

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 Bank 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. He was also a founding member of the company. He is a graduate of the Stanford/NUS International Management Program.

Hanif Yusoof is a pioneer in the fields of freight and logistics management, airline representation and travels and tours. He is a key personality in freight and logistics management industry in the Indian Sub-Continent, Middle East and Africa. He also held leadership positions in industry associations and counts over 30 years of senior management experience.

Sattar Kassim
Executive Director

Sattar Kassim is one of the founder Directors of the Expolanka Holding PLC, which is one of the large diversified conglomerates in Sri Lanka. He is the Group Director of the International Trading Sector with 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. Sattar Kassim is the Chairman of more than 27 companies.

Shafik Kassim
Executive Director

Shafik Kassim is an Executive Director and was a founding member of the Expolanka Group. He holds a MCom and also a Pilot's License. He has acquired vast experience in aviation, airline representation, air cargo management and in the export of Tea. He counts over 30 years of senior management experience, and is also well experienced in international trading.

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, having graduated from OPM programme in 2005. A successful entrepreneur he possesses vast experience in trading, Management & Investments counting over 37 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 20 years of experience in various fields.

He is the Deputy Chairman of Lanka Walltiles PLC and Lanka Floor Tiles PLC.

He is also the Deputy Chairman of Asiri Hospitals Holdings PLC, and Deputy Chairman of Asiri Surgical Hospital PLC. He is a Director of Horana Plantation PLC, Softlogic Holdings PLC, and Swisstek (Ceylon) PLC, Swisstek Aluminium Pvt Ltd, and Unidil Packaging Ltd.

He is also the Deputy Chairman of Central Hospital Private Ltd. Dr.Selliah is the Chairman of Cleanco Lanka Pvt Ltd.

Dr.Selliah serves on the Remuneration Committees of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC, Lanka Walltiles PLC, Lanka Floortiles PLC and Expolanka Holdings PLC. He is currently a member of the Audit Committee of Lanka Floor Tiles PLC, Softlogic Holdings PLC, Expolanka Holdings PLC and Swisstek (Ceylon)PLC.

Harsha Amarasekera

Non-Executive Independent Director

Harsha Amarasekera is a Non-Executive Independent Director of the Group and is an Attorney-at-Law by profession and has a wide practice in the Original Courts as well as in the Appellate Courts. He has specialised in 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 Chemical Industries (Colombo) PLC, Vallibel One PLC, Amaya Leisure PLC, Keells Food Products PLC and Vallibel Power Erathna PLC. He is also a Director of CIC Agri Business Private Limited

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 in industries ranging from retail, logistics, hospitality and property development.

Sanjay is a co - founder of Amba Research Lanka, an internationally acclaimed and ranked multinational knowledge process outsourcing firm and has served as a Director on the board since its incorporation. He also serves on the Financial Sector Stability Consultative Committee of the Central Bank of Sri Lanka, and is a Commissioner of the Securities and Exchange Commission of Sri Lanka.

Prior to his stints as an entrepreneur and manager, he began his career as an Equities Analyst for Hong Kong based Jardine Fleming Securities, starting in Colombo and culminating as a Regional Real Estate Analyst in Hong Kong.

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 Expertise
Dr. Athula Pitigala-Arachchi	CEO	APITT	Industry Experience of 31 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 04 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 (Private) Ltd	Industry Experience of 19 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	Industry Experience of 13 years. MBA from the Edith Cowan University, Australia; IPMA-CP Certified HR Professional from IPMA-HR, USA; Diploma in HRM from the London Business School; Professional Postgraduate Diploma in Marketing from CIM UK
Asitha Kaggoda	Head of Group IT	Expolanka Holdings PLC	Industry Experience of 10 years. MSc. in Information Technology from Keele University; UK Project Management Professional (USA)
Aslam Assen	Jt. CEO	Neptune Papers (Private) Limited	Industry Experience of 06 years. Professional Post Graduate Diploma in Marketing (CIM – UK); Chartered Marketer
Azmy Mohideen	COO	Expolanka Commodities (Private) Limited	Industry Experience of 25 years
Chaminda Dias	Executive Director	Akquasun Lanka (Private) Limited	Industry Experience of 15 years
Dhilshad Sideek	CEO	Expolanka Teas (Private) Limited	Industry Experience of 22 years. MBA from Edith Cowan University, Australia; Diploma in Marketing from the Chartered Institute of Marketing, UK
Hassan Kassim	Head of Entrepot Trading	Expolanka Commodities (Private) Ltd	Industry Experience of 02 years. BA (Hons.) in Business Administration from the University of Nottingham, UK
Jagath Pathirane	CEO	Expolanka Freight (Private) Limited	Industry Experience of 19 years
Kanishka Wijesinghe	Director	Expolanka Airline Division	Industry Experience of 29 years. Airline Marketing with the International Air Transport Association
M F Annam	Director/CEO	Expolanka (Private) Limited	Industry Experience of 35 years. Chartered Institute of Management Accountants Finalist

Name	Designation	Company	Experience and Expertise
Mohamed Ziauddin	Managing Director	Norfolk Foods (Pvt) Ltd	Industry Experience of 36 years. MSc in Technological Economics, Sterling, UK, HND in Food Technology South Bank Polytechnic, UK, PGD in Management Studies, Luton Management Centre UK
S. Senthilnathan	COO	Expolanka International (Private) Limited	Industry Experience of 32 years.
Shantanu Nagpal	Head of Strategic Planning & Business Development	Expolanka Holdings PLC	Industry Experience of 17 years. MBA, INSEAD, France, BA Economics Oxford (UK)
Paddy Weerasekera	Head of Marketing & Corporate Communications	Expolanka Holdings PLC	Industry Experience of 17 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 06 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 14 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 of 20 years. MBA, Henley Management College, UK. BEng (Hons), Leicester University, UK
Riza Bahardeen	CEO	Bio Extracts (Private) Limited	Industry Experience of 18 years. MBA from the University of Buckinghamshire; Executive Diploma in Business Administration from the University of Colombo; Post Graduate Diploma in Marketing from the Sri Lanka Institute of Marketing (SLIM)
Saif Yusoof	Managing Director	PERI Logistics (Private) Limited	Industry Experience of 04 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 35 years. IATA worldwide qualification issued by Air Lanka
Niroza Gazzali	CEO	SG Logistics (Private) Limited	Industry Experience of 20 years

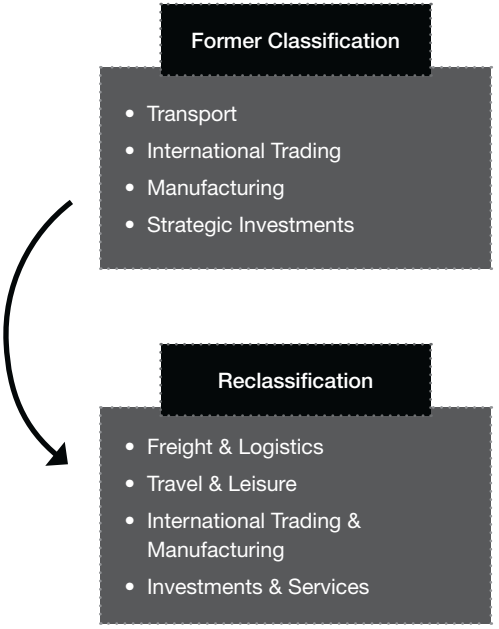
THINK EFFICIENT

RATIONALE FOR SECTOR RECLASSIFICATION

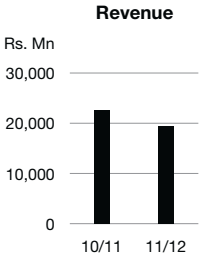
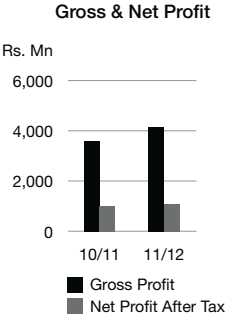
We reclassified the key sectors of the Group to reach out to the next level of our conglomeratic operations. Moving from a Group structure that focused on four sectors based on general characteristics, the new classification gives greater clarity and focus to our freight and logistics sector instead of the previous too wider classification of transportation sector. Further it also gives emphasis to the travel and leisure sector which is increasingly looked at as a strategic growth driver in the Group. The reclassification which promotes an optimum business model seeks to enhance the collective strength of the Group with emphasis on the following facets:

- Identify and focus on growth sectors and on our core businesses
- Maximize efficient resource allocation for growth sectors
- Consolidate and reinforce the operations based on vertical growth
- Simplify the management information reporting with greater transparency on resource allocated to the segment and its performance
- Advocate lean management for effective decision making
- Enhance greater synergies to trigger economies of scale and thereby operational efficiency

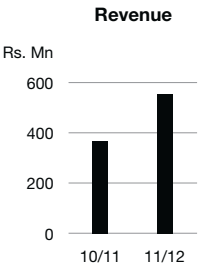
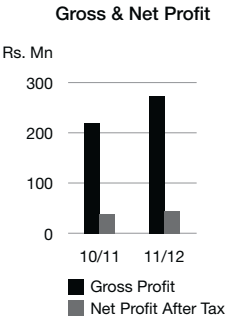
During the year under review, steps were taken to strengthen each business sector with greater focus placed on our foremost sector. The sectors, its performance and our strategy are discussed at length in separate sections of this Annual Report.

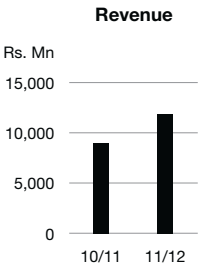
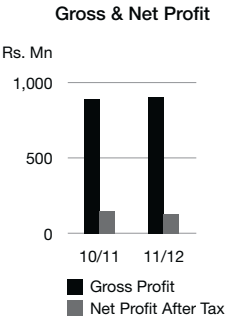


SECTOR SNAPSHOT

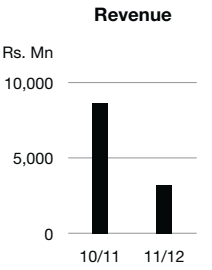
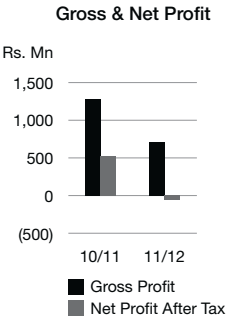
Segment	Key Products	Highlights 2011/12	Revenue	Profits	Strategy
Freight & Logistics	• Air Freight • Sea Freight • Logistics • Warehousing	• Freight volumes were impacted by the North American economic situation, Eurozone debt crisis and the inertia of the world economy especially including the key markets for fashion logistics • Freight rates led by air freight trended downwards due to excess capacity and thereby we managed to optimize yields • Sustained the sector profitability with the ability to negotiate good rates resulting in higher margins • Ongoing expansion and modernization of the warehouse at Orugodawatte from the part proceeds of the IPO • Established new offices in the USA, China and Hong Kong • Appointed a chief operating officer to strengthen the sector team and operations			• Grow market share both in source and end markets • Focus on value addition in fashion logistics • Clasp opportunities in the South aligned to the Nation's development agenda to make Sri Lanka a commercial hub • Leverage on the strategically located warehouse to meet the growing demand for storage and logistics sector • Grow aggressively in Intra-Asia trade lanes and capture market share • Continuously evaluate opportunities to optimize the returns on investments from the sector

SECTOR SNAPSHOT

Segment	Key Products	Highlights 2011/12	Revenue	Profits	Strategy
Travel & Leisure	• Inbound travel for the high-end market & MICE • Outbound travel for the corporate travel segment	• Inbound operations performed well in tandem with the increase in tourism arrivals especially from India to Sri Lanka • Outbound operations displayed stability led by the corporate travel segment • Acquired a controlling stake of 49 % in Classic Maldives for greater synergies • Acquired 50% stake in Akquasun Holidays, India, a leading destination management company with a global network • Launched Expo Rail, luxury carriages in four popular rail routes in Sri Lanka to promote tourism			• Diversify into markets with higher outbound propensity • Leverage on synergies between inbound and outbound sectors in Sri Lanka, India and Maldives • Streamline operations with greater use of IT. • Continuously evaluate opportunities to optimize the returns on investments from the sector

Segment	Key Products	Highlights 2011/12	Revenue	Profits	Strategy
International Trading & Manufacturing	• Import agricultural products • Export fruits & vegetables & value added products • Export fresh and desiccated coconut • Export bulk tea and value added • Recycling & exporting paper, plastic and Metal • Manufacture of herbal pharmaceutical and nutraceutical products for export & domestic markets	• Sector performance was resilient though sluggish due to the challenges posed by the global economic and political dilemma and the imbalances in the macro economy • Ventured into a new FMCG product – Halal certified processed meat with the acquisition of 50% stake in Norfolk Foods (Pvt) Ltd • Restructured and revamped the manufacturing arm – recycled paper and herbal pharmaceutical operations			• Expand the market share by strengthening the customer relationships within the existing markets and explore new markets • Focus on value addition to improve margins • Enhance operational efficiency and reduce costs • Continuously evaluate opportunities to optimize the returns on investments from the sector

SECTOR SNAPSHOT

Segment	Key Products	Highlights 2011/12	Revenue	Profits	Strategy
Investments & Services	• GSA • BPO • Tertiary Education • Corporate Services • Investments	• Airline GSA segment was impacted due to the deceleration of the airline industry. This segment however, managed to record profits and healthy cash-flows. • Education segment performance was outstanding during the year. • BPO underwent a restructure to improve performance			• Bring operational efficiencies by consolidating operations in the GSA sector and leverage on long term relationships to obtain better pricing • Manage demand and focus on competencies • Focus on enhancing the quality and standards of the services offered with new degree programmes and increased scope

FINANCIAL REVIEW

Group Financial Performance - Synopsis

Item	2011/12 Rs. Mn	2010/11 Rs. Mn	Change %	Comments
Revenue	35,415	41,067	(14%)	• In recurring operation terms, excluding the income of disposed subsidiaries, the revenue drop is 2.5%. • Freight and logistics sector posted lower revenues mainly due to 19 % drop in air freight export trade volumes in a lethargic global economic environment and drop in air freight rates. • GSA segment was affected by the ailing airline industry, in particular air cargo. • 31% increase in the International trading & Manufacturing sector supported the consolidated revenue.
Cost of Sales	(29,323)	(35,020)	(16%)	• In an oversupply scenario, the drop in freight rates have significantly attributed to the lower cost of sales.
Gross Profit	6,092	6,047	1%	• GP margin improved primarily due to the increase in yields in the freight segment. Better procurement strategies and value added services which provided total solutions also contributed for the margin increase.
Other Income & Share of Profit of an Associate	638	891	(29%)	• Other income for 2010/11 includes Rs. 379 million profits generated through the disposal of subsidiaries and negative goodwill.
Overhead Expenses	(4,912)	(4,334)	13%	• Increase of overheads by 13% was primarily due to Group expansion and revamping activities along with the inflationary impact and translation effect of foreign operations. Further strengthening of corporate services too impacted for the cost increase.
EBIT	1,818	2,604	(30%)	• The decrease was primarily due to the profit generated from the sale of subsidiaries during the last year. Hence the EBIT after the adjustment of the comparative period would be Rs 2,225 million resulting in 18% decrease. The above mentioned increase in overheads also affected the EBIT.

FINANCIAL REVIEW

Item	2011/12 Rs. Mn	2010/11 Rs. Mn	Change %	Comments
Finance Cost	(137)	(280)	(51%)	• Finance cost declined given the low finance rate scenario and better negotiation in the domestic front and the lower gearing given the pre settlement of long term debts through IPO proceeds.
Profit Before Tax	1,681	2,324	(28%)	
Tax Expenses	(451)	(556)	(19%)	• Reduction in corporate taxes and effective tax management led to reduced tax expenses.
Profit After Tax	1,230	1,768	(30%)	• Although a decline, profits succeeded to exceed the Rs. 1 billion mark for the second successive year. Reduction in the other income explained above impacted the overall profits.
Return on Capital Employed (ROCE)	12.0%	21.1%		• Increase in capital base and relatively lower returns mainly in the international trading and manufacturing sector due to lower margins affected the ROCE and in return the ROE.
Return on Equity (ROE)	13.2%	25.4%		

The reporting financial year was marked by political uncertainty and inertia in the global economy and imbalances in the macroeconomic front in the domestic arena. This resonated across our sector companies. Yet, the Group, albeit a decline in the rate of growth, displayed resilience and posted a creditable performance more or less sustaining the overall revenue and posting profits. The Group's business acumen, planning and leveraging on synergies and economies of scale together with its solid mainstay were the underlining facets that propelled the businesses in the financial year under review.

Revenue

In the reporting year, 2011/12, the Group revenue dropped from Rs. 41.1 billion to Rs. 35.4 billion, corresponding to a decline of 14 percent vis à vis 2010/11. However, it must be noted that the financial year 2010/11 accounted for the revenue of Rs. 4.76 billion generated from subsidiaries which were subsequently disposed during that year. Hence, if the revenue of 2011/12 is compared to the preceding year on a recurring operations basis, excluding the revenue from the disposed subsidiaries, the drop in revenue would correspond to a marginal 2.5 percent, in contrast to 14 percent as stated above.

Each constituent sector responded differently to the global and national macro dynamics that prevailed during the year under review. Our key business, freight and logistics sector was especially vulnerable to the economic downturn and the resultant changes in our end users in the destination markets. Although, our dependency on Europe is relatively less than the USA, the Eurozone recession intensified by the sovereign and financial sector debt crisis also compressed the sector performance. In this scenario, the sector experienced a 19 percent drop in air freight export volumes, culminating in sector revenue of Rs. 19.6 billion down from Rs. 22.8 billion in the preceding year, with a significant impact on the consolidated level.

The consolidated performance was also afflicted by a 17 percent drop in revenue in investments and services sector which was mainly attributable to low volumes of the Airline GSA segment, in the backdrop of an ailing airline business environment. The traffic results for the year showed a softening in passenger markets whilst air cargo markets continued to remain weaker, almost during the entire year. The sharp decline in business confidence in most economies and the weakness in US and European consumer confidence continued to be an impending threat during the year under review. However, the emerging signals from this industry are positive which are expected to boost our financial performance of this impended industry.

Even in the midst of the recession and restricted spending capacity, the demand from the end-user market continued to be strong for the commodity and agricultural products which managed to fetch an attractive revenue base for the Group. The commodities trading segment posted an increase in revenue by almost 90 percent amounting to Rs. 1.9 billion whilst the agricultural exports posted a 58 percent increase. This portended the 31 percent increase in revenue from Rs.9.1 billion to Rs. 12 billion of the international trading and manufacturing sector, in turn positively impacting on the consolidated revenue.

During the reporting financial year, the Group acquired a few strategic and synergistic stakes of businesses whilst commencing operations and forming few new companies. This had a positive impact on the consolidated revenue.

The Group's stronghold in some of the emerging markets and the penetration into new markets with high propensity for growth strengthened the consolidated revenue. The management also aimed at attracting and concentrating on a few key customer bases whilst providing value added and end-to-end services which resulted in sustaining the Group top-line both locally and internationally.

Gross Profit

The gross profit (GP) margin of the Group in terms of recurring operations increased in the financial year 2011/12 to 17.2 percent as compared to 15.6 percent in the previous year.

During the year, higher operational efficiencies and better procurement strategies resulted in increased gross profit margins thereby increase in gross profit despite the lower revenues recorded in the freight sector. As a regional player centralized procurement and better rate negotiation resulted in the margin increase. On the other hand, value added services provided to meet customer needs and total solutions also contributed to increase the margins.

FINANCIAL REVIEW

Our forward looking procurement strategy with the right approach and a right mechanism curtailed the cost of sales by 16 percent. Our primary focus in the year under review was to obtain higher yields. Further, the currency depreciation in the stations that we operate also enabled to increase the GP margins.

The volatility on commodity prices and currencies affected the GP margins on the International Trading segment specially on the import commodities. Contribution on the exports side of this segment did not off-set the negative impact experienced on the import segment under this sector.

Earnings Before Interest & Tax (EBIT)

The Group's EBIT declined by 30 percent during the year which was primarily attributable to the Rs. 379 million included in other income from the disposal of subsidiaries and negative goodwill posted during the year 2010/11.

The Group's drive towards achieving the three year "dare-to-dream" of taking the operations to the next level, underpinned this increase in administrative expenses. In the year, the Group scaled up its infrastructure development, restructuring and process improvements in certain areas of the business. This, together with the new acquisitions, absorbed key resources propping the administrative expenses. The inflationary impact during the financial year where the expenses were on the upswing on certain key essential operational drivers both local and overseas and the translation impact of the foreign operations played its part in adding on to the expenses.

Profit Before Tax

During 2011/12, the Company managed its financial affairs efficiently leading to lower finance cost with a noteworthy contribution to the overall profit before tax of Rs. 1,681 million. This was complemented by the relatively lower finance rate regime that prevailed especially in the first part of the financial year.

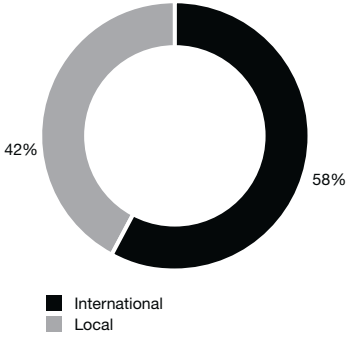
As planned, the company settled a sum of Rs. 908 million worth long term debts which were placed at higher finance rates with fewer openings to convert or to negotiate better terms. The settlement utilized part of the funds generated from IPO proceeds held during the initial part of the year. With this settlement, the Company's gearing improved remarkably and in turn the Company was able to negotiate very competitive and attractive rates for new long term borrowings.

Profits After tax

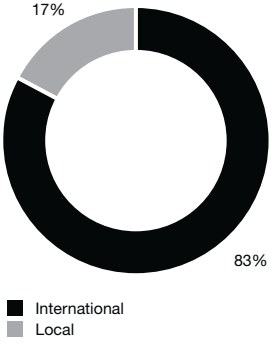
In the financial year under review, effective tax planning together with the reduction in corporate taxes with effect from 1st April 2011 supported the Group income tax expenses to decline by 19 percent as against the financial year 2010/11.

In closing, consolidated net profits succeeded to surpass the one billion mark for the second consecutive year, despite the many challenges faced by the sector companies in a volatile business environment. Net profits, albeit a 30 percent decline as compared to the preceding year reached to Rs. 1,230 million.

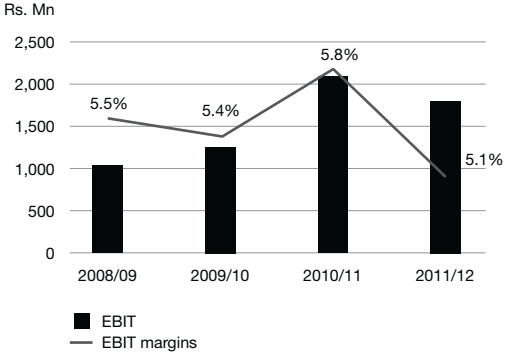
Revenue



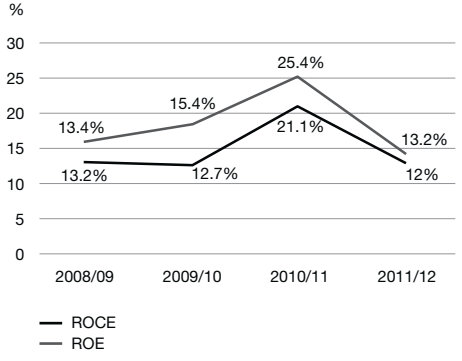
NPAT



EBIT & EBIT Margin

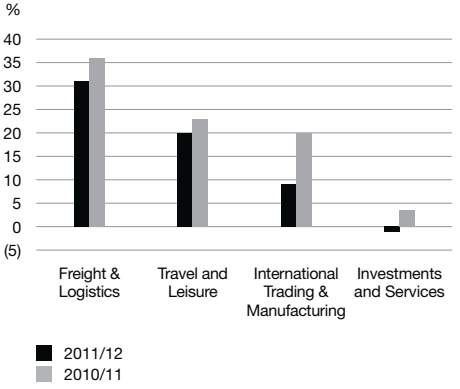


ROE Vs ROCE

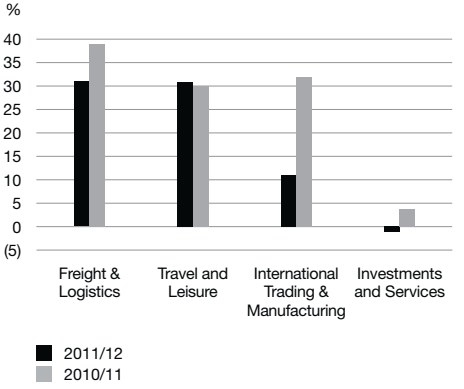


FINANCIAL REVIEW

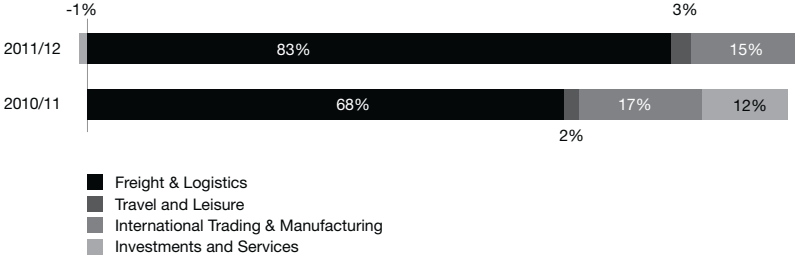
Industry Group ROCE Comparison



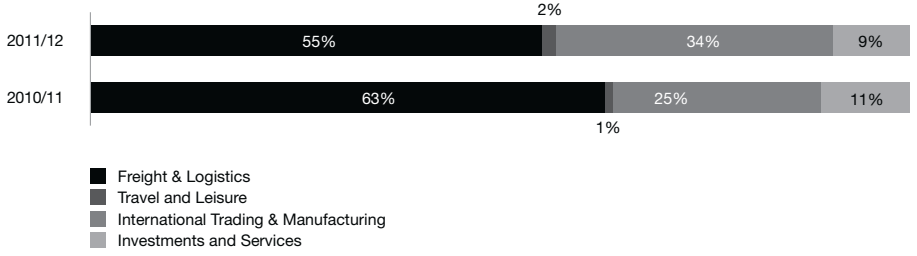
Industry Group ROE Comparison



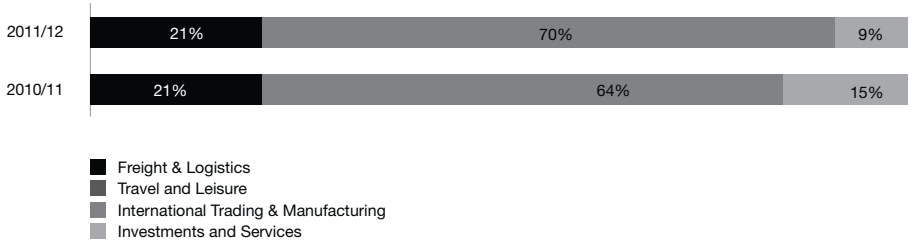
EBIT Composition



Revenue Composition



Finance Cost Composition



SHARE INFORMATION

Initial Public Offer & Listing

Expolanka Holdings PLC is a public quoted company, which debuted on the Main board of the Colombo Stock Exchange during the Financial Year 2011/12 via an Initial Public Offering. The company offered 172, 000,000 shares which were oversubscribed on the opening day. The company was listed on 13th June 2011. The Stock Exchange Code for Expolanka Holdings PLC is "EXPO". The company is included under the Diversified Holdings market sector

Summary of Expo Share as of 31st March 2012

Number of Shares in Issue	1,954,915,000
Number of Shares Traded during the Year	265,046,178
Number of Transactions for the Year	28,998
Value of Shares Traded During the Year (Rs. Million)	3,223,667,178
Market Capitalization as of 31st March 2012	12,120,473,000

The Colombo Stock Exchange experienced a volatile year where both indices fell. The All Share Price index fell 25% during the period, whilst the Milanka Price Index fell 29%.

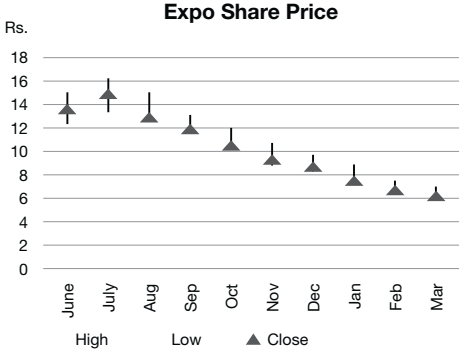
ASI Movement
(June 13, 2011-March 31, 2012)

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	15.00	12.30	13.70	72,127,700
2nd Quarter	16.20	11.70	11.80	111,508,900
3rd Quarter	13.00	8.30	9.00	41,734,300
4th Quarter	8.90	6.10	6.20	39,675,278

Expo Share Price



The share price did experience a drop during the year and has now settled and has not seen volatility even post March 2012 to date.

Share Valuations

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

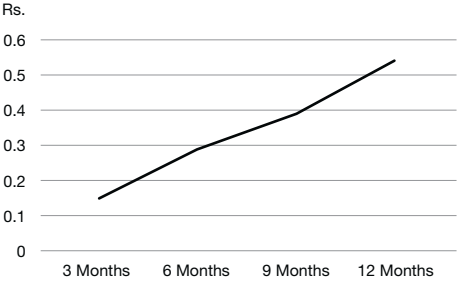
	2011/12	2010/11*	2009/10*
Net Asset Per Share	4.29	2.49	1.90
Earnings Per Share	0.548	0.868	0.291
Trailing P/E Multiple	11.31		

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

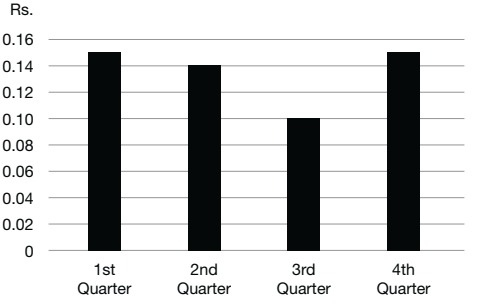
Although the company earnings stabilized & was consolidated during the Financial Year, it must be noted that the Issue of 172,000,000 has resulted in the overall Net Asset Base and Number of Shares being increased which has contributed towards the variations that have been seen this year.

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

EPS Movement *(Cumulative)*



EPS For Quarter



SHARE INFORMATION

Share Distribution

The Expo Share is currently owned by a base of 9,489 voting registered shareholders as at 31st March 2012. 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	3,842	3,263,465	0.17
1,001-10,000	4,299	19,289,619	0.99
10,001 - 100,000	1,066	38,022,784	1.95
100,001 - 1,000,000	215	69,913,296	3.57
Over 1,000,000	67	1,824,425,836	93.32

Analysis of Shareholding

Resident / Non Resident

	No. of Shareholders	No. of Shares	% of Shares
Nationals	9,384	1,880,250,205	96.18
Non-Nationals	105	74,664,795	3.82

Individuals / Institutional

	No. of Shareholders	No. of Shares	% of Shares
Individuals	9,197	1,633,329,862	83.55
Institutional	292	321,585,138	16.45

Public Holding of Shares

As of 31st March 2012, the Public Holding of Expolanka Holdings PLC shares stood at 525,068,820 shares which amounts to 26.86% of the issued Share Capital

Shareholding by Directors

The Following table indicates the Number of Shares held by the Board of Directors of the company

Name	No. of Shares
Mr .Sattar Kassim	286,315,516
Mr. Osman Kassim	283,865,516
Mr. Hanif Yusoof	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	-
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 2012

The below tables provides the details of the 20 Top Shareholders of Expolanka Holdings PLC as at 31st March 2012

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	Watapota Investments PLC	40,600,000	2.08%
8	HSBC Intl Nominees LTD-JPMCB-Scottish ORL SML TR GTI 6018	36,999,400	1.89%
9	Ali Mohamed	23,459,960	1.20%
10	B. Yoonus	23,459,960	1.20%
11	Nothern Trust CO S/A Prince Street Opportunities Ltd	19,660,000	1.01%
12	Ceylon Guardian Investment Trust PLC A/C # 01	12,099,300	0.62%
13	Lanka Strategic Investments Ltd.	8,959,100	0.46%
14	Timex Garments (Pvt) Limited	8,363,700	0.43%
15	Arunthathi Selliah	6,931,600	0.35%
16	Union Assurance PLC/NO-01A/C	6,376,700	0.33%
17	Arunodhaya (Private) Limited	5,871,600	0.30%
18	Arunodhaya Industries (Private) Limited	5,871,600	0.30%
19	Arunodhaya Investments (Private) Limited	5,871,600	0.30%
20	Amana Takaful PLC	5,780,900	0.30%

Dividends

An Interim Dividend (For the Financial Year Ending 31st March 2012) of Rs.0.12 per share was declared during the Financial Year 2011/12 and was paid on the 25th of August 2011. The Total Value of Dividends paid was Rs. 234,589,800.00

RISK MANAGEMENT REPORT

"We at Expolanka envision structured risk management as an integral part of our strategic and operational planning process where we aspire to further our business goals. We are focused on balancing our entrepreneurial, "out of the box" strides with risk controls systems to bolster the returns to all our stakeholders culminating in a sustainable conglomerate."

Due to our global presence and conglomeratic operations, Expolanka is susceptible to a wide array of risks be it global macroeconomic and geopolitical uncertainties, domestic macroeconomic and sector-specific pressures or company wide risks. These risks may have material adverse effects on our reputation, operations and financial performance, ultimately affecting the achievement of our aspired objectives. Hence, a structured risk management process has never been more relevant to support our "Dare-to Do" entrepreneurial spirit.

In our quest towards increasing the shareholder value, we recognize the importance of becoming a risk intelligent company and aim to follow a balanced approach to risks and opportunities therein.

Significant measures were adopted in the year under review to formalize our risk management process across the Group, leading to a more risk confident corporate culture and governance philosophy.

Risk Overview & Mitigation

It is to be noted that considerable progress was made in risk management during the year under review to identify and strengthen the controls through various mitigatory actions. The risk overview highlights the most significant risks categorized into operational, strategic, and economic risks as follows:

Risk/Opportunity Overview		
Operational Risks	Strategic Risks	Economic Risks
• Credit • Business Partner • Human Capital • Technology • Assets • Internal Controls • Compliance	• Changes in Industry/Markets • Dependency on Few Products/Markets • Investments & Acquisitions • Competitor Moves • Socio Economic Changes • Political Uncertainty	• Demand & Supply • Foreign Exchange • Finance Cost • Inflation

The table below focuses on ten key risk factors (not listed out in order of priority) that have the greatest propensity to impact on our corporate goals. Action taken or proposed to allay the identified risks is also presented.

Risk	Exposure	Mitigating Action
Operational Risk		
Credit Risk	• Payment delays impacting the liquidity position • Bad debts due to non- payment	• Strong credit evaluation and approval • Efficient follow up and collection • Monthly/ weekly debtors meeting
Business Partner Risk	• Losing the principals/business partners due to competitors and failure to comply to expected service levels	• Seek to improve the service levels as per the agreed Standard Operating Procedures with business partners • Adopt strategies to reduce single party dependency and exposure

RISK MANAGEMENT REPORT

Risk	Exposure	Mitigating Action
Human Capital Risk	• Dependency on key personnel to secure business without proper succession planning leading to issues of business continuity • Inability to motivate and retain skilled and experienced staff resulting in loss of productivity	• Initiate HR leadership programmes to identify and to develop leadership skills • Attract and recruit the best in the industry • Initiate programmes to enhance employee wellbeing • Provide necessary training and develop potential skills of employees • Focus on career development • Reward and recognize hard work, innovation and excellence
Technology Risk	• System failure adversely impacting on day to day operations • Breach in security of IT systems leading to unauthorized access and loss of confidential information • Use of outdated technology leading to operational inefficiency and loss of new business	• Application wise Disaster Recovery Plans to ensure business continuity • Technology audit by an independent party to ascertain the requirements for optimum operational performance • Strengthen IT resources in keeping with the new technological developments as per a need analysis • Strengthen the measures adopted to secure IT systems with clearly defined authorization levels in accessing and processing information for confidentiality and integrity of data

Risk	Exposure	Mitigating Action
Asset Risk	• Insufficient/ non- insurance, misuse of the asset or theft leading to loss of assets	• Streamline the Group insurance process by the Risk & Control Team centrally • Appointment of an Insurance Consultant • Monthly monitoring and reporting of compliance with the Fixed Asset Policy
Internal Controls	• Weak internal controls resulting in inaccurate financial reporting, misuse/ abuse of assets, non-compliance towards policies, procedures and regulations	• Outsourcing of Group internal audit activities to an external audit services firm for greater independence, focus and professionalism • Regular spot checks against identified controls across the line companies by the Group Risk & Control Department • Monthly follow up on compliance with Group policies and regulatory requirements. • Formulation of Group Fraud Policy (currently being reviewed and pending Board approval)
Compliance Risk	• Lack of/ failure in compliance with the prevailing and applicable laws, regulations and contracts resulting in legal costs, fines and loss of Group's image, reputation and investor confidence	• Reviews, audits and monthly status follow up by the Group Risk & Control Department on conformance to applicable laws and regulations • Preparation of a monthly/quarterly and annual Compliance Report • A dedicated Legal Officer appointed to assist the management in legal matters • Seek external legal counsel when required

RISK MANAGEMENT REPORT

Risk	Exposure	Mitigating Action
Economic Risk		
Foreign Exchange Risk	• Potential losses as a result of adverse movements in foreign currency against the Sri Lankan Rupee impacting on the profitability and cash flows	• Natural hedge by having receivables and payables in the same foreign currency • Closely monitor the exchange rate movements and forecasts • Convert or hold foreign currency strategy based on exchange rate forecasts
Strategic Risk		
Investment Risk	• Loss of capital or failure to achieve expected minimum return as a result of poor investment decisions	• Appointment of an Investment Committee to oversee the group's investments and to engage in a structured risk evaluation process for new investments. • Expert legal advice sought in drafting investment agreements to balance the risk return impact • Focus on investments that enhances synergies and reinforces the conglomeratic operations of the Group
Product /Market Dependency Risk	• Failure in dependent markets and products due to adverse developments in macroeconomic and geopolitical conditions impacting on the top and bottom line of the Group	• Venture into new products to minimize the dependency • Seek new markets with growth possibilities for existing products • Invest in synergistic acquisitions to broaden the product and market range • Closely monitor the macro and geopolitical changes and strategize and respond duly

The Approach to Risk Management

Aligned to the corporate best practices and accepted industry standards, our risk management process for the next year will involve a three step process associated with each of our businesses as set out below.

1. Risks and opportunities will be identified in a structured way combining a top-down and bottom-up approach led by the Board and with the participation of the senior management of the Company, the operational management of the line companies and key staff.

2. Identified risks and opportunities will be assessed for potential cumulative effects and prioritized in terms of the impact and the likelihood of occurrence.

3. Seek and implement mitigatory actions for the prioritized risks to best reach the corporate goals.

Our Group Risk Management Team appointed in the preceding financial year, independent from the business units, will closely monitor and report to the Board Audit Committee on the risk management process of each unit. This will ensure that the operations are aligned to Group policies, goals and the risk appetite mandated by the Board of Management.

Continuing from the efforts during the year under review, our priorities for the current financial year to further develop and strengthen our risk management process will involve carrying out a formal enterprise-wide risk management and reporting process to assist and give greater control to the management to identify, assess and mitigate risk.

The five step process involves the identification and prioritization of key risks, together with associated controls and plans for mitigation by the respective risk takers - business units. This model is depicted below:

CORPORATE GOVERNANCE

Chairman's Statement

Our corporate journey, successfully traversed for over 30 years, did not depend purely on our business acumen. Our success was underpinned by a corporate culture that gave precedence to the best business practices and ethics. Expolanka has consistently embodied the governance principles of integrity, professionalism and responsibility. This was and is the essence of our success.

The Board, our senior management and all employees are committed to take the Expolanka Group on this path to reinforce our business pillars of values and good governance, vital to our sustenance and the ability to deliver all dues to our stakeholders. We, across the Expolanka network, have adopted a Code of Business Conduct and Ethics and affirm that there were no material violations of the Code during the year under review.

Post listing on the Colombo Stock Exchange, we have worked tirelessly to further our governance structure and best business practices, aligning the operations to truly fit in as a public quoted company. We have with us independent directors and the necessary Board sub committees together with internal and external risk management and controls in place to be focused on ensuring the way forward, within a framework of upright governance. We have adopted and complied 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 and the Continuous Listing Rules set out in Section 7.10 of the Colombo Stock Exchange.

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 2012.

Osman Kassim
Chairman
Expolanka Holdings PLC

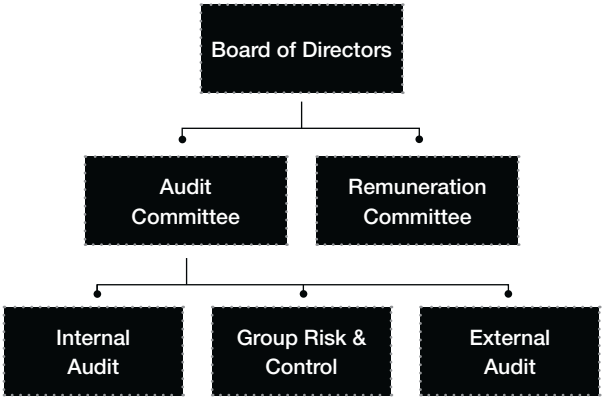
The corporate philosophy of adhering to best governance practices of integrity, accountability and transparency determines the direction, management and control of day to day business affairs of Expolanka and its Group network.

The Company is committed to enhance the shareholder value through sustainable business, applying a healthy mix of performance and conformance throughout the Group.

Governance Structure

The ultimate responsibility of implementing and monitoring the governance of the Company lies with the Board. The Board Sub Committees play a vital role in assisting the Board to achieve the highest standards of corporate and business ethics, complementing our accountability to shareholders and all other stakeholders.

The structure, set out below, depicts the framework within the Group that facilitates and assures compliance with the internal and external regulations to achieve good governance.



The Board

Directors' Attendance at Meetings

The Board is composed of four Executive Directors including Chairman and four Non Executive Directors. Out of the Non Executive Directors, three are independent and are members of the Audit and Remuneration Sub Committees of the Board. The names, attendance at Board and Sub Committee meetings are listed out below:

CORPORATE GOVERNANCE

Board Member	Directorship Status	Independence	Directors' Meeting	Audit Committee Meeting	Remuneration Committee Meeting
Osman Kassim	Executive Director	Non-Independent	6/7	Not Applicable	Not Applicable
Hanif Yusoof	Executive Director	Non-Independent	7/7	Not Applicable	Not Applicable
Sattar Kassim	Executive Director	Non-Independent	6/7	Not Applicable	Not Applicable
Shafik Kassim	Executive Director	Non-Independent	5/7	Not Applicable	Not Applicable
Farook Kassim	Non-Executive Director	Non-Independent	6/7	Not Applicable	Not Applicable
Dr. Sivakumar Selliah	Non-Executive Director	Independent	7/7	2/3	To be convened
Harsha Amarasekara	Non-Executive Director	Independent	6/7	Not Applicable	To be convened
Sanjay Kulatunga	Non-Executive Director	Independent	7/7	3/3	To be convened

AUDIT COMMITTEE REPORT

Composition

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

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

The Terms of Reference of the Audit Committee complies with the Listing Rules of the Colombo Stock Exchange.

Meetings of the Audit Committee

The Audit Committee which meets on a quarterly basis inter alia, to approve the quarterly and annual financial statements, formally held three meetings for the financial year under review. The attendance of the Committee is shown below.

The Group CEO, the Director Group Finance, External and Internal Auditors, Management Accountant and Group Risk and Control Staff, attended the meetings of the Committee by invitation. The proceedings of the Audit Committee were duly reported to the Board of Directors by the Chairman of the Audit Committee.

Meetings Held	Sanjay Kulatunga	Dr Sivakumar Selliah
12th July 2011	√	√
25th October 2011	√	X
24th January 2012	√	√

Role of the Committee

The roles and responsibilities of the Audit Committee are set out in the Audit Committee Charter approved by the Board. The Committee which was established to assist the Board of Directors discharged their duties in the year under review as set out below:

1. Ensured a proper financial reporting system to provide information required by the management, regulators and shareholders in accordance with the applicable standards.

2. Reviewed and took necessary steps to strengthen the Group's systems for internal financial control, financial reporting and risk management.

3. Assessed and monitored the independence and the performance of the External Auditors and Internal Auditors.

4. Ensured day to day operations in compliance with the applicable laws and regulations of the country and policies and procedures mandated by the Board.

Internal Audit

Internal audit function is responsible for independent and objective assurance by systematically evaluating and recommending improvements for effective governance, internal control and risk management process.

Messrs. PricewaterhouseCoopers Advisory Services (Pvt) Ltd was appointed as Internal Auditors to monitor and report on the adequacy of the financial and operational systems of the line companies across the Group. This appointment strengthened the internal controls and moved towards greater independent assurance.

During the year, the Audit Committee approved the Internal Audit Plan for 2011/12 which was based on a risk assessment methodology. The Committee assisted to determine business risks and monitored the status throughout the year during the quarterly meetings. The Committee reviewed the performance of the internal audit function and the findings of the audits completed during the year were duly reported to the Board.

The Internal Audit Reports included recommendations to improve internal controls together with the agreed management action plans to resolve the identified issues. Internal Auditors directly submitted their findings to the Audit Committee, Chief

CORPORATE GOVERNANCE

Executive Officer and the senior management of the Company and of the line companies. The Group Risk & Control Team facilitated, supported and followed up on the implementation of the recommendations. Progress Reports on the implementation of internal controls across the Group were reported to the Audit Committee and the senior management. Issues encountered during the interim and final external audits were duly forwarded to the Internal Auditors to be addressed in the future audits.

Audit Committee made a recommendation to roll out Internal Audit to the overseas companies as well.

External Audit

The external audit function handled independently by the line companies in the past, was consolidated during the reporting period. With the concurrence of the Board, the Company's External Auditors, Messrs. Ernst & Young, Chartered Accountants (duly appointed at the preceding Annual General Meeting) was appointed as External Auditors to majority of the local companies across the Group.

Prior to the external audit, the Audit Committee held several meetings with the External Auditors to review and agree on the nature, approach and the scope of the audit. The Committee also discussed the progress and conduct of the external audit together with related issues and remedial action identified during the course of the audit.

The Committee reviewed the management actions in response to the identified issues and the effectiveness of internal controls in place, in consultation with the Chief Executive Officer and the Heads of Finance of the line companies. Remedial actions were recommended and initiated wherever necessary.

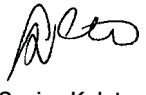
Recommendation was made by the audit committee to appoint Messrs. Ernst & Young, Chartered Accountants as External Auditors to all foreign entities as well to achieve uniformity of audit and responsibility.

Conclusion

Based on the reviews and meetings held, all information gathered from management, the Audit Committee is satisfied that the finance and risk function of the group are managed in accordance with the policies and strategies set out by the Board. The Audit Committee is of the view that the Group has:

- Adopted proper accounting policies and operational controls,
- Maintained proper accounts and measures to safeguard the Group's assets and
- Prepared true and fair Financial Statements of the Company and the Group free from any material misstatements.

The Committee is also satisfied with the Group's internal and external auditors' effectiveness and independence. The Committee recommends the reappointment of Messrs. Ernst & Young, Chartered Accountants as External Auditors to the Board of Management for the ensuing financial year subject to the approval of shareholders at the AGM. The Committee also recommends continuing with the current Internal Auditors.



Sanjay Kulatunga
Chairman
Audit Committee

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:

(a) Set up the remuneration policy in consultation with the Board.

(b) Review the relevance of the remuneration policy and make timely recommendations to the Board for required and appropriate revisions.

(c) Set up guidelines and make recommendations to the Board on the overall remuneration framework including performance targets and related incentives.

(d) Motivate and encourage the Executive Management to discharge their duties at their optimum level.

(e) Ensure fair and responsible rewards for individual contributions to the successful management of the Group.

The Remuneration Committee has not convened a formal meeting for the financial year as at date. As per the policy, remuneration of the Executive Management is reviewed at the end of the financial year. Therefore the scheduled review for the financial year 2011/12 took place in May 2012.

The Remuneration Committee has given necessary directions to the Head of Group Human Resources to furnish the necessary and timely information related to remuneration of the Group, to ensure that same is aligned to the objectives of the Remuneration Committee. During the financial year 2011/12, there had not been any revisions in remuneration of the Group Executive Management.

Harsha Amarasekara
Chairman
Remuneration Committee

CORPORATE GOVERNANCE

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
A. Directors			
A.1. The Board The Code prescribes the Board to effectively direct and control the affairs of the company. Expolanka is led by a professional, multi-disciplined and experienced Board of Management comprising Chairman, Chief Executive Officer (CEO) and Executive and Non Executive Directors including three Independent Non Executive Directors as at 31st March 2012. The profiles of the Board of Directors are set out on pages 24 to 25 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 page 54.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.1.2	Responsibilities of the Board	Compliant	The Board is responsible to lead the strategic and business direction of the Group as described below. • Formulates and implements a sound business strategy with a structured monitoring process to ensure sustainability of the Group. • Evaluates and takes responsible decisions in relation to new business ventures or restructuring of existing companies, if necessary. • Ensures the CEO and the management team possess the right skills, experience and knowledge to implement the formulated strategy effectively with proper succession planning. • Appoints suitable members to the Audit and Remuneration Committees. • Ensures effective systems to secure integrity of information, internal controls and risk management through delegation to the Audit Sub Committee. (Compliance checklist is provided to all Board members to ensure compliance with applicable laws and regulations.) • Ensures all stakeholder interests are considered in corporate decisions making. • Accounting policies are reviewed annually to ensure compliance to evolving accountancy standards including convergence towards the new Sri Lanka Financial Reporting Standards (SLFRS).

CORPORATE GOVERNANCE

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.1.3	Compliance with laws and seek independent professional advice	Compliant	Board is collectively and individually committed to ensure compliance with all applicable laws and regulations and adheres to best governance practices. The Directors obtain independent professional advice if required for decision making. Professional advice was not sought by any of the Directors during the year under review.
A.1.4	Company Secretary	Compliant	SSP (Pvt) Ltd is appointed as the Group's Company Secretary to ensure that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed. All Directors have access to the advice and services of the Company Secretary.
A.1.5	Independent judgment of the Directors	Compliant	All Directors exercise independent judgment and opinions on issues that are discussed and considered at the Board.
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 .

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.2. Chairman and CEO The Code prescribes to clearly differentiate the roles between the Chairman and the CEO to ensure balance of authority and good governance. The Chairman of the Group is responsible to effectively lead and guide the Board whilst the CEO is responsible to lead the senior management to ensure effective functioning of day to day operations of the Group, in consultation and guidance of the Chairman and the Board.			
A.2.1	Segregated roles and responsibilities of the Chairman and CEO	Complaint	The position of the Chairman and CEO are separated in order to prevent unfettered powers of decision making to a sole individual.
A.3. Chairman As prescribed by the Code, the Chairman of the Group with his integrity and experience in corporate governance is responsible to lead the strategic direction of the Board. The Chairman guides the Board in all decisions and presides and maintains order at Board meetings.			
A.3.1	Role of the Chairman	Compliant	The Chairman is responsible for the efficient conduct of Board meetings and to ensure, inter alia: • 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.

CORPORATE GOVERNANCE

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
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.4.1	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.
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 83 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.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
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.
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.

CORPORATE GOVERNANCE

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 24 to 25 • Number of meetings attended - refer page 54 • Details of directorships and memberships in Boards and Committees - refer pages 24 to 25
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.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
B. Directors' Remuneration			
B.1 Procedure The Code specifies that a remuneration committee to be established formerly and transparently to independently determine the remuneration policy and remuneration of the directors.			
B.1.1	Establishment of a Remuneration Committee	Compliant	A Remuneration Committee is appointed to assist the Board in establishing remuneration policy and guidelines for the remuneration of directors. As per the policy, no Director or employee should get involved in deciding his/her own remuneration.
B.1.2	Composition of the Remuneration Committee	Compliant	All three members of the Remuneration Committee are Independent Non-Executive Directors. Board appoints the Chairman of the Remuneration Committee.
B.1.3	Chairman and the members of the Remuneration Committee	Compliant	The Remuneration Committee consists of : • 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 aligned to the current market practices.
B.1.5	Consultation with the Chairman, CEO and access to professional advice	Compliant	The Remuneration Committee consults the Chairman and CEO and has access to professional advice from within and outside the Company.

CORPORATE GOVERNANCE

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
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 performance.			
B.2.1	Executive Directors' remuneration package	Compliant	The Remuneration Committee reviews industry and market practices and norms when setting the remuneration of Executive Directors.
B.2.2	Comparison of remuneration with other companies	Compliant	The Remuneration Committee compares the remuneration levels of the Company with comparable industry norms.
B.2.3	Comparisons of remuneration with other companies in the Group	Compliant	The Remuneration Committee reviews and compares executive remuneration across the Group companies.
B.2.4	Performance related elements of remuneration of Executive Directors	Compliant	The Remuneration Committee reviews CEO's performance aligned to the pre agreed targets and goals in the best interest of the Company and the stakeholders. There are no performance related elements of remuneration for the Non-Executive Directors.
B.2.5	Executive share Options	Not Applicable	Presently the Group does not have Executive share option schemes.
B.2.6	Executive Directors' Remuneration	Compliant	The Company does not have any long term incentive share option schemes. Non-Executive Directors are not eligible for performance based remuneration. Remuneration Committee Report is set out on page 57 of this Annual Report.
B.2.7 & B.2.8	Early termination of Executive Directors	Compliant	There are no terminal compensation commitments other than gratuity in the company's contracts of service.
B.2.9	Remuneration for Non Executive Directors	Compliant	Non-Executive Directors are remunerated in line with market practices and norms.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
B.3 Remuneration Disclosures 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 57 of this Annual Report. The details of remuneration to the Board are disclosed on page 130 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.
C.1.3	Board Sub-Committee Chairman to be present at the AGM	Compliant	The Chairman of the Board ensures that the Chairman of Board Sub Committees are present at the AGM to respond to any queries posed by the shareholders.
C.1.4	Adequate notice of the AGM	Compliant	The notice of meeting and related documents are dispatched to the shareholders 15 working days prior to the AGM, as per Section 135 of the Companies Act No. 07 of 2007.
C.1.5	Procedures of voting at the AGM	Compliant	The proxy form including a summary of the procedures governing voting at the AGM is circulated to all shareholders.

CORPORATE GOVERNANCE

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
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.
D. Accountability and Audit			
D.1 Reporting The Code requires a fair and a balance report on the Company's operations, financials and the way forward.			
D.1.1	Board's responsibility for statutory and regulatory reporting	Compliant	The Company's Interim and Annual Financial Statements are prepared in accordance to the Sri Lanka Accounting Standards and the Company's Act No 7 of 2007 and duly audited. The Interim and Annual Financial statements were published on time during the reporting period. All Regulatory Reports were filed by the due dates. Price sensitive information was disclosed to the Colombo Stock Exchange (CSE) on a timely basis during the financial year 2011/12.
D.1.2	Directors' Report in the Annual Report	Compliant	The Annual Report of the Board of Directors on the affairs of the Company containing the subject declarations is given on pages 82 to 86 of this Annual Report.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D.1.3	Statement of Directors' and Auditor's responsibility for the Financial Statements	Compliant	The Statement of Directors' Responsibilities is given on pages 80 to 81 of this Annual Report. The Auditor's Report on the financial statements for the year ended 2011/12 is given on page 87
D.1.4	Management Discussion and Analysis	Compliant	Management Discussion and Analysis is presented on the Company together with the subsidiaries as separate sections and on pages 35 to 41, 145 to 149, 155-160, 165-169, 175-179 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 86 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.
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.

CORPORATE GOVERNANCE

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
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 various other audits 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 54 to 56 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.
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.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
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 on page 52 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.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
F. Other Investors			
F.1	Individual Shareholders	Compliant	The Annual Report contains sufficient information 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 2011/12 and the way forward: • Chairman's Review • CEO's Review • Management Discussion and Analysis • Annual Financial Statements
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

CORPORATE GOVERNANCE

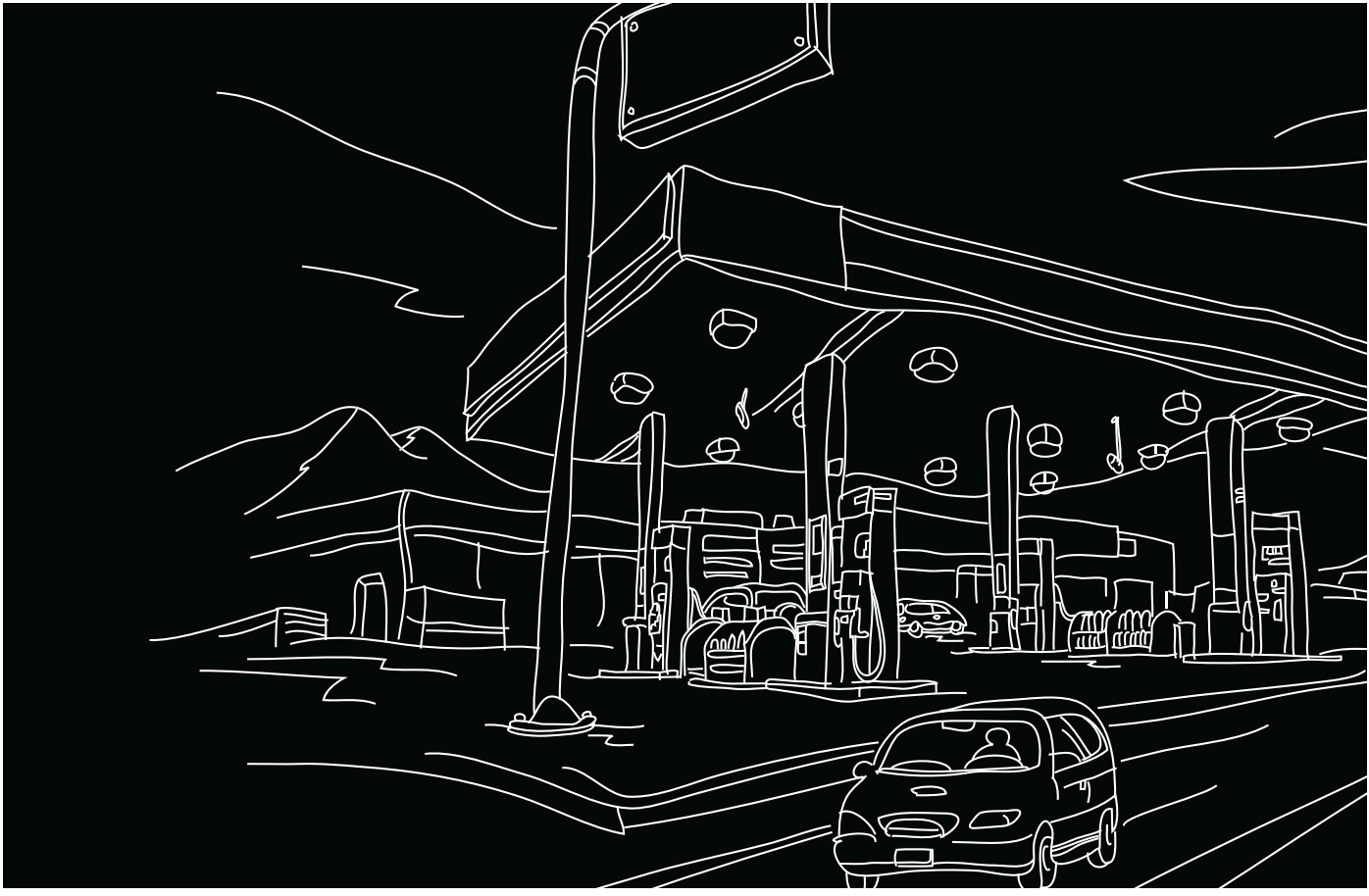
CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.1(a)	Non Executive Directors	Two or one third of the total number of Directors, whichever is higher, shall be Non-Executive Directors.	Compliant	The Board comprises of four Non-Executive Directors out of the total of eight Directors.
7.10.1(a)	Independent Non Executive Directors	Two or one third of Non-Executive Directors, whichever is higher, shall be independent.	Compliant	The Board comprises of three independent Non-Executive Directors.
7.10.3(a)	Disclosure relating to Directors	The names of all Independent Directors shall be disclosed in the Annual Report.	Compliant	Please refer page 83 of this Annual Report for Directors' disclosures
7.10.3(b)	Disclosure relating to Directors	In the event a Director does not qualify as "independent" as per the rules of corporate governance but if the Board is of the opinion that the director is nevertheless independent, it shall specify the basis of the determination in the Annual Report.	Compliant	No such determination has been carried out by the Board.
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director which includes information on the nature of his/her expertise in relevant functional areas is to be published in the Annual Report.	Compliant	Please refer pages 24 to 25 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.

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Compliant	Refer page 57 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 57 for the Remuneration Committee Report of this Annual Report.
7.10.5(c)	Disclosure in the Annual Report	The Annual Report should set out: • Names of the Directors of the Remuneration Committee • The statement of Remuneration Policy • Aggregate remuneration paid to Executive and Non Executive Directors	Compliant	Refer the following pages of this Annual Report • Names of the Directors on pages 24 to 25. • Remuneration Policy on page 57. • Aggregate Remuneration on page 130.
7.10.6	Audit Committee	A listed company shall have an Audit Committee	Compliant	Refer pages 54 to 56 of this Annual Report for the Audit Committee Report.

CORPORATE GOVERNANCE

CSE Rule No.	Subject	Requirement	Compliance	Details
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 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
7.10.6(b)	Functions of the Audit Committee	The Audit Committee shall oversee the following functions. • Preparation, presentation and disclosure of the financial statements and ensure they are in line with the Sri Lanka Accounting Standards	Compliant	Refer the Audit Committee Report as specified in 7.10.6

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.6(b) Contd.		• Compliance with financial reporting, Companies Act and other financial reporting regulations and requirements • Processes to ensure that internal controls and risk management are adequate to meet the requirements of Sri Lanka Accounting Standards • Assessment of the independence and performance of external auditors • Appointment, re-appointment and removal of external auditors and approve the terms of remuneration and terms of engagement.		
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 54 to 56



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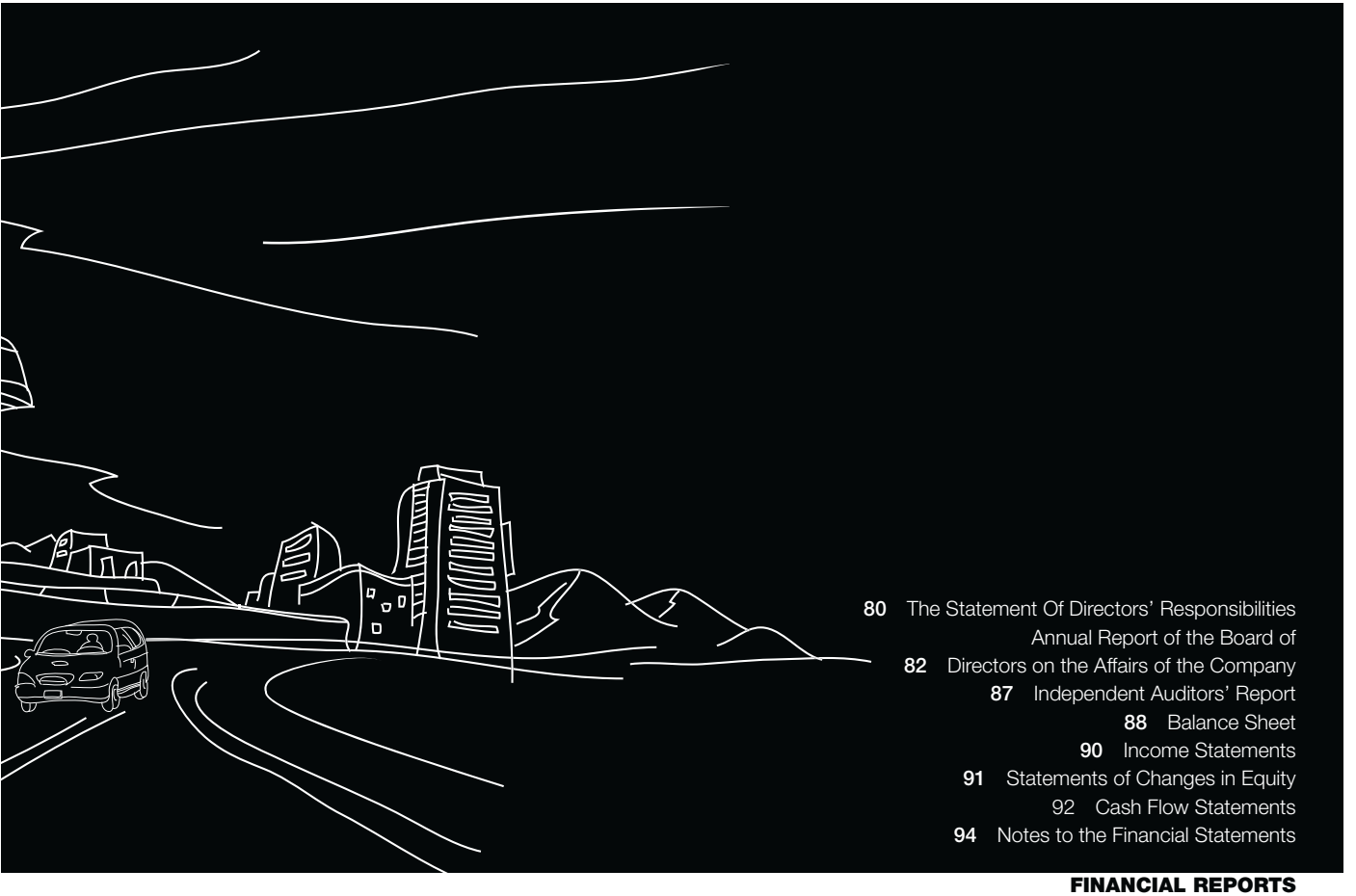

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FINANCIAL REPORTS

THE STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibility of the Board 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 a fair view of the state of affairs and of the profitability of the Company and the Group for the financial year end. The Directors are also responsible under Section 148, to ensure that the Group maintains proper accounting records to ascertain the financial position and enable the preparation of Financial Statements for disclosure, with reasonable accuracy. The Directors have taken adequate steps to ensure that the Company and the Group have maintained sufficient accounting records to disclose on the financial position of same with reasonable accuracy.

The Financial Statements include;

- Balance Sheet which presents a true and a fair view of the state of affairs of the Company and the Group as at the end of the financial year.

- Income Statement which presents a true and a fair view of the profit and loss of the Company and the Group for the financial year.

  The Directors confirm that the Financial Statements for the year under review have been prepared accounting for the below mentioned facets.

- Used appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained.

- Prepared in accordance with the Sri Lanka Accounting Standards.

- Reasonable and prudent judgment and estimates have been made so that the form and substance of transactions are properly reflected.

- Provided 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 of the opinion, based on their knowledge of the operations, the Company and the Group have adequate resources to continue operations. The Directors justify and confirm applying the going concern basis in preparing these Financial Statements.

The Directors have taken reasonable measures to safeguard the assets of the Company and of the Group and have established appropriate systems of internal control systems with a view to preventing and detecting fraud and other irregularities.

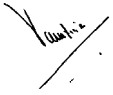
The External Auditors, Messrs. Ernst & Young, reappointed in terms of Section 158 of the Companies Act were provided with every opportunity to take whatever steps and undertake whatever inspections that were deemed appropriate to facilitate their audit opinion on the Financial Statements. The Report of the Auditors, shown on page 87 of this Annual Report 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 the financial year under review.

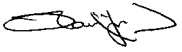
Further, the Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments and dues including taxes, duties, levies and contributions payable by the Company and its subsidiaries, and payable on behalf of and in respect of all employees as at the Balance Sheet date have been paid or where relevant adequately provided for, except as specified in Note 29.2.2 to the Financial Statements covering contingent liabilities.



Sattar Kassim
Director



Hanif Yusoof
Director

10 July 2012

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 2012 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 as 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 10 July 2012.

Covenant and Core Values

Expolanka's covenant is 'building a great business with a dare to do spirit' and the Company's core values are;

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

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

Principal Activities

Expolanka Holdings PLC, the Group's holding company manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the Expolanka Group, and provides function based services to its subsidiaries and associates. The principal activities of the Group are categorized into 4 sectors namely, Freight & Logistics, Travel and Leisure, International Trading & Manufacturing and Investments & Services.

Business Review and Prospects

A review of the financial and operational performance during the year 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 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 Company during the year acquired 50 % stake in Norfolk Foods (Pvt) Ltd at an investment of Rs. 300,000,000. Further stake-holding in Expo Freight Pakistan and Expo Freight Vietnam have been increased to 51 % with the additional investments that were made during the year.

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 Financial Statements of the Company and the Group are given on pages 88 to 136.

Auditor's Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 87.

Accounting Policies

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

Revenue

Revenue generated by the Company amounted to Rs. 129,045,324 (2011 - Rs. 116,662,520) whilst Group revenue amounted to Rs. 35,414,567,620 (2011 - Rs. 41,067,006,778). Contribution to the group revenue from the different business segments is provided on pages 132 to 133.

Results and Appropriations

The profit after tax of the holding Company was Rs. 194,529,661 (2011 - Rs. 393,011,189) whilst the Group profit attributable to equity holders of the parent for the year was Rs. 1,054,787,058 (2011 – Rs. 1,546,853,117). 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 2011/ 2012. 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. 355,000 (2011 -Rs. 2,129,045) and Rs. 6,767,206 (2011 - Rs. 6,603,176) 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. 50,413,122 (2011 - Rs. 34,776,499) and Rs. 3,474,401,287 (2011 - Rs. 2,318,680,658 for the Company and Group respectively. Capital expenditure for the Company and Group amounted to Rs. 31,284,409 (2011 - Rs.16,689,642) and Rs. 518,264,947 (2011 - Rs. 279,377,757) 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. 2,916,517,904 (2011 -Rs. 1,794,185,693) respectively. Detailed description of the short and long term investments held as at the balance sheet date, are given in notes 6 and 7 to the financial statements.

Stated Capital Movements

The total amounts received by the Company in respect of the issue of shares are referred to as stated capital. During the year under review, the Company issued 172,000,000 ordinary voting shares to the public at Rs. 14 per share. The issue was opened on 12 May 2011 and was closed on the same day. These shares were listed on the Colombo Stock Exchange on 13 June 2011. The movement in the stated capital is given below;

Stated Capital	Rs
As at 01 April 2011	1,782,915,000
Net proceeds from new share issue	2,315,070,000
As at 31 March 2012	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 31 March 2012.

Directors Remuneration

Directors' remuneration, in respect of the Company for the financial year 2011/12 is Rs. 17,970,000. Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2011/12 is Rs. 147,082,906.

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 Holding's Board of Directors' shareholdings as at 31 March 2012.

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	Nil
Sanjay Kulatunga	Nil

Major Shareholding

	Name of Shareholder	No of Shares As at 31 Mar 12	%	No of Shares As at 31 Dec 11	%
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	Watapota Investments PLC	40,600,000	2.08%	41,600,000	2.13%
8	HSBC Intl Nominees LTD-JPMCB-Scottish ORL SML TR GTI 6018	36,999,400	1.89%	24,352,200	1.25%

	Name of Shareholder	No of Shares As at 31 Mar 12	%	No of Shares As at 31 Dec 11	%
9	Ali Mohamed	23,459,960	1.20%	23,459,960	1.20%
10	B Yoonus	23,459,960	1.20%	23,459,960	1.20%
11	Nothern Trust CO S/A Prince Street Opportunities Ltd	19,660,000	1.01%	19,660,000	1.01%
12	Ceylon Guardian Investment Trust PLC A/C # 01	12,099,300	0.62%	12,099,300	0.62%
13	Lanka Strategic Investments Ltd.	8,959,100	0.46%	8,959,100	0.46%
14	Timex Garments (Pvt) Limited	8,363,700	0.43%	8,363,700	0.43%
15	Arunthathi Selliah	6,931,600	0.35%	6,931,600	0.35%
16	Union Assurance PLC/NO-01A/C	6,376,700	0.33%	6,376,700	0.33%
17	Arunodhaya (Private) Limited	5,871,600	0.30%	5,871,600	0.30%
18	Arunodhaya Industries (Private) Limited	5,871,600	0.30%	5,871,600	0.30%
19	Arunodhaya Investments (Private) Limited	5,871,600	0.30%	5,871,600	0.30%
20	Amana Takaful PLC	5,780,900	0.30%	5,780,900	0.30%

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 52 to 77 discusses this further.

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. The Auditors, Messrs Ernst & Young, were paid Rs. 2,308,700 (Rs.1,163,951 in 2011) as audit fees by the Company. 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.

Employment

The number of persons employed by the Company and its Subsidiaries at year-end was 2,499 (2011 - 2,445). The details of the employment and employees are included under the Sustainability section of the Annual Report.

Shareholders

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

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 balance sheet date

No circumstances have arisen since the Balance Sheet date that would require adjustment, other than those disclosed in Note 28 to the Financial Statements on page 136.

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.

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 is given as a separate sub report.

Annual Report

The Board of Directors has approved the Company and the consolidated financial statements on 25 May 2012. 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 Galadari Hotel, No. 64, Lotus Road, Colombo 01, on Thursday 30th August 2012 at 5.00 pm.

By Order of the Board

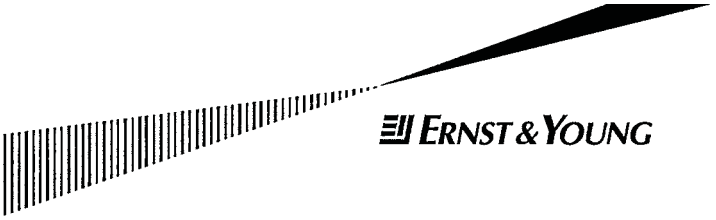
Sattar Kassim
Director

Hanif Yusoof
Director

SSP Corporate Services (Pvt) Ltd
Secretaries

10 July 2012

INDEPENDENT AUDITORS' REPORT



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

Tel : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

MPDC/DIG/KATN/MNS

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 balance sheets as at 31 March 2012, and the income statements, 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 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2012 and its profit 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 state of affairs as at 31 March 2012 and the profit 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 the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Sections 151(2) and 153 (2) to 153 (7) of the Companies Act No. 7 of 2007.

10 July 2012
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 ACA 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 Ms. L C G Nanayakkara FCA FCMA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

BALANCE SHEET

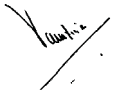
As at 31 March 2012	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
ASSETS					
Non-current Assets					
Property, Plant and Equipment	3	**3,474,401,287**	2,318,680,658	**50,413,122**	34,776,499
Investment Property	4	**-**	122,512,000	**-**	-
Intangible Assets	5	**30,036,851**	28,912,686	**8,414,583**	16,777,939
Investments in Subsidiaries	6	**-**	-	**2,410,926,528**	1,529,081,863
Investment in Associate	7.1	**74,590,104**	-	**43,975,000**	
Other Investments	7.2	**524,053,179**	383,090,447	**423,293,870**	258,725,290
Deferred Income Tax Assets	15	**43,024,160**	42,716,741	**-**	-
Goodwill		**197,425,564**	-	**-**	-
		4,343,531,145	2,895,912,532	**2,937,023,103**	1,839,361,591
Current Assets					
Other Investments	7.2	**708,115,258**	32,949,043	**776,144,671**	6,378,540
Inventories	8	**1,104,390,576**	727,630,861	**-**	-
Trade and Other Receivables	9	**8,943,837,845**	7,480,565,300	**43,151,621**	18,891,626
Income Tax Recoverable		**22,946,746**	40,138,290	**-**	-
Amounts Due from Related Parties	10	**45,783,410**	36,026,529	**1,037,560,777**	493,505,164
Cash and Cash Equivalents	11	**2,349,425,695**	2,228,020,408	**71,961,480**	112,337,536
		13,174,499,530	10,545,330,430	**1,928,818,549**	631,112,866
Total Assets		**17,518,030,675**	13,441,242,962	**4,865,841,652**	2,470,474,457
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of Parent					
Stated Capital	12	**4,097,985,000**	1,782,915,000	**4,097,985,000**	1,782,915,000
Reserves	13	**1,840,176,881**	928,086,532	**-**	-
Retained Earnings/ (Losses)		**2,447,597,778**	1,723,999,994	**(38,013,107)**	2,047,031
Shareholders' Funds		**8,385,759,659**	4,435,001,526	**4,059,971,893**	1,784,962,031
Minority Interest		**962,342,937**	748,923,293	**-**	-
Total Shareholders' Funds and Minority Interest		**9,348,102,596**	5,183,924,819	**4,059,971,893**	1,784,962,031

As at 31 March 2012	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Non-current Liabilities					
Financing and Lease (Ijara) Payables	14	**384,350,285**	1,172,142,286	**281,736,575**	466,000,889
Deferred Income Tax Liabilities	15	**83,922,456**	14,526,746	**-**	-
Retirement Benefit Obligation	16	**296,540,857**	214,305,106	**13,075,457**	10,965,779
		764,813,598	1,400,974,138	**294,812,032**	476,966,668
Current Liabilities					
Financing and Lease (Ijara) Payables	14	**1,644,734,236**	1,101,923,177	**305,887**	185,596,694
Trade and Other Payables	17	**5,390,243,050**	5,387,392,320	**19,427,272**	14,270,668
Income Tax Liabilities		**348,554,065**	338,603,498	**-**	-
Amounts Due to Related Parties	18	**21,583,130**	28,425,010	**491,324,568**	8,678,396
		7,405,114,481	6,856,344,005	**511,057,727**	208,545,758
Total Equity and Liabilities		**17,518,030,675**	13,441,242,962	**4,865,841,652**	2,470,474,457

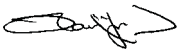
These financial statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

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,



Sattar Kassim
Director



Hanif Yusoof
Director

The accounting policies and notes on pages 94 through 136 form an integral part of the financial statements.

10 July 2012
Colombo

INCOME STATEMENTS

Year Ended 31 March 2012	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Revenue	19	**35,414,567,620**	41,067,006,778	**129,045,324**	116,662,520
Cost of Sales		**(29,322,899,551)**	(35,019,696,747)	**-**	-
Gross Profit		**6,091,668,069**	6,047,310,031	**129,045,324**	116,662,520
Other Income and Gains	20	**633,209,103**	890,979,926	**322,451,818**	458,950,645
Administrative Expenses		**(4,447,246,258)**	(3,791,093,080)	**(245,292,557)**	(148,093,850)
Selling and Distribution Costs		**(464,823,810)**	(542,863,730)	**(3,492,744)**	(552,537)
Finance Cost	21	**(137,094,568)**	(280,353,224)	**(8,182,180)**	(33,955,589)
Share of Profit of an Associate	7.1	**5,232,856**	-	**-**	-
Profit Before Tax	22	**1,680,945,393**	2,323,979,922	**194,529,661**	393,011,189
Income Tax Expense	23	**(450,915,606)**	(555,565,984)	**-**	-
Profit for the year		**1,230,029,787**	1,768,413,938	**194,529,661**	393,011,189
Attributable to:					
Equity Holders of the Parent		**1,054,787,058**	1,546,853,117		
Minority Interest		**175,242,730**	221,560,821		
		1,230,029,788	1,768,413,938		
Basic Earnings Per Share	24	**0.548**	0.868	0.101	0.220
Dividend Per Share	24.3			**0.120**	0.121

The accounting policies and notes on pages 94 through 136 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

Group	Note	Stated Capital	Capital Reserve	General Reserve	Exchange Fluctuation Reserve	Accumulated Profits	Total	Minority Interest	Total Equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 01 April 2010		1,782,915,000	618,702,006	307,129,953	11,327,641	673,135,152	3,393,209,752	434,505,833	3,827,715,585
Interim Dividend Paid for 2011		-	-	-	-	(215,732,715)	(215,732,715)	(24,776,666)	(240,509,381)
Profit for the year		-	-	-	-	1,546,853,117	1,546,853,117	221,560,821	1,768,413,938
Transferred to/from during the year	13	-	(18,911,602)	30,541,509	-	-	11,629,907	(9,567,533)	2,062,374
Amount transferred to Minority due to changes in holdings		-	-	-	-	(127,200,838)	(127,200,838)	127,200,838	-
Acquisitions, disposal and changes in holdings		-	-	-	-	(153,054,723)	(153,054,723)	-	(153,054,723)
Currency translation difference during the year		-	-	-	(20,702,975)	-	(20,702,975)	-	(20,702,975)
As at 31 March 2011		1,782,915,000	599,790,404	337,671,462	(9,375,334)	1,723,999,994	4,435,001,526	748,923,293	5,183,924,819
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)
Revaluation of Property, Plant and Equipment		-	706,021,069	-	-	-	706,021,069	-	706,021,069
Defered Tax impact of revaluation of Property, Plant and Equipment		-	(50,107,712)	-	-	-	(50,107,712)	-	(50,107,712)
Interim Dividend Paid for 2012		-	-	-	-	(234,589,800)	(234,589,800)	(108,354,967)	(342,944,767)
Profit for the year		-	-	-	-	1,054,787,058	1,054,787,058	175,242,730	1,230,029,788
Transfer to Capital Reserves		-	68,719,500	-	-	(68,719,500)	-	-	-
Transferred to/from during the year	13	-	-	31,853,302	-	(31,853,302)	-	-	-
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		-	25,382,248	-	-	-	25,382,248	-	25,382,248
Currency translation difference during the year		-	-	-	139,871,943	-	139,871,943	-	139,871,943
Reversal of Revaluation Reserve relating to Property, Plant and Equipment disposed during the year		-	(9,650,001)	-	-	9,650,001	-	-	-
As at 31 March 2012		4,097,985,000	1,340,155,507	369,524,764	130,496,609	2,447,597,778	8,385,759,659	962,342,937	9,348,102,596

Company	Stated Capital	Accumulated Profits/ (Losses)	Total
	Rs.	Rs.	Rs.
As at 01 April 2010	1,782,915,000	(175,231,443)	1,607,683,557
Profit for the Year	-	393,011,189	393,011,189
Interim Dividend paid for 2011	-	(215,732,715)	(215,732,715)
As at 31 March 2011	1,782,915,000	2,047,031	1,784,962,031
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)
Profit for the Year	-	194,529,661	194,529,661
Interim Dividend paid for 2012	-	(234,589,800)	(234,589,800)
As at 31 March 2012	4,097,985,000	(38,013,107)	4,059,971,893

The accounting policies and notes on pages 94 through 136 form an integral part of the financial statements.

CASH FLOW STATEMENTS

Year ended 31 March 2012	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Cash Flows From / (Used in) Operating Activities					
Profit before Income Tax Expenses		**1,680,945,393**	2,323,979,922	**194,529,661**	393,011,189
Adjustments for,					
Depreciation	3.1.2	**337,517,365**	218,657,026	**14,626,952**	10,089,569
Amortization	5.1.2	**8,363,357**	20,418,100	**8,363,357**	8,363,357
Income from Investments		**(68,195,946)**	(10,136,958)	**(53,040,529)**	-
Profit on Sale of Property, Plant and Equipment		**(41,540,539)**	(14,468,566)	**(205,150)**	2,027,967
Profit on Sale of Subsidiaries		**-**	(303,217,515)	**-**	(17,092,017)
Finance Cost		**137,094,568**	280,353,224	**8,182,180**	33,955,589
Fall in Value of Investments		**11,333,917**	377,996	**6,663,680**	-
Negative Goodwill on acquisitions of Subsidiaries		**-**	(76,360,326)	**-**	-
Profit share of investment in associates	7.1	**(5,232,856)**	-	**-**	-
Provision for Bad and Doubtful Debtors		**54,451,282**	-	**-**	-
Provision for Defined Benefit Plans		**97,916,839**	43,132,929	**2,109,678**	4,021,242
Operating Profit / (Loss) before Working Capital Changes		**2,212,653,379**	2,482,735,832	**181,229,829**	434,376,896
(Increase)/Decrease in Inventories		**(376,759,716)**	153,627,140	**-**	-
(Increase)/Decrease in Trade and Other Receivables		**(1,517,723,827)**	264,481,925	**(14,012,607)**	(152,405,884)
(Increase)/Decrease in Amounts Due from Related Parties		**(9,756,881)**	1,052,051,032	**(544,055,613)**	-
Increase/(Decrease) in Amounts Due to Related Parties		**(6,841,880)**	(29,305,603)	**482,646,173**	(57,786,273)
Increase/ (Decrease) in Trade and Other Payables		**2,850,730**	(1,185,795,838)	**5,156,604**	(656,488)
Net change in working capital due to Group structure change		**(48,186,167)**	(21,390,034)	**-**	-
Cash Generated from Operations		**256,235,638**	2,716,404,453	**110,964,385**	223,528,251
Finance Cost paid		**(137,094,568)**	(280,353,224)	**(8,182,180)**	(33,955,589)
Income Tax Paid		**(404,485,496)**	(401,231,342)	**-**	-
Defined Benefit Plan Costs paid		**(15,681,088)**	(6,643,674)	**-**	(535,000)
Net Cash From / (Used in) Operating Activities		**(301,025,514)**	2,028,176,213	**102,782,206**	189,037,662

Year ended 31 March 2012	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Cash Flows From / (Used in) Investing Activities					
Investment Income Received		**68,195,946**	10,136,958	**42,793,141**	-
Acquisition of Property, Plant and Equipment	3.1.4	**(518,264,947)**	(279,377,757)	**(31,284,409)**	(16,689,642)
Net proceeds from sale of investment property		**-**	102,661,125	**-**	
Acquisition of Intangible assets		**(9,487,522)**	(12,065,161)	**-**	-
Proceeds from Sale of Property, Plant and Equipment		**78,693,592**	390,629,303	**1,225,993**	94,557,208
Net other current Investments		**(675,166,215)**	(358,361,616)	**(776,429,812)**	(258,725,290)
Net other non current investments		**(152,296,649)**	(6,800,763)	**(164,568,630)**	(6,378,540)
Investment in associate		**(43,975,000)**	-	(43,975,000)	-
Acquisition of Subsidiaries		**(136,483,962)**	(21,420,230)	**(881,844,615)**	(21,420,229)
Proceeds from Sale of Subsidiaries		**-**	271,395,756	**-**	271,395,756
Net Cash Flows Used in Investing Activities		**(1,388,784,758)**	96,797,615	**(1,854,083,332)**	62,739,263
Cash Flows From / (Used in) Financing Activities					
Net Proceeds From Financing and Lease (Ijara)		**(228,134,075)**	(1,098,769,438)	**(186,449,458)**	183,280,918
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		**(108,354,967)**	(24,776,666)	**-**	-
Dividends Paid to Parent Company Share Holders		**(234,589,800)**	(215,732,715)	**(234,589,800)**	(215,732,715)
Net Cash Flows From / (Used in) Financing Activities		**1,743,991,158**	(1,339,278,819)	**1,894,030,742**	(32,451,797)
Effect of Exchange Rate Changes		**139,871,943**	(20,702,975)	**-**	-
Net Increase / (Decrease) in Cash and Cash Equivalents		**194,052,828**	764,992,034	**142,729,615**	219,325,128
Cash and Cash Equivalents at the beginning of the year	11	**1,533,760,436**	768,768,402	**(352,504,710)**	(571,829,838)
Cash and Cash Equivalents at the end of the year	11	**1,727,813,264**	1,533,760,436	**(209,775,095)**	(352,504,710)

The accounting policies and notes on pages 94 through 136 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 on 13 June 2011. 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.

In the financial statements, "the company" refers to Expolanka Holdings PLC as the holding company and "the group" refers to the companies whose accounts have been consolidated therein.

1.2 Principal Activities and Nature of Operations

During the year, the principal business operations of the Company were carrying out investment activities, and providing management and administration services to other companies in the Group.

During the year, the Subsidiaries of the Group were engaged in the business of Freight and Logistics, Travel and Leisure, International Trading and Manufacturing & Investments and Services.

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 consolidated financial statements of Expolanka Holdings PLC and its Subsidiaries for the year ended 31 March 2012 were authorized for issue, in accordance with a resolution of the Board of Directors on 10 July 2012.

2. ACCOUNTING POLICIES

2.1 General Policies

2.1.1 Basis of Preparation

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention unless stated otherwise. The consolidated financial statements are presented in Sri Lankan Rupees.

2.1.2 Statement of Compliance

The consolidated financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLAS). The preparation and presentation of these financial statements are in compliance with the Companies Act No. 7 of 2007.

2.1.3 Comparative Information

The accounting policies adopted are consistent with those of the previous financial year.

Previous year's figures and phrases have been rearranged in fourth quarter including presentation of Revenue and Cost of Sales from net value basis to gross value basis in certain Group Companies to provide more appropriate information about the effect of such transaction as indicated below and wherever necessary to conform to the current presentation.

	Current Presentation	As Previously reported
Revenue	41,067,006,778	32,507,232,315
Cost of Sales	35,019,696,747	26,459,922,284

2.1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31st March 2012. The financial statements of the subsidiaries are prepared in compliance with the group's accounting policies unless otherwise stated.

All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases.

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

a) Subsidiaries

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

The following subsidiaries have been incorporated in Sri Lanka.

Name of the Company	Holding Percentage	
	2012	2011
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	51%	51%
International Airline Sevices (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%

NOTES TO THE FINANCIAL STATEMENTS

Name of the Company	Holding Percentage	
	2012	2011
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%	-
Pulsar Shipping Agencies (Private) Limited	100%	-
Travel Express (Private) Limited	100%	-
Saffron Foods (Private) Limited	100%	-
Castle Commercial (Private) Limited	90%	-
World Spices and Teas (Private) Limited	90%	-
Progressive Investment (Private) Limited	70%	-
GTS Logistics (Private) Limited	60%	-
Amoha (Private) Limited	60%	-
Global Logistics (Private) Limited	60%	-
Norfolk Foods (Private) Limited	50%	-
Logistics Park (Private) Limited	100%	-
Lanka Premier Foods (Private) Limited	80%	-

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.

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	
		31.03.2012	31.03.2011
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%

Name	Country of Incorporation	Holding Percentage	
		31.03.2012	31.03.2011
Expolanka Freight FZCO	Dubai	100%	100%
Expolanka Freight Dubai LLC (Dubai/Jebel Ali/Abu Dhabi - UAE)	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%	25%
International Sky Services (India) Private Limited	India	70%	70%
Expolanka Freight Vietnam	Vietnam	51%	43%
PT Expo Unipara	Indonesia	90%	90%
Expolanka Freight Limited	Philippines	100%	

Acquisition of Subsidiaries

With effect from year 2011/12, following companies have been included as subsidiaries of the Group.

Company	Holding %
Akquasun Lanka (Private) Limited	100%
Pulsar Shipping Agencies (Private) Limited	100%
Travel Express (Private) Limited	100%
Saffron Foods (Private) Limited	100%
Castle Commercial (Private) Limited	90%
World Spices and Teas (Private) Limited	90%
Progressive Investment (Private) Limited	70%
GTS Logistics (Private) Limited	60%
Amoha (Private) Limited	60%
Global Logistics (Private) Limited	60%
Norfolk Foods (Private) Limited	50%
Logistics Park (Private) Limited	100%
Lanka Premier Foods (Private) Limited	80%
Expolanka Freight Limited – Philippines	100%

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

ASSETS	**Rs.**
Property Plant & Equipment	184,288,974
Intangible Assets	1,029,828
Other Investment	212,816
Inventory	36,818,768
Trade and Other Receivables	166,853,999
Investment	75,000,000
Income Tax	102,174
Cash & Bank Balance	33,160,988
	497,467,547
LIABILITIES	
Financing and Lease (Ijara) Payables	(38,063,145)
Retirement Benefit Obligation	(21,316,519)
Trade and Other Payables	(103,637,768)
Income Tax Payable	(24,134,162)
	(187,151,594)
NET ASSETS	123,164,361
Goodwill	197,425,564

Note: The assets and liabilities as at the acquisition date are stated at their provisional fair values and may be amended in accordance with SLAS 25 (Revised 2004) - Business Combination.

NOTES TO THE FINANCIAL STATEMENTS

2.2 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. (Refer Note 2.3.3 and Note 15)

b) **Fair value of Property, Plant and Equipment**
The property, plant and equipment of the Group is reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information the company determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking in to consideration discounted cash flow projections based on estimates, derived evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows. (Refer Note 2.3.9, Note 2.3.10, Note 3 and Note 4)

c) **Defined Benefit Plans**
The cost of defined benefit plans- gratuity is determined using Gratuity Formula in Appendix E of Sri Lanka Accounting Standard No 16, Employee Benefits (Revised 2006.) This involves making assumptions about discount rates, future salary increases and staff turnover rate. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. (Note 2.3.14 and Note 16)

d) **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 (Refer Note 2.3.15).

2.3 Summary of Significant Accounting Policies

2.3.1 Business Combination and Goodwill

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

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.

Goodwill is initially measured at cost being the excess of the consideration transferred over the group's 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 the income statement as negative goodwill.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value maybe impaired.

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.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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 of the cash-generating unit retained.

Negative Goodwill
Negative goodwill arising on business combinations comprises the excess of the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Negative goodwill arising on business combinations are credited to the Income Statement.

Interest in Joint venture
A joint venture is a jointly controlled entity, whereby the group and other parties have a contractual arrangement that establishes joint control over the economic activities of the entity.

The group recognises its interest in the joint venture using the proportionate consolidation method until the date on which the group ceases to have joint control. The group's share of each of the assets, liabilities, income and expenses of the joint venture are combined with similar items, line by line, in the consolidated financial statements. The financial statements of the joint venture are aligned to the group accounting policies.

The gains or losses arising from transactions between group and the joint venture are recognised based on the substance of the transactions. The group's share of unrealised gain on asset purchases is not recognised until such assets are resold to a third party.

Financial statements of joint ventures are proportionately consolidated using their respective 12 month financial reporting period.

In the case of joint ventures where the reporting dates are different to group reporting dates, adjustments are made for any significant transactions or events upto 31 March.

NOTES TO THE FINANCIAL STATEMENTS

Joint ventures of the Group are;

Name	Country of Incorporation	Holding Percentage	
		2012	2011
Airline Cargo Resources Limited	Bangladesh	50%	50%
Airline Services Limited	Bangladesh	50%	50%
Cross Freight Lines Limited	Bangladesh	50%	50%
Expo Express Services Limited	Bangladesh	45%	45%
Freight Care Aviation Limited	Bangladesh	50%	50%
Wings Classic Tours & Travels Limited	Bangladesh	50%	50%

Investment in an associate
Associates are those investments over which the group has significant influence and holds 20% to 50% of the equity and which are neither subsidiaries nor joint ventures of the group.

The group ceases to use the equity method of accounting on the date from which it no longer has significant influence in the associate.

Associate companies of the group which have been accounted for under the equity method of accounting is

	Holding Percentage	
	2012	2011
Amana Takaful Maldives PLC	22.73%	-

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

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

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

The accounting policies of associate companies conform to those used for similar transactions of the group. Accounting policies that are specific to the business of associate companies are discussed in note 1.5.

Equity method of accounting has been applied for associate financial statements using their respective 12 month financial period.

In the case of associates, where the reporting dates are different to group reporting dates, adjustments are made for any significant transactions or events up to 31 March.

2.3.2 Foreign Currency Translations

The financial statements are presented in Sri Lankan rupees, which is the Company's functional and presentation currency.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the Income Statement.

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 was determined. The resulting gains and losses are accounted for in the Income Statement.

The assets and liabilities of the foreign subsidiary is translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

The exchange rates applicable during the period were as follows;

	Balance Sheet	Income Statement
South African Rand	16.6247	16.4015
Indian Rupee	2.45571	2.4655
Kenyan Shilling	1.51609	1.4218
Malagasy Ariary	0.05937	0.0566
Mauritius Rupee	4.24628	4.0667
Bangladesh Taka	1.53671	1.5271
Pakistan Rupee	1.40607	1.3509
United Arab Emirates Dirham	34.8133	32.4347
Philippines Peso	2.97028	2.7532
Indonesian Rupiah	0.01393	0.0133
Vietnam Dong	0.00612	0.0057

2.3.3 Taxation

a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the commissioner general of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

b) Deferred Taxation

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability 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.

NOTES TO THE FINANCIAL STATEMENTS

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets 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 assets and unused tax losses can be utilised except where the deferred income 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; and

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

c) Tax on Dividend

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

2.3.4 Finance Costs

Finance costs are recognised as an expense in the period in which they are incurred, except to the extent where finance costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset.

2.3.5 Intangible Assets (Other than Goodwill)

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 of the intangible assets, the cost model is applied requiring the assets to be carried at cost less any accumulated amortisation and accumulated impairment losses. 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 as follows.

Software	Over 4 Years

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. 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 tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. 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.

2.3.6 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:-

Raw Materials	At actual cost on a first-in first-out basis / weighted average basis.
Finished Goods and Work-in-Progress	At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity.
Other Stocks	At actual cost.

2.3.7 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise net of allowances for bad and doubtful receivables.

Other receivables and dues from Related Parties are recognised at cost less allowance for bad and doubtful receivables.

2.3.8 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 cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts - (interest free). Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.3.9 Property, Plant and Equipment

Cost and Valuation

Property, Plant and equipment other than Freehold Land, Building, Plant and Machinery and Motor Vehicle are stated at cost less accumulated depreciation and any accumulated impairment loss.

Land and buildings, Plant and Machinery and Motor Vehicle are measured at fair value less depreciation on buildings, Plant and Machinery and Motor Vehicle and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Where Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The group has adopted a policy of revaluing assets every 5 years.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognised as an expense. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Item of property, plant and equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

Depreciation
Depreciation is calculated by using a straight-line method on the cost or valuation 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.

Freehold Buildings	2.5% - 10%
Plant and Machinery	12.5% - 33.33%
Furniture and Fittings	5% - 25%
Technological Equipment	25%
Office and Factory Equipment	10% - 33.33%
Computer and Accessories	20% - 33.33%
Motor Vehicles	20%
Leased Assets	25%
Tools and Equipment	25% - 33.33%
Leased Improvements	20%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

Upon major inspection, the cost is recognised in the carrying amount of the plant and equipment if the recognition criteria are satisfied.

2.3.10 Leases - (Ijara Payables)

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception 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 the 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 reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable asset that are owned.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term

2.3.11 Investments

a) **Initial Recognition**
Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees. The Company distinguishes and presents current and non current investment in the balance sheet.

b) **Measurement**

Current Investment - Un-quoted Securities

Current investments - Un-quoted securities are carried at the lower of cost and Directors valuation.

Current Investment - Quoted Securities

Investments in quoted securities are carried at the lower of cost and market value, determined on the basis of aggregate portfolio. Unrealized losses arising from reduction to market value and reversals of such reduction required to state current investments at lower of cost and market value are included in income statement.

Investment in Gold
Investment in Gold is carried at fair value. The fair value was determined based on the gold transaction price at commercial bank as at the balance sheet date.

Other Investments
Other short term investments are stated at the lower of cost or market value.

Long Term Investments
Long term investments are stated at cost. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to income statement.

Disposal of Investments
On disposal of an investment, the different between net disposals proceed and the carrying amounts is recognised as income or expense.

2.4.12 Investment Properties

Investment property is recognised when and only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the investment property can be measured reliably.

Investment property, comprising freehold land and building, is property held for long term rental or for capital appreciation or both and is not occupied substantially for the supply of goods or services or in administration and not intended for sale in the ordinary course of business.

Investment properties are measured initially at cost, including transaction costs and is therefore carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Provision for depreciation is calculated by using straight line method in order to write off the cost of the investment property over their expected useful lives. Principal annual rate at 5%.

2.3.13 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset 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.

2.3.14 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity
Gratuity is a Defined Benefit Plan. The Company is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the balance sheet, equivalent to an amount calculated based on the formula method prescribed in Sri Lanka Accounting Standard 16 – “Employee Benefits”. The resulting difference between brought forward provision at the beginning of a year net of any payments made, and the carried forward provision at the end of a year is dealt within the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

The principal assumptions used in determining the cost of employee benefits were:

- Discount rate	11%
- Future salary increases	10%
- Retirement age	55 years

The gratuity liability is not funded.

b) 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. The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.3.15 Impairment of Assets

The Company 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 Company 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. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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 Company 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.

2.3.16 Income Statement

Revenue Recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts. The following specific criteria are used for the purpose of recognition of revenue.

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**
Finance Income is recognized on an accrual basis.

d) **Dividends**
Dividend income is recognized on a cash basis (net of dividend tax).

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 Business Segment Reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services that is subject to risk and returns that are different from those of other business segments. The accounting policies adopted for segment reporting are the same accounting policies adopted for preparing and presenting consolidated financial statements of the Group.

Inter Segment transfers are based on fair market prices.

2.5 Sri Lanka Accounting Standards Effective from 01 January 2012

The Group will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as

NOTES TO THE FINANCIAL STATEMENTS

issued by the Institute of Chartered Accountants of Sri Lanka. The Group has commenced reviewing its accounting policies and financial reporting in readiness for the transition. As the Group has a 31 March year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs as at 01April 2012. This will form the basis of accounting for the new SLASs in the future, and is required when the Group prepares its first new SLAS compliant financial statements for the year ending 31March 2013. Set out below are the key areas where accounting policies will change and may have an impact on the financial statements of the Group. The Group is in the process of quantifying the impact on the financial statements arising from such changes in accounting policies.

(a) SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards requires the Group to prepare and present opening new SLFRS financial statements at the date of transition to new SLAS. The Company shall use the same accounting policies in its opening new SLAS financial statements and throughout all comparable periods presented in its first new SLAS financial statements.

(b) LKAS 1 - Presentation of Financial Statements requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non owner changes in equity are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). This standard also requires the Group to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

(c) LKAS 16 - Property Plant and Equipment requires a Group to initially measure an item of property plant and equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period, unless such interest is capitalized in accordance with LKAS 23 Borrowing Costs.

All site restoration costs including other environmental restoration and similar costs must be estimated and capitalised at initial recognition, in order that such costs can be depreciated over the useful life of the asset.

This standard requires depreciation of assets over their useful lives, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.

(d) LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 – Disclosures will result in changes to the current method of recognizing financial assets, financial liabilities and equity instruments. These standards will require measurement of financial assets and financial liabilities at fair value at initial measurement. The subsequent measurement of financial assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the statements of comprehensive income and other comprehensive income respectively. Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') coupled with a reliable estimate of the loss event (or events) impact on the estimated future cash flows of the financial asset or Company of financial assets . As such the current method of assessing for impairment will have to be changed to meet the requirements of these new standards.

Financial liabilities will be either classified as fair value through profit or loss or at amortized cost. At present, the Group does not identify, categorise and measure financial assets and liabilities as per the requirements of the standard and also does not recognise certain derivative instruments on the balance sheet.

(e) SLFRS 3 - Business combinations will require the Group to apply this standard to transactions and other events that meet the new definition of a business i.e. an integrated set of assets (inputs) and activities (processes) which are capable of being conducted and managed to provide a return, as opposed to a mere asset acquisition. Under the new acquisition method of accounting, in addition to recognizing and measuring in its financial statements the identifiable assets acquired and liabilities assumed the standard also requires recognition and measurement of any non-controlling interest in the acquiree and re-measuring to fair value any previously held interests which could have an impact on the recognition of goodwill. Subsequent to the acquisition of control any acquisitions or disposals of non-controlling interest without loss of control will be accounted for as equity transactions and cannot be recognized as profit/loss on disposal of investments in the statement of financial performance.

(f) LKAS 12 – Income Tax requires deferred tax to be provided in respect of temporary differences which will arise as a result of adjustments made to comply with the new SLAS.

(g) LKAS 18 - Revenue requires the Group to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the Group needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

The Institute of Chartered Accountants of Sri Lanka has resolved an amendment to Sri Lanka Accounting Standard 10, whereby the provision contained in paragraphs 30 and 31 of SLAS 10 - Accounting Policies, Changes in Accounting Estimates and Errors, would not be applicable for financial statements prepared in respect of financial periods commencing before 1 January 2012 and hence the impact of this transition is not required to be disclosed in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Group

	Freehold Land	Freehold Buildings	Rail Carriage	Plant and Machinery		Furniture and Fittings	Office and Factory Equipment
				Freehold	Leasehold		
3.1.1 Cost or Valuation							
At the beginning of the year	800,054,690	749,434,088	-	276,260,082	66,856,935	306,765,870	225,005,926
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)
Revaluations	363,818,936	175,772,350	-	(117,030,710)	8,208,333	-	-
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
At the end of the year	1,538,007,798	797,453,302	43,238,390	295,806,929	34,344,885	350,950,084	231,662,461
3.1.2 Accumulated Depreciation							
At the beginning of the year	-	63,968,962	-	178,546,705	26,432,296	160,536,224	121,531,330
Charge for the year	-	12,823,323	3,189,208	53,102,109	7,441,981	39,649,409	22,467,233
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)
Revaluations	-	(35,605,759)	-	(122,947,662)	(20,882,320)	-	-
Transfers from investment property	-	6,628,000	-	-	-	-	-
Transfers from/ to others	-	-	-	-	-	-	-
Exchange translation difference	-	309,465	-	-	-	7,317,721	3,029,910
At the end of the year	-	33,315,688	3,189,208	102,242,070	-	182,764,330	137,381,170
3.1.3 Carrying Value							
As at 31 March 2012	1,538,007,798	764,137,614	40,049,182	193,564,859	34,344,885	168,185,754	94,281,291
As at 31 March 2011	800,054,690	685,465,126	-	97,713,377	40,424,639	146,229,646	103,474,596

3.1.4 The fair value of land and buildings and plant and machinery was determined by means of a revaluation during the financial year 2012 by Messrs. A.Y. Danial & Sons an independent valuer in reference to market based evidence. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31 March 2012. The surplus arising from the revaluation net of deferred taxes, was transferred to a revaluation reserve.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost Rs.	Cumulative Depreciation If assets were carried at cost Rs.	Net Carrying Amount 2012 Rs.
Building	621,680,952	68,921,447	**552,759,505**
Plant and Machinery	389,255,546	253,477,270	**135,778,276**

Technological Equipment	Computer and Accessories	Motor Vehicle		Tools and Equipment	Other Assets	Leasehold Improvements	Capital work in progress	Total
		Freehold	Leasehold					2012
198,179,408	358,276,459	391,239,477	124,711,515	111,526,093	4,900,010	16,667,539	28,798,046	**3,658,676,138**
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)**
-	-	(10,955,221)	(14,534,003)	-	-	-	-	**405,279,685**
-	-	-	-	-	-	-	-	**129,140,000**
-	-	-	-	-	-	-	-	**-**
-	9,466,528	14,070,665	(6,514,832)	46,213	53,350	47,961	-	**39,423,451**
202,455,404	392,092,776	437,939,427	143,097,494	128,595,472	3,451,994	53,311,477	44,685,499	**4,697,093,392**
154,855,377	236,651,338	269,763,160	33,095,171	86,080,645	2,235,950	6,298,322	-	**1,339,995,480**
23,805,717	55,519,155	68,476,745	31,069,314	12,071,009	87,022	7,815,140	-	**337,517,365**
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)**
-	-	(99,407,526)	(21,898,116)	-	-	-	-	**(300,741,383)**
-	-	-	-	-	-	-	-	**6,628,000**
(57,169,658)	57,169,658	-	-	-	-	-	-	**-**
-	7,617,468	11,448,634	143,342	36,432	8,099	-	-	**29,911,071**
106,472,195	323,437,461	213,404,123	7,217,395	97,832,983	968,965	14,466,517	-	**1,222,692,105**
95,983,209	68,655,315	224,535,304	135,880,099	30,762,489	2,483,029	38,844,960	44,685,499	**3,474,401,287**
43,324,031	121,625,121	121,476,317	91,616,344	25,445,448	2,664,060	10,369,217	28,798,046	**2,318,680,658**

NOTES TO THE FINANCIAL STATEMENTS

The fair value of Motor Vehicle was determined by means of a revaluation during the financial year 2011/12 by Messrs. De Silva Motor Engineers (Private) Limited in reference to market based evidence. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31 March 2012. The surplus arising from the revaluation net of deferred taxes, was transferred to a revaluation reserve.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost Rs.	Cumulative Depreciation If assets were carried at cost Rs.	Net Carrying Amount 2012 Rs.
Motor Vehicle	606,526,145	341,927,160	**264,598,985**

During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 605,420,207 (2011 - Rs. 512,931,588) of which Rs. 72,336,234 (2011 - Rs. 82,633,894) was acquired by means of finance leases. Cash payments amounting to Rs. 518,264,947 (2011 - Rs. 279,377,757) were made during the year ended for purchase of Property, Plant and Equipment.

3.2 COMPANY

	Motor Vehicles		Office Equipment	Technological Equipment	Furniture and Fittings
	Freehold	Leasehold			
3.2.1 Cost or Valuation					
At the beginning of the year	4,360,503	4,510,000	6,432,889	34,928,709	8,204,801
Additions	17,945,607	-	1,224,440	2,455,321	1,013,086
Disposals	-	(1,750,000)	-	-	-
At the end of the year	22,306,110	2,760,000	7,657,329	37,384,030	9,217,887
3.2.2 Accumulated Depreciation					
At the beginning of the year	4,177,911	1,997,000	1,889,026	23,755,890	815,139
Charge for the year	3,239,219	756,167	840,635	5,015,755	1,038,273
Disposal	-	(729,167)	-	-	-
At the end of the year	7,417,130	2,024,000	2,729,661	28,771,645	1,853,412
3.2.3 Carrying Value					
As at 31 March 2012	14,888,980	736,000	4,927,668	8,612,385	7,364,475
As at 31 March 2011	182,592	2,513,000	4,543,863	11,172,819	7,389,662

Computer and Accessories	Leasehold Improvements	Capital work in progress	Total 2012
5,908,682	6,812,026	-	**71,157,610**
4,127,644	2,642,835	1,875,476	**31,284,409**
-	-	-	**(1,750,000)**
10,036,326	9,454,861	1,875,476	**100,692,019**
(588,128)	4,334,273	-	**36,381,111**
2,197,677	1,539,227	-	**14,626,953**
-	-	-	**(729,167)**
1,609,549	5,873,500	-	**50,278,897**
8,426,777	3,581,361	1,875,476	**50,413,122**
6,496,810	2,477,753	-	**34,776,499**

NOTES TO THE FINANCIAL STATEMENTS

3.3 The Useful Lives of the Assets are Estimated as Follows;

	2012	2011
Building	**20 Years**	20 Years
Motor Vehicles	**5 Years**	5 Years
Furniture and Fittings	**8 Years**	8 Years
Office Equipment	**8 Years**	8 Years
Technological Equipment	**4 Years**	4 Years
Leasehold Improvements	**5 Years**	5 Years
Computer Software	**4 Years**	4 Years

3.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 31,284,409 (2011- Rs.18,589,642).Cash payment amounting to Rs. 31,284,409 (2011- Rs.18,589,642) were made during the year ended for purchase of Property, Plant and Equipment .

3.4.1 Property , Plant and Equipment include fully depreciated assets having a gross carrying amounts of Rs.18,406,063 (2011 - Rs.16,299,513)

4. INVESTMENT PROPERTY

	2012 Rs.	2011 Rs.
Cost		
At the beginning of the year	**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)
	-	129,140,000
Depreciation		
At the beginning of the year	**6,628,000**	4,971,000
Transferred from Property, Plant and Equipment - Buildings	**(6,628,000)**	-
Charge for the year	**-**	1,657,000
Balance as at end of the year	**-**	6,628,000
Net Book Value	**-**	122,512,000

During the year Investment Property of Expolanka (Private) Limited has been reclassified as Property, Plant and Equipment.

5. INTANGIBLE ASSETS

	2012 Rs.	2011 Rs.
5.1 Group		
Non Current		
Computer Software and Project Development Expenses		
At the beginning of the year	**28,912,686**	35,608,625
Acquired during the year	**1,124,166**	12,065,161
Retired during the year	**-**	(18,761,100)
	30,036,852	28,912,686
Cost		
As at 1 April	**45,588,173**	33,523,012
Retired/Transferred during the year	**9,487,522**	12,065,161
As at 31 March	**55,075,695**	45,588,173
Amortisation		
As at 1 April	**16,675,487**	8,312,130
Amortisation during the year	**8,363,357**	8,363,357
As at 1 April	**25,038,844**	16,675,487
Net Book Value	**30,036,852**	28,912,686
5.2 Company		
Computer Software		
Cost		
As at 1 April	**33,453,426**	33,453,426
Retired/Transferred during the year	**-**	-
As at 31 March	**33,453,426**	33,453,426
Amortisation		
As at 1 April	**16,675,487**	8,312,130
Amortisation during the year	**8,363,357**	8,363,357
As at 1 April	**25,038,844**	16,675,487
Net Book Value	**8,414,583**	16,777,939

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS IN SUBSIDIARIES

6.1 Company

Non - Quoted	Holding % 2012	Holding % 2011	Carrying Value 2012 Rs.	Directors' Valuation 2012 Rs.	Carrying Value 2011 Rs.	Directors' Valuation 2011 Rs.
SG Logistics (Private) Limited	**100**	100	**79,105,042**	**79,105,042**	79,105,042	79,105,042
Bio Extracts (Private) Limited	**100**	100	**6,250,050**	**6,250,050**	6,250,000	6,250,000
Classic Travel (Private) Limited	**100**	100	**25,597,538**	**25,597,538**	25,597,538	25,597,538
Expolanka International (Private) Limited	**100**	100	**333,607,465**	**333,607,465**	333,607,465	333,607,465
Expolanka Commodities (Private) Limited	**100**	100	**174,558,639**	**174,558,639**	174,558,639	174,558,639
Expolanka Freight (Private) Limited	**100**	100	**292,098,014**	**292,098,014**	292,098,014	292,098,014
Expolanka (Private) Limited	**100**	100	**371,111,561**	**371,111,561**	371,111,561	371,111,561
Expolanka Pharmaceuticals (Private) Limited	**100**	100	**407,668**	**407,668**	407,668	407,668
Expolanka Plantations (Private) Limited	**90**	90	**90**	**90**	90	90
Expolanka Teas (Private) Limited	**90**	90	**87,844,407**	**87,844,407**	87,844,407	87,844,407
Freight Care (Private) Limited	**100**	100	**4,423,590**	**4,423,590**	4,423,590	4,423,590
Globe Air (Private) Limited	**100**	100	**17,214,477**	**17,214,477**	17,214,477	17,214,477
International Airline Services (Private) Limited	**100**	100	**10,027,726**	**10,027,726**	10,027,726	10,027,726
Neptune Holdings (Private) Limited	**90**	90	**90**	**90**	90	90
Neptune Papers (Private) Limited	**100**	100	**70,671,636**	**70,671,636**	70,671,636	70,671,636
Skycare (Private) Limited	**100**	100	**1,679,053**	**1,679,053**	1,679,053	1,679,053
UCL Logistics (Private) Limited	**100**	100	**17,631,222**	**17,631,222**	17,631,222	17,631,222
Expo Consolidators (Private) Limited	**100**	100	**173,555**	**173,555**	173,555	173,555
Peri Logistics (Private) Limited	**100**	100	**10,000,000**	**10,000,000**	10,000,000	10,000,000
Luxe Asia (Private) Limited	**100**	100	**5,000,000**	**5,000,000**	5,000,000	5,000,000
Logistic Support Service (Private) Limited	**100**	100	**260,000**	**260,000**	260,000	260,000
Tropical Green (Private) Limited	**100**	100	**50**	**50**	50	50
Classic Vacation (Private) Limited	**100**	100	**30**	**30**	30	30
Asia Pacific Institution of Information Technology Lanka (Private) Limited	**44**	44	**51,189,485**	**51,189,485**	21,420,010	21,420,010
Castle Commercial (Private) Limited	**90**	-	**90**	**90**		
World Spices Teas (Private) Limited	**90**	-	**50**	**50**		
Progressive Investment (Private) Limited	**70**	-	**21,000,000**	**21,000,000**	-	-
Norfolk foods (Private) Limited	**50**	-	**300,000,000**	**300,000,000**	-	-
Lanka Premier Foods (Private) Limited	**80**	-	**16,000,000**	**16,000,000**	-	-
Saffron Foods (Private) Limited	**100**	-	**15,075,000**	**15,075,000**	-	-
Logistics Park (Private) Limited	**100**	-	**500,000,000**	**500,000,000**	-	-
Total Carrying Value of Investments in Subsidiaries			**2,410,926,528**	**2,410,926,528**	1,529,081,863	1,529,081,863

7. INVESTMENTS

Summary	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
7.1 Investment in Associate				
Carrying Value				
Cost	**43,975,000**	-	**43,975,000**	-
Share of post acquisition Profit	**5,232,856**	-	**-**	-
Share of Capital Reserve	**25,382,248**			
	74,590,104	-	**43,975,000**	-

Cost of Investment

During the year Company has acquired 22.73% of Amana Takaful Maldives Limited (Insurance Company) for a consideration of Rs. 43,975,000.

Summary	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
7.2 Other Investments				
Non Current				
Investments in Securities (Note 7.2.1)	**524,053,179**	383,090,447	**423,293,870**	258,725,290
	524,053,179	383,090,447	**423,293,870**	258,725,290
Current				
Investment in Gold	**236,179,681**	25,475,050	**211,576,000**	-
Investments in Equity Securities (Note 7.2.2)	**46,935,577**	7,473,993	**38,322,506**	6,378,540
Investments in Fixed / Savings Deposits - Mudarabha	**425,000,000**	-	**526,246,165**	-
	708,115,258	32,949,043	**776,144,671**	6,378,540
Total Carrying Value of Other Investments	**1,232,168,437**	416,039,490	**1,199,438,541**	265,103,830

NOTES TO THE FINANCIAL STATEMENTS

7.2.1 Investments in Equity Securities - Non Current

NON QUOTED	Carrying Value 2012 Rs.	Directors' Valuation 2012 Rs.	Carrying Value 2011 Rs.	Directors' Valuation 2011 Rs.
GROUP				
Lanka Commodity Brokers (Private) Limited	**75,518,310**	**75,518,310**	75,518,310	75,518,310
Amana Bank Limited	**407,505,870**	**407,505,870**	277,601,133	277,601,133
Amana Investment Limited	**4,436,078**	**4,436,078**	-	-
SLFFA Cargo Services Limited	**717,921**	**717,921**	717,922	717,922
Asia Pacific Golf Course Limited	**-**	**-**	1,750,000	1,750,000
Airline Cargo Resources India (Private) Limited	**-**	**-**	5,100,000	5,100,000
Expolanka Freight Limited - Philippines	**-**	**-**	22,403,082	22,403,082
Madagascar (Private) Limited	**11,405,000**	**11,405,000**	-	-
EFL Global Logistics (Pte.) Limited	**11,400,000**	**11,400,000**	-	-
Classic Maldives	**13,070,000**	**13,070,000**	-	-
Total Investments in Non Quoted Equity Securities	**524,053,179**	**524,053,179**	383,090,447	383,090,447
Total Carrying Value of Non Current Investments	**524,053,179**		383,090,447	
COMPANY				
Amana Bank Limited	**407,505,870**	**407,505,870**	258,725,240	258,733,240
Amana Investment Limited	**4,388,000**	**4,388,000**	-	-
World Spices Teas (Private) Limited	**-**	**-**	50	50
EFL Global Logistics (Pte.) Limited	**11,400,000**	**11,400,000**	-	-
	423,293,870	**423,293,870**	258,725,290	258,733,290

Directors valuation have been determine based on the initial cost of investment.

7.2.2 Investments in Equity Securities - Current

GROUP	No. of Shares	Carrying Value 2012 Rs.	Market Value 2012 Rs.	Carrying Value 2011 Rs.	Market Value 2011 Rs.
Quoted					
Agalawatta Plantations PLC	10,000	**846,230**	**422,000**	-	-
Amana Takaful PLC	20,169,742	**44,986,186**	**38,322,509**	100,867	59,850
Asiri Surgical Hospitals PLC	50,000	**420,990**	**380,000**	833,917	829,600
Bairaha Farms PLC	100	**2,396**	**2,396**	-	-
Balangoda Plantaton PLC	10,000	**548,410**	**260,000**	-	-
Bogawanthalawa Tea Estate PLC	25,000	**502,500**	**275,000**	-	-
Browns Company PLC	-	**-**	**-**	808,747	869,700
Cargills Ceylon PLC	100	**5,420**	**5,420**	-	-
Ceylon Hospital PLC	10,000	**1,009,720**	**725,000**	-	-
Coco Lanka PLC	-	**-**	**-**	756,586	693,390
Dialog Axiata PLC	25,000	**247,500**	**175,000**	-	-
Hapugastanna Plantation PLC	1,000	**74,800**	**40,900**	-	-
Haycarb PLC	10,000	**1,518,400**	**1,580,000**	-	-
Hemas Holdings PLC	10,000	**459,150**	**265,000**	819,072	828,000
Horana Plantations PLC	10,000	**711,250**	**266,000**	-	-
Keells Foods PLC	100	**5,000**	**5,000**	-	-
Kegalle Plantation PLC	-	**-**	**-**	776,197	747,000
Kotmale Holdings PLC	10,000	**575,670**	**395,000**	-	-
Lanka Ceramic PLC	-	**-**	**-**	829,372	819,840
Lanka IOC PLC	-	**-**	**-**	1,113,475	880,000
Laugfs Gas PLC	10,000	**396,840**	**253,000**	-	-
Nawaloka Hospitals PLC	100,000	**400,000**	**310,000**	-	-
Overseas Reality (Ceylon) PLC	50,000	**670,000**	**670,000**	-	-
Sierra Cables PLC	61,500	**202,963**	**202,963**	211,875	210,553
Sri Lanka Telecom PLC	100	**3,579**	**3,579**	3,579	4,900
Sunshine Holdings PLC	10,000	**430,500**	**202,000**	-	-
Textured Jersey Lanka PLC	208,200	**3,123,000**	**1,519,860**	-	-
United Motors Lanka PLC	-	**-**	**-**	807,544	806,660
Vidullanka PLC	50,000	**322,500**	**310,000**	790,758	724,500
Watawala Plantation PLC	25,000	**646,490**	**262,500**	-	-
York Arcade Holdings PLC	5,000	**160,000**	**82,500**	-	-
(-) Provision for falling value of Investments		**(11,333,917)**	**-**	(377,996)	-
Total Investments in Quoted Equity Securities		**46,935,577**	**46,935,627**	7,473,993	7,473,993

NOTES TO THE FINANCIAL STATEMENTS

7.2.2 Investments in Equity Securities - Current

COMPANY	No. of Shares	Carrying Value 2012 Rs.	Market Value 2012 Rs.	Carrying Value 2011 Rs.	Market Value 2011 Rs.
Amana Takaful PLC	20,169,742	**44,986,186**	**38,322,506**	100,867	59,850
Asiri Surgical Hospitals PLC		**-**	**-**	833,917	829,600
Browns Company PLC		**-**	**-**	808,747	869,700
Coco Lanka PLC		**-**	**-**	756,586	693,390
Hemas Holdings PLC		**-**	**-**	819,072	828,000
Kegalle Plantation PLC		**-**	**-**	776,197	747,000
Lanka Ceramic PLC		**-**	**-**	829,372	819,840
United Motors Lanka PLC		**-**	**-**	807,544	806,660
Vidullanka PLC		**-**	**-**	790,758	724,500
(-) Provision for falling value of Investments		**(6,663,680)**	**-**	(144,520)	-
Total Investments in Quoted Equity Securities		**38,322,506**	**38,322,506**	6,378,540	6,378,540

8. INVENTORIES

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Raw Materials	**69,769,815**	25,292,379	**-**	-
Packing Materials	**141,851,017**	135,942,821	**-**	-
Work in Progress	**82,990**	3,464,630	**-**	-
Finished Goods	**749,915,357**	472,862,712	**-**	-
Consumables	**19,452,220**	16,696,808	**-**	-
Stationeries	**-**	980,237	**-**	-
Goods in Transit	**123,319,177**	72,391,273	**-**	-
	1,104,390,576	727,630,861	**-**	-

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Trade Debtors	**7,753,897,612**	6,019,072,566	**-**	-
Less: Provision for Doubtful Debts	**(152,972,623)**	(98,521,341)	**-**	-
	7,600,924,989	5,920,551,225	**-**	-
Other Debtors	**402,006,091**	715,564,633	**19,123,467**	6,696,039
Deposits, Advances and Prepayments	**882,981,471**	787,233,487	**23,530,947**	11,987,715
Loans to Company Officers (Note 9.1)	**57,925,295**	57,215,954	**497,207**	207,872
	8,943,837,845	7,480,565,300	**43,151,621**	18,891,626

9.1 Loans to Company Officers

Balance as at beginning of the year	**57,215,954**	132,725,401	**207,872**	617,171
Net Loans granted / Re payment during the year	**709,341**	(75,509,447)	**289,335**	(409,299)
Balance as at end of the year	**57,925,295**	57,215,954	**497,207**	207,872

NOTES TO THE FINANCIAL STATEMENTS

10. AMOUNTS DUE FROM RELATED PARTIES

	Relationship	Group		Company	
		2012	2011	2012	2011
		Rs.	Rs.	Rs.	Rs.
Bio Extracts (Private) Limited	Subsidiary	-	-	**50,268,500**	50,000,000
Expo Consolidators (Private) Limited	Subsidiary	-	-	**101,161,929**	37,638,184
Expolanka Commodities (Private) Limited	Subsidiary	-	-	**144,838,274**	112,297,700
Expolanka Freight (Private) Limited	Subsidiary	-	-	**209,149,172**	93,218,820
Expolanka (Private) Limited	Subsidiary	-	-	**133,434,584**	9,288,776
Expolanka Plantations (Private) Limited	Subsidiary	-	-	**9,082,548**	4,927,410
Expolanka Teas (Private) Limited	Subsidiary	-	-	**66,901,252**	28,462,042
Freightcare (Private) Limited	Subsidiary	-	-	**3,651,454**	51,382
HelloCorp (Private) Limited	Subsidiary	-	-	**3,199,644**	3,164,086
Luxe Asia (Private) Limited	Subsidiary	-	-	**20,092,388**	-
Neptune Holdings (Private) Limited	Subsidiary	-	-	**8,557,400**	8,557,400
Neptune Papers (Private) Limited	Subsidiary	-	-	**11,033,898**	11,735,035
SG Logistics (Private) Limited	Subsidiary	-	-	**59,823,365**	28,831,700
Classic Travel (Private) Limited	Subsidiary	-	-	**38,285,822**	12,182,873
Expolanka International (Private) Limited	Subsidiary	-	-	**135,076,147**	87,563,469
International Airlines (Private) Limited	Subsidiary	-	-	**17,732,164**	-
Expolanka Pharmaceuticals (Private) Limited	Subsidiary	-	-	**287,476**	-
Peri Logistics (Private) Limited	Subsidiary	-	-	**120,626**	-
Akquasun Lanka (Private) Limited	Subsidiary	-	-	**11,965,863**	-
Amoha (Private) Limited	Subsidiary	-	-	**164,689**	-
Logistic Support Service (Private) Limited	Subsidiary	-	-	**349,968**	-
Pulsar Shipping (Private) Limited	Subsidiary	-	6,457,073	-	-
Travel Express (Private) Limited	Subsidiary	-	5,996,259	-	-
World Spices and Teas (Private) Limited	Subsidiary	-	8,992,210	-	-
Tropical Green (Private) Limited	Subsidiary	-	-	**8,550,000**	2,250,000
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	**1,168,125**	165,743	**1,168,125**	-
Expolanka Aviation Services (Private) Limited	Affiliate Company	-	271,073	-	-
Expo Aviation (Private) Limited	Affiliate Company	**2,665,488**	-	**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**	-	-	-
		45,783,410	36,026,529	**1,037,560,777**	493,505,164

11. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
11.1 Favourable Cash and Cash Equivalents Balances				
Cash and Bank Balances	**2,349,425,695**	2,228,020,408	**71,961,480**	112,337,536
	2,349,425,695	2,228,020,408	**71,961,480**	112,337,536
11.2 Unfavourable Cash and Cash Equivalent Balances				
Bank Overdrafts - (Interest Free)	**(621,612,430)**	(694,259,972)	**(281,736,575)**	(464,842,246)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	**1,727,813,265**	1,533,760,436	**(209,775,094)**	(352,504,710)

12. STATED CAPITAL

	2012		2011	
	Number	Rs.	Number	Rs.
Fully Paid Ordinary Shares	**1,954,915,000**	**4,097,985,000**	1,782,915,000	1,782,915,000
12.1 Fully Paid Ordinary Shares				
Balance at beginning of the year	**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**	1,782,915,000	1,782,915,000

NOTES TO THE FINANCIAL STATEMENTS

13. RESERVES

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
(a) Capital Reserve				
Revaluation Reserve (Note 13.1)	**1,246,053,759**	599,790,404	**-**	-
Other Capital Reserve	**94,101,748**			
	1,340,155,507	599,790,404	**-**	-
(b) Revenue Reserves				
Exchange Fluctuation Reserve	**130,496,609**	(9,375,334)	**-**	-
General Reserve (Note 13.2)	**369,524,764**	337,671,462	**-**	-
	500,021,374	328,296,129	**-**	-
Total Reserves	**1,840,176,881**	928,086,532	**-**	-

13.1 Revaluation Reserve

Balance as at 1 April	**599,790,404**	618,702,006	**-**	-
Surplus during the year	**706,021,069**	-	**-**	-
Defered Tax impact	**(50,107,712)**	-	**-**	-
Transferred during the year	**-**	(18,911,602)	**-**	-
Reversal due to disposal	**(9,650,001)**	-	**-**	-
Balance as at 31 March	**1,246,053,759**	599,790,404	**-**	-

13.2 General Reserve

Balance as at 1 April	**337,671,462**	307,129,953	**-**	-
Transferred during the year	**31,853,302**	30,541,509	**-**	-
Balance as at 31 March	**369,524,764**	337,671,462	**-**	-

14. FINANCING AND LEASE (IJARA) PAYABLES

14.1 GROUP

	2012 Amount Repayable Within 1 Year Rs.	2012 Amount Repayable After 1 Year Rs.	2012 Total Rs.	2011 Amount Repayable Within 1 Year Rs.	2011 Amount Repayable After 1 Year Rs.	2011 Total Rs.
Finance Leases - Ijara (14.1.1)	**52,582,081**	**80,682,222**	**133,264,303**	40,291,289	84,622,392	124,913,681
Bank Financing (14.1.2)	**970,539,725**	**303,668,063**	**1,274,207,788**	832,214,162	622,677,648	1,454,891,810
Bank Overdrafts (Interest Free) (Note 11.2)	**621,612,430**	**-**	**621,612,430**	229,417,726	464,842,246	694,259,972
	1,644,734,236	**384,350,285**	**2,029,084,521**	1,101,923,177	1,172,142,286	2,274,065,463

14.1.1 Finance Leases (Ijara)

	As At 01.04.2011 Rs.	New Leases (Ijara) Obtained Rs.	Repayment Rs.	As At 31.03.2012 Rs.	Current As At 31.03.2012 Rs.	Non-Current As At 31.03.2012 Rs.
Gross Liability	167,002,126	35,904,096	(51,689,065)	**151,217,157**		
Finance Charges allocated to future periods	(29,717,322)			**(17,952,854)**		
Net liability	137,284,804			**133,264,303**	**52,582,081**	**80,682,222**

14.1.2 Bank Financing

	As At 01.04.2011 Rs.	Finance Obtained Rs.	Repayment Rs.	As At 31.03.2012 Rs.
Bank Financing	1,454,891,810	1,471,377,249	(1,652,061,271)	**1,274,207,788**
	1,454,891,810	1,471,377,249	(1,652,061,271)	**1,274,207,788**

NOTES TO THE FINANCIAL STATEMENTS

14.2 COMPANY

	2012 Amount Repayable Within 1 Year Rs.	2012 Amount Repayable After 1 Year Rs.	2012 Total Rs.	2011 Amount Repayable Within 1 Year Rs.	2011 Amount Repayable After 1 Year Rs.	2011 Total Rs.
Lease (Ijara) Payables (Note 14.2.1)	**305,887**	**-**	**305,887**	1,272,378	1,158,643	2,431,021
Bank Financing	**-**	**-**	**-**	184,324,316	-	184,324,316
Bank Overdrafts (Interest Free) (Note 11.2)	**-**	**281,736,575**	**281,736,575**	-	464,842,246	464,842,246
	305,887	**281,736,575**	**282,042,462**	185,596,694	466,000,889	651,597,583

14.2.1 Lease (Ijara) Payables

	As at 01.04.2011 Rs.	New Leases (Ijara) Obtained Rs.	Repayments Rs.	As at 31.03.2012 Rs.	Current As at 2012 Rs.	Non-Current As at 2012 Rs.
Gross Liability	2,886,742	-	(2,572,230)	**314,512**	**314,512**	**-**
Finance Charges Allocated to future periods	(455,721)	-	447,096	**(8,625)**	**(8,625)**	**-**
Net Liability	2,431,021	-	(2,125,134)	**305,887**	**305,887**	**-**

15. DEFERRED INCOME TAX

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
15.1 Deferred Income Tax Assets				
Balance as at the beginning of the year	**42,716,741**	41,530,200	**-**	-
Income arisen during the period	**307,418**	1,186,541	**-**	-
Balance as at 31 March	**43,024,160**	42,716,741	**-**	-

Expolanka Holdings PLC has not recognized net deferred tax asset as at 31 March 2012 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. 421,812,045 (2011 - Rs. 371,313,740) can be utilized. (Refer note 23.1)

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
15.2 Deferred Income Tax Liabilities				
Balance as at beginning of the year	**14,526,746**	8,717,807	**-**	-
Provision made during the period	**69,395,710**	5,808,939	**-**	
Balance as at end of the year	**83,922,456**	14,526,746	**-**	-

16. RETIREMENT BENEFIT OBLIGATION-GRATUITY

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Balance as at beginning of the year	**214,305,106**	177,815,851	**10,965,779**	7,479,537
Charge for the year (16.1)	**90,499,903**	43,632,774	**2,109,678**	4,021,242
Payments during the year	**(15,681,088)**	(6,643,674)	**-**	(535,000)
Exchange difference	**7,416,935**	(499,845)	**-**	-
Balance as at end of the year	**296,540,857**	214,305,106	**13,075,457**	10,965,779
16.1 Charge for the year				
Service Charge for the year	**66,926,342**	24,073,030	**903,442**	3,198,493
Finance charge for the year	**23,573,562**	19,559,744	**1,206,236**	822,749
	90,499,903	43,632,774	**2,109,678**	4,021,242

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Trade Payables	**4,400,948,826**	4,315,894,374	**17,129,359**	13,214,449
Sundry Creditors including Accrued Expenses	**989,294,224**	1,071,497,946	**2,297,913**	1,056,219
	5,390,243,050	5,387,392,320	**19,427,272**	14,270,668

NOTES TO THE FINANCIAL STATEMENTS

18. AMOUNTS DUE TO RELATED PARTIES

	Relationship	Group		Company	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
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	**-**	-	**2,931,455**	3,381,500
Saffron Foods (Pvt) Ltd	Subsidiary	**-**	-	**935,211**	-
Logistics Park (Private) Limited	Subsidiary	**-**	-	**484,132,260**	-
World Spices & Teas (Private) Limited	Subsidiary	**-**	-	**50**	50
APIIT Malaysia	Affiliate Company	**7,980,809**	8,692,606	**-**	-
Classic Papers (Private) Limited	Affiliate Company	**-**	3,855,819	**-**	-
Expack Corrugated Cartons (Private) Limited	Affiliate Company	**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	**4,447,448**	-	**-**	-
		21,583,130	28,425,010	**491,324,568**	8,678,396

19. REVENUE

Summary	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Sales of Goods	**12,327,051,968**	9,068,617,810	**-**	-
Rendering of Services	**23,087,515,652**	31,998,388,968	**129,045,324**	116,662,520
	35,414,567,620	41,067,006,778	**129,045,324**	116,662,520

20. OTHER INCOME AND GAINS

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Other Operating Income	**55,565,054**	368,306,902	**63,590,719**	-
Bad Debts Recovery	**19,167,050**	24,839,934	**-**	-
Commission Income	**26,542,187**	22,167,635	**-**	-
Investment Income	**68,195,946**	8,819,458	**258,655,949**	439,027,006
Exchange Gain	**373,455,223**	45,900,733	**-**	-
Finance Income	**-**	1,317,500	**-**	-
Income on Handling at Stores	**-**	16,908,438	**-**	-
Rental Income	**35,690,165**	-	**-**	-
Management Fees	**10,741,162**	3,246,110	**-**	-
Navinna Estate Profit	**1,638,809**	1,621,718	**-**	-
Profit on Disposal of subsidiaries (20.1)	**-**	303,217,515	**-**	17,092,018
Profit on Disposal of Property, Plant and Equipment	**41,540,539**	14,468,566	**205,150**	-
Negative Goodwill	**-**	76,360,326	**-**	-
Sundry Income	**672,968**	3,805,090	**-**	2,831,622
	633,209,103	890,979,926	**322,451,818**	458,950,645

20.1 During the year ended 31 March 2011 the Company has sold its investments in subsidiaries namely, Denshun Industries (Private) Limited and Expo Aviation (Private) Limited in full and 10% of its holding of Expolanka Teas (Pvt) Ltd, Neptune Holdings (Pvt) Ltd and Expolanka Plantation (Pvt) Ltd for a total consideration of Rs. 271,395,756. This has resulted in a gain of Rs. 17,092,018 to the Company and a gain of Rs. 303,217,515 to the Group.

21. FINANCE COST

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Finance Charges on Bank Financing	**122,440,639**	242,178,653	**7,935,963**	33,403,963
Finance Charges on Lease (Ijara) Liabilities	**14,653,929**	38,174,571	**246,217**	551,626
	137,094,568	280,353,224	**8,182,180**	33,955,589

NOTES TO THE FINANCIAL STATEMENTS

22. PROFIT BEFORE TAX

Stated after Charging	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Included in Administrative Expenses				
Employees Benefits including the following	**2,189,072,625**	1,416,506,128	**123,354,240**	70,540,956
Defined Benefit Plan Costs - Gratuity	**90,499,903**	43,632,774	**2,109,678**	4,021,242
Defined Contribution Plan Costs - EPF and ETF	**135,297,965**	107,905,252	**9,471,502**	7,123,393
Depreciation	**337,517,365**	218,657,026	**14,626,952**	10,089,569
Directors' Emoluments	**147,082,906**	101,938,503	**17,970,000**	11,800,000
Auditors' Remuneration (Fees and Expenses)	**31,143,509**	16,658,544	**2,308,700**	1,163,951
Donations	**6,767,206**	6,603,176	**355,000**	2,129,045
Included in Selling and Distribution Costs				
Advertising Costs	81,361,266	72,242,531	968,135	452,937

23. INCOME TAX EXPENSE

	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year	**402,142,318**	500,333,272	**-**	-
Under Provision of Current taxes in respect of prior years	**-**	-	**-**	
10 % of Withholding Tax on inter-company Dividends	**29,792,707**	49,423,773	**-**	-
Deferred Income Tax				
Deferred Taxation Charge/(Reversal)	**18,980,581**	5,808,939	**-**	-
	450,915,606	555,565,984	**-**	-

23. INCOME TAX EXPENSE

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
A reconciliation between tax expense and the product of accounting profit /(loss)				
Accounting Profit / (Loss) before Income Tax	**1,680,945,393**	2,323,979,922	**194,529,661**	393,011,190
Aggregate Disallowable Items	**443,903,941**	415,128,440	**27,633,459**	30,013,053
Aggregate Allowable Expenses	**(271,156,426)**	(245,400,201)	**(14,005,476)**	(20,062,685)
Aggregate Allowable Income	**(258,655,949)**	(456,205,029)	**(258,655,949)**	(456,205,029)
Taxable Profit/(Loss)	**1,595,036,959**	2,037,503,132	**(50,498,305)**	(53,243,471)
Income Tax Expense	**127,189,785**	177,147,965	**-**	-
Income Tax on International Operations	**274,952,532**	323,185,307	**-**	-
Tax losses carried forward	**(696,835,044)**	(591,482,270)	**(371,313,740)**	(318,070,269)
Tax losses incurred during the year	**(77,157,939)**	(105,695,048)	**(50,498,305)**	(53,243,471)
Tax loss utilised	**1,732,394**	342,274	**-**	-
Tax losses brought forward	**(772,260,590)**	(696,835,044)	**(421,812,045)**	(371,313,740)

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	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Profit attributable to Ordinary Shareholders for basic Earnings Per Share	**1,054,787,058**	1,546,853,117	**194,529,661**	393,011,189
Number of Ordinary Shares used as the denominator:	**Number**	**Number**	**Number**	**Number**
Opening Balance	1,782,915,000	1,782,915,000	1,782,915,000	1,782,915,000
weighted average of during the year share issue	143,333,333	-	143,333,333	-
Weighted average number of ordinary shares in issue applicable to basic Earnings Per Share	1,926,248,333	1,782,915,000	1,926,248,333	1,782,915,000

	Rs.	2012	Rs.	2011
24.3 Dividend				
Declared and paid during the year				
Interim Dividend	0.120	**234,589,800**	0.121	215,732,715

NOTES TO THE FINANCIAL STATEMENTS

25. SEGMENT INFORMATION

	Freight and Logistics		Travel and Leisure	
	2012	2011	2012	2011
Primary segments (business segments)				
Property, plant and equipment	**1,006,662,338**	744,235,174	**17,289,906**	9,514,696
Other investments	**871,592**	7,469,662	**13,070,000**	-
Other non-current assets	**261,750,261**	184,960,497	**2,367,197**	-
Segment non-current assets	**1,269,284,190**	936,665,333	**32,727,103**	9,514,696
Investments in Subsidiaries				
Goodwill				
Eliminations / adjustments				
Total non-current assets				
Inventories	**2,237,823**	1,917,415	**-**	-
Trade and Other Receivables	**5,704,950,884**	5,312,805,329	**524,344,715**	321,398,626
Short term Investments	**-**	-	**-**	-
Cash and Bank Balances	**1,424,899,515**	1,094,211,129	**9,328,620**	4,835,498
Other current assets	**1,120,546,859**	183,646,801	**179,555,926**	25,762,488
Segment current assets	**8,252,635,081**	6,592,580,673	**713,229,261**	351,996,611
Eliminations / adjustments				
Total current assets				
Total assets				
Financing and Lease (Ijara) Payables	**357,279,141**	235,822,092	**-**	-
Other non-current liabilities	**140,325,697**	100,599,123	**22,929,211**	16,533,046
Segment non-current liabilities	**497,604,838**	336,421,215	**22,929,211**	16,533,046
Eliminations / adjustments				
Total non-current liabilities				
Financing and Lease (Ijara) Payables	**31,516,417**	208,759,607	**83,654,449**	37,876,671
Trade and Other Payables	**3,488,054,666**	3,427,717,117	**220,395,260**	122,290,204
Other current liabilities	**943,714,988**	576,909,465	**240,104,102**	24,239,512
Segment current liabilities	**4,463,286,072**	4,213,386,189	**544,153,811**	184,406,386
Eliminations / adjustments				
Total current liabilities				
Total liabilities				
Total Segment asset	**9,521,919,271**	7,529,246,006	**745,956,364**	361,511,307
Total Segment liabilities	**4,960,890,909**	4,549,807,404	**567,083,022**	200,939,432
Revenue	**19,570,415,347**	22,819,430,597	**561,605,320**	370,866,504
Cost of Sales	**(15,388,665,113)**	(19,182,424,650)	**(284,681,253)**	(147,586,941)
Other Operation Income	**332,576,551**	404,972,896	**31,735,351**	37,942,740
Overhead	**(3,032,102,636)**	(2,588,622,276)	**(257,332,604)**	(210,812,712)
Share of Profit of an Associate	**-**	-	**-**	-
Profit Before Tax	**1,482,224,148**	1,453,356,567	**51,326,814**	50,409,592
Income Tax Expense	**(366,493,464)**	(394,269,089)	**(6,172,789)**	(11,180,165)
Profit for the year	**1,115,730,684**	1,059,087,479	**45,154,025**	39,229,427

International Trading and Manufacturing		Investments and Services		Total	
2012	2011	2012	2011	2012	2011
1,687,707,489	1,025,537,810	**543,141,554**	539,392,979	**3,254,801,287**	2,318,680,658
11,478,078	42,799,508	**499,077,030**	365,495,262	**524,496,700**	415,764,432
260,465,510	138,160,171	**2,467,619,407**	1,552,230,589	**2,992,202,375**	1,875,351,257
1,959,651,077	1,206,497,489	**3,509,837,991**	2,457,118,830		
				(2,621,138,858)	(1,646,220,458)
				197,425,564	-
				(4,230,920)	(42,188,308)
				4,343,556,147	2,921,387,582
1,101,119,990	724,733,209	**1,032,763**	980,237	**1,104,390,576**	727,630,861
2,336,671,819	1,104,263,365	**687,847,716**	736,960,793	**9,253,815,133**	7,475,428,113
8,813,118	1,095,454	**801,869,674**	6,378,540	**810,682,792**	7,473,994
365,911,830	490,341,036	**549,285,731**	638,632,745	**2,349,425,695**	2,228,020,408
234,455,239	234,347,030	**1,184,397,490**	654,081,195	**2,718,955,514**	1,097,837,513
4,046,971,996	2,554,780,093	**3,224,433,374**	2,037,033,510		
				(3,062,795,181)	(1,016,535,508)
				13,174,474,530	10,519,855,380
				17,518,030,677	13,441,242,962
330,601,066	442,488,316	**26,540,837**	493,831,878	**714,421,044**	1,172,142,286
106,885,998	115,099,069	**60,214,697**	46,600,614	**330,355,602**	278,831,851
437,487,064	557,587,385	**86,755,534**	540,432,492		
				(279,963,047)	(50,000,000)
				764,813,599	1,400,974,138
1,387,335,455	654,819,243	**361,074,080**	312,846,346	**1,863,580,401**	1,214,301,867
1,619,482,282	948,761,301	**722,189,810**	870,084,288	**6,050,122,018**	5,368,852,909
379,108,285	332,874,098	**771,220,973**	328,083,273	**2,334,148,348**	1,262,106,347
3,385,926,021	1,936,454,642	**1,854,484,864**	1,511,013,906		
				(2,842,736,287)	(988,917,118)
				7,405,114,481	6,856,344,005
				8,169,928,080	8,257,318,143
6,006,623,073	3,761,277,582	**6,734,271,365**	4,494,152,340	**23,008,770,073**	16,146,187,235
3,823,413,085	2,494,042,027	**1,941,240,397**	2,051,446,398	**11,292,627,413**	9,296,235,261
12,025,937,954	9,183,791,756	**3,256,608,999**	8,692,917,920	**35,414,567,620**	41,067,006,778
(11,107,780,836)	(8,279,964,835)	**(2,541,772,349)**	(7,409,720,321)	**(29,322,899,551)**	(35,019,696,747)
147,072,147	92,183,508	**121,825,054**	355,880,783	**633,209,103**	890,979,926
(891,428,114)	(797,548,734)	**(868,301,280)**	(1,017,326,314)	**(5,049,164,634)**	(4,614,310,035)
-	-	**5,232,856**	-	**5,232,856**	-
173,801,152	198,461,695	**(26,406,720)**	621,752,068	**1,680,945,394**	2,323,979,922
(48,262,236)	(48,303,382)	**(29,987,117)**	(101,813,348)	**(450,915,606)**	(555,565,984)
125,538,916	150,158,313	**(56,393,837)**	519,938,720	**1,230,029,788**	1,768,413,938

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.

	GROUP		COMPANY	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
26.1 Transaction with related entities				
Subsidiaries				
Management Fees Charged	**-**	-	**9,823,300**	10,308,000
Technical Fees Charged	**-**	-	**111,306,040**	101,254,520
Secretarial Fees Charged	**-**	-	**4,896,000**	5,100,000
Dividend Received	**-**	-	**258,009,234**	439,027,001
Settlement of Liabilities by the Company on behalf of Subsidiaries	**-**	-	**8,972,890**	1,928,195
Advance to Subsidiary	**-**	-	**1,478,671,755**	196,558,707
Advances from Subsidiaries	**-**	-	**-**	119,480,528
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	**59,905,606**	36,563,545	**-**	-
Settlement of Liabilities on behalf of the Company	**1,888,660**	1,051,749	**-**	-

* 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	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Key Management Personnel Compensation				
Short-term employee benefits	**147,082,906**	101,938,503	**17,970,000**	11,800,000
	147,082,906	101,938,503	**17,970,000**	11,800,000

	2012 Rs.	2011 Rs.
Advance to KMP to incure expenses on behalf of the Company		
As at the beginning of the year	-	109,036,045
Advance recovered during the year	-	(109,036,045)
As at end of the year	-	-

27. ASSETS PLEDGED

Nature of Liability	Company	Carrying Amount Pledged 2012 Rs.	Carrying Amount Pledged 2011 Rs.	Included Under
Diminishing Musharakah	Expolanka (Private) Limited	-	600,000,000	Property, Plant and Equipment
Diminishing Musharakah	Expolanka Freight (Private) Limited	-	215,000,000	Property, Plant and Equipment

NOTES TO THE FINANCIAL STATEMENTS

28. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date Expolanka Holding PLC has acquired 50% shares of Akquasun Holidays India (Private) Limited (with controlling interest) a company incorporated in India for a consideration of USD 915,000/-.

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

29. COMMITMENTS AND CONTINGENCIES

29.1 COMPANY

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

29.2 Group

29.2.1 Capital Expenditure Commitments

The Group does not have significant capital commitments as at the Balance Sheet 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.

	2012 Rs.	2011 Rs.
Institution		
National Development Bank PLC	**1,475,000,000**	1,475,000,000
Commercial Bank of Ceylon PLC	**695,000,000**	500,000,000
Sampath Bank PLC	**350,000,000**	350,000,000
Pan Asia Banking Corporation PLC	**450,000,000**	450,000,000
Standard Chartered Bank	**950,000,000**	950,000,000
DFCC Bank	**33,941,280**	33,941,280
Habib Bank Ltd	**-**	300,000,000
Lanka ORIX Finance Company Ltd	**-**	291,744,877
Others	**207,000,000**	169,000,000
	4,160,941,280	4,519,686,157

4 YEAR SUMMARY

31st March In Rs. Millions	2011/12	2010/11	2009/10	2008/09
OPERATING RESULTS				
Group Revenue	**35,415**	41,067	23,709	18,935
EBIT	**1,813**	2,115	1,275	1,041
Finance Expenses	**(137)**	(256)	(348)	(351)
Share of results of associates	**5**	-	-	-
Profit before tax	**1,681**	1,859	926	689
Tax expenses	**(451)**	(540)	(335)	(299)
Profit after tax	**1,230**	1,319	591	391
Extra-ordinary item		450		
Profit for the year	**1,230**	1,768	591	391
Attributable to:				
Minority interest	**175**	222	73	81
Equity holders of the parent	**1,055**	1,547	518	310
CAPITAL EMPLOYED				
Share capital	**4,098**	1,783	1,783	1,783
Capital reserves	**1,840**	928	937	726
Revenue reserves	**2,448**	1,724	673	77
Minority interest	**962**	749	435	334
Total equity	**9,348**	5,184	3,828	2,920
Total debt	**2,029**	2,274	3,595	2,699
CAPITAL EMPLOYED	**11,377**	7,458	7,422	5,619
ASSETS EMPLOYED				
Property plant and equipment	**3,474**	2,441	2,634	2,612
Other non current assets	**869**	480	513	390
Current assets	**13,174**	10,520	11,307	7,428
Liabilities net of debt	**(6,141)**	(5,983)	(7,031)	(4,811)
ASSETS EMPLOYED	**11,377**	7,458	7,422	5,619
CASH FLOW				
Cashflow from operating activities	**(306)**	2,028	(47)	1,174
Cashflow from / (used in) investing activities	**(1,384)**	97	(496)	(189)
Cashflow from / (used in) financing activities	**1,744**	(1,339)	635	(272)
Net increase / (decrease) in cash and cash equivalents	**194**	765	134	604
KEY INDICATORS				
Basic earnings per share (Rs.)	**0.548**	0.868	0.291	0.174
Finance cost cover (no. of times)	**13.2**	8.3	3.7	3.0
Net assets per share (Rs.)	**2.28**	2.91	2.15	1.64
Enterprice value	**11,800**			
Debt / equity ratio (%)	**21.7%**	43.9%	93.9%	92.4%
Dividend payout (Rs. Millions)	**234,589,800**			
Current ratio (no.of.times)	**1.8**	1.5	1.4	1.2
Market price per share (Rs.)	**6.2**			

NOTES

NOTES

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
P.O. Box 1162
15A, Clifford Avenue
Colombo 03, Sri Lanka

Telephone : +94 11 4659500
Facsimile : +94 11 4659565
Internet : www.expolanka.com

Contact for Media
Branding and Corporate Communications
Expolanka Holdings PLC
15A, Clifford Avenue,
Colombo 03, Sri Lanka

Telephone : +94 11 4659500
Facsimile : +94 11 4659565
Internet : www.expolanka.com
E mail : pr@expolanka.com

Investor Relations
Expolanka Holdings PLC
15A, Clifford Avenue,
Colombo 03, Sri Lanka

Telephone : +94 11 4659500
Facsimile : +94 11 4659565
Internet : www.expolanka.com
E mail : investor@expolanka.com

Bankers
Bank of Ceylon
Commercial Bank
Habib Bank
Hatton National Bank
Hongkong and Shanghai Banking Corporation
Nations Trust Bank
National Development Bank
Pan Asia Bank Corporation
Peoples Bank
Sampath Bank
Standard Chartered Bank
Deutsche Bank

Company Secretaries
SSP Corporate Services (Private) Limited (PV 931)
101, Inner Flower Road, Colombo 03, Sri Lanka

Telephone : +94 11 2573894, +94 11 2576871
Facsimile : +94 11 2573609

Company Auditors
Ernst and Young
Chartered Accountants
201, De Seram Place
P.O. Box 101
Colombo 10, Sri Lanka

Design and concept: Copyline (Pvt) Ltd

EXPOLANKA HOLDINGS PLC

www.expolanka.com

EXPOLANKA HOLDINGS PLC

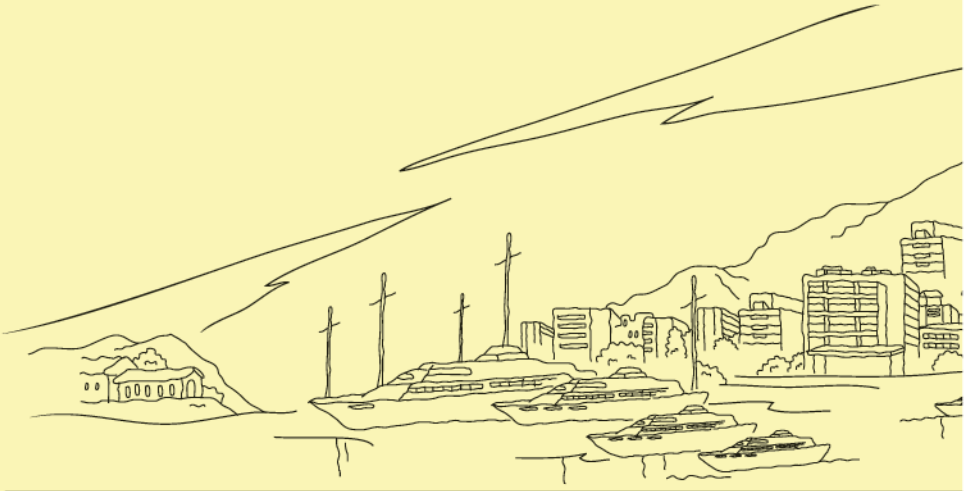
Business Beyond Borders

FREIGHT & LOGISTICS

INTERNATIONAL TRADING & MANUFACTURING

THINK AHEAD

ANNUAL REPORT 2011/12



EXPOLANKA HOLDINGS PLC

FREIGHT & LOGISTICS
THINK AHEAD

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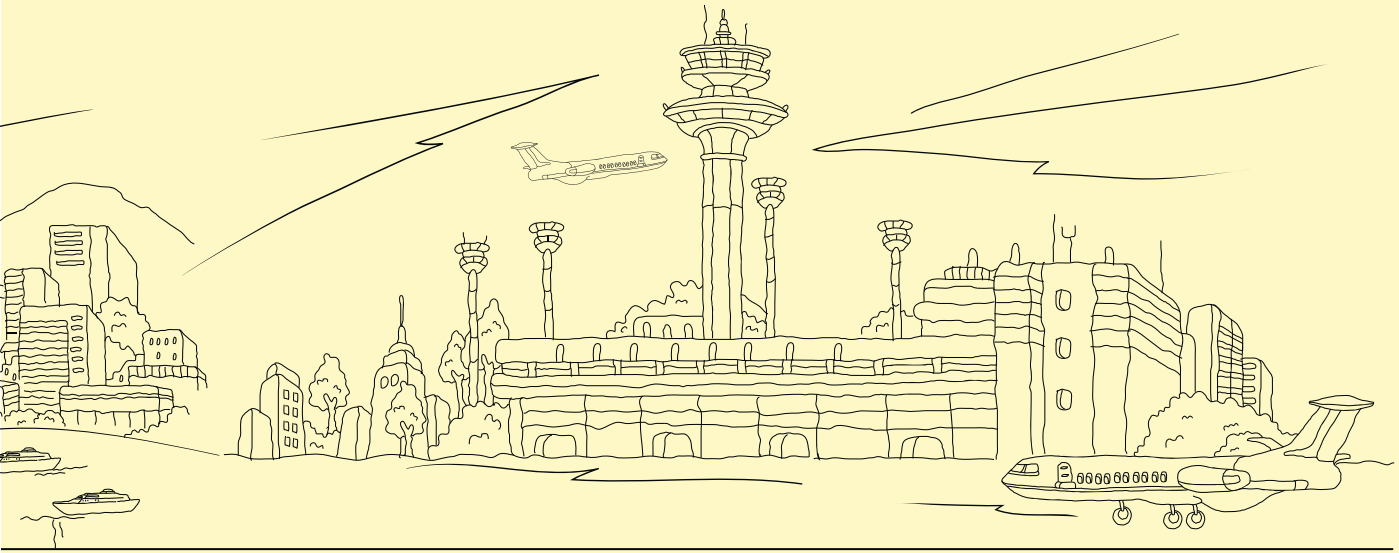


As one of the largest freight forwarders and transport solution providers in Sri Lanka, Expolanka Freight has always taken pride in presenting a diverse portfolio that is reputed both here and abroad. Keeping abreast with world class players in the industry, we are a premium service provider for the fashion industry while being a service provider of quality for many other industries in the import and export of goods. The current infrastructure supports multimodal transportation and logistics with ocean and air transportation as the core areas and inland trucking/haulage, warehousing, customs clearance & handling and Project Cargo are offered to discerning customers.

HIGHLIGHTS OF THE YEAR 2011/12

Network in 44 Cities & 16 countries

Regional Player
Asia, Middle East & Sub Saharan Africa

Multimodal Transportation & Logistics Management

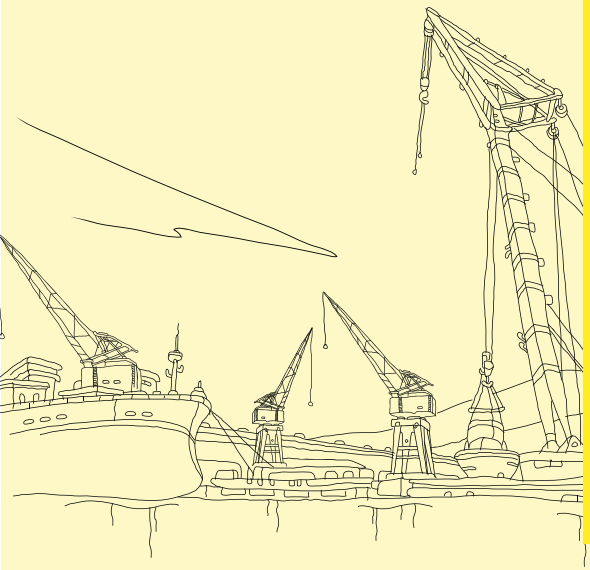
Focus Area
Fashion Industry

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

New Stations
USA, Hong Kong & China

Sector Revenue
- Rs. 19,570 Mn
- 14% decline

Sector Profits
- Rs. 1,116 Mn
- 5.4% Growth



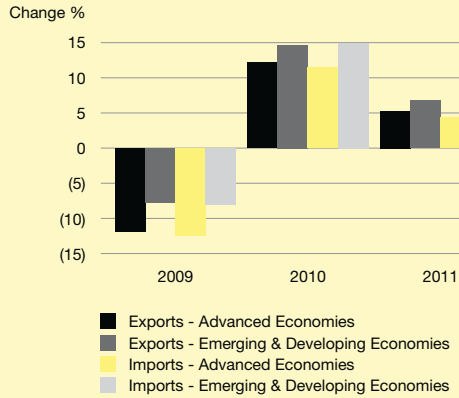
OUTLOOK 2011

The global economy continued to be sluggish in the year 2011 led by the inertia in the advanced economies entrenched by slow growth rates, high unemployment, chaos in the stock markets and low investor and consumer confidence. The Eurozone was tussled with unprecedented amount of sovereign and banking debt whilst USA was downgraded by rating agencies. The staggering earthquake in Japan and the geopolitical instability in the Middle Eastern and North African regions exacerbated this crisis. Even the emerging and developing economies which have been trending on an upswing began to overheat. Most of the economies, especially those which depended on export-led growth, grappled with the implications of an anemic demand for imports from the advanced countries. This led to imbalances in their external trade. Hence, the year under review experienced a marked reduction in global trade volumes.

Annual Percentage Change	2009	2010	2011	2012	2013
				Projections	
Output					
World Output	-0.7	5.3	3.9	3.5	4.1
Advanced Economies	-3.7	3.2	1.6	1.4	2.0
USA	-3.5	3.0	1.7	2.1	2.4
Europe	-4.3	1.9	1.4	-0.3	0.9
Emerging & Developing Economies	2.8	7.5	6.2	5.7	6.0
Developing Asia	7.2	9.7	7.8	7.3	7.9
China	9.2	10.4	9.2	8.2	8.8
India	6.9	10.6	7.2	6.9	7.3
World Trade (Volume)		12.9	5.8	4.0	5.6

Source: World Economic Outlook, January & April 2012, IMF

Trends in World Trade (Volume)



Source: World Economic Outlook, January & April 2012, IMF

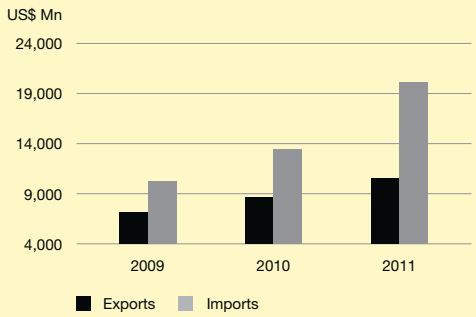
As per the World Economic Outlook, IMF January 2012, world trade volume growth is expected to slump to 5.8 percent as compared to a rebounded growth of 12.9 percent in 2010. Imports grew only by 4.3 percent in the advanced economies as compared to 11.5 percent in the preceding year. In contrast, imports were relatively steady at 8.8 percent in the emerging and developing economies, although lower than the growth of 15.3 percent posted in 2010. Export growth in both advanced and emerging and developing economies is estimated to decline to 5.3 percent and 6.7 percent in 2011 as compared to 12.2 and 14.7 percent in 2010 respectively.

OUTLOOK 2011

Sri Lanka witnessed a year of mixed sentiments. The sector performance stood tall in the first part of the year, despite the global economic and geopolitical fragilities. The robust aggregate demand especially with the rebuilding momentum in the North and the East and the large infrastructure projects fueled the Nation's import bill. The import expenditure mainly comprising intermediate and investment goods increased by 51 percent as compared to the preceding year. In contrast, export earnings only grew by 22 percent, triggered mainly by an increase of 31 percent in industrial exports, with increases in textiles and garments, rubber and petroleum products. This growth is laudable and displays sector resilience in the face of global economic uncertainty.

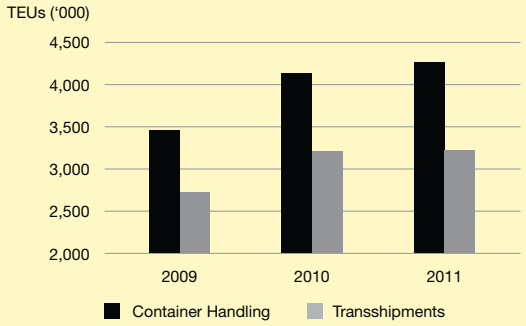
However, towards the latter part of the year, imbalances in trade pressured the external sector. The macro policies were initiated to arrest the unprecedented growth in imports and to create a more conducive environment for exports, thereby the external balances. The total trade posted for the year ended was US$ 30 billion as compared to US$ 22 billion in 2010.

Sri Lanka Imports & Exports (Value)



Source: Annual Report 2011, Central Bank of Sri Lanka

Volume of Container Handling & Transshipments

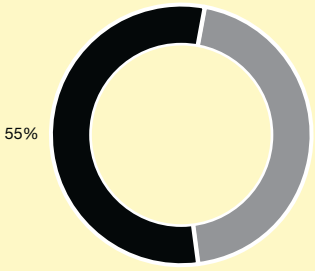


Source: Annual Report 2011, Central Bank of Sri Lanka

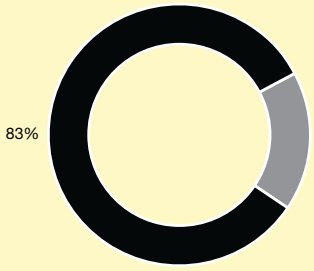
In this scenario, cargo handling, ports and civil aviation sub sector within the services sector grew by 7.2 percent, though at a decelerated pace compared to the 16.8 percent growth in 2010, underlined by the slower pace of growth in the world economy, afflicting the export sector dependent on the advanced economies. The total container handling only grew by 3 percent with 4.3 million twenty foot equivalent container units (TEUs) which were significantly lower than the growth of 19.4 percent recorded in the preceding year. Transshipment volume accounting for nearly two thirds of the cargo throughput recorded a negligible increase at 0.3 percent as against a growth of 18.2 percent in 2010. The increase in total cargo handled was 6.2 percent to 65.1 million metric tons as against a 25.5 percent increase in the preceding year. Overall, this sub sector did not have an impressive year.

Freight & Logistics			
For the Y.E	**2011/12 (Rs. million)**	**2010/11 (Rs. million)**	**Change %**
Revenue	19,570	22,819	(14%)
Earnings Before Interest & Tax (EBIT)	1,511	1,506	0%
Finance Cost	29	53	(45%)
Profit Before Tax	1,482	1,453	2%
Profit After Tax	1,116	1,059	5%
Total Assets	8,219	8,036	2%
Total Equity	3,611	2,734	32%
Total Debt	109	335	(68%)
Capital Employed	3,720	3,068	21%
Return on Equity	30.9%	38.7%	(20%)
Return on Capital Employed	30.8%	36.2%	(15%)

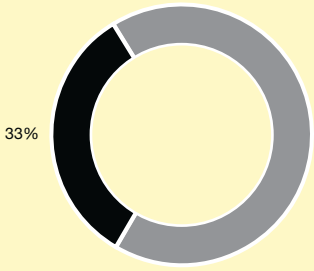
Revenue



EBIT



Capital Employed



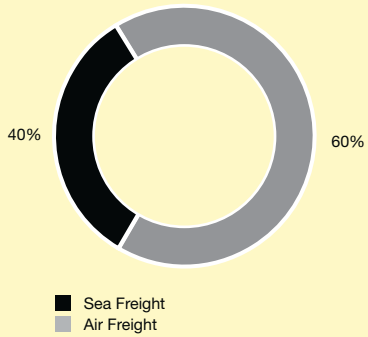
OPERATIONAL REVIEW

Overview

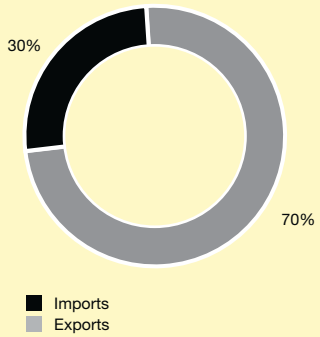
Freight and logistics is Expolanka's flagship business accounting for over 55 percent of the Group's revenue and 91 percent of net profits. The sector companies are equipped with modern infrastructure to support multimodal transportation and logistics with ocean and air freight, inland trucking/ haulage, warehousing, customs clearance and handling cargo. Headquartered in Sri Lanka, we have a vast network of offices and associates spanning 15 countries in 43 cities. We have established a stronghold in the Indian Sub-Continent with growing prospects in the Middle East and Sub Saharan Africa. Flexibility, nimble, efficient, people centric and innovativeness are our enablers which gives us the competitive advantage.

Our client base is mainly involved in the fashion industry which is a significant component of the total freight revenue. We also provide our services to agriculture, telecommunication and electronic segments.

Sector GP



Sector GP



Financial Performance

Our freight and logistics sector during the year under review was confronted by a sluggish and a volatile global trading environment. The sector recorded revenue of Rs. 19,570 million diverging from a stronger performance of Rs. 22,819 million in the previous financial year. The revenue decline by 14 percent was spurred primarily by a 19 percent drop in air export freight volumes supporting the fashion industry.

However the sector GP value recorded a 15 % growth driven by better yield management.

Further, given our foresight into improving business efficiency, our efforts to add value to the supply chain and our positioning as a premier market player with a regional exposure, gave us room

to negotiate better rates. The impact of declining volumes were offset by better yield management in terms of profitability. Hence, we were able to sustain our profitability of the sector amidst a very challenging year. The sector posted a profit after tax of Rs 1,116 million corresponding to an increase of 5.4 percent as against the previous year.

Segment Analysis

Segment	Products	Volume Growth (%)
Air Freight	• Exports	(19%)
	• Imports	13%
Sea Freight	• Exports	7%
	• Imports	23%

Our air freight sector with a considerable exposure to the fashion industry was the worst hit by the trending downturn in the global trading dynamics. The fashion industry was impacted by the erratic and tumultuous conditions that prevailed in its key markets of USA and Europe. Our fashion air freight volumes experienced a drop of 19 percent as compared to the preceding financial year primarily following the contraction in the North American trade lane.

The air freight rates moderated amidst oversupply conditions. This augured well for yield management in the air freight operations.

Sea freight, in contrast, performed well in the financial year under review. Import volumes posted a notable increase of 23 percent whilst export volumes posted 7 percent as compared to the preceding financial year. Sea freight rates were improved with better negotiation and procurement strategy. This led the sea freight segment to record stable revenue and profits, positively contributing to the overall sector performance.

Our warehouse operations including managing inventory, freight handling, storage and import businesses had a favorable year given the heightened trading activity in the domestic arena.

During the year under review, we commenced construction and expanding our warehouse at Orugodawatte with part proceeds of Rs. 500 million generated by the Initial Public Offering in May 2011. The state of the art warehouse facility which is expected to be fully operational by 2013 will increase the capacity of storage and logistics service with an over 100,000 additional square feet space. This will definitely give our warehousing operations an impetus to further the market outreach and in turn boost its financial performance in the ensuing years.

In a bid to expand our market share, we strategically sought in this year under review, to expand our freight sector network in source markets as well as in end markets. To boost our vertical in retail fashion, we established our first office in New York, USA. We expect this office to give us a stronger presence in this key market which represents nearly 50 percent of our end market exposure. This move will not only boost our capability to support our existing clientele but will also lead to attract new direct relationships with premier brands.

Adding to our source market network, we established an office in China, one of the key economies with a significant demand for freight and logistics services. We also added another office

OPERATIONAL REVIEW

in Hong Kong. These new offices will definitely play a vital role in strengthening our presence in the Asian region and will provide a greater market outreach with new openings to grow our business with a diverse product range. But above all, our presence in these economies will give us the opportunity to expand our network business and be a part of the growth process of these emerging giants.

HR Developments

Within the reclassified sector framework, during the reporting period, we strengthened our core operations in the freight and logistics sector by re-appointing a robust team headed by a Chief Operating Officer. We also appointed a global sales team to be more focused in building our brand image and customer base whilst appointing a new IT team to be hands - on in streamlining the sector for greater efficiency, in consultation with the Head Office IT division.

Path Ahead

Future Trading Outlook

As per the World Economic Outlook, April 2012, IMF, the global economy is not expected to move deeper into the recession. The policies and the stimulus packages set in motion in the advanced economies to control the economic meltdown are expected to reap results in the ensuing year and the activity levels are expected to relatively improve. The emerging and developing economies are expected to lead the global prospects with relatively stable performance. Yet, the recovery is expected to be fragile taking into account the downside of risks. The forecasts therefore for 2012 -2013 are set at moderate levels with the world economic growth at 3.5 percent in 2012 marginally lower than 2011. Prospects for world trade are therefore not very exciting and forecast at 4 percent in 2012 down from 5.8 percent in 2011.

In the domestic front, the Central Bank of Sri Lanka projects the external sector to consolidate in 2012 and in the medium term given the recent macroeconomic adjustments, initiated in response to the imbalances that prevailed during the latter part of 2011.

Our Strategy

We seek to empower our companies within this sector to improve their top-line and bottom-line results with a two pronged strategy which we anticipate would enhance the sector market share whilst keeping us ahead of our competition in a sluggish trading environment. Key focus areas are:

- Grow the market share in source and end markets and
- Add value to key focus area - fashion logistics

Market Share

With a burgeoning economy in the post conflict era and with its strategic location, Sri Lanka is fast emerging as an important player in the Indian Ocean. The massive investment drive to modernize the Colombo Port and to build a port city including the South Container Terminal and a new airport at Hambantota has set the stage to make our Nation a commercial hub in South Asia, consolidating the key trade lanes. The newly enacted legislation for a free port environment has also given the necessary policy framework to move forward these development initiatives.

This backdrop has opened up a plethora of opportunities for the Nation's freight forwarding industry. Expolanka's freight sector with a strong synergistic network in Asia, Africa and the Middle East, and over two decades of expertise in this domain – both sea and air freight, is well poised to take advantage of the opportunities present in the Nation's development agenda. We have already penetrated to the South of the country with two window offices and plan to strengthen these operations.

In the global arena, amidst the imminent recovery in the medium term as discussed above, our focus is to penetrate deeper into the emerging and fast growing source economies in Asia. We have already a solid footing in India and penetrated into China and Hong Kong in the year under review. Our aim is to reinforce our operations and further penetrate to capture the booming trade prospects in intra-Asia especially China and other developing East Asian countries. We intend to seek potential synergistic acquisitions in a small scale to further our prospects.

We will also build our footing in our end markets, especially in North America to complement and add value to our existing business base. Apart from this, we will seek to secure new relationships to attract direct customers with strong brand presence, especially in the fashion industry.

We also see potential openings for inland transportation in the development drive taking place in the North and the East. The proposed expansion of the rail network together with the infrastructure development in rebuilding these provinces will lead to improvements in the supply chain, in turn opening up opportunities in storage and logistics. Expolanka seeks to establish a stronghold on the supply chain and support the vertical integration of third party logistics.

Apart from its role in propelling the Group in the global trade perspective, the on-going warehouse project located at Orugodawatte in close proximity to a rail reservation will definitely give an edge to the sector to meet the growing domestic demand for storage and logistics in the country.

Value Addition

We will further focus on strengthening our supply chain solutions with innovation. We seek to have a greater shift from offering stand-alone products to bundled-together total solutions which give cost effective and speedy freight and logistic options to our customers. For our prime customer segment, the apparel industry, we will continue to support with the value additions and innovative services viz. quality assurance, multi country consolidation, garments on hangers and scheduled and non-scheduled flight services within the region. We will further set ourselves apart from our competitors with our characteristic customer service of flexibility, speedy and just in time solutions whilst furthering our loyal relationships with our existing client base.

Apart from the above, we will strengthen our online cargo tracking system to enable our customers to monitor cargo shipments to minimise theft, illegal trade and losses. We also offer security services to freight shipments through our shipping company which together with the online tracking services would further complement supply chain security for our valued customers.

EXPOLANKA HOLDINGS PLC

INTERNATIONAL TRADING & MANUFACTURING
THINK AHEAD

ANNUAL REPORT 2011/12

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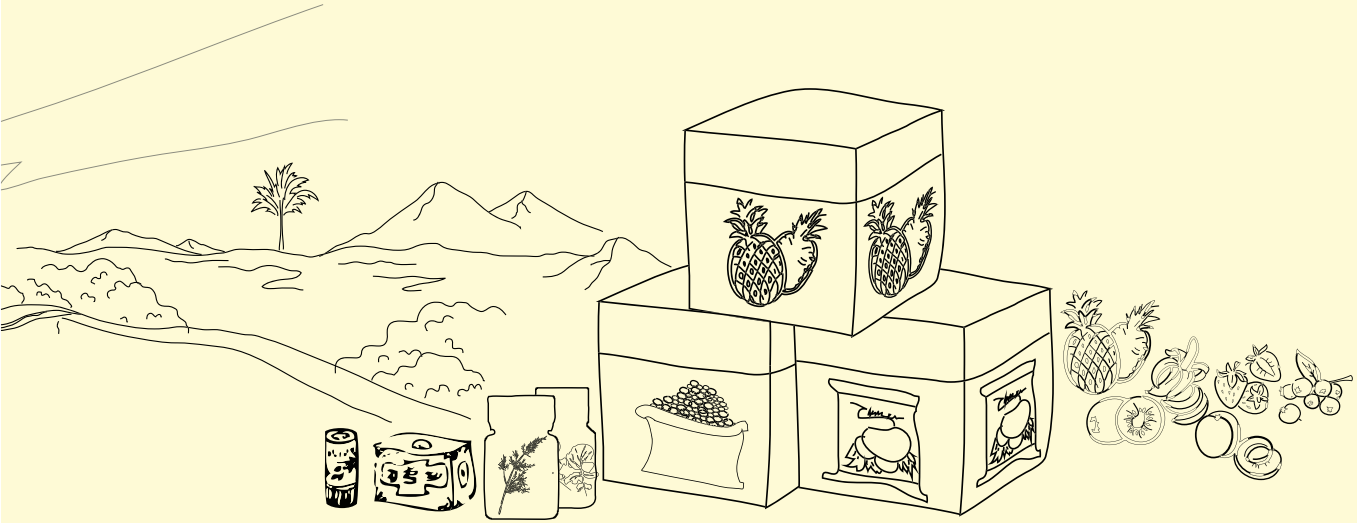


Being a pioneer exporter in Sri Lanka, we specialize in products such as tea and coconut products which complement our core offering of extensive fresh produce. As we have expanded our portfolio, it has led to us acquiring new opportunities in the Middle East, Europe and Africa. Our hard work has not gone unrecognized as we have gained a reputation with suppliers as well as customers for our reliability and innovation. In the same vein, our manufacturing division has also established itself as a diverse entity with both herbal pharmaceuticals and eco-friendly paper recycling under its wing.

HIGHLIGHTS OF THE YEAR 2011/12

Food Processing
- Meat Products
- Bakery and Food Products

Agro Processing
- Value Added Agro Products
- Herbal Pharmaceuticals

Trading & Manufacturing
- Agriculture Commodities
- Fresh Fruits & vegetables
- Coconuts
- Tea and Plantation
- Recycling

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

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

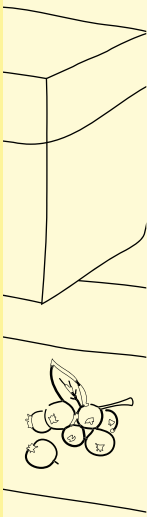
Restructured Herbal Pharmaceutical and Recycling Paper Companies

Acquired 50% Stake in Norfolk Foods (Pvt) Ltd

Ventured into Madagascar for commodity trading

Sector Revenue
- Rs. 12,026 Mn
- 31% Growth

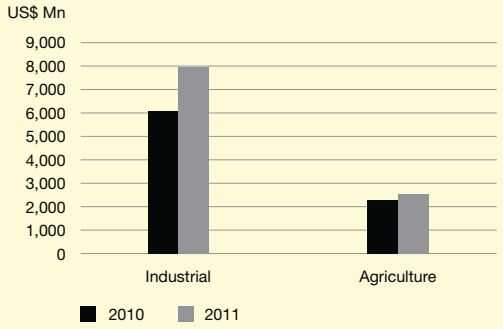
Sector Profits
- Rs. 126 Mn
- 16% Decline



OUTLOOK 2011

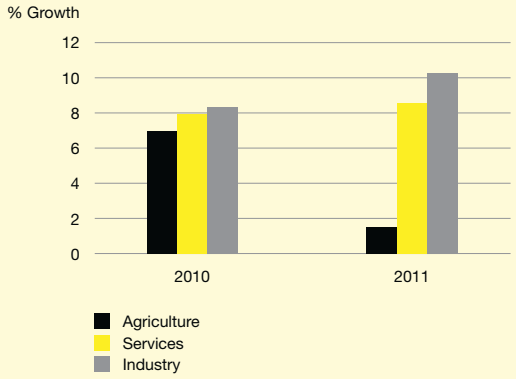
The Sri Lankan economy, even in the midst of tumultuous global economic, civil and political environment grew at a steady 8.3 percent, on par with the levels achieved in 2010. The relatively stable macroeconomic environment with moderate unemployment, inflation and lower interest rate regime strengthened by consumer and investor confidence that prevailed especially in the early part of the year, ignited the growth in industry led by the manufacture and construction sectors. The services sector spurred by the development agenda of the Government to make Sri Lanka a commercial hub witnessed heightened activity in trade, transport, tourism, finance, port and communication. Even the agriculture sector, though vulnerable to the erratic weather patterns that prevailed in the Maha Season, posted a mediocre growth.

Export Earnings



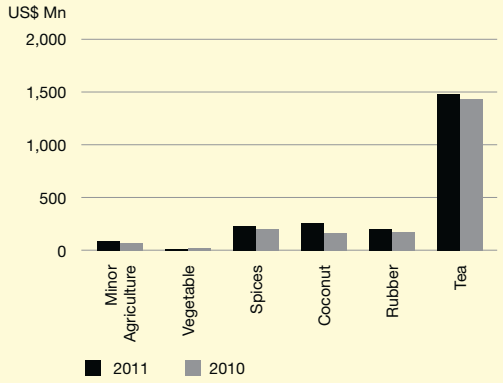
Source: Annual Report 2011, Central Bank of Sri Lanka

Composition of GDP (Constant Prices)



Source: Annual Report 2011, Central Bank of Sri Lanka

Agricultural Export Earnings



Source: Annual Report 2011, Central Bank of Sri Lanka

OUTLOOK 2011

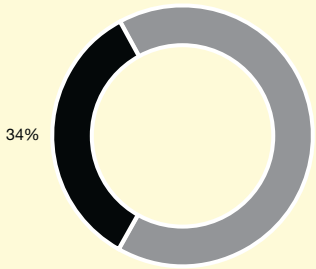
On the external front, earnings from exports surpassed the US$ 10 billion mark to post a healthy increase of 22.4 percent as against the previous year despite the lethargic demand from our key markets. This increase was spurred mainly by industrial exports with top performers being the textiles and garments, petroleum and rubber products.

Agricultural exports which account for 24 percent of total exports increased only by 9.6 percent vis à vis the preceding year. Tea sector earnings, albeit a decline in export volumes, sustained a marginal growth of 3.5 percent as against 2010, given the buoyant prices that were recorded in the first half of the year. Value added tea sector, however, performed well with exports moving away from bulk tea, possibly due to the cess levy on bulk tea introduced in the 2011 budget. Earnings from coconuts, largely attributable to higher volumes and prices fetched for desiccated coconut, recorded a remarkable improvement of 60 percent. However, given the increased domestic demand and supply shortages, fresh coconut export performance slumped by both volume and value – 60 and 46 percent respectively.

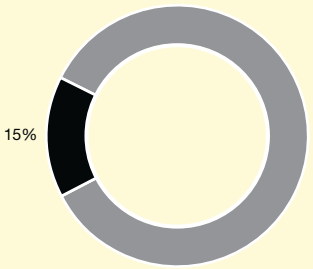
This growth in the overall exports, however could not offset the unprecedented import bill (mainly revolving around investment and intermediate imports) which increased by 51 percent. The other foreign exchange receipts from worker remittances to tourism earnings could not completely ease the trade gap, leading to a balance of payment crisis with reserve position falling to 3.5 months of imports by the year end compared to 5.9 months of imports posted in 2010. To arrest this imbalance, the rupee was devalued by 3 percent through the Budget held in November 2011 and the policy was taken to free float the exchange rate. These adjustments, together with the prevalent world economic, dynamics, had serious and direct implications on the manufacturing and the trading sectors.

International Trading & Manufacturing			
For the Y.E	2011/12 (Rs. million)	2010/11 (Rs. million)	Change %
Revenue	12,026	9,184	31%
Earnings Before Interest & Taxes (EBIT)	270	363	(26%)
Finance Cost	96	164	(42%)
Profit Before Tax	174	198	(12%)
Profit After Tax	126	150	(16%)
Total Assets	5,607	3,536	59%
Total Equity	1,152	469	146%
Total Debt	1,449	1,097	32%
Capital Employed	2,601	1,566	66%
Return on Equity	10.9%	32.0%	(66%)
Return on Capital Employed	8.5%	20.1%	(58%)

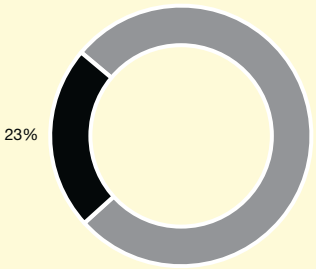
Revenue



EBIT



Capital Employed



OPERATIONAL REVIEW

Overview

International trading and manufacturing is Expolanka's second largest business, accounting for nearly 34 percent of the Group's revenue and 15 percent of EBIT. The international trading arm focuses on trading agricultural commodities, perishables and teas whilst the manufacturing arm focuses on herbal pharmaceuticals, processed food and recycling paper for exports.

Financial Performance

The international trading and manufacturing sector recorded an impressive revenue of Rs. 12,026 million, corresponding to an increase of 31 percent, as against the previous year. This increase was mainly attributable to commodity trading which grew almost by 100 percent. The acquisition of Norfolk (discussed in detail below) and the consolidation of 5 months results from therein also contributed for the growth in sector revenue. The sector profits of Rs. 126 million, albeit a decline of 16 percent as against the previous year, was creditable, in the face of many challenges that troubled the core businesses, especially exacerbated towards the latter part of the year, in tandem with the macroeconomic dynamics both in the domestic and the global domain.

Segment	Key Markets – Import/Export	Products
Agriculture Commodities	• India • Pakistan • Australia • Canada • Brazil	Import of • spices • dates • lentils • sugar
Fruits & Vegetables	• Europe • Middle East • Pakistan • Africa	Export of • Fresh fruit and vegetables • Processed fruit products
Coconut	• Europe • Middle East • Pakistan • Africa	Export of • Fresh coconuts • Desiccated coconut
Tea	• Middle East • CIS Countries • Australia • Maldives	• Bulk black tea • Green tea • Value added tea
Recycle	• India • Singapore • Dubai • Pakistan	• Waste paper • Metal • Plastic
Herbal Pharma-ceuticals	• Australia • Bangladesh • Europe • Malaysia	• Virgin coconut oil • Black seed oil • Soft gel capsules • Hard gel capsules • Cosmetics • Balm
Other Product	• Pakistan	• Cement

Agriculture Commodities

The Group's import and entrepot trading arm, focusing on agricultural commodities was vulnerable to the volatility that

prevailed in the world market. Imported volumes recorded a healthy growth; however, margins were impacted given the fluctuations of the exchange rate and intense competition. Yet, our long standing relationships with a wide network of suppliers and buyers, in a range of countries, even in an intensely competitive market, gave us the ability to cushion part of the price volatility. This braced our import sector from going into doldrums and sustained the growth despite the pressures on the margins.

Fruits and Vegetables

Our pioneering exports, fresh fruit and vegetable segment continued to sustain its position in the industry as the market leader. Yet, our exports could not reach its optimum, given the supply shortages we faced during the year. On one hand, the erratic weather patterns and on the other hand, the increase in domestic demand especially given the intake of the revived markets in the North and East of the country impacted the supply for exports.

Yet, we were able to strengthen our ties with our community suppliers who performed well largely in the backdrop of the Government policy incentives and benefits offered to boost this segment. This supported our export volumes to record sustained growth for yet another year. On the demand side, primarily the Middle Eastern market for fruits and vegetables remained strong. In this scenario, our fruit and vegetable sector experienced improved prices and thereby margins.

We commenced cultivation of pineapples on a limited scale at our estate and sought to enhance our produce with sustainable agricultural practices. We are currently looking at the possibility of growing exotic vegetables which we expect to take off in the ensuing years.

We also concentrated on developing our value added range from dried fruit to chunky juices branded under “Mo Fruit”. We aggressively looked for opportunities to penetrate new markets like Japan, Italy and UK for our de-hydrated exports whilst establishing our juices in the local market network.

Coconut

As a leading market player, our coconut sector comprising fresh and desiccated coconut produce and exports witnessed a year of inconsistencies. The fresh coconut export segment suffered from the high cess levy imposed on coconut exports mainly to arrest the supply shortages beheld in the domestic market in the latter part of the preceding year. Our fresh coconut exporting arm had to curtail operations temporarily resulting inter alia, in the loss of significant market relationships in Europe and Pakistan to competitors from other origins. Operations re-commenced towards the latter part of the year with the easing of the cess levy.

Our focus, however, was intensified in the operations of the desiccated coconut export segment which performed creditably during the year. We were able to increase our share of exports of desiccated coconut approximately by 75 percent vis à vis the preceding year. This was complemented by the higher prices fetched at the world auctions in the backdrop of supply shortages from key exporting countries – Vietnam and Indonesia, concluding with significant contributions towards an ailing sector performance.

OPERATIONAL REVIEW

Tea

Our tea sector, reported a modest performance contributed by erratic weather and bearishness of the tea market in the backdrop of geopolitical uncertainty in our key market, the Middle East. However the second half of the reporting year saw the middle-eastern crisis easing off which resulted in better demand and yields for bulk tea which contributed to partially setting off initial setbacks witnessed in the first half of the year.

In respect of our low grown tea plantation in Kalawana, tea production recorded a drop primarily due to uneven rainfall that prevailed during the early part of the reporting period. Bought leaf quantity from the smallholders also suffered. The volume drop together with the wage costs, underlined by the upward revision in estate wage structure, burdened our plantations sector to post a performance lower than anticipated.

Our tea exports with an outreach of 34 countries experienced an impressive first two quarters in terms of export volumes and prices in the reporting year. However, shadowed by the political and civil unrest that prevailed in our primary markets in the Middle East (accounting for nearly 85 percent of our tea exports), the demand for our products, mainly for black bulk tea, slumped towards the middle of the reporting year. Our exports to the CIS countries however performed reasonably well.

Yet, with an array of specialty and value added teas branded under “t-sips” reinforcing its existing market share, especially in Canada, Australia and Maldives, cushioned the moderation of exports. This culminated in Expo Teas holding on to its top 10 tea exporter position in the industry. Export earnings also complemented by the devaluation of the rupee sustained its buoyancy towards the latter part of the year.

Processed Meat Products

The Group desirous of expanding and adding on to its FMCG branded portfolio of t-sips, Mo-Fruit, Taprobana & Baraka, acquired a controlling stake of 50 percent in Norfolk Foods (Pvt) Ltd for an investment of Rs.300 million in the reporting year.

Norfolk involved in the Halal certified processed meat products has built a strong clientele including the retail and B2B leisure sector catering to the country’s leading franchised fast food chains. This together with its latest revamped facility equipped with modern freezers, cold rooms and expanded capacity has given the Group a solid foundation to grow Norfolk as a key business. The recent surge in demand for Halal certified meat products mainly within the leisure industry is expected to open up a myriad of growth opportunities for this sub sector.

Recycling Operation

The Group’s valued environmental friendly project, recycling and exporting paper, streamlined its processes in the reporting year, to cater to the growing needs of an environmentally conscious business community including the Expolanka Group. Greater focus was on enhancing operational efficiency and productivity. As a result of these measures, we were able to increase the volumes by 11 percent as compared to 2010/11 covering major corporates, banks and Government and Non-Government organizations including schools and hospitals. The company

further expanded into metal and plastic recycling operations which have promising growth prospects. This not only boosted the turnover and the profitability of the operations but also contributed to the environment as discussed in detail under the Sustainability Report.

Herbal Pharmaceuticals

Our pharmaceutical and nutraceutical manufacturing arm, focusing on black seed based herbal products was restructured with new investments and streamlined processes during the year under review. The operations were relocated to Rathmalana with a larger floor area and revamped with a new state of the art production facility which meets GMP standards. This facility increased the manufacturing capacity which in turn resulted in higher production volumes.

During the year, we focused greatly on clinical research and development, in collaboration with the University of Colombo, University of Kelaniya & Ayurvedic Research Institute, Navinna. We were able to manufacture a comprehensive product range of value added pharmaceuticals, food supplements & aroma therapy oils which supported the sector margins.

The local market operations branded under “Baraka” improved significantly with larger distribution network of pharmacies across the island. We established new specialized retail market outlets - ‘Nature Shoppe’ in central locations in Colombo and extended the products to a wider supermarket range.

Apart from our existing market for this product range we also made inroads to new markets in Bangladesh. Our exports of value added products also increased during the year under review.

Path Ahead

Future Outlook

In the year 2012, the growth drive that commenced with the cessation of the conflict in the North and the East of the country is expected to consolidate. The imbalances witnessed during the latter part of 2011, primarily led by a massive trade deficit and demand driven inflation, are expected to bottom out with the initiated policy adjustments. In the medium term, the economy is poised to sustain a growth of over 8 percent with greater focus on industry, trade and infrastructure development in a relatively subdued macro economy (Annual Report 2011, Central Bank of Sri Lanka).

Our Strategy

We see great potential for our manufacturing and trading sector, given the national policy focus on placing Sri Lanka on a growth trajectory. Over the years, we have built a range of businesses in diverse operations from trading agriculture commodities, exporting tea, manufacture of herbal pharmaceuticals to recycled paper. Our strategy in the ensuing years is to consolidate our operations within this sector. In the short term, we are not planning to further our strides into new business ventures within this sector. Our focus, if any, will be only on synergistic acquisitions to strengthen our existing operations.

Market Share

We will aggressively seek growth opportunities to capture a greater market share for our existing businesses to bolster the sector topline. Our efforts will be to strengthen on our existing market relationships. We will also seek new markets to expand our outreach whilst lessening our dependency on conventional markets and the risks therein, as in the case of our tea sector.

Value Additions

We also intend to further our bottom line and our margins which have taken a hit given the intense competition that is inherent in this sector. Our strategy is to develop our brands especially in tea, processed foods and pharmaceuticals whilst focusing on greater value additions. This will ensure our ability to take higher pricing and offer value to our consumers, thereby beating the competition.

Operational Efficiency

Our aim will also revolve around enhancing operational efficiency. Our focus is to synergize and optimize on economies of scale within the sector companies to reduce costs. Our treasury operations at the Head Office will closely look at the sector debt and drive for low cost funding to improve our return on equity and we will also deploy our IT expertise to streamline the operations. This will curb the unnecessary costs eating into sector profitability.

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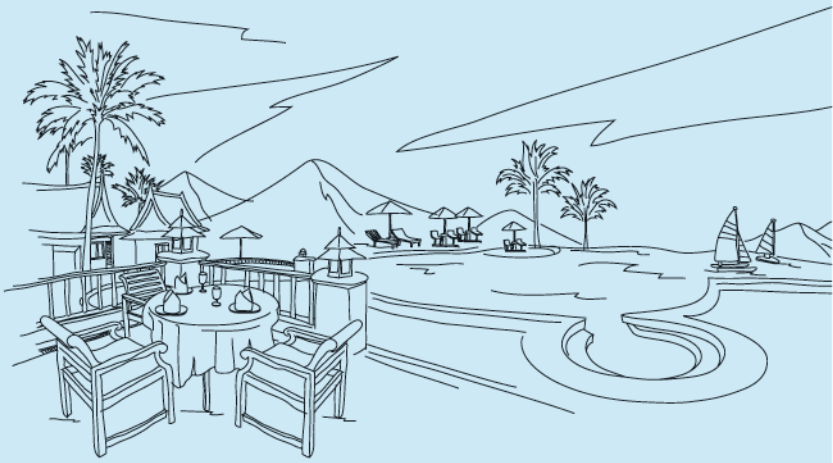

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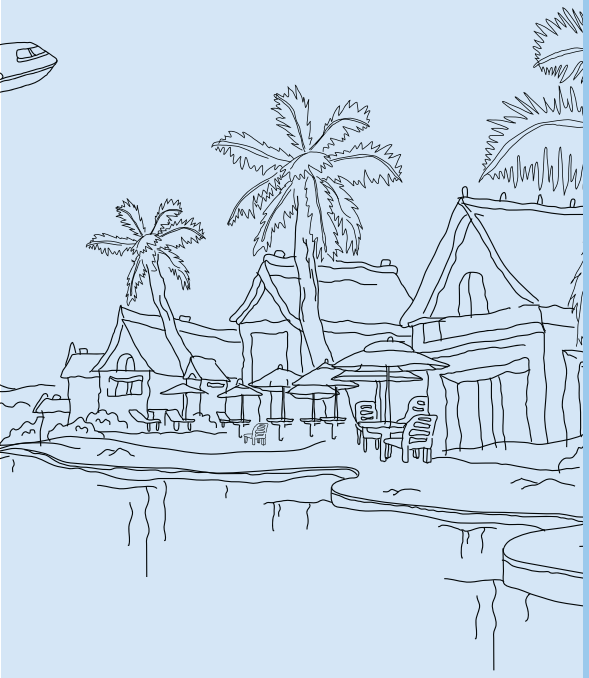
Our travel management sector has been a promising contributor by being a professional and friendly service in Sri Lanka, India and Maldives setting the standards in innovative travel arrangements for a variety of needs in the corporate and leisure travel segments across the Asian region.

HIGHLIGHTS OF THE YEAR 2011/12



Network in Sri Lanka, India & Maldives

Business Mix
- Outbound
- Inbound

Dominant player in the Outbound Corporate Travel in Sri Lanka

Product Portfolio - High End Leisure, Corporate Travel & MICE

Extended the Outbound Operations to Hambantota & Galle

Geographical Expansion to Maldives, 49% Stake for Outbound Operations

Initiated a Strategic Acquisition - 50% Stake with Controlling Interest in Akquasun Holidays India

Launched Expo Rail for Domestic & Experiential Tourism

Sector Revenue
- Rs. 562 Mn
- 51% Growth

Sector Profits
- Rs 45 Mn
- 15% Growth

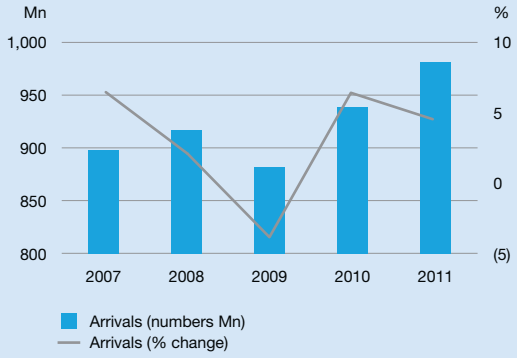
OUTLOOK 2011

Global Tourism

World tourism continued its upward trajectory notwithstanding the economic and geopolitical uncertainity that prevailed in 2011. Although, at a decelerated pace compared to 2010, most destinations – advanced and emerging, posted healthy results exceeding expectations in both arrivals and receipts. Some destinations including Sri Lanka posted double digit growth.

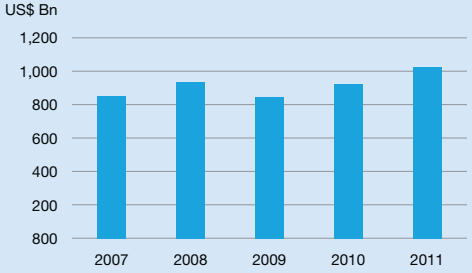
International tourist arrivals reached 982 million in 2011 corresponding to an increase of 4.6 percent as compared to the preceding year whilst tourism receipts passed US$ 1 trillion mark to post US$ 1,030 billion in 2011 from US$ 928 billion in 2010 (UNWTO, World Tourism Barometer, May 2012).

International Tourist Arrivals



Source: World Tourism Barometer, March & May 2012, UNWTO

International Tourism Receipts



Source: World Tourism Barometer, March & May 2012, UNWTO

Sri Lanka Tourism

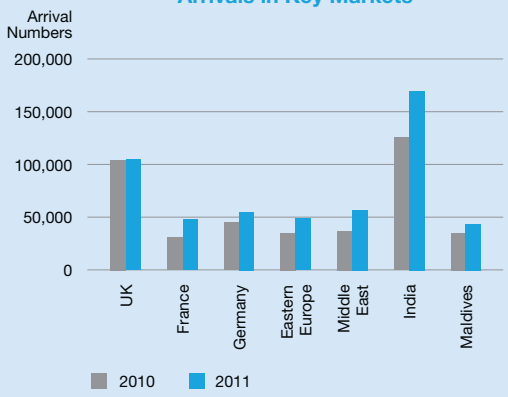
With the cessation of hostilities and a unified Sri Lanka since 2009, tourism was recognized and given precedence as a thrust sector in the economy, playing a pivotal role in the external front and in creating a supply chain with an array of employment opportunities.

Tourist Arrivals

Source: Sri Lanka Tourism Development Authority

OUTLOOK 2011

Arrivals in Key Markets

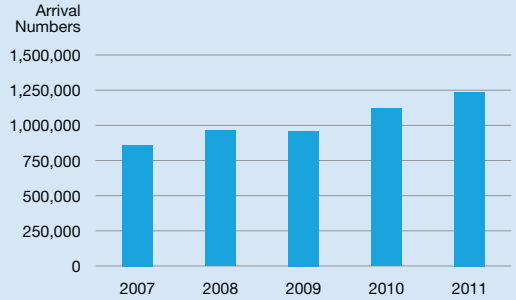


Source: Sri Lanka Tourism Development Authority

The tourism industry which was afflicted with negativity and adverse travel advisories from key markets for over two decades, embraced the dawn of peace with a new sense of vitality. The growth in tourism was on an upward course since 2010. The year 2011, despite the tepid performance in most advanced countries especially those of the key markets in Europe and the political instability in the MENA region, witnessed one of the best years in tourism. The year marked the highest ever tourist arrivals of 855,975. This represented, notwithstanding the declining rate of growth, an impressive increase of 30.8 percent compared to 2010. The top performing markets were India followed by UK. Notable increases in arrivals were recorded from India of 35 percent and from the Middle East of 53 percent despite the uncertainties that underlined this region.

The industry, in 2011, recorded an increase in average spending per tourist and generated the much sought after foreign exchange earnings of US$ 830 million, corresponding to a strong increase of 44.2 percent. Direct and indirect employment creation was close to 140,000.

Sri Lanka - Outbound Travel

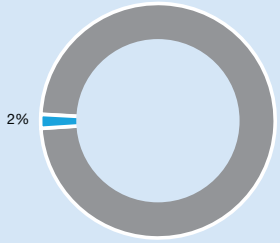


Source: Sri Lanka Tourism Development Authority

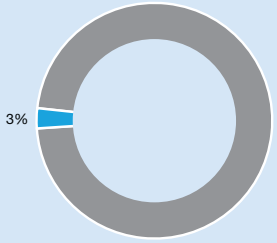
From an outbound travel perspective, the overall sector through the years, especially in the post conflict era, has grown in tandem with the surging Sri Lankan economy and the resultant rise in the per capita income. Majority of the upper and middle socio economic strata in the society have increasingly embraced an upbeat lifestyle. Traveling abroad for leisure as well as for business in the present context is now a commonplace. Departures for Sri Lankan nationals travelling overseas have steadily increased over the years. In 2011, 1.2 million Sri Lankans departed for overseas travel (Sri Lanka Tourism Development Authority).

Travel and Leisure			
For the Y.E	2011/12 Rs. Million	2010/11 Rs. Million	% Change
Revenue	562	371	51%
Earnings Before Interest & Taxes (EBIT)	51	50	2%
Profit Before Tax	51	50	2%
Profit After Tax	45	39	15%
Total Assets	521	338	54%
Total Equity	147	131	12%
Total Debt	84	38	121%
Capital Employed	230	168	37%
Return on Equity	30.8%	30.0%	3%
Return on Capital Employed	19.6%	23.3%	(16%)

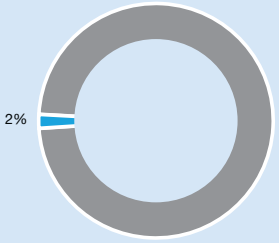
Revenue



EBIT



Capital Employed



OPERATIONAL REVIEW

Overview

Travel and leisure is the Group's emerging business. Currently, this sector accounts for only 2 percent of the Group's turnover and 3 percent of EBIT. However, revenue in this year under review recorded a 51 percent growth displaying the sector potential.

The sector specializes in both inbound and outbound tourism catering to the requirements of corporate and leisure segments. The sector offers an array of products and services from airline ticketing, visa formalities & hotel reservations to destination management with a considerable outreach in the region spanning Sri Lanka, India and Maldives.

Financial Performance

Our travel and leisure sector had a robust year of performance, notwithstanding the dynamics that prevailed in the global economy and the macroeconomic imbalances in the domestic front towards the latter part of the year. The sector recorded revenue of Rs. 562 million exceeding the performance of Rs. 371 million in the previous year, with solid performances in both outbound and inbound sub sectors. With the buoyancy of revenue performance, the sector posted a profit after tax of Rs. 45 million, corresponding to an increase of 15 percent as against the previous year.

Segment Analysis

Segment	Key Markets	Products
Outbound	India, Europe, USA, Middle-East, Maldives	Leisure & corporate travel
Inbound	India, UK, China, Europe, Russia	High end leisure travel, MICE

Outbound Operations

Our outbound operations represent a significant component of the total leisure and travel business. This sub sector, characterized by a firm positioning at the forefront of the industry as the market leader, a solid brand image and reputation especially that of Classic Travel, recorded a stable performance during the year under review. Our corporate travel segment, accounting for nearly 80 percent of our outbound business enjoyed its dominant market share in the industry which contributed significantly to the sector growth. Leisure travel also picked up as compared to the previous year.

In this year, given the Nation's development drive in the South, inter alia, with the upcoming new international airport at Mattala, our outbound operations branched out to Hambantota and Galle. With this move, our national carrier, SriLankan Airlines nominated our outbound company, Classic Travel as the Preferred Sales Agent (PSA) for Hambantota. We also secured one year renewable PSA Contract with Thai Orchid Holidays, affiliated to Thai Airways. This Contract took our PSA total with the airlines to three.

In the year, we were keen and fostered our existing relations with airlines including SriLankan Airlines, Emirates, Singapore Airlines, Cathy Pacific and Air Arabia. We were honoured to receive many accolades in recognition of our outstanding services as a PSA.

In the reporting period, we acquired a controlling stake of 49 percent in Classic Maldives in our quest to extend our market outreach. This acquisition will not only open up opportunities to tap the growing outbound market in Maldives but will also generate synergistic opportunities for the Colombo operations.

Our focus was also on service quality and strived to add value to our products by offering total solutions to our customers. We introduced "Classic Plus", a value added package which includes services such as airport transfers especially targeted to woo our premium customers. This product together with our efforts to further our service quality by training our employees on customer service and upgrading our online systems strengthened our relationships with our customers.

Inbound Operations

Our inbound segment operates and promotes Sri Lanka and Maldives whilst the key source markets are India, UK, Russia, Middle East and China. Out of the total inbound business, major share of the revenue comes from the Sri Lankan operations.

In 2011/12, our inbound operations were able to post a strong performance. In the backdrop of resurgence in tourism in Sri Lanka, we were able to grow our market share in our inbound sub sector during the year under review. Our market share in Maldives too recorded a healthy growth. This, warranted us to ramp up the scale of operations by investing on infrastructure. In tandem with the remarkable increase in the Indian arrivals to Sri Lanka, trending from 2010 onwards, our inbound sector witnessed a healthy growth in business from both corporate and leisure travel segment from India. The operations also focused on other key markets which displayed greater prospects for high end tourism viz UK, China, Russia and the Middle East. UK market performance, however, was stagnant. In contrast, China, Russia and Middle East posted a steady growth as against the preceding year.

Our brand image as a premier inbound destination management agency together with our ability to cater with total package solutions to the high end leisure as well as to the corporate travel and MICE segments set us apart from our competitors. The inbound operations were greatly enhanced by the synergies from the Maldivian operations which performed creditably during the year under review. We were able to have a larger market outreach with sharper pricing given our core business in two destinations; with diverse product offerings from idyllic and luxury holidays in the sun, sea and sand to experiential holidays with nature, cuisine, culture and adventure for the discerning high-end market.

We also initiated to acquire the controlling stake of 50 percent in Akquasun Holidays India for an investment of US$ 915,000 with an exposure to the outbound Indian market with 11 destinations globally. Our strategy for this acquisition is to consolidate all inbound travel operations whilst projecting our current operations at the destination management company, Luxe Asia as our exclusive brand for high-end tourism.

This acquisition will mark a leap towards reinforcing our presence in the leisure and travel sector. We intend to leverage this strategic acquisition to make further inroads to destinations greatly skewed for outbound travel like India, China and Russia

OPERATIONAL REVIEW

to expand our outreach and sector top-line. We also anticipate this acquisition to lead to greater operational efficiency through economies of scale which is expected to culminate in improved sector bottom-line.

Expo Rail

In a bid to embrace domestic tourism which is identified as an important area to be developed within the national strategy that mutually benefit international tourism, we launched Expo Rail during the reporting period in consultation and cooperation with Sri Lanka Railways. This operation which offers an experiential luxury carriage for both the domestic and international tourist commenced on the regular Colombo-Kandy intercity train in October 2011. As at date, Expo Rail has expanded to four major routes covering key areas in Sri Lanka. This venture complements our existing inbound operations, especially targeting the up market tourists.

Path Ahead

Future Outlook

International tourism is projected to further recover with a consolidated growth, albeit the economic woes afflicting the key source markets in USA and Europe. All destinations are earmarked to post positive growth with the exception of the Middle East which is still beset with an uncertain political climate. For the first two months in 2012, the international tourist arrivals posted a positive growth as against the corresponding period in 2011, led by a strong growth in South and South-East Asia, followed by Central and Eastern Europe, North Africa and South America. Given this trend, UNWTO forecasts international tourism to reach one billion mark for the first time with a growth rate of 3- 4 percent in 2012 vis à vis 2011 (World Tourism Barometer, UNWTO May 2012).

In the backdrop of the challenge posed to Sri Lanka Tourism with an aspired target of 2.5 million tourists by 2016, the nation is determined to propel this industry forward. To meet this target, the National Tourism Strategy sets out a framework to sustain and give the necessary impetus for the industry to be on a growth trajectory. The Government is desirous of making significant investments to develop capacity and tourism related infrastructure whilst promoting and positioning Sri Lanka as one of the most sought after tourist destinations in the region. Already, initiatives have been taken inter alia, to develop the product with emphasis on improving quality and standards, attract reputed hotel chains, induce the private sector to develop the properties in unscathed tourism areas and most significantly on developing the international airport at Hambantota. Over the medium term, the industry is well poised to take off to the next phase. By 2016, Sri Lanka's tourism industry is expected to attract 2.5 million tourists, generate US$2.75 billion in foreign exchange earnings and 500,000 employment opportunities.

On the outbound tourism front, Sri Lanka with an expanding economy and moving on to being a middle-tier income country will see a further rise in outbound tourism. The lifestyles and attitudinal changes in the nation all point to prospects in this sector.

OPERATIONAL REVIEW

Our Strategy

We seek to further our footing in this emerging and potential travel and leisure sector which is also identified and being developed as a key thrust sector in the nation's growth trajectory. Our aim is to reinforce our market leadership in the outbound sector whilst exploring new markets, in particular Intra-Asia. In terms of the inbound sector, we seek to grow our market share upholding on synergies within the sector companies. Hence, the operations will focus on three key areas to further our role in this sector:

- Grow through Akquasun network
- Build synergies
- Operational efficiency

Grow through Akquasun network

In respect to our inbound operations, our focus will be on the fast growing economies with a higher propensity for outbound travel. India with its vibrant outbound travel segment will remain as our primary focus. However, we will aggressively look to strengthen our market outreach in other potential markets like China which is considered to be a foremost outbound market, characterized by a burgeoning economy and the rise of the middle class social strata, leveraging on the strength of the Akquasun Group.

For outbound business, we will seek to grow our market share in Sri Lanka especially with the new branches coming into play with the prospects of a new airport in the South. We look forward to aggressively clasp on to the market demand in Maldives and firm our operations in Bangladesh. We seek to venture into potential markets in the region whilst establishing a network in the Middle East which inter alia, will enable us to tap the travel both business and leisure of the Sri Lankan community residing and working in the region.

Build Synergies

We intend to further our strides by focusing on synergies between the travel and leisure sector companies. We have a strong footing in both the outbound and inbound travel sector in Sri Lanka. We also have an advantage of a strategic network in India especially with our link to Akquasun Holidays with a strong global footprint and in the up market tourism destination, Maldives. We intend to encourage our sector companies to cross sell products unique to all three destinations, to seek and share opportunities that can further our market share and enhance our operational efficiency.

Operational Efficiency

We will also strive to further upgrade our systems and processes in this sector to streamline operations and reduce costs. We will deploy the latest in information technology to upgrade our booking and travel monitoring systems. We will encourage all our offices and their clientele to embrace web based booking systems whilst maximizing our website and using social networking tools to promote our products and services. Apart from this, our employees will be rigorously groomed and trained for best customer service and to enhance their productivity, in turn complementing our efforts to boost operational efficiency and securing our customer base.

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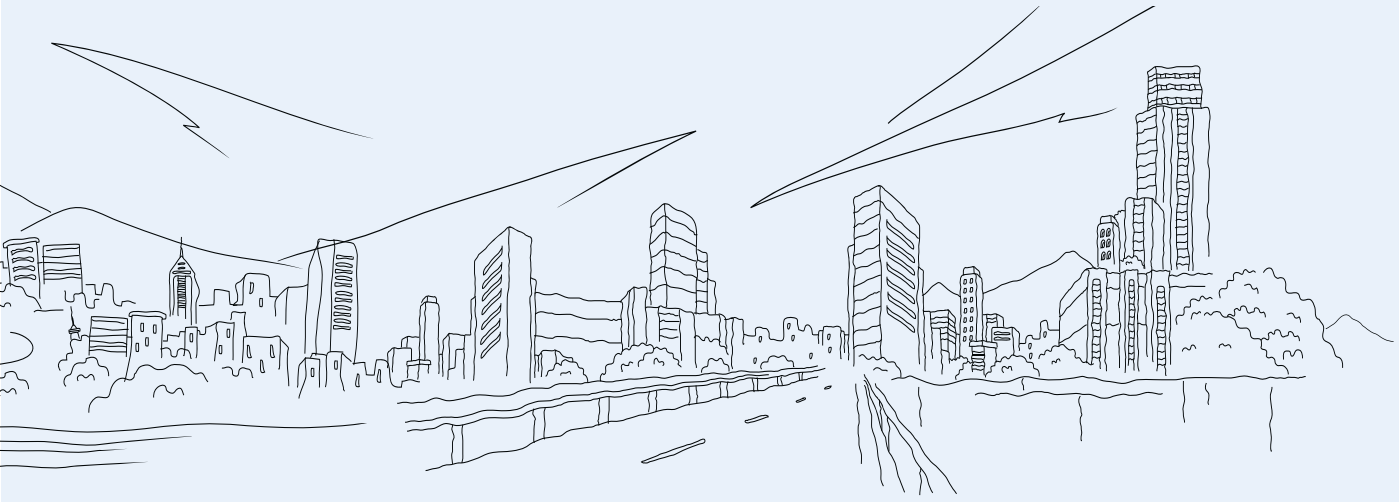


Expolanka is always on the lookout with an entrepreneurial spirit which has resulted in our interest in airline services, tertiary education and business process outsourcing. With brilliant execution we have been successful in these areas whilst continuing to pursue the delivery of excellence and growth.

HIGHLIGHTS OF THE YEAR 2011/12

Portfolio Includes
- Tertiary Education
- BPO Services
- Airline GSA
- Corporate Services
- Investments

Investments
- Amana Bank Ltd
- Amana Takaful Maldives PLC
- Amana Investments Ltd
- Lanka Commodity Brokers (Pvt) Ltd

Strengthened Corporate Management

BPO Restructured

GSA revenue declines due to Airline Industry downturn

Successful listing in the Stock Exchange

Outstanding Profits in Tertiary Education Sector

Sector Revenue
- Rs. 3,257 Mn
- 17% Decline

Sector Profits
- Rs 56 Mn loss
- 180% decline

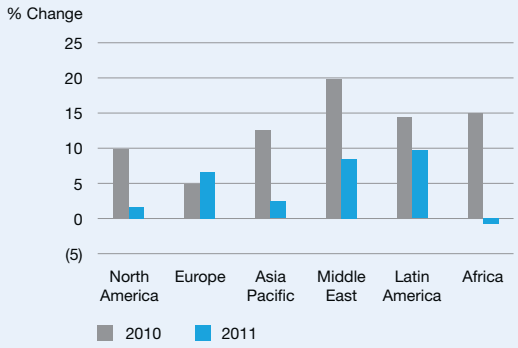
OUTLOOK 2011

Airline Industry

The global landscape in 2011 witnessed a year with rock bottom confidence levels of consumers as well as businesses, in the midst of the sovereign debt debacle in the Eurozone and the economic apathy of the advanced countries together with the political afflictions in the Middle East.

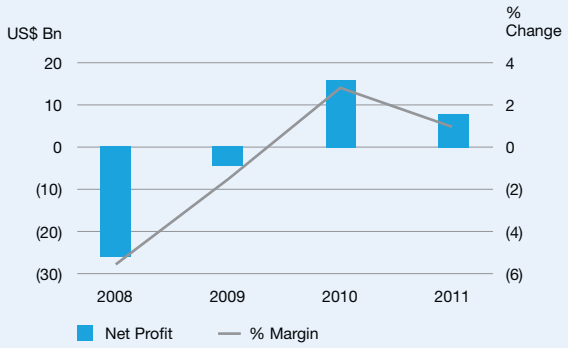
In this backdrop, the airline industry was challenged, on one hand, the deceleration of traffic especially cargo and on the other, the increasing cost of fuel leading to lower profitability of the industry. The total traffic in 2011, dropped to a 4.1 percent growth from a rebounded growth of 10.4 percent in 2010. The net profits of the global airline industry was US$ 7.9 billion with a margin of 1.3 percent down from an impressive US$ 15.8 billion and margin of 2.9 percent in the preceding year.

Global Commercial Airlines - Pax & Cargo Traffic



Source: Industrial Financial Forecast, June 2011, IATA

Profitability - Global Commercial Airlines



Source: Industrial Financial Forecast, June 2011, IATA

Both internationally and locally, our airlines and its related services like the GSA sector were affected by the global trends of high fuel prices and lower yields in an intensely competitive environment. Both our national carrier, SriLankan Airlines and the budget airline, Mihin Air posted significant operating losses of Rs. 19.1 billion and Rs. 455 million respectively in the year 2011 (Annual Report, 2011, Central Bank of Sri Lanka).

Business Process Outsourcing (BPO)

The BPO industry which has been growing in strength the world over, even in the midst of the prevalent economic woes, is fast emerging as a significant industry in Sri Lanka, both in terms of employment and foreign exchange earnings. In 2011, BPO together with the IT sector posted gross inflows to the country of

OUTLOOK 2011

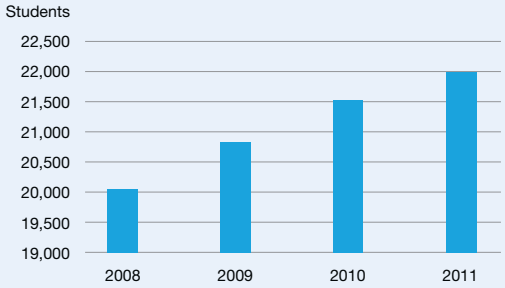
US$ 355 million corresponding to an increase of 34 percent as against 2010 (Annual Report 2011, Central Bank of Sri Lanka).

Given the fundamentals for the industry to make a mark on the global arena, especially in terms of infrastructure and a solid base of talented and trainable human capital, Sri Lanka was ranked as a leading BPO destination among the top 25 by AT Kearney Global Services Location Index 2011 whilst India, China and Malaysia were ranked as the top three destinations.

Education

In the development goals of the nation, education has been given precedence and greater effort placed to expand the facilities in education across the country. Yet, the public sector alone cannot handle the numbers demanding for tertiary education. The growth in the public sector led tertiary education is hardly significant. In 2011, there were only 15 public sector led universities in the nation as was the case since 2005. The university student population was recorded at 73,828. The intake of new admissions for basic degrees was 22,016 represented by an increase of only 2 percent over the levels in 2010. The demand for tertiary education is estimated to be much higher than the intake. Hence, the Government has increasingly recognized the role of the private sector investment in tertiary education.

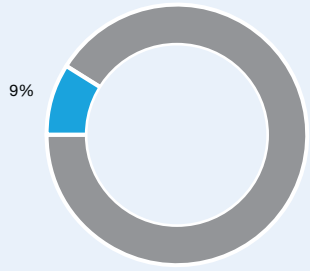
New Admissions to Universities (Basic Degrees)



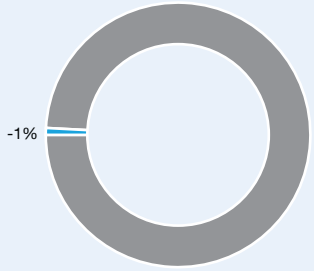
Source: Annual Report, 2011, Central Bank of Sri Lanka

Investments and Services			
For the Y. E	2011/12 (Rs. million)	2010/11 * (Recurring) (Rs. million)	Change
Revenue	3,257	3,928	(17%)
Earnings Before Interest & Taxes (EBIT)	(14)	195	(107%)
Finance Cost	12	39	(69%)
Profit Before Tax	(26)	156	(117%)
Profit After Tax	(56)	70	(180%)
Total Assets	3,171	1,531	107%
Total Equity	4,439	1,864	138%
Total Debt	388	804	(52%)
Capital Employed	4,827	2,668	81%
Return on Equity	-1.3%	3.8%	(134%)
Return on Capital Employed	-0.9%	4.1%	(122%)

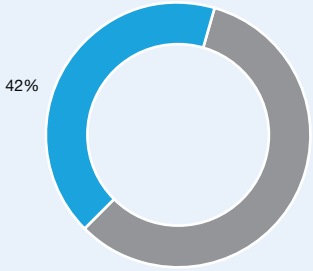
Revenue



EBIT



Capital Employed



*Note: * The segmental financials for 2010/11 excludes the impact of sale of subsidiaries and therefore the comparison is on a recurring basis.*

OPERATIONAL REVIEW

Overview

Investments and Services sector accounts for 9 percent of the Group's revenue. This sector is composed of services in the fields of Education, BPO, General Sales Agents (GSA) for airlines and corporate services and investments.

Financial Performance

The Investments & Services sector revenue declined by 17 % on a recurring basis in comparison to the previous year to reach Rs. 3,257 million in 2011/12. The sector recorded a net loss of Rs. 56 million as against Rs. 70 million profit. This adverse hit was primarily spurred by the GSA sector which had to face serious implications in the airline performance in the midst of the global economic downturn. Further, strengthening of the Corporate Services functions resulted in cost increases at the holding company. These additional resources should result in better value creation across all sectors with focused attention in the future. However, the Education segment posted an outstanding performance which was instrumental in curtailing the impact on the sector bottom-line.

Segment	Key Markets	Products
Education	Sri Lanka	Graduate and post graduate programmes with accreditation from Universities in the UK, Australia and Malaysia
BPO	Sri Lanka	Call centre
GSA	Middle East, Intra Asia, Europe	Air Cargo and Passenger handling

The Airline GSA was the most affected sector within the entire Group from the recessionary trends in the global arena. In keeping with the declining passenger and cargo traffic in the midst of low business and consumer confidence in the world economies, the sector companies posted lower revenues compared to 2010/11. However, this sector recorded profits and good cash-flows, albeit a decline compared to the preceding year.

The trending drop in airline rates, especially for cargo in an intensely competitive market, resulted in lower spreads. The hit on the Middle Eastern airlines played a greater role in depressing our spreads.

BPO

Our BPO arm which was ailing with operational inefficiencies and resultant losses was restructured in the recent past with a new management and efficient processing structure. The operations, shedding the low margin and loss making outsourcing services focused on low cost and high margin services such as call centres. We secured the contract with SriLankan Airlines to manage and operate its Global Contact Centre in the preceding year. We commenced fully fledged operations of this call centre in the latter part of the year. During the year under review, our services to the SriLankan Airlines supported the efforts significantly to turnaround the BPO operations.

Tertiary Education

Our education sector performed admirably during the reporting year. In tandem with the increasing trend for standard tertiary education, we focused on best practices, in keeping with

the standards of our affiliated universities primarily in the UK, Malaysia and in Australia. We strengthened our panel of lecturers and professors and invested in many teacher training programmes in the year under review. We also enhanced our in-house training facilities for the students. We also introduced new degree programmes in the fields of Law, Marketing and Human Resources and also MBA programmes.

The above mentioned initiatives further strengthened our brand image as one of the best in the league. During the year 2011/12, we leveraged on our brand to attract the numbers locally and internationally into the Institute.

The student intake which has been on an upward trend during the recent past, further posted an increase in the reporting year. The intake for the specialized degree programmes in Management and our post graduate programmes witnessed a considerable increase.

With the increase in the numbers, the top-line for this sector in the year under review exceeded that of the previous year whilst the sector posted a growth in profitability and impressive margins.

Corporate Services

Our holding company, Expolanka Holdings PLC provides the following centralized corporate services to the Group network.

- Human Resources Management
- Information Technology
- Corporate Finance
- ERP and Shared Services
- Treasury
- Taxation
- Risk and Control
- Marketing, Corporate Communications and CSR
- Strategic Planning and Business Development
- Legal and Secretarial Services

Our Group IT Department assists the Group companies to deploy the most appropriate technology available to operate their business processes efficiently and optimize by centralization and business alignment, whilst the HR department supports the individual management units to streamline their cadre as per the Group HR strategy. These two areas being focal to any organization, especially to a conglomerate such as ours, is discussed at length in the Sustainability Report.

Corporate Finance includes managing financial reporting for all our Group companies and providing management accounting support to the group. The Group runs on Oracle ERP Platform where financial and management information is generated. The Treasury operations oversee the Group investments and ensure that the portfolio is built with a pragmatic approach balancing risks and returns. 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 risk investments and in the short term on deposits in Mudarabah schemes.

OPERATIONAL REVIEW

Group Tax ensures that all tax matters are properly complied and gets involved in tax planning and formulating tax strategies across the Group to ensure that best tax practices are maintained. The Group Risk and Control overviews the functioning of Internal Audit which is presently carried out by PricewaterhouseCoopers. All significant issues are reviewed by the Audit Committee. All matters on compliance and risks are further reviewed by the Board.

Marketing, Corporate Communication and CSR gets involved in all internal and external corporate communications of the Group. They handle group branding and provide strategic marketing inputs to line companies. They also get involved in managing CSR projects across the Group and manage the investor relations activities.

Strategic Planning and Business Development play a vital role in strategizing the best course of action for companies. They also get involved in performance evaluation of companies on a periodic basis. Further, they provide valuable inputs in assessing returns on investments from Group companies. Evaluation and finalizing of suitable acquisitions which meets Group's strategy are also carried out by this unit together with Corporate Finance.

The Legal department coordinates all legal related issues across the Group companies. They ensure all regulatory matters are complied with and gets involved in handling legal cases of the line companies. The Secretarial department coordinates all secretarial functions of the line companies including managing of board meetings and AGMs.

Path Ahead

Airline GSA

Future Outlook

The airline industry which was on a decelerating path in 2011 is already showing signs of bottoming out with stronger passenger traffic and signs of recovery in cargo traffic. The current trending fall in oil prices will definitely bring some solace to the sluggish industry. Yet, forecast for 2012 remains cautious with the continuing and deepening issues in the Eurozone. The growth in global traffic is forecasted to further dip to 3.5 percent. The airlines in the Middle Eastern region, however, are expected to recover with the growth in traffic moving up from 8.6 percent in 2011 to 14.1 in 2012 (Industry Financial Forecast, June 2012, IATA).

We see potential for our Airline GSA sector to recover in tandem with the growth in the aviation industry in Sri Lanka. Yet, we are cautious of the global trends and the implication therein for our Airline GSA sector.

Strategy

The focus is to bring in operational efficiencies by consolidating our operations in the Airline GSA to reap benefits from economies of scale. We also intend to aggressively promote our services with new airlines whilst leveraging on our long standing relationships to obtain best rates to improve our margins.

BPO Industry

Future Outlook

The Government, having earmarked this budding industry, has set out many fiscal and other concessionary incentives to stimulate its rapid growth. In this scenario, our entry into this industry as the premier BOI approved entity is expected to reap future dividends. We have a head start in comparison to most of the local players to be at the helm of the industry as it takes off on a growth trajectory.

Our relationship with the national carrier will no doubt be our leveraging point which will not only open up opportunities for new relationships, but also give in depth experience of handling such significant accounts.

Strategy

Our focus for this industry is not to grow volumes with low margins but to secure contracts with relatively higher margins in BPO areas.

Tertiary Education

Future Outlook

Education is recognized as a thrust sector that lays the foundation for human capital to take the nation forward in its development agenda. The Government has given precedence to develop education with a holistic approach given the budgetary constraints of public education. The private sector in the recent past has been encouraged with fiscal incentives and other concessions to play its part in providing this valuable service.

In this framework, many private sector led tertiary education institutes have been set up in the country. The influx of demand for standard tertiary education, with accreditation from recognized universities, especially from the advanced countries far exceeds the availability of such institutes. Hence, we believe our involvement in the education sector will reap further benefits not only to the Group but to the entire society.

Strategy

Our way forward for this sector is to further the facilities offered to students in terms of more practical training and classroom learning. We intend to enhance our library and IT facilities to give more opportunities and encourage our students to be more research oriented in their outlook. We will be continuously evaluating opportunities to improve our ROEs and optimize our returns on our investments. Our plans also include increasing the product offering by adding new degree and post graduate degree programmes in new fields whilst re-visiting our curricular in consultation with our affiliated universities to embrace the latest in education.

NOTES

EXPOLANKA HOLDINGS PLC

www.expolanka.com

Business Beyond Borders

EXPOLANKA HOLDINGS PLC

SUSTAINABILITY
THINK BEYOND

ANNUAL REPORT 2011/12

EXPOLANKA HOLDINGS PLC

SUSTAINABILITY
THINK BEYOND

ANNUAL REPORT 2011/12

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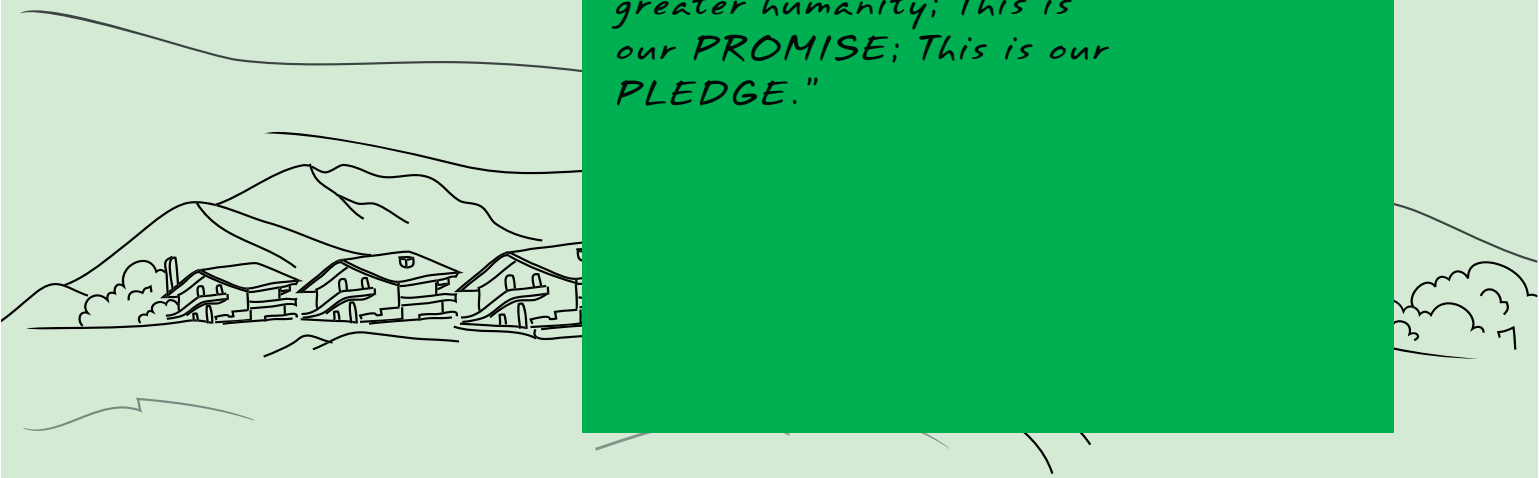
Sustainability is an important element in the functioning of any business. We at Expolanka take sustainability to heart as we focus on our impact on the environment, society, people and economy, with a view to minimize the negative impact while building lasting relationships with all those who are impacted by our work. The following pages highlight our efforts in this area and will be a platform upon which we will continue to strengthen our efforts in the years to come.

"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

The Sustainability Report focuses on the sustainable measures adopted together with the related activities and performance for the reporting period 1st April 2011 to 31st March 2012. The Report is presented as a part of the 2011/12 Annual Report of Expolanka Holdings PLC.

The Report discusses at length the performance of the year under review, benchmarking the trends vis à vis the preceding year performance as appropriate. The Report introduces the new Corporate Social Responsibility (CSR) model proposed to be implemented in the ensuing years, reflecting on the Group's commitment to continue sustainability measures for the future. The Report is presented under the following sections addressing the issues of our key stakeholders, detailing the performance during the reporting period, and the future plans.

- Economic Contribution
- People
- Community
- Environment

Expolanka is a conglomerate with multiple legal stakes in a network spanning Sri Lanka and beyond borders. This Report focuses on the business operations and activities of Expolanka and its subsidiary network in Sri Lanka excluding the associates and joint ventures unless otherwise mentioned.

Methodology

The Report presents an impartial view of our performance focusing on both our achievements and limitations. 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.

The Report for the first time attempts to follow the internationally recognized sustainability reporting framework – Global Reporting Initiative (GRI) which is ideal for Expolanka to ascertain and report on its sustainability measures. The Report is aligned to the GRI G3 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

OUR SUSTAINABILITY VISION & MISSION

Vision

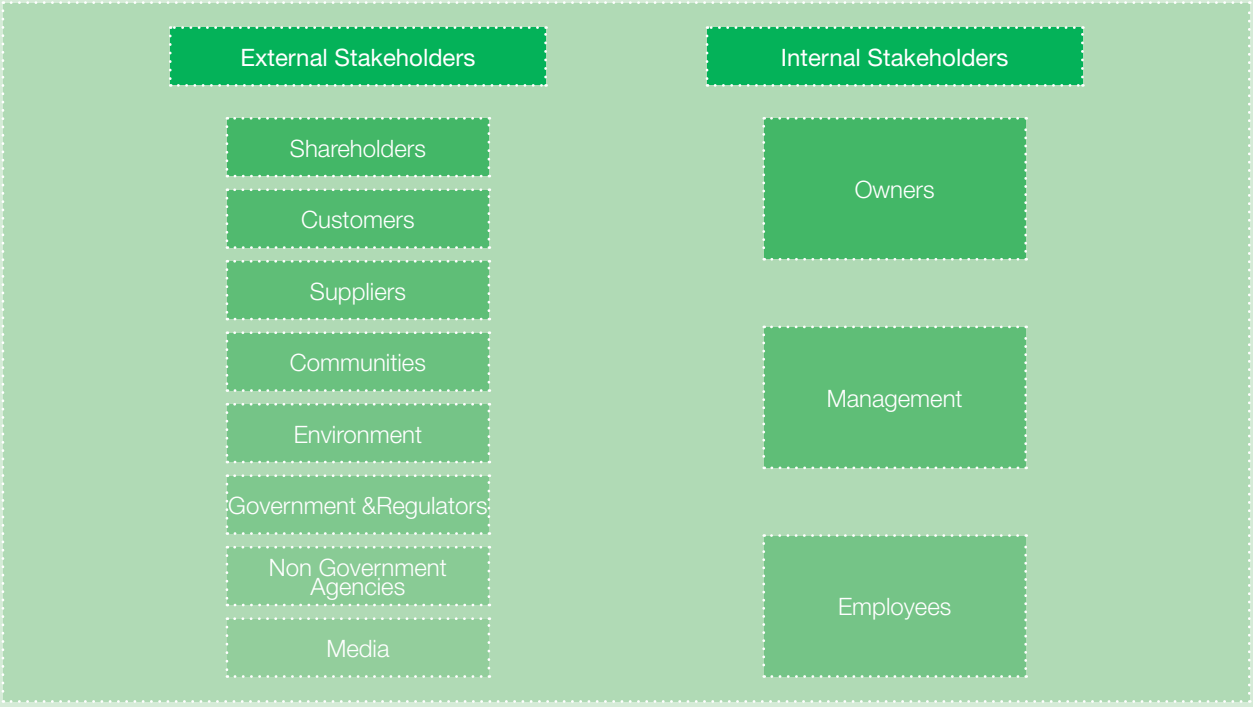
Expolanka will be a leader in enhancing the long term sustainability of the communities it serves; our CSR practices will be integrated throughout our business operations and will deliver social, economic and environmental benefits to our employees, communities and other stakeholders, while delivering a business advantage to our organization.

Mission

- Envisions 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.
- Strives to be a leader in corporate citizenship and sustainable development, caring for our employees and stakeholders.
- Seeks to enrich the quality of life for the communities in which we do business and serve as good stewards of society and the environment.
- Commits to operate in an economically, socially and environmentally responsible manner whilst balancing the interests of diverse stakeholders.
- Fosters change for a global sustainable business and society.

Stakeholders Engagement

We understand that all our business decisions require carefully planned stakeholder engagement, customized to each stakeholder group with transparency, accountability and integrity. We do our utmost to safeguard the trust and build mutually beneficial relationships with all our stakeholders for longer term sustenance.



STAKEHOLDER MANAGEMENT

Economic Contribution

Focus	Engagement	Approach
• Value Creation • Value Distribution • Governance & Risk Management • Information Technology • Awards, Recognition and Quality Certification	• Annual General Meeting • Extraordinary General Meeting • Dialogue with Policy Makers & Regulatory Bodies • Public Announcements & Disclosures • Dialogue with Employees Internal Meetings & Intranet • Official Website • Agreements & Contracts • Investor Forum	We seek to strategize and direct our operations to deliver long term sustainable value to bolster our stakeholders' wealth. Our strategy for value creation is to accelerate our efforts and resources on key growth sectors in the economy and explore new opportunities, selectively in synergistic acquisitions and mergers. We endeavour to take on our entrepreneurship forward with a long term perspective. Maintaining a balance between value creation, governance and socio-environment responsibility is at the forefront of our approach.

Expolanka is the vanguard of entrepreneurship. Value creation for all stakeholders especially in the context of being a recently quoted company at the Colombo Stock Exchange, is the focal factor of all our operations. However, we do not believe in driving value creation with exploited resources or a compromised future. We seek an ideal mix between value and sustainable measures from good governance, risk management to corporate social responsibility. We strive to achieve our economic goals in compliance with all applicable regulatory requirements and non-mandatory requirements wherever possible.

Value Creation

What We Do
Freight & Logistics
• Key services offered - freight forwarding and logistics management
• Leading player in South Asia with a sizable presence in Sri Lanka, India & Bangladesh
• Extensive network of offices across Asia, Middle East and Sub-Saharan regions
• Customer portfolio includes top brands in fashion logistics, agricultural exports, electronics and telecommunication industries
• 23 companies with 1,507 employees
• Sector revenue for FY 2011/12 was Rs. 19,570 Mn accounting for 55% of the consolidated revenue
• Sector net profits was Rs.1,116 Mn accounting for 91% of consolidated net profits
Travel & Leisure
• Key services offered - inbound and outbound travel and tours
• 04 companies with 179 employees
• Sector revenue for FY 2011/12 was Rs. 562 Mn accounting for 1.6% of the consolidated revenue
• Sector net profits was Rs. 45 Mn accounting for 4% of consolidated net profits

STAKEHOLDER MANAGEMENT

What We Do
International Trading & Manufacturing
• International trading includes importation of agricultural commodities and cement and exports of fresh fruit, vegetables and tea
• Manufacturing includes export of recycle paper, herbal pharmaceuticals and FMCG products
• 14 companies with 497 employees
• Sector revenue for FY 2011/12 was Rs.12,026 Mn accounting for 34% of the consolidated revenue
• Sector profits for FY 2011/12 was Rs. 126 Mn accounting for 10% of the consolidated net profits
Investments & Services
• Services include GSA, tertiary education and business process outsourcing
• 19 companies with 316 employees
• Strategic and synergistic Investments
• Sector revenue for FY 2011/12 was Rs. 3,257 Mn accounting for 9% of the consolidated revenue
• Sector net loss for FY 2011/12 was Rs. (56) Mn

With 53 subsidiaries and 6 joint ventures in key growth sectors in Sri Lanka and in 16 countries and 44 cities, we are in the forefront of economic value creation as an employer, purchaser and investor. With over 2,400 employees, leading brands and presence in the principal sectors, we make an invaluable contribution to the economy and to the society.

The value added statement below sets out the economic value generation and distribution across stakeholders for the reporting year 2011/12, taking into account the amounts retained and reinvested in the Group for the replacement of assets and development of operations.

For the Y. E 31st March 2012 Rs Million	Freight & Logistics	Travel & Leisure	Int. Trading & Manufacturing	Investments & Services	Group Total	Eliminations / Adjust.	Consolidated Group Total
Direct economic value generated							
Revenue	19,583	562	12,026	3,383	35,553	(139)	35,415
Dividend income	122	-	8	259	389	(380)	9
Other operating income	483	32	153	134	802	(178)	624
Share of profit of an associate	-	-	-	5	5	-	5
Total Value Added	20,189	593	12,187	3,781	36,750	(697)	36,053
Economic value distributed							
Operating costs	16,810	416	11,437	2,986	31,649	(230)	31,419
Employee wages & benefits	1,513	133	304	339	2,290	-	2,290
Payments to providers of funds	542	16	197	359	1,115	(720)	395
Payments to Government	342	5	174	29	550	68	617
Total Distributed	19,207	570	12,112	3,714	35,603	(882)	34,721
Economic value retained							
Depreciation & Amortisation	158	6	90	82	337	-	337
Profit after dividends	823	18	(15)	(16)	810	185	995
Retained for reinvestment / growth	982	24	75	67	1,147	185	1,332

The consolidated revenue for the reporting period was Rs. 35,415 million corresponding to a reduction of 14% against the preceding year, amidst a challenging environment both domestically and globally. After accounting for other income and provisions, the total value generated was Rs. 36,053 million.

STAKEHOLDER MANAGEMENT

As displayed above, most of the value generated has been re-absorbed to the economy and 6 percent of the value created was distributed to employees as wages and benefits. Government received 2 percent as taxes whilst financiers received 1 percent as cost of finance.

The earnings per share and price earnings ratio are Rs 0.548 and 11.31 times respectively.

Economic value retained for reinvestment and growth accounts for 4 percent of the value created.

Supply Chain

Apart from our contribution to the economy in terms of taxes and wages, we are a key purchaser with a significant degree of influence on our supply chain.

Our purchases include operational, fixed assets and non-operational purchases.

Our supplier selection process is inter alia, based on cost, quality, percentage of rejects, availability, lead time for delivery and our relationship with the supplier.

Underlined by the above mentioned factors, we give precedence to local suppliers where available and appropriate.

Corporate Governance & Risk Management

We are well aware that poor and unethical governance practices can cost companies profoundly not only in terms of image and reputation but also financially and operationally. With the Group growing into the next level of operations as a public quoted entity, we are committed to a stronger governance framework with more efficient processes and policy driven focus.

We comply to the best corporate practices issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and the Listing Rules of the Colombo Stock Exchange. The Group's Code of Business Conduct and Ethics linked to the corporate vision and values gives a blue print for the Board, management and employees on professional and ethical behaviour.

The synopsis of these practices that has led to greater corporate accountability, transparency and confidence of all stakeholders are listed out below:

- Well defined governance structure with clear segregation of responsibilities.
- Greater effectiveness of the Board given the independent directors and the Sub Committees - Audit and the Remuneration Committees.
- A dedicated compliance/legal officer to the Group to coordinate and report to the Board on any infringements on the prescribed governance.
- Compliance with the governance requirements of regulatory bodies, applicable legislation, business contracts and partnerships.
- Compliance with the relevant reporting and accounting standards aligned to local and international requirements.

We have proper processes and controls including internal and external audit in place to ensure effective risk management in our performance and in our way forward. We strive to ensure that our risk controls are properly balanced with the opportunities therein.

Our key risk management practices and measures are briefly set out below:

- Dedicated team reports to the Board Audit Committee on the risk management status of day to day operations.
- The Board Audit Committee ensures that the Group follows risk effective strategies including appropriate controls and risk mitigating mechanisms in day to day operations.
- The Board Committee supports the Board to balance between risks and opportunities in the decision making process.
- Internal audit function is handled independently and professionally by Messrs. PricewaterhouseCoopers Advisory Services (Pvt) Ltd.
- The external audit function is consolidated and presently handled by Messrs. Ernst & Young, Chartered Accountants.

Measures adopted and practices followed by the Group on reaching out to good governance and risk management are discussed in detail in the Corporate Governance and Risk Management Sections of this Annual Report.

Information Technology

STAKEHOLDER MANAGEMENT

We give great precedence to deploy the latest in capital information technology (IT) to support our businesses deliver consistent and sustainable value creation, aligned to the Group's vision, mission and goals. Our IT strategic framework focuses on developing, implementing and managing effective and responsive IT solutions with a "business fit". The framework with a three-year span, encompasses the strategic direction, goals and the action plan including key performance indicators for monitoring progress. In line with this framework, we have adopted a three pronged approach to manage the Group IT.

IT Infrastructure Management

The Group IT function is centralized and managed by the Holding Company. The IT infrastructure both hardware and software are improved and updated appropriately, in keeping with the latest developments in the industry.

Our servers are virtualized in a primary data center with a dedicated virtual network with Sri Lanka Telecom. This has enabled us to have minimum number of physical server hardware, thereby moderating our data center footprint. Our computers consisting of both desktops and laptops are purchased from authorized dealers with warranties and are well maintained with the licensed software including all updated office applications.

We give utmost care to ensure IT integrity and security. We have taken comprehensive measures as set out below to safeguard confidentiality of information and data loss that may affect the continuity of the business.

- Authorized access to server rooms with a surveillance system
- Access controls for computers and documentation with password protection
- Use of licensed software to ensure protection from unwarranted exposure to viruses
- Updated virus guards, firewalls and regular checks to protect computers and data systems from viruses, Trojans and other malicious and unauthorized software
- Limited access to the internet, Skype and other social networking sites except for business related purposes
- Comprehensive "Disaster Recovery Plan" with data backup and storage in three secured data centers including two offsite locations for disaster recovery

IT Application Portfolio Management:

We strongly advocate streamlined operations and automated standard work flow processes and systems to enable a common platform to synergize between businesses, establish a domain to share business intelligence and empower decision making.

Most of our operations including back-office functions from finance, human resources management to corporate communications are automated, enabling cost rationalization and greater value creation. Some of the automated applications that have given an edge to the Group are set out below:

- Oracle Finance for Group financial application and reporting

- Microimage HCM application for human resource management and administrative functions
- SharePoint for online document management and collaboration
- Intranet for communication of policies, circulars, internal social networking and announcements for all employees in the Group including the overseas operations
- Email for internal and external correspondence
- Microsoft LYNC for instant messaging, video conferencing, file sharing and presentations
- Customized in-house developed enterprise applications to drive business processes - eg: Cargodrive for freight forwarding and GSA application for airline agents

During the reporting year, Microsoft SharePoint 2010, an online document management application was initiated to avail the myriad of options entailed in this tool - document sharing between multiple users, audit trails, information security to archives. Much of the business documentation including approvals are now accomplished online, in real time, thereby simplifying processes and enhancing our operational efficiency, leading to effective and swift decision making. Apart from this, as discussed in the environment section of the Sustainable Report, SharePoint has taken us closer to the ideal of a "paperless office".

IT Governance

We advocate effective governance of all IT resources aligned to our business strategy as well as corporate governance policies and practices. The key facets of good IT governance of the Group are as follows:

- Periodic IT audits by the Internal and External Auditors to ensure that IT systems are properly maintained with a balance between business fit, latest in technology and information security and integrity.
- Reviewing and penetration testing by third party IT consultants to confirm that our systems and processes are maintained in line with the best international practices.
- Training all employees in the Group to make them tech-savvy with the latest applications and to ensure that they are up-to-date and in compliance with the Group's IT policies, practices and standards.

STAKEHOLDER MANAGEMENT

Awards & Recognition

- Expolanka Holdings PLC
  Social Marketing
  Global Awards for Brand Excellence
  November 2011

- Expolanka Freight (South Africa)
  Africa Best Partner 2011
  4th World Cargo Alliance
  Annual Conference 2012

- Expolanka Freight
  Bronze Medal - Service Providers to Exporters Sector
  Extra Large Category (for performance in 2010)
  National Chamber of Exporters Awards September 2011

- Neptune Papers
  Gold - Paper & Paper Products
  Industry - Medium Category (for performance in 2010)
  National Chamber of Exporters Awards , September 2011

- Expolanka (Pvt) Ltd
  Gold - Value Added Exports
  Agriculture - Large Category (for performance in 2010)
  National Chamber of Exporters Awards, September 2011

- Bio Extracts
  Best SME in the Sector
  (for performance in 2008 & 2009)
  Presidential Export Awards July 2011

- Expolanka Freight
  Merit Certificate (for performance in 2008)
  Presidential Export Awards July 2011

- Expolanka Freight
  Top Customer award for 2011- British Airways

- Expolanka Teas
  Merit Award - Value Added Teas (for performance in 2008)
  Presidential Export Awards July 2011

- Expolanka Freight
  Best China
  Focused Foreign Handling Agent
  Indian Subcontinent
  International Forwarders Awards China May 2011

- Expolanka Freight
  Limited Brands (MAST)
  Best Global On-Time & Best On-time Lane Performance (for the year 2011)
  Hong Kong April 2012

Memberships

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 Britian
• Sri Lanka Maldives Bilateral Business Council - CCC
Peri Logistics (Pvt) Ltd
• Perishable Logistics Alliance (PLA) / World Cargo Alliance (WCA)
• Sri Lanka Freight Forwarders Association (SLAFFA)
• National Chamber of Exporters (NCE)
Expolanka Freight (Pvt) Ltd
• Sri Lanka Freight Forwarders Association (SLAFFA)
• American Chamber of Commerce in Sri Lanka (AMCHAM)
Expolanka Teas (Pvt) Ltd
• Colombo Tea Traders Association

STAKEHOLDER MANAGEMENT

Certification

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 • HACCP • ISO 9001:2008 • ISO 22000:2005
Bio Extracts (Pvt) Ltd
• ISO 14001 • ISO 22000 • ISO 9001 • HACCP • GMP • Halal Certification – All Ceylon Jamiyyathul Ulama • USDA ORGANIC Certification • SORIYA SINGHA Accreditation
Norfolk (Pvt) Ltd
• Halal Certification – All Ceylon Jamiyyathul Ulama • HACCP - Sri Lanka Standards Institute
APIIT Lanka (Pvt) Ltd
• ISO 9001:2008 quality management system
Expolanka Freight (Pvt) Ltd
• U.S. Customs and Border Protection (CBP) - Certified Customs-Trade Partnership against Terrorism (C-TPAT) Partner - Expolanka USA LLC • CarbonNeutral® Certificate from the CarbonNeutral Company®

People - Our Strength

Focus	Engagement	Approach
• Workforce Planning and Staffing • Training & Development • Organization Development • Performance Management • Employee Relations	• Exciting Careers • Open Communication • Feedback • Sports & Recreation • Learning Opportunities • Career advancement	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.

STAKEHOLDER MANAGEMENT

Human resource (HR) management is an integral and critical part of any corporate entity. Expolanka takes utmost care to ensure that the Group human resources are managed in compliance to the applicable legislation and aligned to the corporate strategy.

The Group's HR Manual documents polices, strategies and guidelines on each of the five focused areas set out above. The Employee Handbook on the other hand, gives a blue print to all employees setting forth their corporate entitlements together with the Group policies, procedures and obligations extracted from the HR Manual.

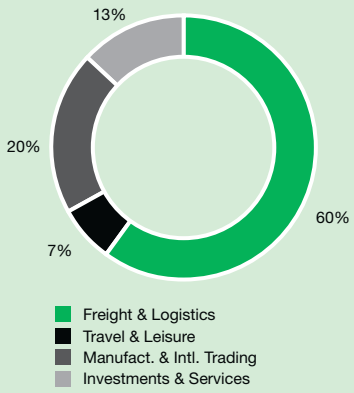
Our HR function is led by a Corporate HR as well as an empowered Sector/SBU level HR teams. The HR function is strengthened with regular input from the Board remuneration committee. The HR function is represented at the Group Executive Council level thus giving the function due recognition and ability to influence top executives in leading and maintaining best of class human resources practices.

Cadre Composition

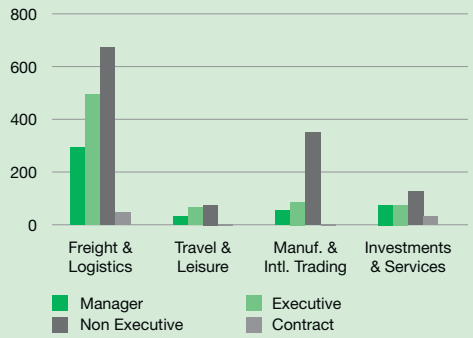
As at 31st March 2012, the Expolanka Group including the local and international operations employs 2,499 persons. Out of the total cadre strength, 39 percent represent the overseas operations whilst in terms of sectors, freight and logistics top the list with 60 percent representation.

	Country Representation
Sri Lanka	1,513
India	511
Bangladesh	207
South Africa	13
UAE	71
Pakistan	68
Vietnam	32
Maldives	9
Philippines	7
Mauritius	16
Kenya	9
Indonesia	30
Madagascar	13
Total Cadre	2,499

Composition Sector Wise



Identifying the correct mix and spread of responsibilities is crucial to the operations of any organization. The Group has endeavoured to maintain a healthy spread and distribution of responsibilities. Employee category wise, spread across the sectors within the Group is given below:



Contracts

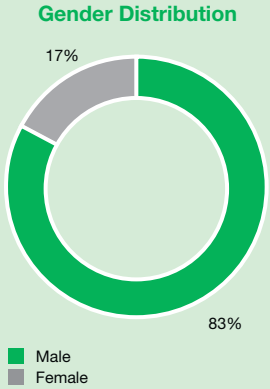
Generally our cadre is contracted on a permanent basis. Contract basis employment is limited for project related activities and short term requirements. Options, however, are given to the contract employees to be absorbed into the permanent cadre, subject to performance and deliverables. Approximately 96 percent of the employees are part of the permanent cadre reflecting on our work environment that gives a sense of job security and motivation for the employees to go beyond the call of duty.

Embracing Diversity

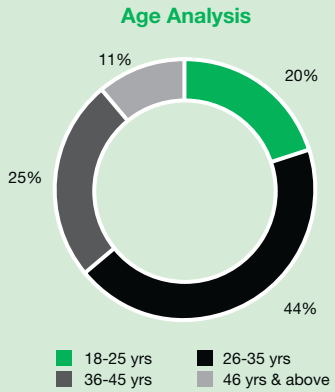
The Expolanka Group has always maintained a rich tradition of being an equal opportunity employer. With deeper penetration as a foremost conglomerate in the nation, the Group is increasingly moving towards diversity in terms of age, gender, ethnicity and religion and strives to ensure that Company policies and processes enable all employees to work together effectively.

Gender

Although the gender distribution is more skewed towards males with 83 percent, the Group is constantly seeking to strike a balanced representation.



STAKEHOLDER MANAGEMENT



Our Group maintains a dynamic balance between the senior employees and the Generation Y employees. Our cadre has the necessary mix of business acumen and good judgment of the experienced staff and lively, new generation ideas, innovation and creativity of the Generation Y staff.

Discrimination

Expolanka is concerned on any actions or activities relating to social prejudices. The Group did not encounter or record any incident of discrimination based on social biases during the reporting period. The Group has in place procedures as per the HR Manual to deal with such incidents in the event of occurrence in the future.

Child Labour

The HR Policy of Expolanka which is strictly followed clearly identifies that employees have to be above 18 years.

In our history, the Group has never employed minors in any of its operations and has taken necessary steps in singling out this fact in most of its contracts with outsourced service providers as well.

Recruitment & Retention

Recruitment

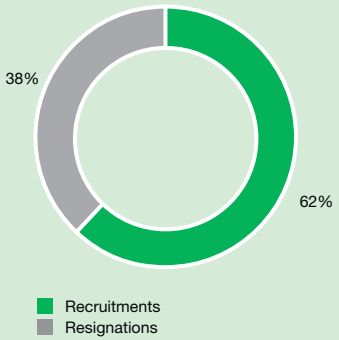
Our aim, as mentioned above, is to foster an inclusive culture that respects diversity in individuals be it gender, ethnicity, religion or socio economic status. Hence, our recruitment criteria set out in the Group "Recruitment and Selection Policy" is purely based on

- qualifications
- skills & expertise
- experience
- personality traits & attitude

We follow a structured process in recruitment. Precedence is given to internal recruitments and transfers for any given vacancy. In the absence of internal candidates, we advertise all vacancies on the national newspapers or online, in recognized employment opportunity sites and on our official website. We shortlist candidates based on the above mentioned criteria and hold competitive interviews including written examinations, case studies and presentations to ascertain the best in the league. All new employees are given an opportunity to participate in a comprehensive induction programme including familiarization and orientation of the Group's vision, policies, practices, procedures, overview of the sectors and their tasks, supervisors and divisions.

During the reporting period, we recruited 618 new employees to the Group, mostly to the freight and logistics sector.

Recruitment vs Resignation



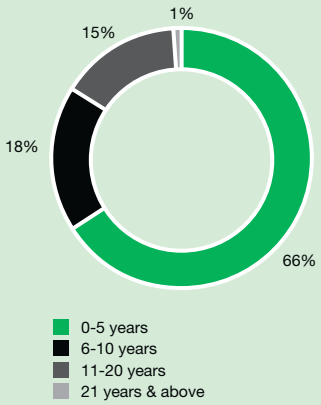
As a recruitment policy, Expolanka is an international firm that recruits the best available talent for the job, however exposure whenever possible is given to locals in all operations.

We always endeavour to employ staff within the local communities we operate. In particular, our manufacturing arm as discussed in the Community Section of this Report sources its workforce within the local areas fostering mutual benefit to the communities and to the operations in terms of creating warm relationships, curbing absenteeism, empowerment and instilling commitment.

Retention

Expolanka has enjoyed a history of excellent employee relations and has always attempted to retain the best within the network. Many initiatives including employee well-being, due recognition, rewards and career development opportunities are provided to retain employees. These initiatives will be discussed in detail in the forthcoming sections of this Report.

Service Analysis



We have a healthy service record with nearly 33 percent of employees remaining within the Group network over 6 to 20 years. The Group turnover ratio is also satisfactory at 15 percent. The staff turnover was mainly attributable to voluntary resignations.

STAKEHOLDER MANAGEMENT

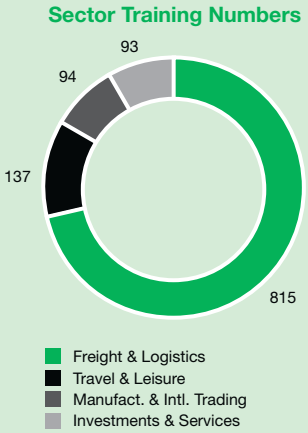
Training & Development

Skills Development	Work/ Life	Team Building
• MS Office • Advanced Excel • Speech Craft • Presentations • Business Writing • Leadership • People Management • Customer Care • Service Excellence • Social Network Marketing	• Time Management • Stress Management	• Outbound Training

Employee training is considered vital to ensure a robust workforce much needed for the success of our conglomeratic operations. Hence, we focus and give precedence to skills, talent and professional training and development of our employees. We have a structured process which is coordinated by the individual strategic business units across the Group in consultation with the HR Division at the Holding Company as follows:

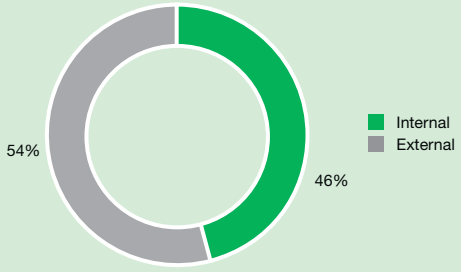
1. Training needs are assessed through formal job descriptions, annual employee appraisals and feedback sessions.
2. Prioritize the requirements with due consideration to the employees aspirations and aligned to the strategic corporate goals.
3. Formulate an annual training calendar for the prioritize requirements, short-term as well as long-term with budgetary allocations in consultation with the business unit heads.
4. Action the training calendar.

   During the year under review, the Group invested considerable time and resources on training. Training covered 1,233 employees, including manager, executive and non-executive categories, whilst the total man hours trained was 13,169 hours.

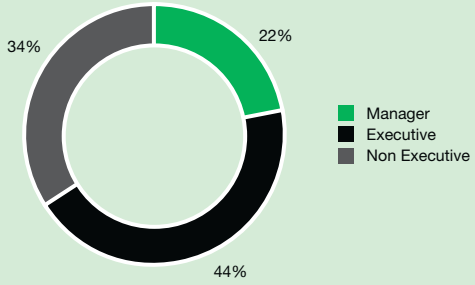


The training programmes inclusive of both internal and external programmes mainly focused on overall skills training from computer office applications, business writing, presentations, to customer service. Apart from the above, training also included programmes that advocate work life balance and team building.

Training Programmes



Training Category



Further, we also believe in encouraging our employees to apply the learning from their training programmes in their day to day work life. Following measures have been set in place to ensure that employees adhere to the above to make the most of the training investment:

- Share the learning and skills acquired with other colleagues by way of discussions or presentations.
- Identify areas where their acquired learning can be applied to increase efficiency at the workplace.

Succession Planning

We have a continuous assessment process in place to ascertain our leadership requirements. The Board of Management supervises the senior management development and succession planning process.

The “Emerging Leader” programme was organized in the reporting year which was an ideal practical session to enhance the strength and groom the young managers ready to take up future positions of leadership.

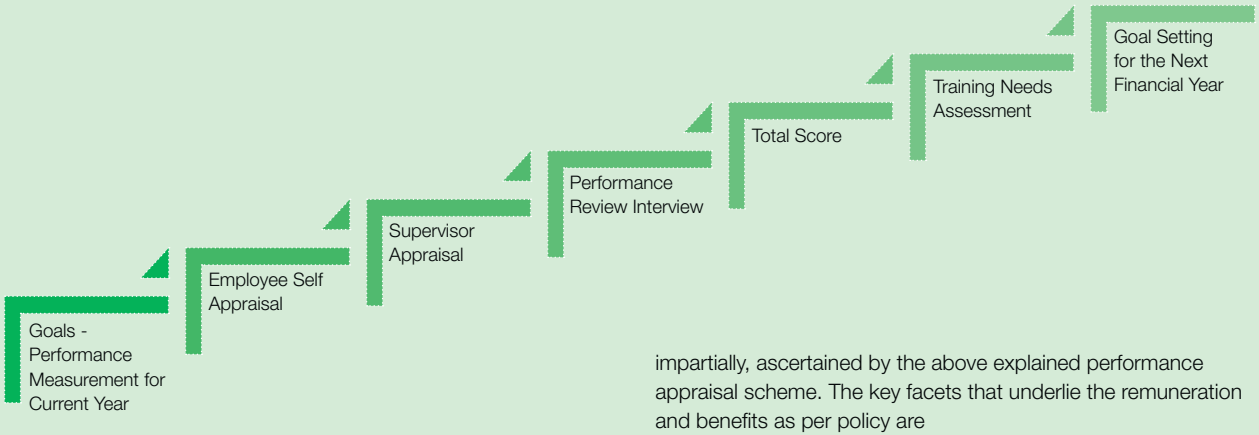
Rewards & Recognition

Employee performance assessment is essentially the most effective tool that the Group uses for professional development of employees and to further our corporate goals. Performance appraisals are formally carried annually on pre-agreed goals as well as corporate expectations, leading to due rewards and recognition.

The Group formally reviewed, assessed and provided due recognition for 1,695 employees, representing 68 percent of its total cadre over the reporting year.

We provide our employees with market-competitive remuneration and benefits whilst rewarding their performance

STAKEHOLDER MANAGEMENT



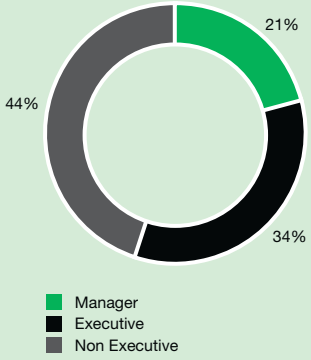
impartially, ascertained by the above explained performance appraisal scheme. The key facets that underlie the remuneration and benefits as per policy are

- competency and performance,
- commitment to corporate culture,
- compliance with the corporate values and
- industry norms.

We are also conscientious in our defined benefit obligations for our employees. We contribute 12 percent of the basic salary to Employee Provident Fund (EPF) and 3 percent of basic salary to Employee Trust Fund (ETF). As at the reporting period, the Company incurred a cost of Rs. 135,297,965 in terms of EPF and ETF.

Employees are also entitled to retirement gratuity, payable under the Payment of Gratuity Act No. 12 of 1983. The liability recognized as of the balance sheet date is Rs. LKR 90,499,903.

Performance Appraisal



Forced Labour

The rich traditions and culture of the Expolanka Group negates any kind of forced or compulsory labour at any level of operation, be it at the lowest or at the highest.

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

Employee Well-being

As we continue to strengthen and take our operations to the next level, it is essential to ensure the well-being of our workforce. We are not looking at mere traditional welfare measures. We are seeking constantly improve our outreach for employee well-being by adopting a total package that promotes work/life balance, health and safety and nurture attitude and spirit individually and collectively.

Work/Life

Expolanka firmly believes in a culture of reasonable delegation of work, responsibilities and duties to achieve a healthy blend between work and personal life. In the reporting year, we encouraged our employees to strive for this balance. We conducted programmes on time and stress management emphasizing the importance of finding harmony between work and life.

Health & Safety

Employee health and safety are a critical part at Expolanka and attempt to maintain standards above the industry norms. All safety instructions and procedures that have been adopted are well communicated to all employees through regular dialogue by way of training, meetings, bulletin board postings, intranet and other forms of written communication.

Our initiatives for a healthy workforce are detailed out below:

- "Health & Safety": Expolanka is dedicated to promote health and safety among all employees. In October 2011, employees across the Group were encouraged to participate in the annual health awareness camp including programmes on health and disease, nutrition and exercise, yoga and mind wellness and a general medical checkup including blood sugar, pressure and Body Mass Index.

- Medical Insurance & Workmen Compensation Insurance Policy: The employees have been insured with a leading insurance company. The insurance scheme covers employees for OPD, surgical and hospitalization needs. The scheme entails a cashless membership card for planned and emergency hospitalization, within a network of over ten leading hospitals and clinics. Employees are also insured for personal as well as duty related accidents. The insurance is also extended to the immediate family members for OPD, surgical and hospitalization needs.

STAKEHOLDER MANAGEMENT

- Stringent standards of safety: Measures are in place, in particular within the manufacturing companies in the Group, to ensure the highest safety standards in terms of processing activities and contact with hazardous material

In the event an employee is injured, the organization has a comprehensive insurance policy as detailed above to ensure the employee's welfare including the full re-imbursement of medical bills, leave of absence with no material change to their remuneration.

The Group did not incur a cost for any work hazard incidences during the period.

Team Spirit

In a bid to foster team spirit and bring all employees together to inculcate the "Expo family culture", the Company initiated several events and activities during the reporting period, including family outings, festival celebrations and sports activities.

Community – Building A Better Nation

Focus	Engagement	Approach
• Health • Education • Environment • Community Development • Disaster Relief	• Employee Volunteerism • Community Forums/ Camps • Recruitment within the Communities we operate • Continuous dialogue with Local Government Authorities • Continuous dialogue with Community Leaders & Religious Dignitaries • Personal Pleas	We are dedicated to be of service to the communities in which we operate and prosper. We seek to integrate our businesses to uplift the livelihood of our communities and empower them to enhance and further their standards and quality of living. Our focus is not limited to philanthropy. We aim at being a catalyst for positive change through community development to ensure advancement and wellbeing.

STAKEHOLDER MANAGEMENT

Our businesses and our expansions are integrated to the community, focusing on key areas we believe that would accommodate their needs as well as to have multiplier effects from employment creation, economic growth to increasing the standards and the quality of living. With this in mind, we have initiated community service projects bearing the most significance and the greatest impact, in the realm of health, education, food, nutrition and philanthropy for needy causes. Our contributions range from monetary donations, volunteerism, implementing projects that support a cause and services to uplift their livelihood and welfare. Our projects and activities for the reporting period are presented below.

Education

Expolanka's philosophy is that education is the most powerful tool driving youth empowerment that brings a new perspective and fresh ideas for the advancement of the nation. We firmly believe in uplifting and sustaining communities through extending a hand to education.

Through APIIT we initiated the following education projects in the year under review:

- "Shaping Futures – Higher Education and Career Fair": This annual event gives the youth an opportunity to meet and discuss with leading corporate professionals and educationalists on career options and employer expectations in Sri Lanka. The event was a huge success and many school leavers were able to obtain guidance on a suitable higher education path to achieve their career goals.

Our Education Arm

Our investment in education - Asia Pacific Institute of Information Technology (APIIT) incorporated with the Board of Investment approval to offer tertiary education in partnership with APIIT Malaysia and Staffordshire University, UK is a step towards our aspirations to transform the nation's future through education.

APIIT, with an established brand, offers programmes affiliated to reputed universities in the UK and Australia. The institute today produces high caliber academics and professionals, over 200 outgoing annually with a training to meet the present demands of a growing economy.

- Career Guidance Seminars: The seminars which were conducted in English medium by an imminent panel of lecturers focused on higher education opportunities and career options in IT and Business. The seminars also carried leadership building exercises for the participants.

- Scholarship Programme: As part of an annual project, 10 full scholarships to outstanding and underprivileged students were awarded. The Company incurs a sum of Rs. 10. 35 million each year for this programme.

Health

Our aim is to promote community well-being through facilitating health care to all, in particular to the most vulnerable of our nation. In addition to our health care centres, we initiated the following projects that would make a difference to the community:

- "Their Dream is to Live - Let's Together Fight Cancer": This project, a charity tea auction for limited edition of the Silver Tips brand was held at Galle Face Hotel to raise funds for infrastructure development and research of the National Cancer Institute of Maharagama. The Auction organized by Expolanka Teas in collaboration with Colours of Courage Trust generated funds of Rs. 6 million.

- Free Public Health Camp: This health camp was held at the Slave Island branch of Expo Medix, for the people living in that area. Over 600 people with less means to avail these services in the private sector hospitals participated at this health camp.

Expo Medix

Expolanka operates non-profit health care centres in five central locations – Grandpass, Muttakkuliya, Slave Island, Hunupitya and Kalutara for the underprivileged. The centres are fully equipped with medical amenities and professional health care personnel. The centres render medical services including free consultations and medicine at cost for common ailments, enabling the community to have access to health care within their means. During the reporting period more than 70,000 patients received treatment at the above mentioned centres.

Annually, Expo Medix organizes free health camps with emphasis on general diseases, diabetes, cancer, AIDs, dengue and oral hygiene.

STAKEHOLDER MANAGEMENT

Community Development

Our policy of recruiting within the community to the extent possible, especially in our factories, complements the national drive towards abating unemployment and alleviating poverty. This policy has also augured well to create 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 strengthening the demand and 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. A classic example is set out below.

- Empowering women and promoting micro industries: Neptune Papers Ltd (Neptune), the Group's recycled paper exporter provides employment for 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 patronizes these industries with a ready market for their products.

Further, we carried out the following community services projects:

- In consultation with the Municipal Council of the North, the CSR team of Expolanka donated six mobile sanitation facilities for the value of Rs. 500,000.
- The 2 Km road leading to the factory of Expolanka Teas Ltd at Orugodawatte was reconstructed and landscaped with benefits trickling down to other factories, warehouses and to the 55 families housed in the vicinity.

Environment - Go Green

Focus	Engagement	Our Approach
• Protect Biodiversity • Reduce Reuse and Recycle Paper Energy E- Waste Water • Effluent Treatment	• Employee Volunteerism • Training & Building Employee Awareness • Collaborate with Government & Non Government Agencies • Encourage Community Participation • Business Decisions to be Harmonized with Environmental Factors	We are resolute to seek opportunities and alternatives to align our business decisions to reduce our corporate ecological footprint. We will focus 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 applicable environmental laws and regulation.

STAKEHOLDER MANAGEMENT

Expolanka, being a conglomerate with a wide network is fully aware of its corporate footprint and fully focused in implementing a Green Policy. We are passionate in finding simple solutions viz: operate more efficiently, waste less, reduce our carbon footprint and positively influence our supply chain. We have adopted structured environment management practices encompassing our carbon footprint and usage of energy, water and other resources. Our target is to seek and establish solutions within the Group to create a positive multiplier effect on the environment whilst complying with the applicable environmental laws and regulations.

Caring for Climate Change

Expolanka aspires to be green and fully into caring for the world's biodiversity and thereby make an impact on climate change. Our efforts are not only to preserve and restore natural ecosystems by initiating projects and adopting measures to moderate our environmental footprint within the Expolanka network; we are also steadfast in our commitment as a leading conglomerate to create awareness and initiate a dialogue among the public including and most importantly school children on the necessity of protecting our earth from the environmental hazards. This, we see as our moral obligation to society.

Our Green Team has selected three key events in the environment calendar, inter alia to lead the awareness campaigns on climate change

- Earth Hour
- World Environment Day
- World Water Day

Earth Hour

Earth Hour, a global campaign led by the World Wild Life Fund (WWF) brings together the nations across the globe to make a difference to climate change. This annual campaign which was launched in Sydney, Australia in 2007 urges people to switch off non-essential lights for one hour on last Saturday of March from 8.30 pm to 9.30 pm. This year on 31st March 2012, Earth Hour was celebrated in 6,950 cities and towns in 152 countries across seven continents, with the participation of over hundreds of million people.

In 2010, Expolanka in collaboration with the Ministry of Environment was instrumental in taking our nation to be an official partner of the Earth Hour movement. The Earth Hour Global Organizing Committee at WWF appointed Expo Green Team Head as country coordinators for the event in Sri Lanka.

With our commitment towards making a difference to the environment, we at Expolanka led by the Green Team were honoured once again in the year under review, as in the two preceding years, in being the live wire of the Earth Hour Programme. The Green Team together with all our employees took the campaign "beyond the hour" to greater depths with our theme "Expolanka Will, If You Will" with the following activities and initiatives:

- Officially sponsored and organized the event – "Earth Hour at Temple Trees" in collaboration with the Ministry of Environment of the Western Province & Western Provincial Council and other official sponsoring corporates. The event

was patronized by His Excellency the President, Mahinda Rajapaksa. An email campaign was also launched to publicize this event.

- Updated and revamped the official website, *www.earthhour.org* to capture the true spirit of the campaign.

- Deployed the print and electronic media including the T-Shirt challenge on the social networking site, Facebook and YES FM radio programme, "Planet Watch" to activate the campaign and spread the message of the need to reduce our ecological footprint to abate the impending environment apocalypse.

- Initiated an awareness campaign on the Earth Hour and climate change in collaboration with the undergraduates of the University of Moratuwa, also representing AIESEC, the global youth organization. The programme which targeted over 5,000 students in 20 Colombo and outstation schools included interactive presentations on the theme, distribution of educational leaflets among students, posters for the class rooms and notice boards and questionnaires to ascertain the general understanding of global warming.

- Organized series of programmes on climate change and our corporate responsibilities for our employees in Sri Lanka as well as in our network abroad.

- Joined the world by switching off the lights in our business premises across the network including unplugging the non-essential equipment at the Earth Hour. Our employees were spirited to extend this gesture in their homes.

World Environment Day

Expolanka joined hands with the nation in celebrating the World Environment Day (WED) on 4th June 2011. This year in keeping with the International Year of Forests declared by the United Nations, WED theme was on "Forests: Nature at Your Service" focusing on the intrinsic link between quality of life and the forest ecosystems.

Our Green Team joined hands with all employees at the environmentally friendly Mihi Laka Medura Auditorium, BMICH to commemorate the event. The event was graced by the Chief Guest, Hon. Udaya Prabath Gammanpila, Minister of Agriculture, Agrarian Development, and Minor Irrigation Industries & Environment, Western Provincial Council.

STAKEHOLDER MANAGEMENT

The following events were organized to mark the occasion:

- Series of lectures on the theme with the Guest Speaker Dr. Ajantha Perera - founder of the National Programme on Recycling of Solid Waste in Sri Lanka
- Drama on the theme performed by the students of Seeduwa Bandaranayake Vidyalaya
- Planting & donating of saplings to Mihi Laka Medura
- Recognition Awards for line companies within the group who have championed the cause of environment conservation. Neptune Papers (Pvt) Ltd and SG Logistics (Pvt) Ltd were recognized at these Awards.
- World Environment Day parade was organized in Seeduwa by ECOLOGI Association, the CSR wing of SG Logistics with the participation of the students at Seeduwa Bandaranayake Vidyalaya along with their teachers, parents and well-wishers.

Water Day

The international observance of World Water Day (WWD) is an initiative that grew out of the 1992 United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro.

Commemorated the world over on 22nd of March, WWD gave us the opportunity to reflect on our water consumption levels and to raise awareness among staff and in our communities on the importance of conserving water.

3R Concept

In the backdrop of a fast depleting resource base given the world's unquenchable demands, we firmly believe that it is our duty to make an effort to plan the way we use resources to be effective and efficient. In view of this, we have commenced in many of our companies to implement the 3R concept – reduce, recycle and reuse. We have selected the following areas that have the highest propensity to make a "difference" in applying the 3R concept.

- Paper
- Energy – direct and indirect
- Water
- Other Resources

Measures adopted to manage and conserve the above resources have given an impetus to our battle against the emissions of greenhouse gases, inextricably linked to climate change. Using resources efficiently has also led to produce cost-effectiveness, in turn benefiting our customers and our bottom line.

Paper

A paperless office is not only a green concept but it enables convenient, speedy and smart processes making it the future of the business world. At Expolanka, we are steadfast in our ambition to move our entire network toward a "less paper office" if not an ideal "paperless office". We have initiated several measures, as detailed out below, at the head office and in our line offices to reduce the usage,

Measures	Our aim	Measures Taken
Electronic Documents & Filing System	Transfer from paper based documents to electronic documents that can be shared, circulated and electronically filed for review and even for approvals with necessary measures to ensure confidentiality and security of information.	• Introduced Microsoft SharePoint 2010 for effective electronic documentation
Electronic Communication	Use electronic communication for both internal and external communication wherever possible.	• Using Microsoft LYNC for internal communication including online chatting, video conferencing, file sharing etc. • Using emails for both internal & external communication • Using E Memorandums for reporting and approvals wherever possible
Intranet	Use the intranet to securely share information within the Group, internal meetings and web based training.	• Entire Group network is linked to the intranet which holds policies, circulars and announcements
Interactive Website	Optimally deploy the official website to take most of the business transactions online and provide information on the Group to stakeholders.	• Updated official website for the holding company as well as line companies with content relevant to our stakeholders

STAKEHOLDER MANAGEMENT

Measures	Our aim	Measures Taken
Recycle Paper	Systematically recycle non-usable paper, and use recycled paper wherever possible.	• Systematic storage for used paper to be recycled • Recycle paper through the Group company Neptune Papers • Use recycled paper products – note books, diaries, greeting cards etc. especially as corporate gifts
Print Policy	Printing to be limited to essential documents that require hard copies for review, approvals and records.	• Print only the final copies • Double sided printing • Print on used paper subject to confidentiality • Instruction sign boards in office areas • Email alerts to promote the print policy

Successful Business - Paper Recycling

With the 3R concept in perspective, an employee's initiative to create fancy packaging from discarded cardboard cartons, led to an organized paper recycling campaign within the Expolanka network. This matured into a successful business proposition culminating in Neptune Papers (Pvt) Ltd (Neptune) in 1999. Today, the Company has made its mark as a premier exporter of recyclable paper in the nation.

Apart from the Group patronage, Neptune has taken this concept virtually nationwide with a clientele of over 860 responsible corporates, government and non-government agencies, foreign missions, schools and hospitals. Neptune has placed 3141 recycle bins in these establishments with immense value to the environment - towards saving trees and reducing the carbon footprint.

In the year 2011/12, Neptune collected and shredded 31,709 kilograms of waste paper of Expolanka Group network in Sri Lanka. The saving and contribution to the environment for the year under review by the Group are set out below:

Resources	2011/12
Trees (Number)	539
Water (Liters)	1,007,712
Electricity (KWH	126,836
Oil (Liters)	55,649
Land Fill (Cubic Meters)	1
Reduction - Green House Gas Emission (kgs of carbon equivalent)	31,709

Energy Consumption & Water Conservation

With excessive consumption of energy in every sphere of life, we recognize the importance of using energy efficiently across our Group companies, in our offices as well as in our factories. The Group strives to move on to sustainable energy usage by embracing lean and best energy management practices, especially looking into deploying emerging technology. Our focus is on conserving electricity and fuel along with conserving water that have a significant impact for most of our companies in terms of the environment footprint. The following measures have been put in place to ensure this end:

- Continuous dialogue with the employees to address conservation needs and to implement the most effective measures to enhance energy efficiency and conserve water whilst capping on waste.
- Employee behavioural change programmes and constant reminders on energy and water conservation.
- Invest on energy and water efficient devices and equipment wherever possible.
- Ensure proper and timely maintenance of the Group vehicle fleet to enhance usage of fuel and to be compliant with the applicable rules and regulations.

Apart from the above, we also initiated an energy audit in collaboration with the University of Moratuwa and AIESEC. The audit in 25 selected Group companies is currently in progress with the assistance of 25 technically savvy students affiliated to the above institutes. The results of the audit which are due in July 2012 will no doubt further the Group's efforts towards conserving energy and thereby abating climate change.

Management of Other Resources

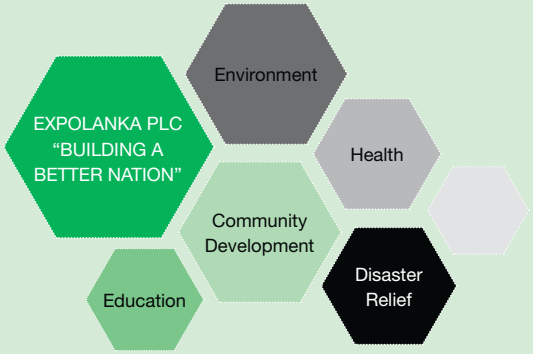
We are also keen on minimizing the usage of other resources that are non bio degradable such as plastics and electronics as well as disposing the used products responsibly. We have taken measures to dispose non usable electronic equipment and IT waste including batteries, CFL bulbs safely and responsibly. Our contract with a E-Waste disposal company since 2010 ensures this end.

STAKEHOLDER MANAGEMENT

Future CSR

Our business is built on relationships: with our customers, partners, investors, employees and the communities in which we live and work. Contributing to the social welfare of our communities and caring for the environment without merely focusing on value creation is a vital part of Expolanka's work ethic. The Expolanka Group has taken CSR to a new level with the diversity of its initiatives.

Our future CSR model which was formulated in 2011/12 with the sanction of the Board of Management is expected to be fully operational by 2015. The model which advocates a structured assessment process of CSR projects brings in the key sectors and the related line companies to align their respective business operations to address the ongoing concerns of the environment and the community. The model is structured into five focus areas. These five areas will definitely cover most of the societal needs of the country, making Expolanka one of the most concerned corporate citizens for a better tomorrow.



5 STEP ASSESSMENT PROCESS – CSR PROJECTS

- Investigate new CSR projects based on the impact and importance to the society
- Absorb into consideration list and record proposals on the order of merit
- Assess and assign to the best strategic fit sector
- Strategize & prepare comprehensive plans with budgets
- Action the plans

G3 CHECKLIST

AR - Main Annual Report **SR - Sustainability Report** **SCTR - Sector Review**

STANDARD DISCLOSURES : Profile Disclosures			
Disclosure	**Description**	**Section in the Annual Report/Direct Response**	**Corresponding Page No.**
1. Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organization	Chairman's Message & CEO's Review	AR 12-21
1.2	Description of key impacts, risks, and opportunities	CEO's Review, Risk Management, Corporate Governance, Sector Snapshot	AR 16-2, 46-50, 52-54, 30-34
2. Organizational Profile			
2.1	Name of the organization	Corporate Information	Inner back cover
2.2	Primary brands, products, and/or services	Sector Snapshot	AR 31-34
2.3	Operational structure of the organization	Group Chart	AR 95-97
2.4	Location of organization's headquarters	Corporate Information	Inner back cover
2.5	Number of countries where the organization operates	World Map of the Group, Sector Reviews	AR 8-9 SCTR 142, 152, 162, 172
2.6	Nature of ownership and legal form	Corporate Information	Inner back cover
2.7	Markets served	Sector Reviews	SCTR 142, 152, 162, 172
2.8	Scale of the reporting organization	Financial Review & Statements, Annual Report of the Board of Directors	AR 31-41, 82-86
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Chairman's Statement, CEO's Review, Annual Report of the Board of Directors, Sector Reviews	AR 12-21, 31-41, 82-86 SCTR 142, 152, 162, 172
2.10	Awards received in the reporting period	Sustainability Report - Economic Contribution	SR 194

G3 CHECKLIST

STANDARD DISCLOSURES : Profile Disclosures			
Disclosure	**Description**	**Section in the Annual Report/Direct Response**	**Corresponding Page No.**
3. Report Parameters			
3.1	Reporting period	Sustainability Report - About the Report	SR 183
3.2	Date of the most recent previous report	This is the first comprehensive Sustainability Report	N/A
3.3	Reporting cycle	Sustainability Report - About the Report	SR 183
3.4	Contact point for questions	Sustainability Report - About the Report	SR 183
3.5	Process for defining report content	Sustainability Report - About the Report	SR 183
3.6	Boundary of the report	Sustainability Report - About the Report	SR 183
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities	Financial Statements	AR 98-100
3.9	Data measurement techniques and the bases of calculations	Sustainability Report - About the Report	SR 183
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	Not Applicable	N/A
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Not Applicable	N/A
3.12	Table identifying the location of the Standard Disclosures in the report	Contents	SR 219-226
3.13	Policy and current practice with regard to seeking external assurance for the report	External Assurance not obtained	N/A

STANDARD DISCLOSURES : Profile Disclosures			
Disclosure	**Description**	**Section in the Annual Report/Direct Response**	**Corresponding Page No.**
4. Governance, Commitments, and Engagement			
4.1	Governance structure of the organization	Corporate Governance	AR 53
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Corporate Governance	AR 53
4.3	State the number of members of the highest governance body that are independent and/ or non-executive members	Corporate Governance	AR 54
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Corporate Governance	AR 58-77
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	Corporate Governance	AR 58-77
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Corporate Governance	AR 58-77
4.7	Process for determining the qualifications and expertise of the members of the highest governance body	Corporate Governance	AR 58-77
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance	Vision, Mission, Corporate Governance, Sustainability Report	AR 58-77 SR 183-184

G3 CHECKLIST

STANDARD DISCLOSURES : Profile Disclosures			
Disclosure	**Description**	**Section in the Annual Report/Direct Response**	**Corresponding Page No.**
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	Corporate Governance, Risk Management	AR 48-51
4.10	Processes for evaluating the highest governance body's own performance	Corporate Governance	AR 53
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Risk Management, Sustainability Report - Economic Contribution	AR 51, SR 186
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	CEO's Review, Sustainability Report - About the Report & Environment	AR 16-21 SR 183
4.13	Memberships in associations and/or national/ international advocacy organizations	Sustainability Report - Economic Contribution	SR 195-196
4.14	List of stakeholder groups engaged by the organization	Sustainability Report - Stakeholder Management	SR 197
4.15	Basis for identification and selection of stakeholders with whom to engage	Sustanainability Report - Stakeholder Engagement	SR 186,197,207,211
4.16	Approaches to stakeholder engagement	Sustainability Report - Community, Environment, People & Economic Contribution	SR 186,197,207,211

STANDARD DISCLOSURES : Profile Disclosures			
Disclosure	**Description**	**Section in the Annual Report/Direct Response**	**Corresponding Page No.**
4.17	Key topics and concerns that have been raised through stakeholder engagement	Sustainability Report - Community, Environment, People & Economic Contribution	SR 186,197,207,211
STANDARD DISCLOSURES: Performance Indicators			
Economic			
Economic performance			
EC1	Direct economic value generated and distributed	Sustainability Report - Economic Contribution	SR 186-196
EC3	Coverage of the organization's defined benefit plan obligations	Sustainability Report - People & Financial Statements	SR 1197-206
Market presence			
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Sustainability Report - Economic Contribution	SR 186-196
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Sustainability Report - Community	SR 207-210
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Sustainability Report - Economic Contribution, Sector Reviews	SCTR 143-144, 153-154, 163-164, 173-174 SR 186-196

G3 CHECKLIST

STANDARD DISCLOSURES : Profile Disclosures			
Disclosure	**Description**	**Section in the Annual Report/Direct Response**	**Corresponding Page No.**
Environmental			
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Sustainability Report - Environment	SR 214-217
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Sustainability Report - Environment	SR 214-217
Biodiversity			
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Sustainability Report - Environment	SR 211-217
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Sustainability Report - Environment	SR 216
Social: Labor Practices and Decent Work			
Employment			
LA1	Total workforce by employment type, employment contract, and region	Sustainability Report - People	SR 198-199,
LA2	Total number and rate of employee turnover by age group, gender, and region	Sustainabilty Report - People	SR 200-201
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Sustainabilty Report - People	SR 203-206

STANDARD DISCLOSURES : Profile Disclosures			
Disclosure	**Description**	**Section in the Annual Report/Direct Response**	**Corresponding Page No.**
Occupational health and safety			
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Sustainability Report - People	SR 202-203
Training and education			
LA10	Average hours of training per year per employee by employee category	Sustainability Report - People	SR 202-203
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Sustainability Report - People	SR 202-204
LA12	Percentage of employees receiving regular performance and career development reviews	Sustainability Report - People	SR 203-204
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per category	Sustainability Report - People	SR 198-199
Social: Human Rights			
Non-discrimination			
HR4	Total number of incidents of discrimination and actions taken	Sustainability Report - People	SR 200

G3 CHECKLIST

STANDARD DISCLOSURES : Profile Disclosures			
Disclosure	**Description**	**Section in the Annual Report/Direct Response**	**Corresponding Page No.**
Child labor			
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Sustainability Report - People	SR 200
Forced and compulsory labor			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	Sustainability Report - People	SR 205
Social: Product responsibility			
Customer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Sustainability Report - Economic Contribution	SR 196

Report Application Level

We have self assessed our report as...

		C	C+	B	B+	A	A+
Mandatory	Self Declared	✓	Report Externally Assured		Report Externally Assured		Report Externally Assured
Optional	Third Party Checked						
	GRI Checked						

NOTES

EXPOLANKA HOLDINGS PLC

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