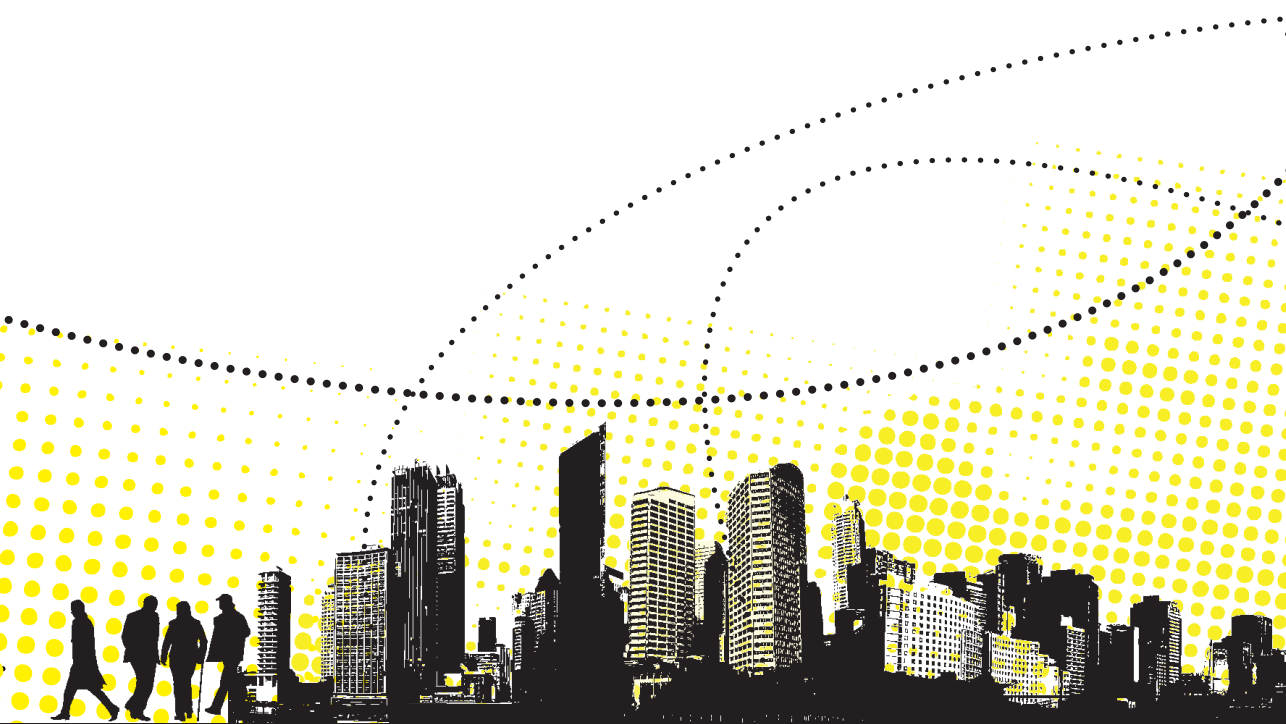
Business Beyond Borders

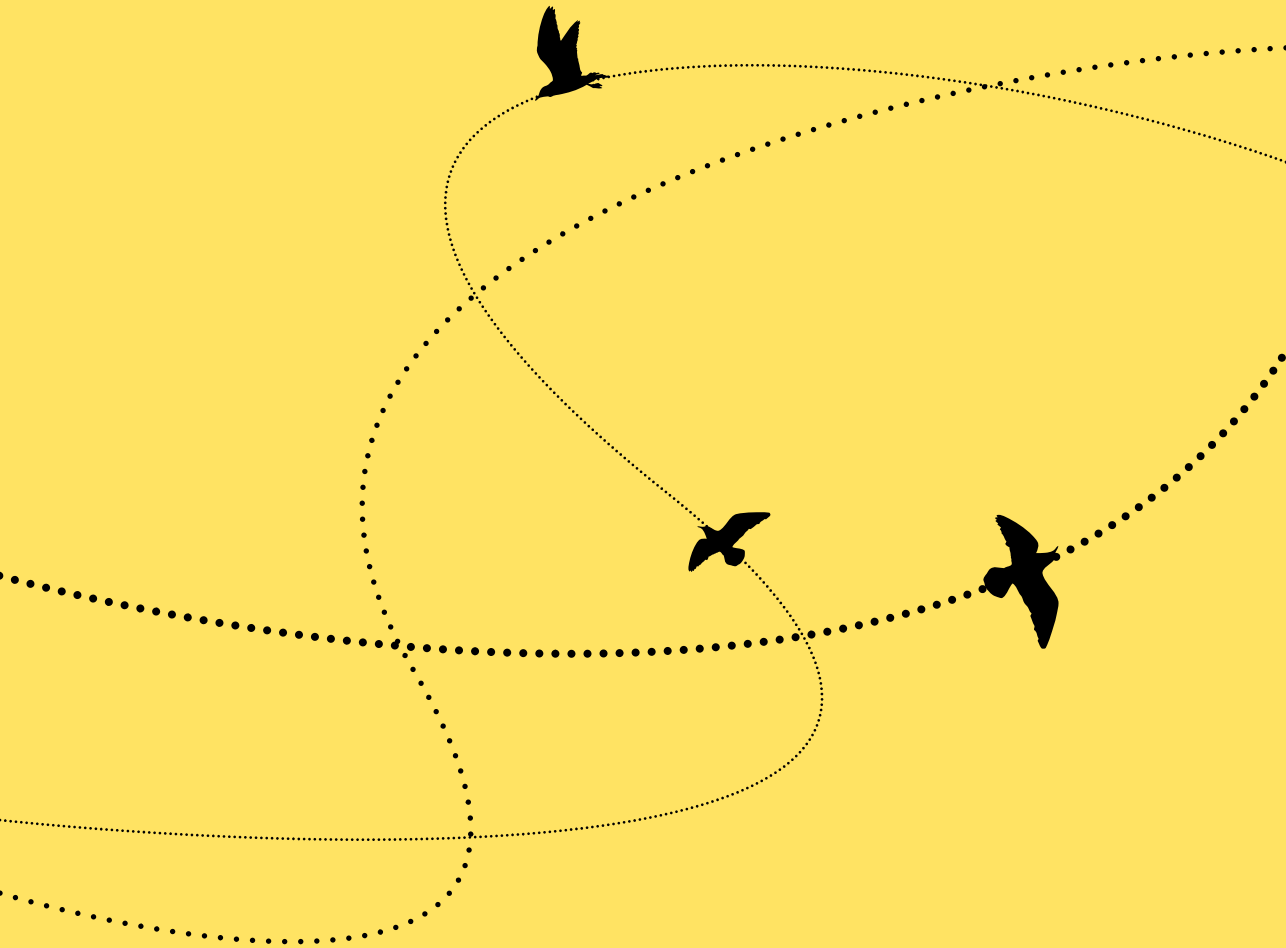
EXPOLANKA HOLDINGS PLC

EXPOLANKA HOLDINGS PLC

ANNUAL REPORT 2010/11

OUR SPIRIT OF 'DARE TO DO' SPELLS SUCCESS





One quality among many that characterised the approach of Expolanka to its business was the readiness of all to – Dare to Do. We learnt not to fear the unknown; to dare to go into sometimes unfamiliar territory. Somehow, we had confidence enough to realise that it was no shame to fall occasionally…but it was in getting up immediately and going forward that we would reach goals and true success.

Over the years, this approach and mindset has served Expolanka well.

Our growing success stands testimony to this approach.

SHAKE HANDS WITH US

The Expolanka Group began operations in Sri Lanka in 1978, as an exporter of fresh fruits and vegetables. Today, we have evolved from a single-owned entity to a well-respected conglomerate of 47 companies active in the key business sectors of Transportation, International Trading, Manufacturing and Strategic Investments. Our global footprint spans 12 countries.

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

EXPOLANKA CORE VALUES

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

TIMELINE OF THE GROUP

HISTORY OF EXPOLANKA

Growth, Diversity, Versatility & Stability
Defining Factors of Expolanka Group Key Milestones

2500 employees,
24 nationalities

2010

Divestment of Expo Aviation and Denshun.
Sell down by major shareholders to broad base ownership.
Establishes Expo Freight Vietnam and PT Unipara.

2009

2004

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

2005

Re-structure of organization through Share Swap.
Expolanka is Sri Lanka's first, Microsoft Dynamix CRM3.0 implemented company.

2003

Expolanka invests in India.
Virgin Atlantic appoints Expolanka as their Cargo GSA in Dubai.

1999

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

Expolanka commences operations with the incorporation of Expolanka (Pvt.) Limited to export fresh produce.

1982

Expolanka ventures into the Transportation Sector with Expolanka Freight Limited (Sri Lanka).

1986

Expolanka diversifies into the Airline Representation business with the establishment of International Airline Services (Pvt.) Ltd.

1978

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.
Establishes Luxe Asia, Expolanka's Destination Management company, in Colombo.
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. with Airline Services Limited.
Expolanka represents Virgin Passenger operations in Bangladesh after entering a joint venture agreement
Expolanka enters a joint venture agreement with Cross Freight and repre ents Swiss Air Cargo in Bangladesh.
Expolanka signs a joint venture agreement with Freight Care and represents Air France & KLM in Bangladesh.
Expolanka receives Microsoft Dynamic Rating on IT's Core Infrastructure.

2006

Expolanka becomes the Cargo GSA for Air France Cargo in Sri Lanka.
Investment into Expolanka Freight FZCO Dubai, which represents American Airlines Cargo.
Expolanka Invests in Air Line Cargo Resources FZCO Dubai which represents Virgin Cargo Operations.

2007

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

1998

Expolanka receives the GSA for Royal Jordanian Airlines.

1995

The Group moves into the Garment Manufacture Industry with Denshun Industries

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.

1989

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

1990

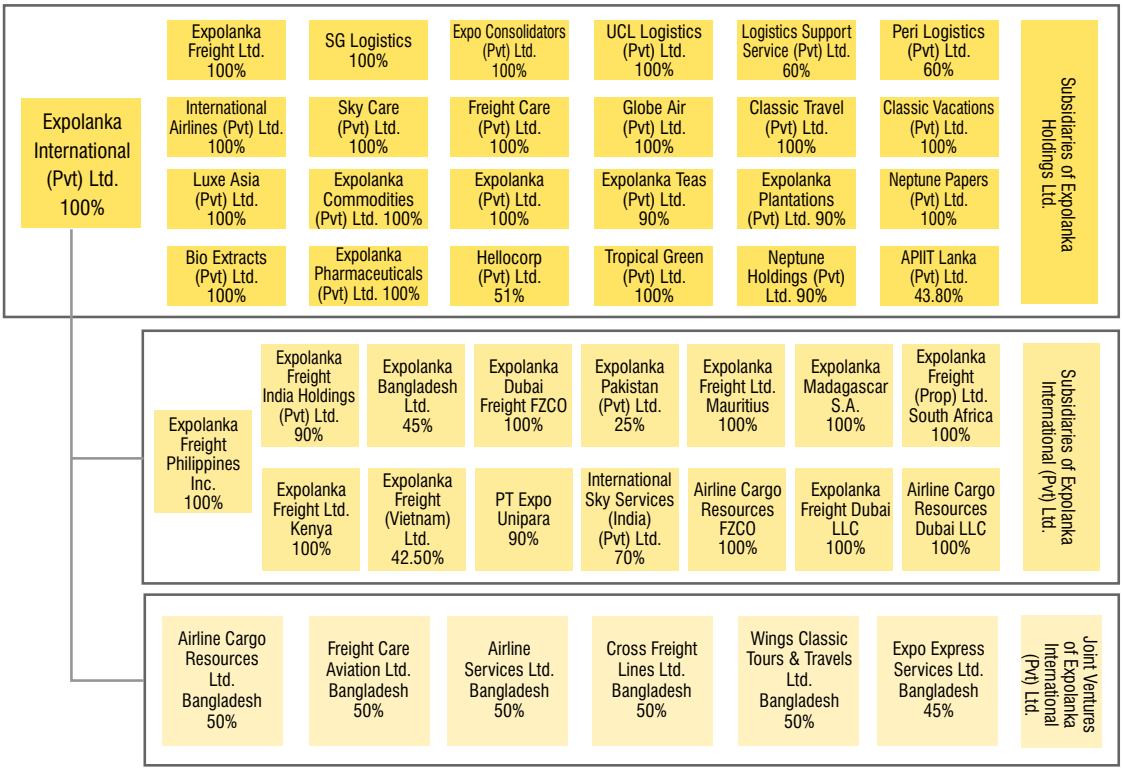
Commences Retail & Wholesale Commodity Distribution with Expolanka Commodities.

1993

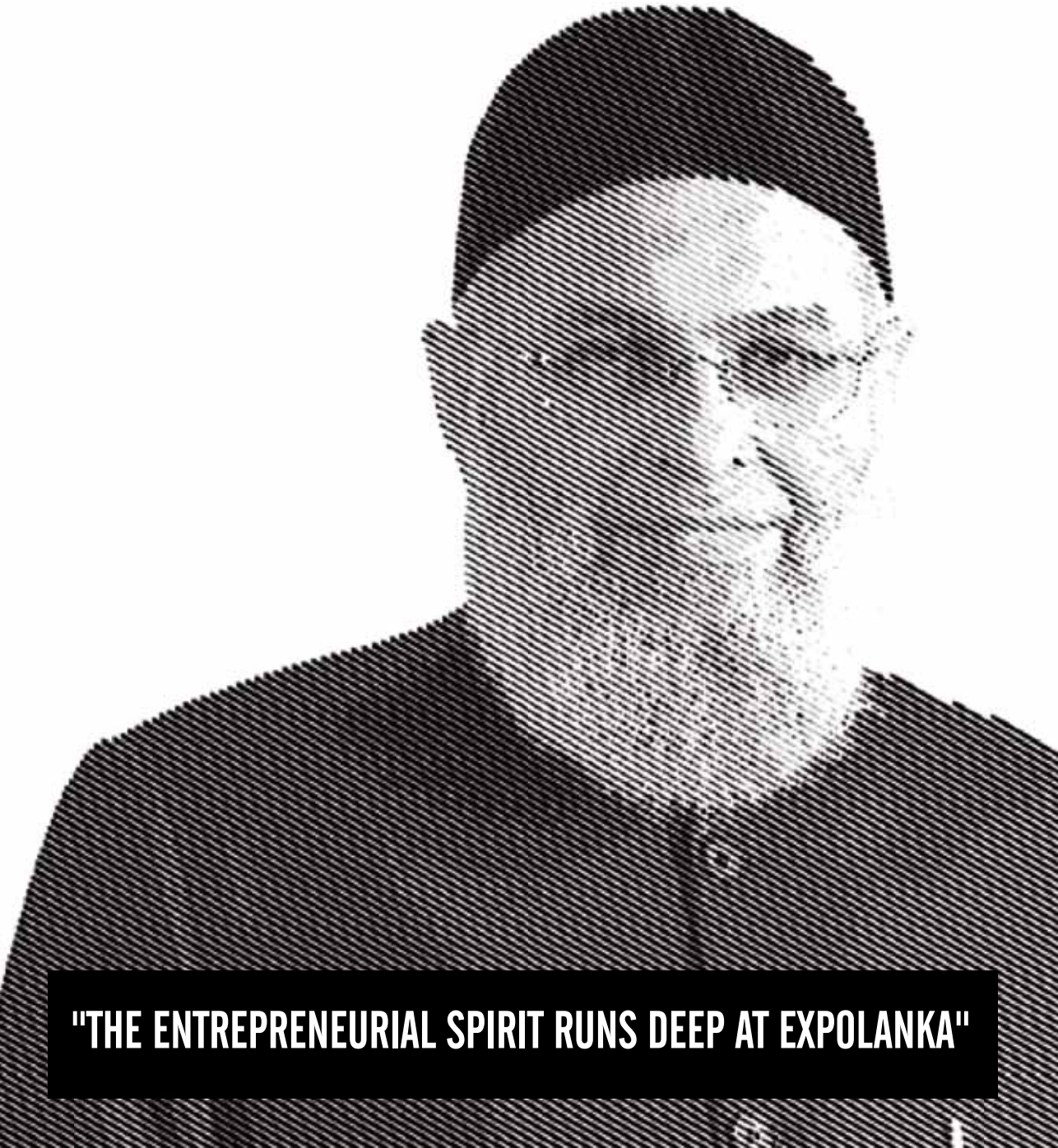
Expolanka incorporates Bio Extracts to venture into Herbal Pharmaceuticals.
Incorporation of Neptune Papers with a vision towards Recycled Paper.

THE GROUP CHART

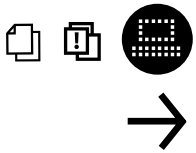
EXPOLANKA HOLDINGS PLC



WORLD MAP OF THE GROUP



"THE ENTREPRENEURIAL SPIRIT RUNS DEEP AT EXPOLANKA"



CHAIRMAN'S MESSAGE

SHORT REVIEW

It gives me great pleasure to place in your hands, the Annual Report and Audited Accounts of Expolanka Holdings PLC for the financial year 2010/11.

One of the highlights of the year under review was the culmination of a long and thorough process of restructuring within the Expolanka Group with a highly successful IPO facilitated by a sell down of shares by major shareholders. This process enabled Expolanka to sell 27.4% of its total shareholding to external parties and usher in a new era of public ownership, after 33 years of private ownership.

It would help to place these developments in perspective through a brief look at our history.

The Expolanka saga began in 1978 as a family business engaged in the export of fresh produce. From the outset, we were fired with the spirit, 'Dare to Do', which has pervaded our enterprise over time and persists to this day. The entrepreneurial spirit runs deep at Expolanka.

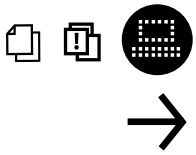
Exponential growth has resulted year on year and our business portfolio has expanded similarly, both within Sri Lanka and in many other countries.

The decision to go public was never a hasty one and was taken over seven years ago. It arose from a dawning recognition of the synergies to be had from broad basing ownership thus allowing ourselves to become a "people's Company" more in touch than ever before, with the public pulse. Thus we began the painstaking process of restructure and reconfiguration, introducing streamlined systems of governance and administration, preparing the Group for the public domain.

CHAIRMAN'S MESSAGE

One such example of the procedural evolution taking place is the constitution of our Remuneration and Audit Committees to include independent Board members.

I am happy to report that the IPO proceeded with great success and today Expolanka Holdings PLC is a listed Company with a broad-based ownership of around 11,500 shareholders.



Coming back to the year under review, I am pleased to be able to state that a largely enabling business environment prevailed in Sri Lanka with opportunity outweighing challenge. One area I would like to see developed is a consistent and enabling national regulatory framework that would encourage Sri Lankan entrepreneurs to take business beyond Sri Lanka's borders. This country has great potential, and an abundance of brilliance and talent. One can well imagine what would transpire if this talent was unleashed abroad. Sri Lanka would become a force to be reckoned with in the global business arena.

The other highlight of the year has been the evolution of our 'green regime', which allows us to build environmentally conscious and truly sustainable business.

Our strategy going forward is to mould Expolanka into one of Sri Lanka's foremost blue-chip conglomerates with business interests in both domestic and international arenas. I believe that all the attributes we require to attain this goal are in place - from fully-empowered staff to business processes and procedures, to vibrant lines of business that are delivering sustainable returns.

CHAIRMAN'S MESSAGE

I extend a warm welcome to Dr. Sivakumar Selliah, Mr. Harsha Amarasekera and Mr. Sanjay Kulatunga who have been appointed to the Board of Expolanka Holdings PLC, as Independent Non-Executive Directors. I wish them a long and fruitful tenure with us.

I wish to express my thanks to my fellow Board members and the members of the Boards of constituent companies of the Expolanka Group for their valuable contribution and commitment to the Group.

I also thank our associates overseas for their continued support and loyalty in our journey to success.

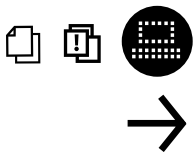
To the entire Expo staff family I offer my thanks for their dedication and hard work, the results of which are amply reflected in the successes of the year.

We have embarked on another important phase of existence as a public-owned entity and I am sure that with God's grace, Expolanka is set to grow even more, in the coming years.

Osman Kassim
Chairman

19 August 2011

WE ARE FOCUSED ON THE SUSTAINABILITY OF THE GROUP THAN THE MERE CONCEPT OF RUNNING AND MANAGING BUSINESSES



GROUP CEO'S MESSAGE

SHORT REVIEW

It is with great pleasure that I share with you the first Annual Report of Expolanka Holdings PLC after having broad based the ownership. We have successfully transitioned from a private family-owned business to a public limited entity listed on the Sri Lankan Capital Market.

Our journey has been extensive, starting from the point where we adapted a new mindset of ownership to building and establishing a structure that propels us forward in today's environment. We are focused on the sustainability of the Group than the mere concept of running and managing businesses.

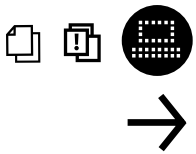
Our outlook to remain positive and stick to what we know best helped us to weather the financial crisis,strengthen ties with customers and define new efficiencies in all our operations. The Company has seen a steady growth achieving a profit of over 1.1 Bn (FY 2010/11) through its normal course of business; an increase of over 90% from previous year earnings.

We continue to believe in true delegation of authority and responsibility to our senior management which they have wholeheartedly accepted, and in return demonstrated themselves by achieving commendable and undisputed results. Our belief in one team where all the key individuals are part of a family with one direction has lead to a great amount of unity and spirit within the organization. The energy and enthusiasm the senior management possesses is testimony to their true commitment to the Expolanka Group.

GROUP CEO'S MESSAGE

Having always maintained a strong emphasis on training, we will continue to invest in our people by providing them with the necessary skills and resources that can benefit both of them and the organization. These sound philosophies coupled with a dare to do spirit of our committed and motivated employees has further enhanced our reputation and continues to mature in the right direction.

The increasing need for corporate responsibility and accountability led us to develop a formal framework to identify, establish and monitor key indicators covering these areas. It is for this purpose that we have formulated a Sustainability Division to lead our group-wide efforts. I would like to emphasize that in the future, any assessment of our corporate strategies will include an evaluation of actual performance against the goals we set and its contribution to the development of both the society and the Sri Lankan economy.



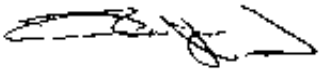
In addition, our commitment to the environment and towards reducing our carbon footprint is spearheaded by a dedicated team of individuals with all initiatives educating employees and providing them the necessary tools to be more eco-friendly.

Going forward, we strive to establish Expolanka as a global business entity. I truly feel that it is time for all Sri Lankan businesses to look beyond their borders,leverage on their competitive advantages and enter new markets. Our presence in 12 countries has enabled us to understand the challenges of working in different markets, cater to changing requirements and identifying strategies for success. This will lead to building a strong Corporate Brand for Expolanka along with strong individual brands of associated businesses in all markets.

None of this would be possible if not for the wholehearted contribution of the staff; all of whom I sincerely thank to for their commitment and engagement.

At the same time, I wish to thank the Chairman and the Board of Directors for their guidance and support throughout these exciting times.

At this tipping point in our Company's history, I am confident that Expolanka has established the ideal foundation for growth and will continue to exceed expectations in times ahead.



Hanif Yusoof
Group CEO

19 August 2011

BOARD OF DIRECTORS

BOARD OF DIRECTORS

OSMAN KASSIM

Executive Director and Chairman of the Board

Osman Kassim is an Executive Director and Chairman of the Board. He was also the founder Chairman of Expolanka Group. He is an entrepreneur with vast experience in the exports of perishable products and commodity trading. He is also renowned for his expertize in Islamic banking and insurance. He counts over 35 years of senior management experience.

Osman Kassim is also the Chairman of Amana Bank Ltd. and Vidullanka PLC. He also holds directorships in Pak-Kuwait Takaful Company Ltd. - Pakistan, Crescent Rating (Pvt) Ltd. - Singapore and Amana Takaful Maldives Ltd. - 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 Programme.

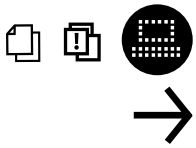
Hanif Yusoof is a pioneer in the fields of freight and logistics management, airline representation and travels and tours. He is a key personality in freight and logistics management industry in the Indian Sub-Continent, Middle East and Africa. He also held leadership positions in industry associations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

SATTAR KASSIM

Executive Director

Sattar Kassim is an Executive Director and a founding member of the Expolanka Group. He possesses diverse experience in commodity trading, entrepot trading, import and export of agriculture produce and marketing of herbal food supplements and essential oils. He counts over 30 years of senior management experience.

BOARD OF DIRECTORS



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 Alumni of the Owner President Management Programme awarded by the Harvard Business School. A successful entrepreneur he possesses vast experience in Trading, Management and Investments counting over 35 Years. Farook Kassim holds a number of directorships at companies in the UAE and South Africa.

DR. SIVAKUMAR SELLIAH (MBBS, M.PHIL.)

Non-Executive Independent Director

Dr. Sivakumar Selliah is a Non-Executive Independent Director of Expolanka Holdings PLC. Dr. Selliah holds a MBBS Degree and a Master's Degree (M.Phil.). He has over 18 years of experience in various fields. He also serves as the Deputy Chairman of Lanka Wall Tiles PLC, Asiri Hospitals PLC, Asiri Surgical Hospital PLC, Lanka Tiles PLC and Central Hospital (Pvt) Ltd.

BOARD OF DIRECTORS

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 specialized 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, Amaya Leisure PLC, Keells Food Products PLC and Vallibel Power Erathna PLC. He is also a Director of CIC Agri Business (Pvt) Ltd. and Vallibel One PLC.

SANJAY KULATUNGA

Non-Executive Independent Director

Sanjay Kulatunga holds a series of Executive Directorships within the Beira Group of companies, engaged in export manufacturing and import substitution. He is one of the Co-Founders/Director of Amba Research Lanka, an internationally acclaimed and ranked multinational knowledge process outsourcing firm and serves as a Director on the Board since its incorporation.

Prior to his stints as an entrepreneur and manager, he functioned 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 Chicago Booth School of Business. He is also an associate member of the Chartered Institute of Management Accountants (ACMA) as well as a Chartered Financial Analyst (CFA).

Sanjay Kulatunga also serves as Independent Director in listed as well as unlisted companies including Odel PLC, Six Senses Property Holdings Ltd. and Tasz Holdings (Pvt) Ltd. Apart from his private sector engagements he is a member of the Financial System Studies Consultative Committee of the Central Bank of Sri Lanka. He is also a Commissioner of Securities and Exchange Commission of Sri Lanka.

BUSINESS REVIEW

THE BUSINESS ACTIVITIES OF THE EXPOLANKA GROUP ARE CONCENTRATED WITHIN FOUR MAIN SECTORS - TRANSPORTATION (WHICH INCLUDES FREIGHT MANAGEMENT, AIRLINE GSAs AND TRAVELS & TOURS), INTERNATIONAL TRADING, MANUFACTURING AND STRATEGIC INVESTMENTS. THIS SEGMENT OF OUR REPORT PRESENTS THE YEAR'S PERFORMANCE HIGHLIGHTS AND FUTURE PROSPECTS BY SECTOR.

TRANSPORTATION

TRANSPORTATION

TRANSPORTATION

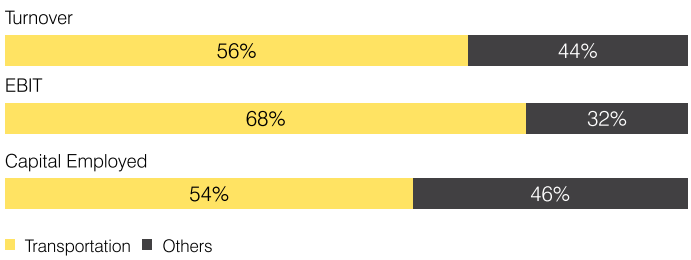
KEY EVENTS OF THE YEAR

- Established Expo Freight, Vietnam and PT Expo Unipara, Indonesia in line with the Company's regional expansion strategies to consolidate its freight forwarding business.
- Expo Consolidators involves itself in specialty business ventures and is currently engaged in providing turnkey solutions to the telecommunications industry.
- Expolanka also provided project cargo solutions for mini-hydro projects.
- Classic Travels has won several awards granted by airlines. The Company re-launched its brand to better reflect its businesses and spirits and was also granted PSA for Air Arabia Holidays.
- Luxe Asia our destination management subsidiary moved into new emerging markets as well as diversified into the hotel management sector in Sri Lanka; it also launched Platinum Sports Tours aligning its tour services with sports tourism in Sri Lanka.

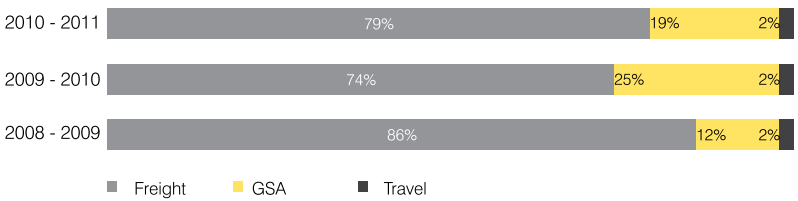
TRANSPORTATION

Mn	2010/11	2009/10	% Change
Turnover	18,069	11,854	52%
EBIT	1,765	954	85%
PBT	1,710	882	94%
PAT	1,326	643	106%
Total Assets	8,969	8,305	8%
Total Equity	3,503	2,326	51%
Total Debt	418	759	-45%
Capital Employed	3,921	3,085	27%

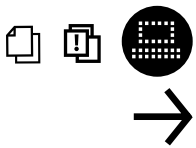
CONTRIBUTION TO THE GROUP



TURNOVER



TRANSPORTATION



The significant revenue increase in the transportation sector was primarily generated by the freight sub-sector whose revenue increased by 5.5 Bn over previous year while GSA and travels sub-sectors contributed a revenue growth of 525 Mn and 163 Mn respectively. The revenue growth was mainly achieved through focused strategies by penetration into new geographies namely Vietnam and Indonesia in the freight sector and expansion of businesses through existing agencies offering innovative new services and solutions to our client base. Strategies were also in place for more concentration on selling in order achieve the benefits of operating leverages. In freight sub-sector, mainly Expolanka Vietnam, Expolanka Bangladesh and Expolanka Freight India contributed significant revenue growth during the year under review.

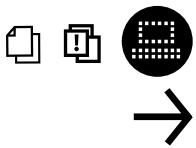
In assessing the profit levels in the transportation sector the freight sub-sector contributed significantly towards the bottom line. In this regard Expolanka Freight India and Expolanka Freight Vietnam contributed significant increase in the sector profit levels. The new entry to Vietnam proved to be a success both in terms of revenue and profits. This underlines the Group's focus on effective evaluation and new market penetration strategies in its investment decisions. Further, Expolanka Bangladesh and Expolanka Freight also contributed notable profit increase during the year under review. All strategies adopted by Expolanka have indicated success with every aspect of the transportation sector contributing positively towards the bottom line.

In spite of the volatility that prevailed in the worldwide GSA industry, this particular sector successfully managed to increase its bottom-line by 38% over previous year. The travel sub-sector performance is expected to blossom in the upcoming year when considering the factors which would positively facilitate growth such as - the formation and acquisition of new companies, the development of innovative products to provide total travel solution and also importantly, the Government's strategy towards promoting the tourism industry.

TRANSPORTATION

COMMENTARY

We begin with a brief over view of the Transportation sector and its constituent business arms.



Transportation is Expolanka Holdings' core business sector and a key strategic area of business operation. Its main business operations are in Freight Management, Airline GSAs and Travels and Tours. Our sector companies have shown significant growth not only in their operational capacity and performance but in their industry prominence and reputation too.

Our core portfolio of wide ranging services extends beyond the borders of traditional freight and logistics to specialized solutions for apparel, perishable goods and travel management.

Expolanka provides solutions that exceed expectations which places it in the league of world class players in their respective industries.

FREIGHT

The current infrastructure of Expolanka's freight sector supports multi modal transportation and logistics with Ocean and Air transportation as the core areas augmented by inland trucking/haulage, warehousing, customs clearance and handling and Project Cargo. Expolanka Freight has a vast global network spanning many countries across various continents. Expolanka International complements Expolanka Freight, as one of the largest freight forwarders in the Asian sub-continent and sub-Saharan region of Africa providing integrated, supply chain management of logistics services. The Company's global network allows the Group to identify changes in market dynamics and proactively offer novel solutions to its customer base. The Group has also identified the significant growth potential offered by the African countries and establishing a strong freight forwarding network in the region.

GSAs

This sector has forged ahead to become the premier GSA service provider for a number of key international passenger and cargo carriers. Experience and expertise in the field has sustained growth and in tandem with a strategic global expansion plan, has resulted in Expolanka establishing GSA offices in key global locations

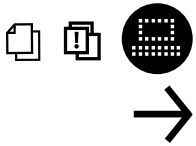
including in Asia and the Middle East. New partners and new markets are constantly being sourced to add to our existing clientele. With respected industry standing and a reputation for excellence and reliability, Expolanka is more than qualified to establish the representation of airlines in new locations.

TRAVELS AND TOURS

Making a difference in the world of Travel Management, the Travels sub-cluster, since inception, has been servicing the corporate and leisure travel segments, providing a comprehensive portfolio of products and services that facilitate the travel arrangement requirements of our clientele - including airline ticketing, expediting visa formalities and hotel reservations to any country in the world.

Acting as direct agent to all airlines, our innovative approach provides professional and custom-made travel experiences for all our customers, seamlessly.

The primary objective of the destination management company was to establish itself and make inroads into primary markets for developments. Going forward the strategy will be to target a mixture of traditional and web based operators. The keystone market for our destination management company in 2010/11 was India and significant investment was made there which started to pay dividend as the numbers steadily grew throughout the year.



A BROADER VIEW OF THE YEAR

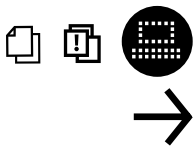
FREIGHT

In terms of freight forwarding, Expolanka has an expanded footprint across Asia, the Middle East and Sub-Saharan regions, in 12 countries and 39 cities.

The freight companies fared well, with those based in India, Bangladesh and Vietnam being the top performers. Positive results were achieved through focus on business development, ability to obtain competitive rates from air and shipping lines and offering consistently high levels of service.

Our Abu Dhabi operations which is an import based market with high level of competition was also beset by a downturn in imports. The market is expected to improve in the year 2011/12 and we have right strategies in place to overcome the current situation.

TRANSPORTATION



In terms of air cargo, Airline Cargo Resources, Dubai, the GSA for Virgin Atlantic showed an exceptional performance, achieved in the backdrop of an extremely competitive market which was experiencing a downturn in volumes.

Looking to 2011/12, challenging budgetary targets have been set for international freight companies. A Global Sales Team comprising top freight and logistics professionals has been formed to pursue top global accounts, improve trade lane efficiencies and agent contributions. This would enable the Company to be a strong regional player in the industry.

The prospects for 2011/12 are encouraging with focused strategies towards expanding operations and consolidating existing performance. In this regard various strategies have been identified to drive towards the success of the sector.

A Global Pricing Team has also been formed to establish global contracts with carriers that will yield more favourable rates and facilitate the secure of cargo space during peak periods, on their services.

The Group will also look at expanding its geographical base by increasing its stations in order to effectively tap developing markets.

The Group air export business performed exceptionally well this year as the sector was able to provide innovative services across all business segments in meeting demanding customer requirements.

In our warehousing operation our focus has been and will continue to provide end to end logistic solution to our customers which will create value and economies of scale.

In terms of volumes of exports by air, we saw a surge this year in comparison to the previous year. Two factors have influenced this scenario - the gradual recovery of the world economy, with businesses restocking inventories and the rush to beat the deadline for GSP Plus concessions, which particularly refers to the European markets. This sudden surge created a capacity crunch amongst the airlines, which pushed freight rates up, which in turn, benefited the Company.

TRANSPORTATION

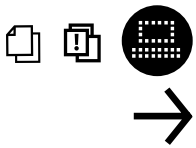
In respect of Ocean Import, the focus has been on sales and the pursuit of high margin generating business. As regards special handling, we have concentrated more on providing total solutions - door-to-door service. We have capitalized on DDP/DDU service with the formation of our own brokerage team.

Warehouse management is a new area of focus, where our service includes maintaining the total inventory of the customer, as well as freight handling, clearance, storage and delivery to customer-designated locations.

During the year, Expolanka brought to conclusion mini-hydro power projects for which it provided project cargo solutions in East Africa.

Expolanka's diversities in the transportation sector is further evidenced by the services offered by Expo Consolidators as it offers turnkey telecom solution and have also recently moved into the rail transportation business.

Expo Consolidators, as a specialty business entity providing turnkey solutions to the telecommunication industry, provided logistic support for erection of a network of telecom towers around Sri Lanka. The increasing role Expolanka is poised to play in this area will support national initiatives such as development of the North and East as well as the broader goal of developing Sri Lanka into a communications/ learning hub.



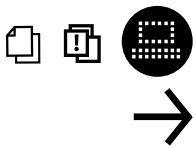
From an overall strategic perspective Expolanka continues to focus on the acquisition of small to medium sized freight companies as a means to drive forward our aim to consolidate our freight forwarding enterprise and positioning in the industry. We also expect to derive synergies that in turn, we could pass on to our loyal customers who have been with us in our journey to become the premier freight forwarding company in the industry.

GENERAL SALES AGENCIES - AIRLINES

In terms of airline representation the Group represents 13 airlines (as their General Sales Agent) primarily in the sphere of cargo, across Sri Lanka, India, Bangladesh and the UAE.

The airline sector performed admirably well with the companies performing to expectations given the volatile environment the Companies in the segment operated.

TRANSPORTATION



The fortunes continued to fluctuate owing to numerous micro and macro reasons. The factors include global travel and freight trends, economic trends, political issues, fuel prices, natural calamities, security restrictions, visa restrictions, health hazards and epidemics, airline market practices, fleet, route network, connectivity and pricing policies of the airlines.

The travel sector too have performed well. The Classic Travels underwent a branding exercise and have rebranded its corporate image. The Company has set in place challenging plans for the forthcoming year with focused long-term vision.

In such a situation, GSAs have to be extremely proactive and alive to opportunities, making good use of them, if they are to turn the tide of business.

TRAVEL AND TOURS

In this sub-sector, Classic Travels which caters mainly to outbound traffic expanded to serve the inbound market via Classic Vacations, whilst a new company, Luxe Asia was established to handle destination management.

Luxe Asia's key market during the year under review was India, which showed steady growth. China and the Middle East, particularly the UAE and Jordan, were also developed as primary markets. These are considered opportunity markets, with short developmental lead times and are expected to be growth markets for the Company in the medium term.

The UK market and web-based bookings have under-performed during the year. UK remains an important market and we have invested for the long term as we seek to establish a broad base of high-end tour operators catering to FITs (Free Independent Tourists). It will pursue to develop these markets further by adopting suitable short-term and long-term strategies.

With the opening of Luxe, Maldives, the Company gains some leverage in the UK market by being able to offer two destinations in its portfolio.

Expolanka Holdings and the Akquasun Group based in Mumbai have formed a joint venture to augment the destination management processes of Expolanka.

TRANSPORTATION

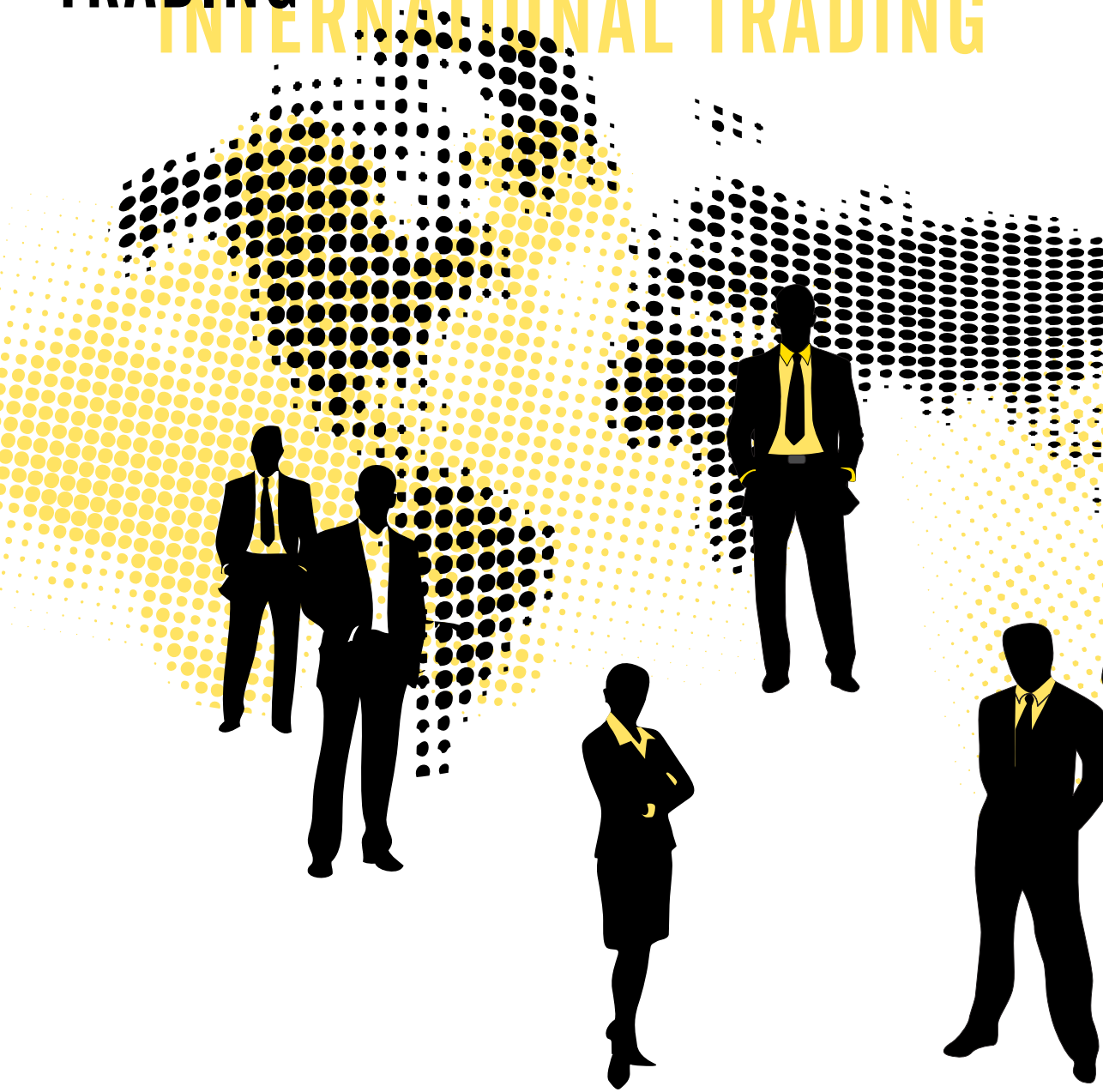
PROSPECTS

The improving global economic landscape is facilitating a return to prosperity particularly in the areas of trade and commerce and tourism around the globe, which augurs well for our businesses in the Transportation sector.

- Expolanka will capitalize on the overall infrastructure developments being made in Sri Lanka, with the expansion of the rail network to the North and East, which will yield growth opportunities for our transportation, freight management and warehousing activities.
- Expolanka will continue its strategy for the enhancement of its freight management operations, which includes strategic acquisitions of new agencies and companies, thereby strengthening its positioning and laying a strong base for the future.
- The Group will concentrate on developing and offering enhanced project cargo solutions, which we envisage will help us play an even more significant role in the freight industry.
- New cargo markets to be extensively explored in new regions and high growth markets.
- Expo Consolidators will further expand its specialty business solutions to the telecom sector throughout the country.
- Focus on project cargo segment will further divesify our business portfolio by venturing into new products trading opportunities.
- Expolanka has just established a presence in the newly-emerging transportation hub of Hambantota and hopes to successfully launch business operations in the near future.
- Expolanka will add new stations and will pursue in penetrating into high growth emerging markets.
- Target market for developing tourism include Asia and high growth markets in other regions.
- We're also exploring rail, sea and ferry services within our travel service category.
- In order to further strengthen and consolidate the warehousing operations, as planned we are hoping to proceed with an extensive expansion of warehouse operations with the increased capacity and this will result in an increase in its total storage capacity and also in the overall throughput of the warehouse. The increase in warehouse capacity will supplement the Group's expansion into the transportation and logistics sector with increased focus on fashion logistics.

INTERNATIONAL TRADING

INTERNATIONAL TRADING



INTERNATIONAL TRADING

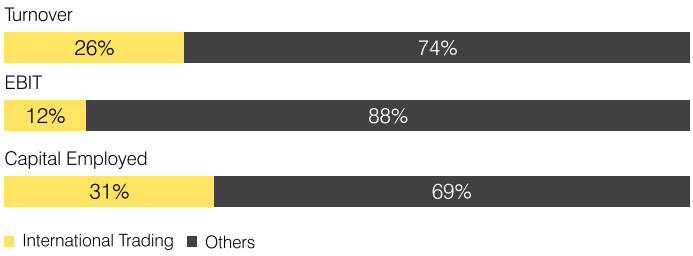
KEY EVENTS OF THE YEAR

- Expolanka Ltd. began exporting locally grown bananas under its brand 'Mo Fruit' to middle eastern countries; the Company remains market leader in the export of fresh fruits and vegetables as well as fresh and desiccated coconuts.
- The Company established a new factory to produce its value-added range of dried fruits, fruit juices, canned fruit and ready-to-eat foods for domestic and international markets.
- Aggressive brand building for our teas was carried out to better penetrate and serve local and international markets.
- Expolanka Teas commenced island-wide distribution of 'T-Sips' - its exclusive brand of teas - 'T-Sips' was also launched in the Maldives.
- Increased volumes were introduced into new geographies; concentrated focus was directed towards local marketing of teas and value-added products.

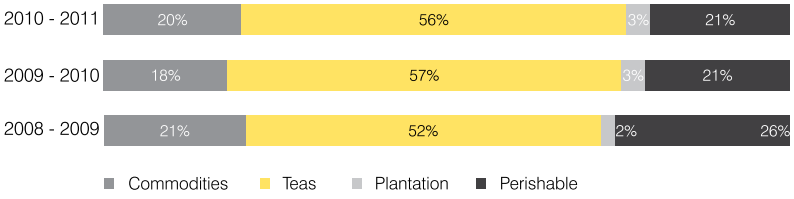
INTERNATIONAL TRADING

Mn	2010/11	2009/10	% Change
Turnover	8,593	7,401	16%
EBIT	312	283	10%
PBT	154	119	29%
PAT	111	69	61%
Total Assets	3,532	3,805	-7%
Total Equity	1,227	1,168	5%
Total Debt	1,055	931	13%
Capital Employed	2,282	2,098	9%

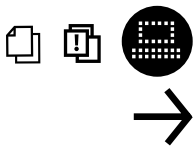
CONTRIBUTION TO THE GROUP



TURNOVER



INTERNATIONAL TRADING



The sector revenue increase amounting to Rs. 1.2 Bn mainly originated from tea trading and also from commodity trading. These achievements were commendable when considering the stiff competition and unfavourable economies that prevailed in the world market for these products.

Export of teas reached new geographies with new products whilst we also explored avenues to expand the existing markets to increase the revenue base. Sales augmented by innovative products also contributed to revenue growth and this market continue to grow at a rapid phase.

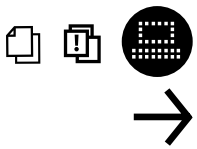
The increase in the capacity for commodity trading and concentration on heavy selling for the imported products also influenced the revenue growth.

However, there were negative factors which restricted the growth in produce items. This was mainly due to the unfavourable climatic conditions that prevailed in the country limited the supply of produce items which eventually shot prices up and margins for these products dropped to drastic levels.

Though the Company was affected with taxes on certain products, it has introduced new value-added products where the demand is high both in local and international markets.

The increase in profit from tea trading and commodity products were mainly due to the economies of scale and also due to the increase in the efficiencies achieved during the year. The sector was able to increase its bottom line by 61 % where the tea export and commodity trading segments contributed to the growth positively. The perishable export segment which was adversely affected by external factors was able to sustain its core position and looks forward to an improved performance in the year 2011/12.

INTERNATIONAL TRADING



COMMENTARY

As a pioneer exporter in Sri Lankas' export-driven economy, Expolanka has rapidly expanded its range of exports to include a wider spectrum of products. This sector engages in commodity trading and trading in perishable and value added products and tea. The export of fresh produce was Expolanka's inaugural, flagship business. Over the years, this segment of enterprise has expanded and now includes the export of other agricultural produce such as value-added tea, coconut products and other commodities.

The Group's main export markets are the Middle East, Europe and Africa.

Expolanka (Pvt) Ltd. is a leading exporter of fresh and desiccated coconut. It also manufactures and exports value-added fruit products such as dried fruits, fruit juices and fruit in syrup as well as ethnic dry foods.

EXPORTING FRESH PRODUCE

The year 2010/11 wasn't a particularly favourable one for this, our pioneering business arm.

The country suffered a severe shortage in the supply of fresh fruits, vegetables and fresh coconuts.

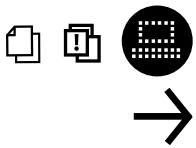
The supply of fresh fruits and vegetables was affected due to a combination of two factors. Adverse weather and flooding destroyed crops whilst the movement of the available produce to the North and East and also to the large hotels where the demand increased due to increase in tourist arrivals severely impacted our business. This resulted in a reduction of GP margins. The Company has put in place long-term

INTERNATIONAL TRADING

plans towards driving forward the business growth. Whilst focusing energies on its existing product range the Company also looked at developing new products to the consumer markets and moved into a new facility which is primarily catering to its value added product range.

Expolanka Commodities (Pvt) Ltd. our commodity import and entrepot trading arm, has gradually expanded its product portfolio to include spices and other commodities. To build a unique competitive advantage in the highly competitive commodity market sector, we have established an excellent reputation with foreign suppliers for agricultural commodities, enabling us to purchase the right quality at the right price from the most competitive country of origin, at the right season.

Expolanka Commodities (Pvt) Ltd. imports and trades in commodities such as dates, onions, red split lentils, dried fish and more. It also exports spices and ethnic foods in consumer packs. The Company is Sri Lanka's one of the largest importers of lentils and sugar.



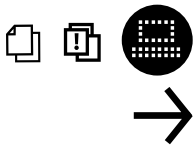
The Expolanka has also diversified into the tea industry exporting bulk black and green tea as well as specialty and value-added tea products under the brand 'T-Sips'. We take pride in possessing excellent facilities with modern technology, including our own tea bagging unit and well-equipped tea tasting and grading rooms in the tea exporting operation.

Tea exports reach 34 countries including those in the Middle East, Russia, Canada, Australia and Malaysia. We are one of the top 10 tea exporting companies in Sri Lanka and the Middle East is considered to be our most important market.

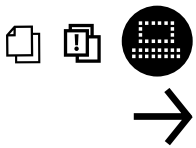
INTERNATIONAL TRADING

During the year under review, Expolanka took 'T-Sips' to the Maldives with an innovative launch campaign that saw the Company and local agents visit over many households in the capital Malé to promote the new product.

There was a drop in supply of fresh coconuts during the year. The reason for this was mainly due to the reduction in the area under coconut cultivation, poor crop management and lack of application of proper fertilizers. Here again there was movement of coconuts to the North and East to meet demand. The resultant drop in availability created a demand island-wide.



The desiccated coconut industry too was affected due to the short supply of fresh coconuts which pushed local prices of desiccated coconut up. In the international market, the price of Sri Lankan desiccated coconut correspondingly escalated, while the prices of the same commodity from other origins such as Indonesia and Vietnam came down. As a result there was a drop in the volume of shipments as well as in our margins.



PROSPECTS

- In terms of fresh produce, Expolanka will seek more avenues of backward integration to achieve synergies and progress in a highly competitive, volume-based market.
- The Company will also continue to concentrate on expanding its value-added product range, such as fruit products and ethnic dry foods.
- With regard to its tea enterprise, the Company has invested in new blending machinery and further developed its infrastructure to be able to better cater to customer requirements and expectations. Also there was a notable strengthening in the distribution network in order to enhance and expand the local sales and cater to the demands in the consumer markets.
- Better storage/warehousing facilities introduced, are expected to yield enhanced stock management and care of high quality produce.
- In the commodities category, more focus paid to improving product quality.

MANUFACTURING

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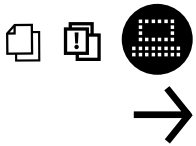


KEY EVENTS OF THE YEAR

- Neptune Papers (Pvt) Ltd. completed a remarkable turn around over a short time span with proper planning and right strategies and taken the Company to the expansion mode.
- The Company has recorded impressive eco-friendly statistics for the year in review as follows:

Waste Paper Recycled (in kg)	15,713,609
Number of full grown trees saved	267,131
Water saved (in litres)	499,378,494
Electricity saved (in KwH)	62,854,436
Oil saved (in litres)	27,577,384
Landfill - (savings in cu. metres)	47,141

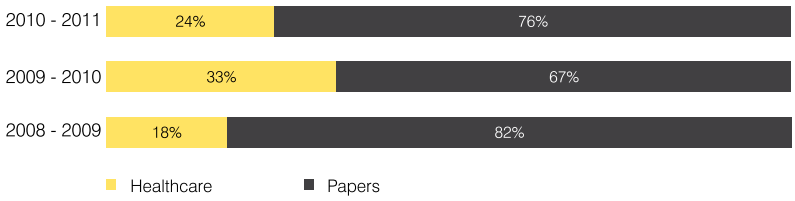
- Global market for waste paper continues to recover, taking the Sri Lankan market along. Prices up on average over past 2 years by 80%-90%.
- Bio Extracts (Pvt) Ltd. who manufacture the 'Baraka' range of black seed herbal products, invested in a state-of-the-art manufacturing facility.
- The Company also focused on building its brand in the export market.

MANUFACTURING

Mn	2010/11	2009/10	% Change
Turnover	603	426	42%
EBIT	23	(54)	143%
PBT	17	(67)	124%
PAT	11	(68)	117%
Total Assets	229	439	-48%
Total Equity	67	88	-25%
Total Debt	42	167	-75%
Capital Employed	109	256	-57%

CONTRIBUTION TO THE GROUP

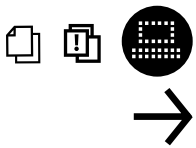
TURNOVER



MANUFACTURING

Our waste paper recycling Company has turned around their operation which has resulted in phenomenal growth in revenue levels of 61% over last year. This turn around also underlines the commendable profit growth which the Company managed to generate during the year under review. The Company expanded its business by moving into new geographies with new markets, new projects and new innovative products that enables it to offer a total recycling solutions.

The healthcare sector managed to grow its revenue albeit marginally. The demand that exists in this industry is yet to be capitalized though the Company has put forward the right infrastructure to avail of the opportunities on offer. It should be noted that even though revenue growth was low, the Company managed to reduce the losses reported last year, which was mainly achieved with high level efficiencies which have been brought into the Company.



COMMENTARY

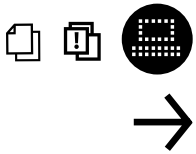
Our Manufacturing Sector enterprises have enhanced the Group portfolio with an assortment of interests, including herbal pharmaceuticals, eco-friendly paper recycling. Expolanka's successes in these industries have ensured that the Company has gained healthy market shares in these niches, markets and industries.

The Company runs an environmentally-friendly shredding and waste paper recycling company which is currently considered one of the leading waste paper exporters in Sri Lanka. The eco-friendly nature of this Company's business means that through recycling, vital resources of paper are put back into the economic cycle instead of being dumped, thereby reducing waste and saving trees.

MANUFACTURING

Expolanka has also brought together the age-old herbal medicine system and state-of-the-art technology to produce a range of herbal products using Black Seed as its main ingredient. This enterprise has been expanded with the introduction of a Pharmaceutical and Nutraceutical segment to include nutraceuticals and herbal food supplements, including herbal teas and aromatherapy oils.

The global Waste Paper market continued its recovery from the effects of the financial crisis, and the Sri Lankan market recovered along with it.

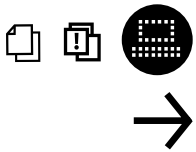


Over the last 2 years prices have been up almost 80%-90% on average.

Neptune Papers (Pvt) Ltd. has been able to leverage on this recovery and maintain good selling prices throughout the period under review.

The Company also tapped new export niche markets to further leverage the prevalent favourable international market prices. Robust and focused Cost Management, a streamlined operating structure and consistent monitoring further helped manage and reduce overhead costs.

Looking to the future, we predict strong demand for scrap steel in the local market in view of the strong growth and infrastructure development taking place in Sri Lanka. This will be a new profit centre for Neptune.



PROSPECTS

- Neptune Papers (Pvt) Ltd. forecasts significant growth in waste paper generation in the local as well as regional markets, with the increase in intra-regional trade.
- Increased environmental consciousness will spur demand for recycled products, which again will work to our advantage.
- Neptune Papers (Pvt) Ltd. also predicts a strong demand for scrap steel in the local market, given the strong growth and infrastructure development that is set to continue in Sri Lanka. The Company is also gearing itself to develop a metal trading service in the local market.
- In our healthcare sub-sector, Bio Extracts (Pvt) Ltd. paid greater focus to expanding exports of its products under the 'Baraka' brand name and also to penetrate new markets.

STRATEGIC INVESTMENTS

STRATEGIC INVESTMENTS

ENTS

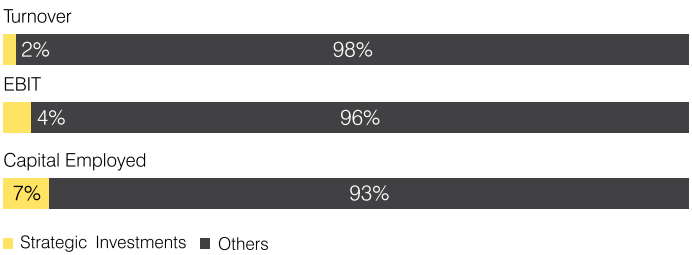
KEY EVENTS OF THE YEAR

- Asia Pacific Institute of Information Technology (APIIT Lanka) expanded its operations with the increased degree programmes and students intake during the year under review. The Company also focused in enhancing the facilities and capacities to attract students from variety of segments. These were ably supported by the Government's move towards uplifting and encouraging the private sector educational programmes and APIIT has grasped this opportunity to its fullest strength.
- Hellocorp (Pvt) Ltd., our BPO Company, was chosen to set up and manage SriLankan Airline's 24x7 Global Contact Centre.
- Hellocorp was successfully recertified as an ISO 27001 Information Security compliant company.

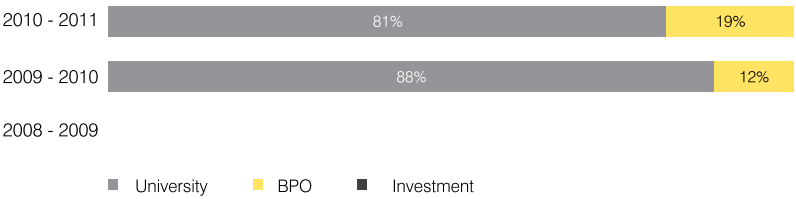
STRATEGIC INVESTMENTS

Mn	2010/11	2009/10	% Change
Turnover	490	375	31%
EBIT	103	60	71%
PBT	101	57	75%
PAT	54	27	96%
Total Assets	768	430	79%
Total Equity	387	246	57%
Total Debt	107	21	414%
Capital Employed	493	267	85%

CONTRIBUTION TO THE GROUP



TURNOVER

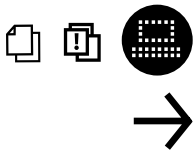


STRATEGIC INVESTMENTS

The revenue in Tertiary Education has increased over previous year and this has positively transformed the sector's bottom-line. These results were achieved mainly due to the well-planned strategies adopted, in embarking on new degree programmes where huge demand exists.

Further, more liberal rules on higher education enabled the Company to be pro-active in most growth areas in the industry.

Our BPO revenue doubled during the year and this was mainly due to the new projects and our partnership with SriLankan Airline's which boosted revenue levels. Since this was the first year of operation on this, the project so far has not realised significant profit levels. For the year under review, the Company has generated Rs. 3 Mn as bottom-line compared to a break-even position recorded last year.



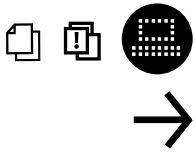
COMMENTARY

Expolanka's growth continues with investments in the sectors of Business Process Outsourcing and Tertiary Education. Ventures in these areas of business have been steered by business developments and have propelled the Group to more success based on the pursuit of delivering excellence.

In the area of tertiary education, the Group has strong presence in local market specializing in providing education and training programmes in Computing and Information Technology, Business Management and Law.

The Asia Pacific Institute of Information Technology provides higher education opportunities to Sri Lankan and foreign students in the academic areas of Business, IT and Law. It has BOI approval to offer tertiary education in partnership with the Asia Pacific Institute of Information Technology, Malaysia and Staffordshire University, UK.

STRATEGIC INVESTMENTS



During the year in review, the growth in student intake was lower than expected, mainly due to the large number of UK-based and other international degree programmes available in the market. Also APIIT Lanka's schedule of programmes on offer required augmentation, a process on which the Company has been working on.

For the year ahead, the Institute has decided on a two-pronged strategy to significantly upgrade its offerings and position itself as a top-rung educational facility.

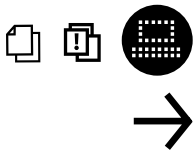
APIIT will introduce numerous degree programmes of different fields and will be on an expansion mode in order to significantly enhance its offer to students offering them state-of-the-art study facilities and new learning experiences. These measures will optimally position the institute for a bright future.

BUSINESS PROCESS OUTSOURCING

In 2002, Hellocorp Private Ltd. became the pioneer BOI-approved company in Sri Lanka offering BPO services initially in areas such as customer support and call centre services for overseas clients. The Company currently has in depth experience across a diverse range of domains in Sri Lanka.

Today the Company has widened its product/service portfolio to offer outsourced services, such as finance and accounting, data processing, IT tech support, back office processing and managed outsourcing solutions, among others.

The enterprise of this Company is set to play a vital role supporting national goals in proliferation of IT and other strains of education, as the Government works towards establishing Sri Lanka as a hub for IT and learning.



PROSPECTS

- APIIT will continue to expand its degree portfolio and enhance its capacities to cater to the increased demand.
- Benefits also accrued in terms of Government incentives and tax concessions.
- Hellocorp (Pvt) Ltd. will target on BPO services in the fields of finance and accounting.
- The Company expects to leverage opportunities opening up as a consequence of growing national interest in BPO ventures.

OUR GREEN PAGES

The 'green concept' of doing business has been inherent in Expolanka's world since inception.

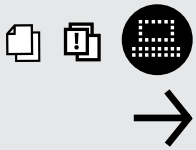
Today, instinctively exemplary green strategies and functions are beginning to get formalized as the Group puts in place the necessary measures, checks and balances that will validate and offer for measurement and certification, its entire operation.

In March 2010, we appointed our Green Team consisting of members drawn from various organisations of the Group and mandated to raise awareness and consciousness on environmental issues and practices and also to promote programmes and activities that will improve our environmental footprint.

In this segment of our report we present green initiatives worthy of special mention that have transpired during the year under review and are to take place in the near future.

EARTH HOUR - 27 MARCH 2010

Our Green Team facilitated participation in and promotion of Earth Hour this year. This is a global initiative of WWF, where people around the globe are encouraged to think of the planet and contribute to saving resources by switching off their lights/electrically driven appliances for one hour at a predetermined time. The interest and enthusiasm of our Team persuaded the WWF to recommend their appointment as Country Co-ordinators for Sri Lanka for the project in the absence of a WWF office in the country.



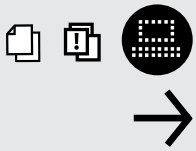
The Team lobbied and won the support of the Government for this appointment and the subsequent programme of action that saw people and establishments all over Sri Lanka 'switching off lights' for an hour.

WORLD ENVIRONMENT DAY - 5 JUNE 2010

The Green Team organized an Environmental Awareness Programme at the Royal College Auditorium to mark this event.

It was themed according to the United Nations Environment Programme's theme - 'Many Species, One Planet, One Future'.

The day's activities included lectures, video screening and drama enactment and the audience consisted of staff, invitees, media and environmental enthusiasts.



WORLD WATER DAY - 22 MARCH 2011 AND WORLD EARTH DAY - 22 APRIL 2011

We produced e-Brochures in respect of both days to educate and encourage staff on the importance of conserving water as well as to raise consciousness about the necessity to care for our environment and Planet Earth.

PAPER RECYCLING CAMPAIGN

Throughout the Group a sustained campaign has been in place on the 3 'R's concept – Reduce, Reuse, Recycle.

The Group put this concept to practical use - promotional items such as diaries and note books were manufactured using recycled paper. Company gift items were innovatively and tastefully designed incorporating recycled paper products.

INITIATIVES FOR THE FUTURE

Initiatives that the Green Team is working on for the future include - Rain Water Harvesting, Waste Management, Solar Energy, Environmental Awareness and suitable celebration of National Tree Planting Day.

EXAMPLES OF EFFECTIVE CSR

At a charity tea auction at which the beneficiary was the National Cancer Institute, Maharagama, a 100 gram lot of Expolanka Silver Tip tea was sold for a staggering Rs. 1 Mn.

All told, 15 lots were on offer and netted a total of Rs. 6 Mn for the cause.

The auction set out to raise funds for the Cancer Institute who, in collaboration with the Colours of Courage Trust, looks after the welfare of cancer patients.

Expolanka is committed in lending a helping hand by providing free medical by health camps and as permanent solutions setting up Medical Consultations (Expo Medix) at different locations where the majority is unaffordable.

The Expo Medix facility operates as a Dispensary and Surgery, treating patients for common illnesses. This non-profit centre cures patients for the cost of the services rendered on a continuous basis. This medical centre is a massive stride towards the health betterment of the nation, enabling citizens to benefit from affordable treatments for their illnesses.

HUMAN RESOURCES

Often considered the 'lifeblood' of any organization, people are certainly viewed in this light at Expolanka.

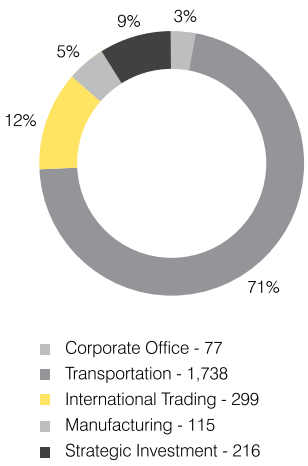
The Group has a warm and friendly outlook when it comes to dealing with the people who work for us. We recognize the importance of recruiting the right people for the right job, providing them with an enabling environment, empowering them, training and equipping them with the skills required - not just to do a job, but to progress in a career built on many years as a member of the Expolanka 'family'. We value the humane and polite way over 'strong armed aggressiveness' and that there is no shame in falling, as long as we have the resilience to get up and push forward without giving in.

Expolanka's Group Human Resources operate within these ethics and practices.

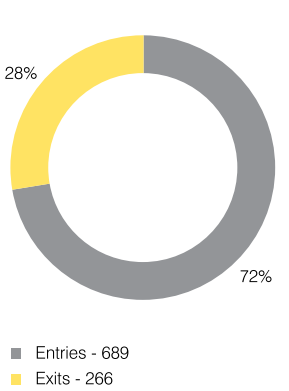
THE YEAR UNDER REVIEW

The charts featured below detail key information, which is self explanatory:

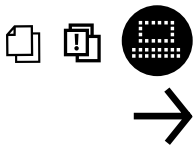
TOTAL NO. OF EMPLOYEES



MOVEMENT OF EMPLOYEES



HUMAN RESOURCES



The Expolanka Learning Centre (ELC) was launched in September 2010. This is a state-of-the-art establishment fully-equipped to handle the training requirements of the Group.

Courses conducted to date have covered subject matter within the areas of Leadership Skills Development, Supplementary Skills, Personal and Professional Effectiveness, IT and Other Skills and Sales & Customer Service.

1,520 employees were trained during the year under review.

In addition to the training offered by the ELC, over 100 other programmes were facilitated by individual companies from the Group.

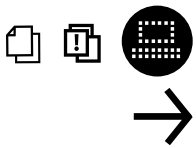
Thus, 66.38% of our total cadre of employees received training across the Group.

Group values were also imparted at various forums.

Several important policies were formally adopted during the year such as - a Loan Policy, Foreign Travel Policy and Terms and Conditions of Employment.

The Group also facilitates a 'healthy' calendar of recreational and team building events such as Health Clinics, Sports Days, Picnics, Outings and more.

SENIOR MANAGEMENT OF THE GROUP



DR. ATHULA PITIGALAARACHCHI

***CEO* - APIIT**

Industry Experience of 30 years. Ph.D. from the University of Bristol, United Kingdom; BDS from the University of Peradeniya, Sri Lanka.

ABDULLAH KASSIM

***Head of Business Development* - Expolanka Holdings PLC**

Industry Experience of 02 years. M.Sc. 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* - APIIT**

Industry Experience of 18 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 12 years. MBA from the Edith Cowan University, Australia; Certified HR Professional from the International Public Management Association for HR, USA; Diploma in HRM from the London Business School; Certificate in HRM from the Institute of Personnel Management, Sri Lanka.

ASITHA KAGGODA

***Head of Group IT* - Expolanka Holdings PLC**

Industry Experience of 09 years. M.Sc. in Information Technology from Keele University; UK Project Management Professional (USA).

ASLAM ASSEN

***Jt. CEO* - Neptune Papers (Pvt) Ltd.**

Industry Experience of 05 years. Professional Postgraduate Diploma in Marketing (CIM - UK); Chartered Marketer

AZMY MOHIDEEN

***COO* - Expolanka Commodities (Pvt) Ltd.**

Industry Experience of 24 years.

SENIOR MANAGEMENT OF THE GROUP

CHAMINDA DIAS

***Executive Director* - Luxe Asia (Pvt) Ltd.**

Industry Experience of 14 years.

DHILSHAD SIDEEK

CEO - **Expolanka Teas (Pvt) Ltd.**

Industry Experience of 21 years. MBA from Edith Cowan University, Australia; Diploma in Marketing from the Chartered Institute of Marketing, UK.

HASSAN KASSIM

Head of Corporate Communications and CSR -
Expolanka Holdings PLC

Industry Experience of 01 year. BA (Hons.) in Business Administration from the University of Nottingham, UK

JAGATH PATHIRANE

***CEO* - Expolanka Freight (Pvt) Ltd.**

Industry Experience of 17 years.

KANISHKA WIJESINGHE

***Director* - Expolanka Airline Division**

Industry Experience of 28 years. Airline Marketing with the International Air Transport Association.

M.F. ANNAM

***Director*/*CEO* - Expolanka (Pvt) Ltd.**

Industry Experience of 34 years. Chartered Institute of Management Accountants Finalist.

MOHAMED MUZZAMIL

***Director* - Expolanka International (Pvt) Ltd.**

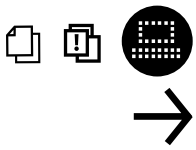
Industry Experience of 32 years.

MOHAMED RIZAN

***Jt. CEO* - Neptune Papers (Pvt) Ltd.**

Industry Experience of 05 years. Bachelor of Business Administration (Special) from the University of Colombo; The Institute of Chartered Accountants of Sri Lanka Finalist.

SENIOR MANAGEMENT OF THE GROUP



MUSHTAQ AHAMED

***CFO* - Expolanka Holdings PLC**

Industry Experience of 13 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.

OMAR FATHARALLY

***CEO* - Hello Corp (Pvt) Ltd.**

Industry Experience of 05 years. Corporate Leader, Executive Education Programme at Harvard Business School; Certificate in Management from the Postgraduate Institute of Management at the Sri Jayewardenepura University; Fellow Member of CIMA, UK.

RIZA BAHARDEEN

***CEO* - Bio Extracts (Pvt) Ltd.**

Industry Experience of 17 years. MBA from the University of Buckinghamshire; Executive Diploma in Business Administration from the University of Colombo; Postgraduate Diploma in Marketing from the Sri Lanka Institute of Marketing (SLIM).

SAIF YUSOOF

***Managing Director* - PERI Logistics (Pvt) Ltd.**

Industry Experience of 03 years. Bachelor of Business Administration with a specialization in Integrated Supply Management from the Haworth College of Business at Western Michigan University.

SURESH MENDIS

***CEO* - Classic Travel (Pvt) Ltd.**

Industry Experience of 32 years. IATA worldwide qualification issued by Air Lanka.

NIROZA GAZZALI

***CEO* - SG Logistics (Pvt) Ltd.**

Industry Experience of 19 years.

CORPORATE GOVERNANCE REPORT

CHECKLIST

INTRODUCTION

Expolanka strongly believes that good governance is an imperative for the success of an organization. Hence, priority is always given to the adoption of the best principles and latest practices of corporate governance as recommended by the codes applicable to the Company.

Accordingly, we wish to comment on the extent of compliance with the following:

1. Rules on Corporate Governance as per Section 7.10 of the Listing Rules of the Colombo Stock Exchange. (Listing Rules can be found at www.cse.lk)

   WE CONFIRM HAVING COMPLIED WITH ALL THE RULES PRESCRIBED IN SECTION 7.10 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE.

2. Code on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission. (Details of the applicable rules can be found at www.sec.lk)

Extent of compliance with the above Code is as follows:

Reference to the Requirement	Requirement	Extent of Compliance
A.1.1.	Holding regular Board meetings	Complied Board of Management Meetings - 07 Board Meetings - 02 EGM - 02 AGM - 01
A.1.2.	Board's responsibilities	Complied
A.1.3.	Abiding by laws of the country	Complied
A.1.4.	Directors' access to the secretary	Complied
A.1.5.	Directors' independent judgement	Complied
A.1.6.	Dedicate adequate time and effort by Directors	Complied
A.1.7.	Receive appropriate training by the Directors	Complied
A.2.1.	Decision to combine CEO and Chairman	Not Applicable
A.3.1.	Chairman conducts the Board proceedings in a proper manner	Complied
A.4.	Availability sufficient financial acumen and knowledge	Complied
A.5.1.	Composition of Non-Executive Directors and calibre	Complied
A.5.2.	'Independence' of Non-Executive Directors	Complied
A.5.3.	Independent Directors' free of any business and other relationships	Complied
A.5.4.	Non-Executive Directors' annual confirmation of independence	Complied

CORPORATE GOVERNANCE REPORT

Reference to the Requirement	Requirement	Extent of Compliance
A.5.5.	Boards' annual determination - Non-Executive Directors independence	Complied
A.5.6.	Appointment of Senior Independent Director	–
A.5.7.	Confidential discussion from Senior Independent Directors	–
A.5.8.	Chairman holding meeting only with Non-Executive Directors without the presence of Executive Directors	–
A.5.9.	Directors concerns which cannot be unanimously resolved are recorded in the Board minutes	Complied
A.6.1.	Provision of appropriate and timely information to the Board	Complied
A.6.2.	Minutes, agenda and papers are provided 7 days before the meeting	Complied
A.7.1.	Nomination Committee appointment	–
A.7.2.	Annual assessment of the Board composition	Complied
A.7.3.	Upon appointment of a new Director, the concerned disclosures are made to the shareholders	Complied
A.8.1.	Appointment of Non-Executive Directors only for a term subject to re-election	Complied
A.8.2.	All Directors should be subject to election by shareholders	Complied
A.9.1.	Board's annual appraisal of performance	Complied
A.9.2.	Board's annual self-evaluation of performance and its committees	Complied
A.9.3.	State how such evaluations are conducted in the Annual Report	Complied
A.10.1.	Directors' disclosure requirements	Complied
A.11.1.	Setting up of short-, medium- and long-term objectives of the Company	Complied
A.11.2.	Board's evaluation on CEO's performance	Complied
B.1.1.	Setting up of Remuneration Committee	Complied
B.1.2.	Composition of Remuneration Committee	Complied
B.1.3.	Listing of Remuneration Committee in the Annual Report	Complied
B.1.4.	Compliance WRT to remuneration on Non-Executive Directors	Complied
B.1.5.	Remuneration Committee's access to professional advice	Ongoing
B.2.1.	Remuneration Committee to provide right packages to attract and retain	Ongoing
B.2.2.	Judgement of Remuneration Committee in relation to other companies	Ongoing
B.2.3.	Remuneration Committee's sensitiveness in determining salary increase	Ongoing
B.2.4.	Appropriate remuneration to Executive Directors to perform at highest levels	Complied
B.2.5.	Executive share options should not be offered at a discount	Complied
B.2.6.	Remuneration Committee to follow provisions in Schedule - D	Ongoing
B.2.7.	Consideration of compensation commitments	Ongoing
B.2.8.	Avoid rewarding poor performance while dealing fairly	Complied

CORPORATE GOVERNANCE REPORT

Reference to the Requirement	Requirement	Extent of Compliance
B.2.9.	No share options to Non-Executive Directors	Complied
B.3.1.	Aggregate remuneration paid to Executive and Non-Executive Directors	Please Refer 131
C.1.1.	Counting of all proxy votes and should indicate the level of proxies lodged on each resolution	Complied
C.1.2.	Propose a separate resolution at the AGM on each substantially separate issue	Complied
C.1.3.	Committees to be made available to answer questions at AGM	Complied
C.1.4.	Arrange for the Notice of the AGM and related papers to be sent to shareholders at least 15 calendar days	Complied
C.1.5.	Companies should circulate with every Notice of General Meeting	Complied
C.2.1.	Directors should disclose to shareholders all material facts of major transaction	Complied
D.1.1.	Board's responsibility to present information required to be presented by statutory requirements	Complied
D.1.2.	Directors Report in the Annual Report	Please Refer 79
D.1.3.	Responsibilities of the Board in preparation and presentation of Financial Statements	Complied
D.1.4.	Management Discussion and Analysis	Please Refer 18
D.1.5.	Directors Report - Going concern	Please Refer 82
D.1.6.	Net assets of the Company fall below 50% of the value of the Company's shareholders' funds	Not Applicable
D.2.1.	Annual Review of Internal Controls - Audit Committee	Complied
D.2.2.	Review the need for internal audit function	Complied
D.3.1.	Composition of Audit Committee	Complied
D.3.2.	Duties of the Audit Committee and periodic review of the scope	Complied
D.3.3.	Terms of Reference of Audit Committee	Complied
D.3.4.	Report of the Audit Committee	Ongoing
D.4.1.	Disclosure on Code of Business Conduct & Ethics for Directors and members of the senior management team	Ongoing
D.4.2.	Chairman must affirm that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics	Ongoing
D.5.1.	Corporate Governance Report	Please Refer 57
E.1.1.	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives	Complied
E.2.	Institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention	Complied
F.1.	Individual shareholders, investing in shares should be encouraged to carry out adequate analysis	Complied
F.2.	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights	Complied

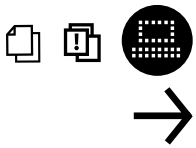
CORPORATE GOVERNANCE REPORT

COMPOSITION OF THE BOARD

Board comprises of 8 Directors of whom 4 are Executive Directors. Of the 4 Non-Executive Directors, 3 are independent. The names of the Directors are given on page 81 of this Report.

Board Meetings, Committee Meetings and Attendance:

Director	Board Meetings held/attended	Board of Management Meetings held/attended	Extraordinary General Meetings held/attended	Annual General Meetings held/attended
Osman Kassim - *Executive Director and Chairman of the Board*	2/2	7/6	2/1	1/0
Hanif Yusoof - *Executive Director and Chief Executive Officer*	2/2	7/7	2/2	1/1
Sattar Kassim - *Executive Director*	2/2	7/7	2/2	1/1
Shafik Kassim - *Executive Director*	2/2	7/7	2/2	1/1
Farook Kassim - *Non-Executive/ Non-Independent Director*	2/1	7/7	2/0	1/0
Dr. Sivakumar Selliah - *Non-Executive Independent Director*	2/1		1/0	
Harsha Amarasekera - *Non-Executive Independent Director*	2/2		1/1	
Sanjay S. Kulatunga - *Non-Executive Independent Director*	2/2		1/1	



AUDIT COMMITTEE

The Audit Committee is formally constituted as a subcommittee of the Main Board to which it is accountable and it consists of the following members:

Sanjay Kulatunga (Chairman) - Independent Non-Executive Director
Dr. Sivakumar Selliah - Independent Non-Executive Director

The Group CEO and the Group CFO attends the meetings of the Audit Committee by invitation.

The Audit Committee is responsible for the reviewing of functions and processes of internal controls in the Company and ensuring the effectiveness of such controls. The Committee also reviews the financial information of the Company in order to monitor the integrity of the Financial Statements of the Company. It monitors all audit activities and operations, both internal audit and external audit, and ensures their compliance with overall policies and procedures as well as adherence to statutory and regulatory requirements and industry best practices.

The main scope of the Audit Committee would entail the following:

(1) Financial Reporting and Disclosure - The Committee is tasked with ensuring that the Group financial reporting meets with all statutory and industry best practices and will meet on a periodical basis to ensure that the information contained is of the highest integrity.

(2) Risk Mitigation - The Committee evaluates the Group Risk Management Framework to ensure that formal Risk Management Actions have been taken and that the major risk exposures have been managed sufficiently.

(3) Internal Audit - The Committee will work with the Group Internal Audit Department to ensure that all relevant internal controls and compliance requirements are adequately met.

It should be noted that the Audit Committee was formed after the financial year 2010/11 and the active functioning of this Committee as per the set objectives and strategies would take place during the current financial year. Therefore the review, observations and the Audit Committee Report would form part of the forthcoming Annual Report.

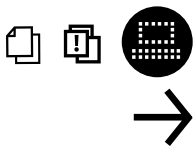
CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

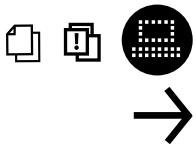
The Remuneration Committee is a subcommittee of the Main Board to which it is accountable and the members of this Committee were appointed by the Board. It consists of the following members:

Harsha Amarasekera (Chairman) - Independent Non-Executive Director
Dr. Sivakumar Selliah - Independent Non-Executive Director
Sanjay Kulatunga - Independent Non-Executive Director

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration of its top management. The Committee is also responsible for setting up the remuneration policy and providing guidelines to the Board on the overall remuneration framework including setting performance incentives and targets to ensure that remuneration levels are sufficient to attract and retain the caliber of professionals required for the successful management and operation of the Company.



The Remuneration Committee was formed after the financial year 2010/11 and the active functioning of this Committee as per the set objectives and guidelines would take place during the current financial year. Therefore the review, recommendations and the Committee Report would form part of the forthcoming Annual Report.



FINANCIAL REVIEW

INTRODUCTION

The growth Expolanka has experienced during the year under review was the best in its history when measured in absolute terms for both revenue as well as its bottomline. This growth was well structured and well planned and its progress was closely monitored throughout the financial year. It should be noted that an enormous transformation has taken place in interpreting the organizational performance by the senior management. From the financial perspective, the margins, profitability, resource utilization, returns, value additions, investment appraisals and business planning were given paramount importance during the year under review in measuring the organization's real growth and achievement. The financial results sum up all the hard work, commitment and focus that the Group as one team, has put in during the course of its inspiring but challenging journey. The revenue levels have moved from Rs. 23.7 Bn in the year 2009/10 to Rs. 32.5 Bn in the year 2010/11 recording a commendable 37% growth in one financial year. The expansion of the existing businesses with existing agents, penetration into new geographies and new markets were the key reasons for the significant revenue growth.

However, the corresponding expenses were kept under manageable level where expenses were managed with proper planning alongside the advantages that were obtained from operating leverages. The reduction in borrowing rates in the market coupled with effective rate negotiations also contributed to the drop in total finance cost in spite of the significant revenue growth during the year under review. Further, high cost borrowings that were settled during the year have also contributed to low finance expenses. The success stories in the revenue growth and expenses management have resulted in noteworthy advancement in the Group's bottomline. Further the Government's decision to go ahead with the tax rate reductions has also contributed to the higher bottomline. In this regard, the Net Profit

FINANCIAL REVIEW

After Tax (NPAT) has experienced a phenomenal growth during the same period, increasing from Rs. 591 Mn to Rs. 1,768 Mn. This exemplary progress is a clear testimony of the efficiency of the focus directed towards priority areas and the corresponding transformation in creating value and assessing the organizational performance.

SUMMARY OF GROUP PERFORMANCE

Item	**2010/11 Rs. Mn**	2009/10 Rs. Mn	Change Rs. Mn	Change %	Comments
Revenue	**32,507**	23,709	8,798	37.11	Increase is mainly attributed to a 52% growth in transportation sector as a result of venturing into new geographies including Indonesia and Vietnam and expanding business with existing agencies and customers. Turnaround of a few companies too contributed to this growth.
Cost of Sales	**(26,460)**	(19,156)	(7,304)	38.13	Increase is proportionate to the increase in revenues. With no additional increase in cost of sales, GP margin was maintained at a consistent 19% for both years.
Other Operating Income	**891**	455	436	95.77	Mainly consists of operational incentive income and also gain from the disposal of subsidiary companies during the year under review.
Distribution Expenses	**(543)**	(492)	(51)	10.36	Kept under control with proper planning and has the advantage of operating leverages.
Administrative Expenses	**(3,735)**	(3,192)	(542)	16.98	Increase is attributable to new geographical expansion and increase in volumes. However the increase was relatively controlled in spite of significant revenue growth.
EBIT	**2,604**	1,275	1,329	104.28	Relatively fixed nature of both administrative and distribution expenses has helped improve the bottomline contribution of additional GP due to operating leverage.

Item	**2010/11 Rs. Mn**	2009/10 Rs. Mn	Change Rs. Mn	Change %	Comments
Finance Expenses	**(280)**	(348)	68	-19.54	Effective management of working capital, reduction in finance costs, effective negotiations for competitive rates and settlement of high cost borrowings helped manage finance cost.
Profit before tax	**2,324**	926	1,398	150.85	Higher earnings coupled with lower finance cost resulted in higher profit before tax.
Tax Expense	**(556)**	(335)	(220)	65.65	Tax rate reductions for many industries and tax exemptions mainly caused the effective tax rates to come down.
Profit for the period	**1,768**	591	1,177	199.19	Cumulative effects of favourable results in revenues, expenses and finance cost increased profit significantly. Efficiencies, synergies and effective negotiations were brought into operations with a bottomline focussed approach on the companies.
ROCE	**27.47%**	12.66%	–	117.03	Increased asset turnover coupled with advantage on the operating leverage enabled ROCE to move up. Loss making ventures being turned around to profit mode enabled the ROCE to more than double over the previous year.
ROE	**34.11%**	15.44%	–	120.92	Effect of ROCE and focus on right capital mix enabled the ROE to go up significantly over the previous year.

FINANCIAL REVIEW

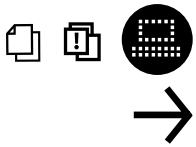
SUMMARY OF SECTOR PERFORMANCE

Sector	Sub-sector	Comments
Transportation	Freight	New geographies and expansion of businesses with the existing agencies contributed to revenue growth while operating leverages, concentration in selling and new business with high margins contributed to the profit levels.
	GSA	Increased focus on the existing airlines and achieving extensive synergy effects enabled the sector to increase revenue and profitability.
	Travel	Increased tourists arrivals and grants to tourism encouraged rapid growth. Experiments with innovative products and provision of total travel solutions helped exceed the targets. The recent formation of a new company in leisure industry has also contributed to the sector's performance.
International Trading	Commodities	Capacity enhancements helped increase the volume during the year. Margins improved for the imported products which are reflected in the bottomline.
	Perishable	Experienced a severe shortage in the supply of fresh fruits, vegetables and fresh coconuts. Imposition of cess on coconuts affected margins and restricted revenue growth. Existing volume of value added products were low to enhance the profitability of the Company.
	Teas	Increased the volume by moving into new geographies. Focused on local marketing for tea products and value added products. Enjoyed advantage of operating leverage and managed expenses effectively.
	Plantation	Despite experiencing almost the same level of revenue as previous year the Company encountered low margins.
Manufacturing	Healthcare	Investment in new machinery and new facility enabled the sector to achieve efficiencies and synergies.
	Papers	Significant expansion of the business by moving into new geographies, new markets, new projects, new innovative products and concentration on margins boosted the Company performance.
Strategic Investments	BPO	Signing up with SriLankan Airlines boosted the revenue levels and improved profitability. Further expanded into financial and accounting services of both local and international customers.
	Tertiary Education	New degree programmes enhanced the revenue levels. Bold steps taken by the Government of Sri Lanka to promote private higher education industry in Sri Lanka too influenced the growth rate.

FINANCIAL REVIEW

Revenue			NPBT			NPAT		
2010/11	2009/10	Growth %	**2010/11**	2009/10	Growth %	**2010/11**	2009/10	Growth %
14,260	8,734	63%	**1,429**	665	115%	**1,090**	486	124%
3,438	2,913	18%	**236**	177	33%	**200**	125	60%
371	208	79%	**45**	40	12%	**36**	32	14%
1,730	1,330	30%	**54**	11	393%	**37**	4	741%
1,778	1,585	12%	**(93)**	23	-510%	**(93)**	16	-666%
4,824	4,236	14%	**188**	63	197%	**166**	39	330%
261	251	4%	**5**	22	-76%	**1**	9	-92%
148	142	4%	**2**	(13)	112%	**(1)**	(14)	-96%
456	283	61%	**15**	(54)	128%	**12**	(54)	122%
91	45	104%	**3**	0	1299%	**3**	0	8367%
399	330	21%	**93**	55	69%	**47**	25	87%

FINANCIAL REVIEW



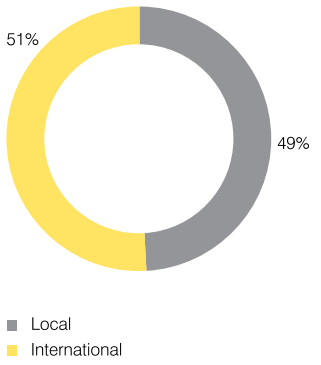
FINANCIAL GOALS AND ACHIEVEMENTS

	Goal	2010/11	2009/10	2008/09
	%	%	%	%
EBIT Growth	20.00	104.28	22.51	120.69
Return on Capital Employed	17.00	27.47	12.66	13.20
Return on Equity	22.00	34.11	15.44	13.37
Net Debt to Equity	25.00	14.28	73.83	70.67

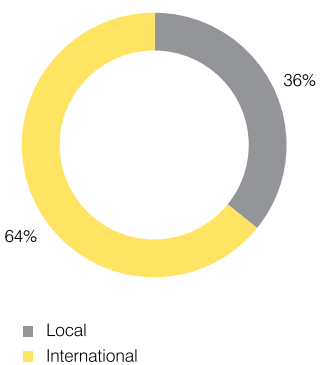
The Group has far exceeded the budgeted performance for the financial year 2010/11 both in terms of its top-line and also the profit levels. Utmost commitment, focus and right business acumen of the management were the key reasons for the achievement of the financial results during the year under review. The Group has placed itself in the right platform to sustain the high growth rates in the revenue levels as well as in the bottomline. The management has identified the target businesses and markets and explored the right strategies to take forward the current growth trend to the next level. In this regard, the Company would capitalize on the opportunities that come its way and also search for untapped markets and businesses to identify new avenues in its growth phase.

FINANCIAL REVIEW

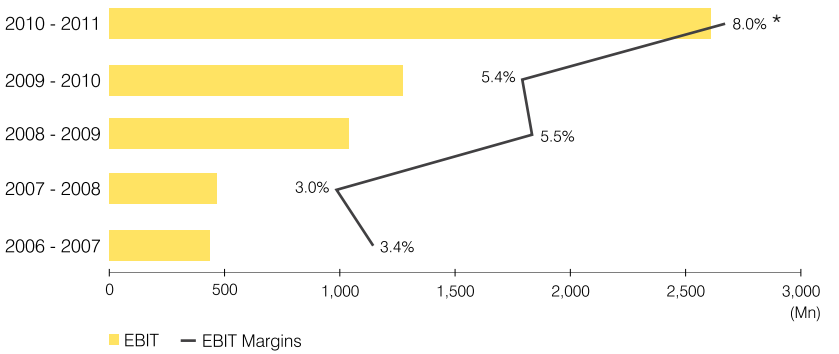
REVENUE



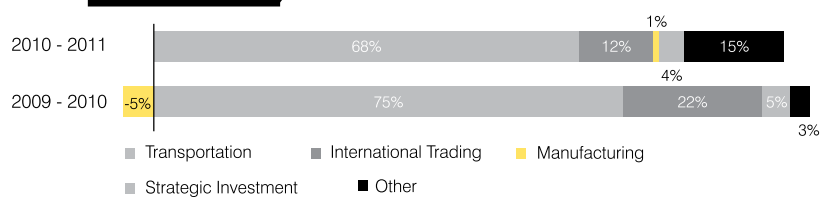
NPAT



EBIT AND EBIT MARGIN



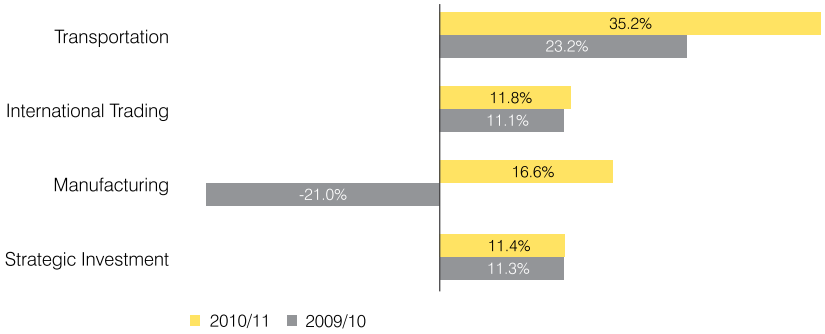
EBIT COMPOSITION



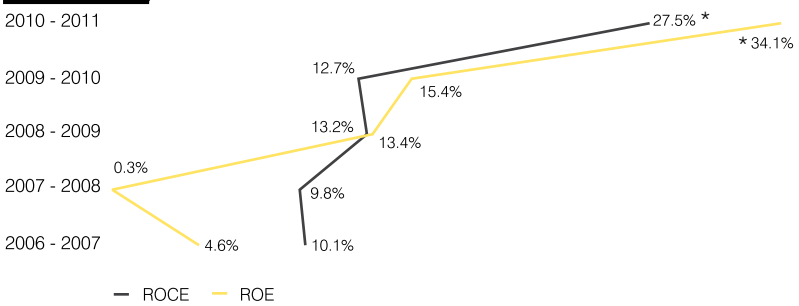
* *The EBIT margin generated from operations (excluding non-recurring profits) for the year 2010/11 amounts to 7%.*

FINANCIAL REVIEW

INDUSTRY GROUP ROCE COMPARISON

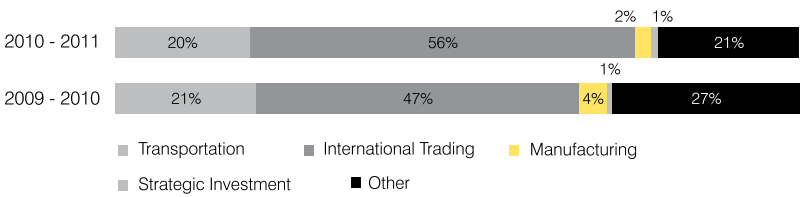


ROE VS. ROCE

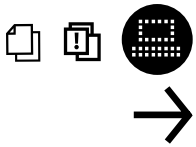


REVENUE COMPOSITION

FINANCE EXPENSE COMPOSITION



* *The ROCE & ROE from operations (excluding non-recurring profits) for the year 2010/11 was 22.5% and 27% respectively.*



RISK MANAGEMENT

INTRODUCTION

Expolanka's Risk Management Programme forms part of its overall strategic development plan. The organization recognizes that risk is a part of any business and with the careful management of risk the Organization will be able to deliver higher returns to all Stakeholders.

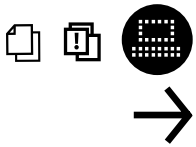
Expolanka's Risk Management Programme is comprehensive and it covers all aspects of the overall business operations, analyzing from a corporate level and individual business unit level as well.

The Risk Management process commences from a strong risk profile of each business and each function where the critical risks are identified. Continuous monitoring and evaluation takes place to ensure that the risk is appropriately managed and that the required corrective action is taken.

The Company has recently appointed a dedicated Risk Management Team who closely monitors the above process. The process followed is generally pre-emptive which ensures that the entrepreneurial spirit of the organization is maintained at all times.

The entire Risk Management framework is based on best practices and accepted industry standards which have been customized to meet the diverse requirements of Expolanka.

RISK MANAGEMENT



RISK MANAGEMENT FRAMEWORK

The diverse nature of Expolanka's operation which spreads across 04 main sectors in 39 cities across 12 countries necessitates that a formal Risk Management framework operates efficiently and effectively.

The Risk Management Team is in the process of working closely with the Main Board and the Audit Committee where the Audit Committee was formed after the financial year 2010/11.

The risk mitigation strategy adopted at Expolanka is based on the Risk Score assigned to a particular risk component.

The Risk Score is based on the probability of occurrence and the potential impact of a particular risk which has been identified based on various parameters, information and KPI that the Group has assimilated over time.

The Group follows a concentrated effort towards Risk Mitigation and each component is looked at independently without any generalization.

The Probability of Occurrence is usually categorized as High (H), Medium (M) and Low (L), whereas the potential impact is categorized as Low (L), Moderate (M) and Significant (S).

The Risk Mitigation strategies are generally identified as Accept, Mitigate and Transfer and the action taken will depend on each activity.

The Group follows a formal Risk Score as a guide in determining the appropriate risk strategy however each condition is taken on a case-by-case basis by considering all relevant information.

RISK MANAGEMENT

The Group also evaluates the risk based on its overall risk appetite and ensures that the most correct decision is taken which will safeguard and increase shareholder value.

The Group has in place a formal communication structure which aids in this decision making whilst the Risk Management Team issues various reports on a frequent basis.

The sources for the Risk Management exercise consist of, but not limited to, the following:

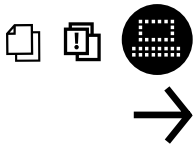
(1) Formal Risk Studies of each enterprise

(2) Industry Analysis and Research

(3) Financial and Operational Information

(4) Journals and Newspaper Articles

The Existing Risk Position indicates the level of satisfaction the Company has over the actions taken to mitigate the risk and also provides an indication into the proper functioning of the entire function.



The existing position will be either Satisfactory, Unsatisfactory or Requires Further Effort to bring the risk above the level required.

Each strategy adopted has a direct correlation towards the stated objective of the Group as a whole, which is carried out with an aim of ensuring that the Potential negative outcomes are minimized or eliminated where possible and the maximum benefit is accrued to the organization.

RISK MANAGEMENT

Risk Type	Potential Outcome	Objective
Credit Risk	Possibility of Bad Debts due to extending credit to Customers	Minimize Bad Debts
Currency Exposure	Negative impacts of Exchange Rate fluctuations resulting in exchange losses	Minimize Exchange Loss
Working Capital Risk	Inability to fund the operations of the existing businesses	Proper Working Capital Management Generating Maximum return on excess funds Minimize unplanned borrowing
Compliance Risk	Loss in business or reputation due to the Company not meeting relevant compliance requirements of various bodies	Ensure Compliance Regulations are met
Internal Controls	Lack of compliance towards Internal Policies, Frauds and Errors	Ensure Maximum Compliance towards Policies Zero Fraud Policy
Competitor Risk	Loss of business/Market Share due to competitor actions	Maintain and Improve Market Status Position Strong Competitor Profiling
Human Capital Risk	Inability of the Organization to function due to improper HR Planning Improper succession planning	Establish Formal succession Planning Maintaining Staff at optimum levels
Environment Risk	Business Loss/Reputation Loss arising out of Environment related concerns	Establish Environment Policy and Guidelines for the Group Meet the measures identified under Sustainability Development
Economic Risk	Negative Impact to the Organization due to various economic (Industry included) related conditions	Monitor Key Economic Developments taking place globally Establishing Key Industry Indicators
Supply Chain Management Risk	Impact to the Organization due to the inability to meet customer requirements or optimum procurement requirements	Meeting customer requirements in a timely manner Optimum Procurement and Sales Order Planning
Asset Risk	Impact to the Organization due to inefficiencies in non-current asset management and Insurance-related risk	Optimum Insurance Management Compliance to the FA Policy

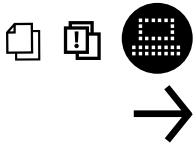
Strategy Adopted	Indicators Used	Risk Position
Implementation of Strong Credit Controls, Strong follow up at Board and centralized Finance level	Debtors Report Days Sales Outstanding (DSO) Business Unit Wise	Satisfactory
Management would look at commodities (mainly gold) that are negatively correlated with currencies that the Group is exposed to hedge	Exchange Rate Trends Exchange Gain/Loss Position	Satisfactory
Formal Cash Forecasting to ensure working capital requirement identification Invest in highly liquid short investments	Cash Forecast Requirement Working Capital Measurement Indicator	Satisfactory
Establishing formal Compliance Register to monitor and meet all relevant requirements	Compliance Register	Satisfactory
Working with experts towards ensuring that good internal control measures have been put in place Working towards engaging a formal audit firm to carry out internal audits across the Group. A detail process study is carried out by the Risk and Control Department to monitor and ensure that Internal Policies are adopted and followed	Various Internal Audit Indicators	Satisfactory
Expanding Market base and Product/ Service Offering Increase New Customer Acquisitions	Market Position/Ranking Customer Acquisition and Retention Ratios	Satisfactory
Expolanka Learning Centre to focus on key soft skills development Engage Management teams in Management Development Programmes Formal appraisal structure with goal setting	Various HR Driven Indicators	Satisfactory
Environment Awareness and Audit Programmes conducted by the green team Evaluation and Inspection based on the sustainability development measures	Various Sustainability Measures	Satisfactory
Study and report on the global economic trends and how it may affect Expolanka Identify key Industry indicators and information which will impact the Organization	Key Economic Indicators Key Industry Trend Movement	Satisfactory
Establish formal Standard Operating Procedures (SOP) for each business unit Monitoring of key delivery ratios Monitoring progress of the Customer Relationship Management (CRM) System	Standard Operating Procedures (SOP) Indicators Customer Relationship Management (CRM) Indicators	Satisfactory
Engaging Insurance Professionals in meeting the Group Insurance Programme	Losses arising due to non-insurance	Satisfactory

CONCLUSION

Risk in business is a fact and inevitability. It is the responsibility of the organization to ensure that proper steps are taken in preserving and increasing shareholder value.

Risk Management is a continuous exercise which requires consistent attention, efficient communication and timely decisions.

Expolanka views its risks in a positive frame of mind and works towards converting these risks into potential opportunities. The diversified nature of the Group, the strength of its management team, the commitment of its workforce and the innovativeness of its business processes ensures that risks are mitigated and opportunities are maximized to deliver true shareholder returns.



FINANCIAL STATEMENTS

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Statements of Changes in Equity	89
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ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Expolanka Holdings PLC have pleasure in presenting their Report on the affairs of the Company together with the audited Consolidated Financial Statements for the year ended 31 March 2011. The details set out herein provide the pertinent information required by the Companies Act No. 7 of 2007 and the Colombo Stock Exchange Listing Rules and are guided by recommended best reporting practices.

PRINCIPAL ACTIVITY

Expolanka Holdings PLC is a holding company that owns, directly or indirectly, investments in the numerous companies constituting the Expolanka Group and provides services to its Group Companies. The Group consists of a portfolio of diverse business operations. The main Subsidiaries and Equity Accounted Investees of Expolanka Holdings PLC are described on page 4 under the Group Chart. The principal activities of the Group are categorized into 4 main business sectors which includes Transportation (which consists of Freight, Travels & Tours and GSAs), International Trading, Manufacturing and Strategic Investments.

BUSINESS REVIEW AND PROSPECTS

A review of the Group's business and its performance during the year with financial highlights, future strategic developments and related prospects is contained in the Chairman and Chief Executive Officer's Messages and Business Review section (pages 6 to 49) of this Annual Report. These reports together with the Financial Statements reflect the state of affairs of the Company and the Group. The Group established Expo Freight Vietnam and PT Expo Unipara Indonesia in line with the Group's regional expansion strategies to consolidate its freight forwarding business further. Further during the year under review the Group has also disposed two of its subsidiary companies namely Expo Aviation and Denshun Industries. The Directors, to the best of their knowledge and belief, confirm that the Group has not engaged in any activities that contravene laws and regulations.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group are given on pages 86 to 132.

AUDITORS REPORT

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 85.

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

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given on pages 92 to 106.

GROUP TURNOVER

The Group turnover for the year under review amounted to Rs. 32.5 Bn compared to Rs. 23.7 Bn for the previous financial year. The focused expansion of businesses mainly in overseas countries significantly contributed for this growth. A detailed segmental analysis of the Group's turnover relating to different segments of the Group's business is given in Note 19 to the Financial Statements. It should be noted that the trade between Group companies is conducted at fair market prices.

RESULTS AND DIVIDENDS

The Group's total profit for the period under review amounted to Rs. 1.76 Bn whereas the profit for the last financial year was Rs. 591 Mn. Tax expenses for the current financial year was Rs. 556 Mn resulting in profit before tax amounting to Rs. 2.3 Bn. The Consolidated Income Statement along with the Company's Income Statement for the year are given on page 88. Details of transfers to/ from reserves in respect of the Group and the Company are shown in the Statements of Changes in Equity on page 89.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the interim dividend payment and in this respect a solvency certificate was obtained from the Auditors. The Company has paid a sum of Rs. 240 Mn as dividend during the year under review which includes dividend paid to minority shareholders amounting to Rs. 24.7 Mn.

PROPERTY, PLANT AND EQUIPMENT

Capital expenditure and transfers during the year, on Property, Plant and Equipment by the Group and by the Company amounted to Rs. 541 Mn and Rs. 19 Mn respectively. Information relating to movements in Property, Plant and Equipment is given in Note 3 to the Financial Statements.

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

STATED CAPITAL AND RESERVES

The stated capital of the Company consisting of 1,782,915,000 ordinary shares amounts to Rs. 1,782 Mn. There was no change in stated capital during the year. Total Group reserves at 31 March 2011 amount to Rs. 2,653 Mn and at the end of last financial year it stood at Rs. 1,611 Mn. The reserves comprising capital reserves of Rs. 600 Mn for current year and Rs. 618 Mn at the end of previous year. The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

DIRECTORS' REMUNERATION

Directors' remuneration in respect of the Company for the financial year 2010/11 was Rs. 11.8 Mn and Rs. 7.8 Mn was paid as Directors' remuneration for the previous year. Directors' remuneration in respect of the Company's subsidiaries for the financial year 2010/11 was Rs. 90.1 Mn whereas it was Rs. 73.1 Mn during the previous financial year (Note 22).

DIRECTORATE

The Name of the Directors who held office during the financial year are given below:

EXECUTIVE DIRECTORS

Mr. Osman Kassim *(Chairman)*
Mr. Hanif Yusoof *(Group CEO)*
Mr. Sattar Kassim
Mr. Shafik Kassim

NON-EXECUTIVE DIRECTORS

Mr. Farook Kassim *(Non-Independent)*
Mr. Sivakumar Selliah *(Appointed with effect from 11.02.2011 as an Independent Director)*
Mr. Harsha Amarasekera *(Appointed with effect from 11.02.11 as an Independent Director)*
Mr. Sanjay Kulatunga *(Appointed with effect from 11.02.11 as an Independent Director)*

Mr. Farook Kassim retires by rotation and being eligible offer himself for re-election.
Messrs Sivakumar Selliah, Harsha Amarasekera and Sanjay Kulatunga retire and being eligible offer themselves for re-election.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Rules laid down under the Listing Rules of the Colombo Stock Exchange. The Expolanka Corporate Governance section on pages 57 to 62 discusses this further.

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

AUDITORS

Messrs Ernst & Young, Chartered Accountants, are deemed reappointed, in terms of Section 158 of the Companies Act No. 07 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.

It should be noted that Group Companies, both local and overseas, engage 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. Note 22 to the Financial Statements sets out details of the Auditor's remuneration.

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 25 to the Financial Statements.

EMPLOYMENT

The number of persons employed by the Company and its subsidiaries at the year-end was 2,445.

SHAREHOLDERS

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

INTERNAL CONTROL

The Directors acknowledge their responsibility for the Group's systems of internal control. The system is designed to give assurance regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. The Board, having reviewed the systems of internal control, is satisfied with the Group's adherence to and effectiveness of these controls for the period up to the date of signing the Financial Statements.

GOING CONCERN

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, cash flows and borrowing facilities, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements.

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

DIRECTORS SHAREHOLDING

Directors' shareholdings of ordinary shares in the Company are given below:

Name of Director	**No. of Shares as at 31.03.2011**	No. of Shares as at 31.03.2010
Osman Kassim	**283,865,516**	345,172,344
Sattar Kassim	**283,865,516**	345,172,344
Farook Kassim	**283,865,516**	345,172,344
Shafik Kassim	**283,865,516**	345,172,344
Hanif Yusoof	**283,865,516**	345,172,344
Sivakumar Selliah	**3,500,000**	Nil
Harsha Amarasekera	**Nil**	Nil
Sanjay Kulatunge	**Nil**	Nil

MAJOR SHAREHOLDING

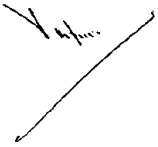
Name of Shareholder	**No. of Shares as at 31.03.2011**	**%**	No. of Shares as at 31.03.2010	%
1. Osman Kassim	**283,865,516**	**15.92**	345,172,344	19.36
2. Shafik Kassim	**283,865,516**	**15.92**	345,172,344	19.36
3. Sattar Kassim	**283,865,516**	**15.92**	345,172,344	19.36
4. Farook Kassim	**283,865,516**	**15.92**	345,172,344	19.36
5. Hanif Yousuf	**283,865,516**	**15.92**	345,172,344	19.36
6. John Keells Holdings PLC	**83,300,000**	**4.67**	Nil	
7. Guardian Capital Partners PLC	**41,600,000**	**2.33**	Nil	
8. Mrs. B. Yoonus	**23,459,960**	**1.32**	28,526,640	1.60
9. Mrs. Ali Mohamed	**23,459,960**	**1.32**	28,526,640	1.60
10. Lanka Strategic Investments Ltd.	**16,667,500**	**0.93**	Nil	
11. Softlogic Holdings Ltd.	**16,500,000**	**0.93**	Nil	
12. K.P.R.B. De Silva	**11,500,000**	**0.65**	Nil	
13. Falcon Trading (Pvt) Ltd.	**8,300,000**	**0.47**	Nil	
14. Timex Garments (Pvt) Ltd.	**7,470,000**	**0.42**	Nil	
15. Mrs. Arunthathi Selliah	**6,000,000**	**0.34**	Nil	
16. Arunodhaya Industries (Pvt) Ltd.	**5,000,000**	**0.28**	Nil	
17. Arunodhaya (Pvt) Ltd.	**5,000,000**	**0.28**	Nil	
18. Arunodhaya Investments (Pvt) Ltd.	**5,000,000**	**0.28**	Nil	
19. Ms. Sivamalar Subramaniam	**4,000,000**	**0.22**	Nil	
20. Mr. Viswanathar Kailasapillai	**4,000,000**	**0.22**	Nil	

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

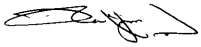
ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Liberty Ballroom, Ramada Colombo, 30, Sir Mohamed Macan Markar Mawatha, Colombo 03, on Wednesday 21 September 2011 at 2.00 p.m.

For and on behalf of the Board



Director



Director

SSP Corporate Services (Pvt) Ltd.
Secretaries

19 August 2011

ERNST & YOUNG

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

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF EXPOLANKA HOLDINGS PLC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Expolanka Holdings PLC ('Company'), the consolidated financial statements of the Company and its subsidiaries which comprise the balance sheets as at 31 March 2011, 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 2011 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2011 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 2011 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.

12 July 2011
Colombo

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA 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. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

BALANCE SHEETS

		Group		Company	
As at 31 March	Note	**2011**	2010	**2011**	2010
		Rs.	Rs.	**Rs.**	Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	3	**2,318,680,658**	2,634,120,664	**34,776,499**	124,761,616
Investment Property	4	**122,512,000**	226,830,125	**–**	–
Intangible Assets	5	**28,912,686**	35,608,625	**16,777,939**	25,141,296
Investments in Subsidiaries	6	**–**	–	**1,529,081,863**	1,761,964,963
Other Investments	7	**408,565,497**	50,203,881	**258,725,290**	–
Deferred Income Tax Assets	15	**42,716,741**	41,530,200	**–**	–
		2,921,387,582	2,988,293,495	**1,839,361,591**	1,911,867,875
Current Assets					
Other Investments	7	**7,473,993**	1,051,425	**6,378,540**	–
Inventories	8	**727,630,861**	881,258,000	**–**	–
Trade and Other Receivables	9	**7,480,565,300**	7,745,047,226	**18,891,626**	119,253,747
Income Tax Recoverable		**40,138,290**	64,759,355	**–**	–
Amounts due from Related Parties	10	**36,026,529**	1,088,077,561	**493,505,164**	240,737,159
Cash and Cash Equivalents	11	**2,228,020,408**	1,684,834,766	**112,337,536**	38,982,964
		10,519,855,380	11,465,028,333	**631,112,866**	398,973,870
Total Assets		**13,441,242,962**	14,453,321,828	**2,470,474,457**	2,310,841,745
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of Parent					
Stated Capital	12	**1,782,915,000**	1,782,915,000	**1,782,915,000**	1,782,915,000
Reserves	13	**928,086,532**	937,159,600	**–**	–
Retained Earnings/(Losses)		**1,723,999,994**	673,135,152	**2,047,031**	(175,231,443)
Shareholders' Funds		**4,435,001,526**	3,393,209,752	**1,784,962,031**	1,607,683,557
Minority Interest		**748,923,293**	434,505,834	**–**	–
Total Shareholders' Funds and Minority Interest		**5,183,924,819**	3,827,715,586	**1,784,962,031**	1,607,683,557

BALANCE SHEETS

As at 31 March	Note	Group 2011 Rs.	Group 2010 Rs.	Company 2011 Rs.	Company 2010 Rs.
Non-Current Liabilities					
Loans and Ijara Payables	14	**1,172,142,286**	2,158,284,342	**466,000,889**	613,243,830
Deferred Income Tax Liabilities	15	**14,526,746**	8,717,807	**–**	–
Amounts due to Related Parties	18	**–**	3,894,924	**–**	–
Other Deferred Liabilities	16	**214,305,106**	177,815,851	**10,965,779**	7,479,537
		1,400,974,138	2,348,712,924	**476,966,668**	620,723,367
Current Liabilities					
Loans and Ijara Payables	14	**1,101,923,177**	1,436,356,951	**185,596,694**	1,043,391
Trade and Other Payables	17	**5,387,392,320**	6,573,188,158	**14,270,668**	14,926,761
Income Tax Liabilities		**338,603,498**	213,512,520	**–**	–
Amounts due to Related Parties	18	**28,425,010**	53,835,689	**8,678,396**	66,464,669
		6,856,344,005	8,276,893,318	**208,545,758**	82,434,821
Total Equity and Liabilities		**13,441,242,962**	14,453,321,828	**2,470,474,457**	2,310,841,745

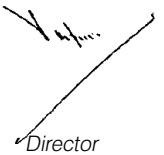
These Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board by,

Director



Director

The Accounting Policies and Notes on pages 92 through 106 form an integral part of the Financial Statements.

12 July 2011
Colombo

INCOME STATEMENT

		Group		Company	
Year ended 31 March	Note	**2011**	2010	**2011**	2010
		Rs.	Rs.	**Rs.**	Rs.
Revenue	19	**32,507,232,315**	23,708,762,949	**116,662,520**	111,815,826
Cost of Sales		**(26,459,922,284)**	(19,156,092,491)	**–**	–
Gross Profit		**6,047,310,031**	4,552,670,458	**116,662,520**	111,815,826
Other Income and Gains	20	**890,979,926**	455,113,071	**458,950,645**	85,648,621
Administrative Expenses		**(3,734,684,547)**	(3,192,496,124)	**(148,093,850)**	(129,873,479)
Selling and Distribution Costs		**(542,863,730)**	(491,900,168)	**(552,537)**	(863,566)
Other Operating Expenses		**(56,408,533)**	(48,516,014)	**–**	–
Finance Cost	21	**(280,353,224)**	(348,424,467)	**(33,955,589)**	(37,303,585)
Profit before Tax	22	**2,323,979,922**	926,446,756	**393,011,189**	29,423,817
Income Tax Expenses	23	**(555,565,984)**	(335,379,881)	**–**	–
Profit for the period		**1,768,413,938**	591,066,875	**393,011,189**	29,423,817
Attributable to:					
Equity Holders of the Parent		**1,546,853,117**	518,020,048		
Minority Interest		**221,560,821**	73,046,827		
		1,768,413,938	591,066,875		
Basic Earnings per Share	24	**0.868**	0.291		
Dividend per Share	24.3	**0.121**	–		

The Accounting Policies and Notes on pages 92 through 106 form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

	Note	Stated Capital	Capital Reserve	General Reserve	Exchange Fluctuation Reserve	Accumulated Profits/ (Losses)	Total	Minority Interest	Total Equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Group									
As at 01 April 2009		1,782,915,000	488,131,339	267,468,000	(29,906,988)	77,354,226	2,585,961,577	334,175,352	2,920,136,929
Dividend Paid to Minority Shareholders		–	–	–	–	–	–	(13,427,360)	(13,427,360)
Profit for the Year		–	–	–	–	518,020,048	518,020,048	73,046,827	591,066,875
Transferred to/from during the Year		–	130,570,667	39,661,953	–	(170,232,620)	–	–	–
Acquisitions, Disposal and Changes in Holdings		–	–	–	–	247,993,498	247,993,498	40,711,014	288,704,512
Currency Translation Difference during the Year		–	–	–	41,234,629	–	41,234,629	–	41,234,629
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	3,827,715,586
Dividend Paid		–	–	–	–	(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**

	Stated Capital	Accumulated Profits/ (Losses)	Total
	Rs.	Rs.	Rs.
Company			
As at 01 April 2009	1,782,915,000	(204,655,260)	1,578,259,740
Profit for the Year	–	29,423,817	29,423,817
As at 01 April 2010	1,782,915,000	(175,231,443)	1,607,683,557
Profit for the Period	–	393,011,189	393,011,189
Interim Dividend Paid	–	(215,732,715)	(215,732,715)
As at 31 March 2011	**1,782,915,000**	**2,047,031**	**1,784,962,031**

The Accounting Policies and Notes on pages 92 through 106 form an integral part of the Financial Statements.

CASH FLOW STATEMENTS

Year ended 31 March	Note	Group 2011 Rs.	Group 2010 Rs.	Company 2011 Rs.	Company 2010 Rs.
Cash Flows from/(used in) Operating Activities					
Profit before Income Tax Expenses		**2,323,979,922**	926,446,756	**393,011,189**	29,423,817
Adjustments for:					
Depreciation		**218,657,026**	432,869,941	**10,089,569**	12,131,160
Amortization		**20,418,100**	17,045,147	**8,363,357**	8,312,130
Income from Investments		**(10,136,958)**	(12,451,121)	**–**	–
(Profit)/Loss on Sale of Property, Plant and Equipment		**(14,468,566)**	(83,383,254)	**2,027,967**	1,239,543
Profit on Sale of Investments		**(303,217,515)**	(3,958,450)	**(17,092,017)**	(1,775,865)
Finance Cost		**280,353,224**	348,424,467	**33,955,589**	37,303,585
Fall in Value of Investments		**377,996**	–	–	520,766
Negative Goodwill on Acquisitions		**(76,360,326)**	–	–	–
Provision for Bad and Doubtful Debtors		**–**	10,029,423	–	269,050
Provision for Defined Benefit Plans		**43,132,929**	67,958,752	**4,021,242**	2,063,850
Operating Profit before Working Capital Changes		**2,482,735,832**	1,702,981,661	**434,376,896**	89,488,036
(Increase)/Decrease in Trade and Other Receivables		**264,481,926**	(3,151,143,242)	**(152,405,884)**	(58,333,173)
(Increase)/Decrease in Inventories		**153,627,140**	(348,918,005)	**–**	–
(Increase)/Decrease in Amounts due from Related Parties		**1,052,051,032**	29,010,637	**–**	–
Increase/(Decrease) in Amounts due to Related Parties		**(29,305,603)**	(448,516,051)	**(57,786,273)**	(81,074,590)
Increase/(Decrease) in Trade and Other Payables		**(1,185,795,838)**	2,441,986,103	**(656,488)**	(16,214,351)
Net Change in Working Capital due to Group Structure Change		**(21,390,034)**	288,704,512	**–**	–
Cash Generated from Operations		**2,716,404,454**	514,105,615	**223,528,251**	(66,134,078)
Finance Cost Paid		**(280,353,224)**	(348,424,467)	**(33,955,589)**	(37,303,293)
Income Tax Paid		**(401,231,342)**	(206,771,379)	**–**	–
Defined Benefit Plan Costs Paid		**(6,643,674)**	(5,792,449)	**(535,000)**	(900,000)
Net Cash from/(used in) Operating Activities		**2,028,176,214**	(46,882,680)	**189,037,662**	(104,337,371)

CASH FLOW STATEMENTS

Year ended 31 March	Note	Group 2011 Rs.	Group 2010 Rs.	Company 2011 Rs.	Company 2010 Rs.
Cash Flows from/(used in) Investing Activities					
Finance Income Received		**1,317,500**	12,451,121	**–**	–
Acquisition of Property, Plant and Equipment		**(279,377,757)**	(754,777,949)	**(16,689,642)**	(11,149,902)
Net Proceeds from Sale of Investment Property		**102,661,125**	–	**–**	–
Acquisition of Intangible Assets		**(12,065,161)**	(2,062,777)	**–**	–
Proceeds from Sale of Property, Plant and Equipment		**390,629,303**	156,464,930	**94,557,208**	–
Net Other Non-Current Investments		**(358,361,616)**	–	**(258,725,290)**	2,768,675
Acquisition of Other Current Investment		**(6,800,763)**	–	**(6,378,540)**	(5,260,010)
Other Investment Income Received		**8,819,458**	–	**–**	–
Acquisition of Subsidiaries		**(21,420,230)**	–	**(21,420,230)**	–
Net Proceeds from Sale of Other Investments		**–**	91,933,496	**–**	59,275,866
Proceeds from Sale of Subsidiary		**271,395,756**	–	**271,395,756**	–
Net Cash Flows used in Investing Activities		**96,797,615**	(495,991,179)	**62,739,263**	45,634,629
Cash Flows from/(used in) Financing Activities					
Net Proceeds from Loans and Borrowings		**(793,292,408)**	648,826,624	**184,324,316**	(52,661,639)
Principal Payments under Ijara Payables		**(305,477,030)**	–	**(1,043,398)**	(1,167,708)
Dividends Paid to Minority Shareholders		**(24,776,666)**	(13,427,360)	**–**	–
Dividends Paid to Parent Company Shareholders		**(215,732,715)**	–	**(215,732,715)**	–
Net Cash Flows from/(used in) Financing Activities		**(1,339,278,819)**	635,399,264	**(32,451,797)**	(53,829,347)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		**(20,702,975)**	41,234,629	**–**	–
Net Increase/(Decrease) in Cash and Cash Equivalents		**764,992,035**	133,760,034	**219,325,128**	(112,532,089)
Cash and Cash Equivalents at the beginning of the Year	**11**	**768,768,402**	635,008,368	**(571,829,838)**	(459,297,749)
Cash and Cash Equivalents at the end of the Year	**11**	**1,533,760,437**	768,768,402	**(352,504,710)**	(571,829,838)

The Accounting Policies and Notes on pages 92 through 106 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. 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.

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 Transportation, International Trading, Manufacturing and Strategic Investments.

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 2011 were authorized for issue, in accordance with a resolution of the Board of Directors on 12 July 2011.

2. ACCOUNTING POLICIES

2.1 GENERAL POLICIES

2.1.1 BASIS OF PREPARATION

The Consolidated Financial Statements presented in Sri Lankan Rupees have been prepared on historical cost basis except for the valuation of certain Property, Plant and Equipment and certain marketable investments, which are stated at market values. The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 7 of 2007.

2.1.2 STATEMENT OF COMPLIANCE

The Consolidated Financial Statements of Expolanka Holdings PLC and all its Subsidiaries (the 'Group') have been prepared in accordance with Sri Lanka Accounting Standards (SLAS).

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 wherever necessary to conform to the current presentation.

2.1.4 CONSOLIDATION POLICY - PRINCIPLES OF CONSOLIDATION

(a) Subsidiaries

The Financial Statement of the Group represents the consolidation of the Financial Statements of Expolanka Holdings PLC and all its Subsidiaries as at 31 March 2011.

All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transaction that are recognized in assets, are eliminated in full.

Subsidiaries are consolidated from the date the Parent obtains control until such time as control ceases.

The total profits and losses for the period of the Company and of its Subsidiaries included in consolidation are shown in the Consolidated Income Statement.

All assets and liabilities of the Company and of its Subsidiaries included in consolidation are shown in the Consolidated Balance Sheet.

Minority interests represent the portion of profit or loss and net assets not held by the Group and presented separately in the Income Statement and within equity in the Consolidated Balance Sheet, separately from Parent shareholders' equity. Acquisitions of minority interests are accounted for using the Parent entity extension method, where the difference between the consideration and the book value of the share of the share of the net assets acquired is recognised as goodwill.

The following Subsidiaries have been incorporated in Sri Lanka:

Name of the Company	Holding Percentage	
	31.03.2011	31.03.2010
Asia Pacific Institute of Information Technology Lanka (Pvt) Ltd.	**44%**	44%
Bio Extracts (Pvt) Ltd.	**100%**	100%
Classic Travel (Pvt) Ltd.	**100%**	100%
Expo Consolidators (Pvt) Ltd.	**100%**	100%
Expolanka (Pvt) Ltd.	**100%**	100%
Expolanka Commodities (Pvt) Ltd.	**100%**	100%
Expolanka Freight (Pvt) Ltd.	**100%**	100%
Expolanka International (Pvt) Ltd.	**100%**	100%
Expolanka Pharmaceuticals (Pvt) Ltd.	**100%**	100%
Expolanka Plantations (Pvt) Ltd.	**90%**	100%
Expolanka Teas (Pvt) Ltd.	**90%**	100%
Freight Care (Pvt) Ltd.	**100%**	100%
Globe Air (Pvt) Ltd.	**100%**	100%
HelloCorp (Pvt) Ltd.	**51%**	51%

NOTES TO THE FINANCIAL STATEMENTS

Name of the Company	Holding Percentage	
	31.03.2011	31.03.2010
International Airline Sevices (Pvt) Ltd.	**100%**	100%
Logistics Support Services (Pvt) Ltd.	**100%**	100%
Luxe Asia (Pvt) Ltd.	**100%**	100%
Neptune Holdings (Pvt) Ltd.	**90%**	100%
Neptune Papers (Pvt) Ltd.	**100%**	100%
Peri Logistics (Pvt) Ltd.	**60%**	60%
SG Logistics (Pvt) Ltd.	**100%**	100%
Sky Care (Pvt) Ltd.	**100%**	100%
UCL Logistics (Pvt) Ltd.	**100%**	100%
Denshun Industries (Pvt) Ltd.	**–**	90%
Expo Aviation (Pvt) Ltd.	**–**	100%
Tropical Green (Pvt) Ltd.	**100%**	–
Classic Vacation (Pvt) Ltd.	**100%**	–

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:

	% Holding
Asia Pacific Institute of Information Technology Lanka (Pvt) Ltd.	44%
Expolanka Bangladesh Ltd.	45%
Expolanka Pakistan (Pvt) Ltd.	25%
Expolanka Freight Vietnam	43%

The following Subsidiaries have been incorporated outside Sri Lanka:

Name	Country of Incorporation	Holding Percentage	
		31.03.2011	31.03.2010
Airline Cargo Resources Dubai- FZCO	Dubai	**100%**	100%
Airline Cargo Resources Dubai LLC	Dubai	**100%**	100%
Expo Freight India Holdings (Pvt) Ltd.	India	**90%**	90%
Expolanka Bangladesh Ltd.	Bangladesh	**45%**	45%
Expolanka Freight (Proprietary) Ltd.	South Africa	**100%**	100%
Expolanka Freight FZCO	Dubai	**100%**	100%
Expolanka Freight Dubai LLC (Dubai/Jebel Ali/ Abu Dhabi - United Arab Emirates)	Dubai	**100%**	100%
Expolanka Freight Ltd.	Kenya	**100%**	100%
Expolanka Freight Ltd.	Mauritius	**100%**	100%

NOTES TO THE FINANCIAL STATEMENTS

Name	Country of Incorporation	Holding Percentage	
		31.03.2011	31.03.2010
Expolanka Madagascar SA	Madagascar	**100%**	100%
Expolanka Pakistan (Pvt) Ltd.	Pakistan	**25%**	25%
International Sky Services (India) (Pvt) Ltd.	India	**70%**	70%
Expolanka Freight Vietnam	Vietnam	**43%**	–
PT Expo Unipara	Indonesia	**90%**	–

(b) Associate Companies

The investment in associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence of 20% to 50% and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the Balance Sheet at cost plus post acquisition changes in the Group's share of net assets of the associates, net of any dividends paid by such associates. The Income Statement reflects the share of the results of operations of each associate. Where there has been a change recognized directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

(c) Joint Ventures

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly-controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest. The Group recognises its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its Financial Statements. The Financial Statements of the joint ventures are prepared for the same reporting year as the Parent Company and the accounting policies of the joint venture are consistent with the Parent Company.

Joint ventures of the Group are -

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

NOTES TO THE FINANCIAL STATEMENTS

(d) Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination after 01 June 2005, represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. Following initial recognition goodwill is measured at cost less any accumulated impairment losses.

Goodwill acquired in a business combination prior to 01 June 2005 in accordance with the transitional provisions of revised SLAS 25 was amortised over a period of 5 years until 30 May 2005. Thereafter, commencing 01 June 2005, such amortisation of goodwill has been discontinued and the accumulated amortisation at that date has been eliminated against the carrying value of goodwill and the balance goodwill is tested for impairment in accordance with SLAS 41.

Goodwill relating to foreign entities is the excess of the value of the purchase price, translated into Sri Lankan Rupees at the rate prevalent on the date of acquisition, over the fair value of the assets as at that date.

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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 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 recognized in equity relating to that particular foreign operation is recognized in the Income Statement.

The exchange rates applicable during the period were as follows:

	Balance Sheet	Income Statement
South African Rand	16.18	15.91
Indian Rupee	2.48	2.51
Kenyan Shilling	1.33	1.40
Malagasy Ariary	0.05	0.05
Mauritius Rupee	3.89	3.80
Bangladesh Taka	1.52	1.58
Pakistan Rupee	1.30	1.33
United Arab Emirates Dirham	30.06	30.55
Indonesian Rupiah	0.01	0.01
Vietnam Dong	0.006	0.006

2.2.2 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 recognized directly in equity is recognized 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.

NOTES TO THE FINANCIAL STATEMENTS

Deferred income tax liabilities are recognized 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.

Deferred income tax assets are recognized 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 utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized 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 recognized directly in equity is recognized in equity and not in the Income Statement.

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

2.2.3 BORROWING COSTS

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing 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.

2.2.4 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 amortization and accumulated impairment losses. Internally-generated intangible assets, excluding capitalized development costs are not capitalized 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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Income Statement in the expense category consistent with the function/nature of the intangible asset. Amortization 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 amortized. 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 recognizsed in the Income Statement when the asset is derecognized.

2.2.5 INVENTORIES

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable 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.

NOTES TO THE FINANCIAL STATEMENTS

2.2.6 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 recognized at cost less allowance for bad and doubtful receivables.

2.2.7 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. Investments with short maturities. - i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.2.8 PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

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

Depreciation is calculated on a straight-line basis over the useful life of the assets. The principal annual rates used by the companies in the Group are as follows:

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%
Air Crafts	10%
Air Craft Equipment	20%
Ground Handling Equipment	33.33%
Leased Improvements	20%

Any revaluation surplus is credited to the 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 recognized in profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost.

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. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

When each major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognized.

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

2.2.9 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 charged 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 recognized as an expense in the Income Statement on a straight line basis over the lease term

NOTES TO THE FINANCIAL STATEMENTS

2.2.10 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

Current investments are carried at the lower of cost and market value.

Quoted Investments

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

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.

Other Investments

Treasury Bills and other mark-up bearing securities held for resale in the near future to benefit from short-term market movements are accounted for at cost plus relevant proportion of the discounts or premiums.

Disposal of Investments

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

2.2.11 INVESTMENT PROPERTIES

Investment property is recognized 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%.

2.2.12 PROVISIONS

Provisions are recognized when the Company 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 recognized as separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.2.13 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 with in the Income Statement.

The gratuity liability is not funded.

(b) Defined Contribution Plans - Employees' Provident Fund and 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.

2.2.14 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

NOTES TO THE FINANCIAL STATEMENTS

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 recognized 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 recognized in equity up to the amount of any previous revaluations.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized 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 recognized 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 (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. 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.

2.2.15 INCOME STATEMENT

Revenue Recognition
Revenue is recognized 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 recognized 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 recognized 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.

(h) Other Income
Other 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 and Equipment. and other non-current assets including investments are accounted for in the Income Statement, after deducted 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.

NOTES TO THE FINANCIAL STATEMENTS

2.3 BUSINESS SEGMENT REPORTING

A business segment is 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.

2.4 EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

(a) The following Standards have been issued by The Institute of Chartered Accountants of Sri Lanka.
- Sri Lanka Accounting Standard 44 - 'Financial Instruments; Presentation' (SLAS 44)
- Sri Lanka Accounting Standard 45 - 'Financial Instruments; Recognition and Measurement' (SLAS 45)
- Sri Lanka Accounting Standard 39 - 'Share-Based Payments' (SLAS 39)

The effective date of SLAS 44, 45 and 39 was changed during the year to be effective for financial periods beginning on or after 01 January 2012. These three Standards have been amended and forms a part of the new set of Financial Reporting Standards mentioned under Note (b) below:

(b) Following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards, the Council of The Institute of Chartered Accountants of Sri Lanka has adopted a new set of financial reporting standards that would apply for financial periods beginning on or after 01 January 2012. The application of these Financial Reporting Standards is substantially different to the prevailing Standards.

3. PROPERTY, PLANT AND EQUIPMENT

	Balance As at 01.04.2010 Rs.	Additions/ Transfers Rs.	Disposals Reclassification Rs.	Exchange Gain/(Loss) Other Transfers Rs.	**Balance As at 31.03.2011 Rs.**
3.1 GROUP					
3.1.1 GROSS CARRYING AMOUNTS					
At Cost/Cost Incurred Since Last Revaluation					
Freehold Land	950,093,752	–	(152,394,372)	2,355,310	**800,054,690**
Freehold Buildings	614,179,339	140,002,509	–	(4,747,760)	**749,434,088**
Plant and Machinery	266,244,160	36,690,740	(26,674,818)	–	**276,260,082**
Furniture and Fittings	316,194,325	64,202,204	(72,501,551)	(1,129,109)	**306,765,870**
Office and Factory Equipment	231,625,919	33,412,305	(40,032,298)	–	**225,005,926**
Technological Equipment	199,710,491	21,508,020	(23,039,105)	–	**198,179,406**
Computer and Accessories	252,934,970	83,532,359	28,569,022	(6,759,893)	**358,276,459**
Motor Vehicles	359,584,951	40,554,063	(67,814,427)	(12,251,486)	**320,073,100**
Tools and Equipment	105,346,901	9,324,399	(3,145,207)	–	**111,526,093**
Aircraft	449,034,158	–	(449,034,158)	–	**–**
Aircraft Equipment	63,268,677	–	(63,268,677)	–	**–**
Ground Handling Equipment	44,390,497	–	(44,390,497)	–	**–**
Other Assets	20,426,415	1,071,094	(16,316,350)	(281,149)	**4,900,010**
	3,873,034,555	430,297,694	(930,042,437)	(22,814,086)	**3,350,475,725**
At Valuation					
Plant and Machinery	25,681,500	–	(25,681,500)	–	**–**
Motor Vehicles	77,504,158	–	(6,337,781)	–	**71,166,377**
	103,185,658	–	(32,019,281)	–	**71,166,377**
Assets on Finance Leases					
Leasehold Improvements	20,680,543	1,366,484	(5,379,488)	–	**16,667,539**
Plant and Machinery	80,087,321	18,347,985	(31,578,371)	–	**66,856,935**
Aircraft	210,000,000	–	(210,000,000)	–	**–**
Technological Equipment	5,071,903	–	(5,071,903)	–	**–**
Motor Vehicles	96,539,418	62,919,425	(34,763,133)	15,805	**124,711,515**
	412,379,185	82,633,894	(286,792,895)	15,805	**208,235,990**
Total Value of Depreciable Assets	4,388,599,398	512,931,588	(1,248,854,613)	(22,798,281)	**3,629,878,092**

NOTES TO THE FINANCIAL STATEMENTS

	Balance As at 01.04.2010 Rs.	Incurred during the year Rs.	Reclassified/ Transferred Rs.	Exchange Gain/(Loss) Other Transfers Rs.	**Balance As at 31.03.2011 Rs.**
Capital Work-in-Progress	11,193,832	28,688,535	(11,084,321)	–	**28,798,046**
	11,193,832	28,688,535	(11,084,321)	–	**28,798,046**
Total Gross Carrying Amount	4,399,793,230	541,620,123	(1,259,938,933)	(22,798,281)	**3,658,676,138**

	Balance As at 01.04.2010 Rs.	Charge for the Year Rs.	Disposals/ Transfers Rs.	Exchange Gain/(Loss) Other Transfers Rs.	**Balance As at 31.03.2011 Rs.**
3.1.2 DEPRECIATION					
At Cost					
Freehold Buildings	69,419,612	3,494,734	(8,945,384)	–	**63,968,962**
Plant and Machinery	175,851,828	21,621,681	(18,926,804)	–	**178,546,705**
Furniture and Fittings	182,572,736	30,055,050	(46,492,158)	(5,599,405)	**160,536,224**
Office and Factory Equipment	135,933,270	20,364,939	(34,766,879)	–	**121,531,330**
Technological Equipment	156,092,929	20,375,861	(21,613,413)	–	**154,855,377**
Computer and Accessories	181,262,836	43,376,409	14,655,973	(2,643,880)	**236,651,338**
Motor Vehicles	204,536,125	34,263,293	(26,281,310)	–	**212,518,108**
Tools and Equipment	74,599,320	11,763,228	(281,903)	–	**86,080,645**
Aircraft	227,279,601	–	(227,279,601)	–	**–**
Aircraft Equipment	38,741,726	–	(38,741,726)	–	**–**
Ground Handling Equipment	42,867,265	–	(42,867,265)	–	**–**
Other Assets	7,518,660	761,511	(5,926,851)	(117,370)	**2,235,950**
	1,496,675,908	186,076,706	(457,467,320)	(8,360,655)	**1,216,924,639**
At Valuation					
Plant and Machinery	25,681,500	–	(25,681,500)	–	**–**
Motor Vehicles	75,403,729	7,082,844	(25,241,521)	–	**57,245,052**
	101,085,229	7,082,844	(50,923,021)	–	**57,245,052**
Assets on Finance Leases					
Leasehold Improvements	7,843,981	2,814,661	(4,360,320)	–	**6,298,322**
Plant and Machinery	28,898,259	11,048,196	(13,514,159)	–	**26,432,296**
Aircraft	77,500,000	–	(77,500,000)	–	**–**
Technological Equipment	5,071,903	–	(5,071,903)	–	**–**
Motor Vehicles	48,597,286	11,634,619	(27,136,733)	–	**33,095,171**
	167,911,429	25,497,476	(127,583,116)	–	**65,825,789**
Total Depreciation	1,765,672,566	218,657,026	(635,973,457)	(8,360,655)	**1,339,995,480**

NOTES TO THE FINANCIAL STATEMENTS

	2011 Rs.	2010 Rs.
3.1.3 NET BOOK VALUES		
At Cost		
Freehold Land	**800,054,690**	950,093,752
Freehold Buildings	**685,465,126**	544,759,727
Plant and Machinery	**97,713,377**	90,392,332
Furniture and Fittings	**146,229,646**	133,621,589
Office and Factory Equipment	**103,474,596**	95,692,649
Technological Equipment	**43,324,029**	43,617,562
Computer and Accessories	**121,625,121**	71,672,134
Motor Vehicles	**107,554,992**	155,048,826
Tools and Equipment	**25,445,448**	30,747,581
Aircraft	**–**	221,754,557
Aircraft Equipment	**–**	24,526,951
Ground Handling Equipment	**–**	1,523,232
Other Assets	**2,664,060**	12,907,755
	2,133,551,086	2,376,358,647
At Valuation		
Motor Vehicles	**13,921,325**	2,100,429
	13,921,325	2,100,429
Assets on Finance Leases		
Leasehold Improvements	**10,369,218**	12,836,562
Plant and Machinery	**40,424,639**	51,189,062
Aircraft	**–**	132,500,000
Motor Vehicles	**91,616,344**	47,942,132
	142,410,201	244,467,756
Capital Work-in-Progress	**28,798,046**	11,193,832
	28,798,046	11,193,832
Total Carrying Amount of Property, Plant and Equipment	**2,318,680,658**	2,634,120,664

3.1.4 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 512,931,588/- (31 March 2010 - Rs. 790,469,974/-) of which Rs. 82,633,894/- (31 March 2010 - Rs. 35,692,025/- was acquired by means of finance leases. Cash payments amounting to Rs. 279,377,757/- (31 March 2010 - Rs. 754,777,949/-) were made during the year ended for purchase of Property, Plant and Equipment.

NOTES TO THE FINANCIAL STATEMENTS

	Balance As at 01.04.2010 Rs.	Additions Rs.	Disposals Rs.	**Balance As at 31.03.2011 Rs.**
3.2 COMPANY				
3.2.1 GROSS CARRYING AMOUNTS				
At Cost or Valuation				
Freehold Land	86,830,000	–	(86,830,000)	**–**
Buildings on Freehold Land	9,947,000	–	(9,947,000)	**–**
Motor Vehicles	5,936,646	123,857	(1,700,000)	**4,360,503**
Office Equipment	3,112,332	4,355,926	(1,035,369)	**6,432,889**
Technological Equipment	32,844,711	4,608,749	(2,524,751)	**34,928,709**
Furniture and Fittings	3,925,414	7,938,925	(3,659,538)	**8,204,801**
Package and Software	5,994,333	195,700	(281,351)	**5,908,682**
Leasehold Improvements	8,526,125	1,366,484	(3,080,583)	**6,812,026**
	157,116,561	18,589,641	(109,058,592)	**66,647,610**
Assets on Finance Leases				
Motor Vehicles	4,510,000	–	–	**4,510,000**
	4,510,000	–	–	**4,510,000**
Total Value of Depreciable Assets	161,626,561	18,589,641	(109,058,592)	**71,157,610**

	Balance As at 01.04.2010 Rs.	Incurred during the Year Rs.	Transfers Rs.	**Balance As at 31.03.2011 Rs.**
Capital Work-in-Progress				
Software Work-in-Progress	1,900,000	794,642	(2,694,642)	**–**
	1,900,000	794,642	(2,694,642)	**–**
Total Gross Carrying Amount	163,526,561	19,384,283	(111,753,234)	**71,157,610**

NOTES TO THE FINANCIAL STATEMENTS

	Balance 01.04.2010 Rs.	Charge for the year Rs.	Disposals Rs.	**Balance 31.03.2011 Rs.**
3.2.2 DEPRECIATION				
At Cost or Valuation				
Buildings on Freehold Land	1,533,496	165,783	(1,699,279)	**–**
Motor Vehicles	5,552,638	325,273	(1,700,000)	**4,177,911**
Office Equipment	1,864,170	831,800	(806,944)	**1,889,026**
Technological Equipment	21,162,487	5,111,716	(2,518,313)	**23,755,890**
Furniture and Fittings	2,435,326	828,034	(2,448,221)	**815,139**
Package and Software	2,140,338	290,829	(3,019,294)	**(588,128)**
Leasehold Improvements	2,981,490	1,634,134	(281,351)	**4,334,273**
	37,669,945	9,187,569	(12,473,403)	**34,384,111**
Assets on Finance Leases				
Motor Vehicles	1,095,000	902,000	–	**1,997,000**
	1,095,000	902,000	–	**1,997,000**
Total Value of Depreciable Assets	38,764,945	10,089,569	(12,473,403)	**36,381,111**

	2011 Rs.	2010 Rs.
3.2.3 NET BOOK VALUES		
At Cost or Valuation		
Freehold Land	**–**	86,830,000
Buildings on Freehold Land	**–**	8,413,504
Motor Vehicles	**182,591**	384,008
Office Equipment	**4,543,862**	1,248,162
Technological Equipment	**11,172,820**	11,682,224
Furniture and Fittings	**7,389,662**	1,490,088
Package and Software	**6,496,810**	3,853,995
Leasehold Improvements	**2,477,754**	5,544,635
	32,263,499	119,446,616
Assets on Finance Leases		
Motor Vehicles	**2,513,000**	3,415,000
	2,513,000	3,415,000
Capital Work-in-Progress		
Software Work-in-Progress	**–**	1,900,000
	–	1,900,000
Total Carrying Amount of Property, Plant and Equipment	**34,776,499**	124,761,616

NOTES TO THE FINANCIAL STATEMENTS

3.3 The useful lives of the assets are estimated as follows;

	2011	2010
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. 17,270,599/- (2010 - Rs. 26,335,677/-). Cash payment amounting to Rs. 14,553,844/- (2010 - Rs. 11,149,902/-) 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. 15,217,661/- (2010 - Rs. 14,274,699/-).

4. INVESTMENT PROPERTY

Year ended 31 March	**2011**	2010
	Rs.	Rs.
Cost		
Balance as at the beginning of the Year	**231,801,125**	–
Transferred from/to Property, Plant and Equipment - Freehold Land	**–**	198,661,125
- Buildings	**–**	33,140,000
Disposal during the Year	**(102,661,125)**	–
Balance as at the end of the Year	**129,140,000**	231,801,125
Depreciation		
Balance as at the beginning of the Year	**4,971,000**	–
Transferred from Property, Plant and Equipment - Buildings	**–**	4,971,000
Charge for the Year	**1,657,000**	–
Balance as at the end of the Year	**6,628,000**	4,971,000
Net Book Value	**122,512,000**	226,830,125

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS

Year ended 31 March	**2011**	2010
	Rs.	Rs.
5.1 GROUP		
Non-Current		
Computer Software (Note 5.1.1)	**28,912,686**	35,608,625
	28,912,686	35,608,625

5.1.1 COMPUTER SOFTWARE AND PROJECT DEVELOPMENT EXPENSES

Balance as at the beginning of the Year	**35,608,625**	41,889,511
Acquired during the Year	**12,065,161**	2,062,777
Retired during the Year	**(18,761,100)**	(8,343,663)
Balance as at the end of the Year	**28,912,686**	35,608,625

5.2 COMPANY

COMPUTER SOFTWARE

Year ended 31 March	**2011**	2010
	Rs.	Rs.
Cost		
Balance as at the beginning of the Year	**33,453,426**	41,797,089
Retired/Transferred during the Year	**–**	(8,343,663)
Balance as at the end of the Year	**33,453,426**	33,453,426
Amortization		
Balance as at the beginning of the Year	**8,312,130**	–
Amortisation during the Year	**8,363,357**	8,312,130
Balance as at the end of the Year	**16,675,487**	8,312,130
Net Book Value	**16,777,939**	25,141,296

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS IN SUBSIDIARIES

	Holding 2011 %	Holding 2010 %	**Carrying Value 2011 Rs.**	**Directors' Valuation 2011 Rs.**	Carrying Value 2010 Rs.	Directors' Valuation 2010 Rs.
6.1 COMPANY						
Non-Quoted						
SG Logistics (Pvt) Ltd.	**100**	100	**79,105,042**	**79,105,042**	79,104,942	79,104,942
Bio Extracts (Pvt) Ltd.	**100**	100	**6,250,000**	**6,250,000**	6,250,000	6,250,000
Classic Travel (Pvt) Ltd.	**100**	100	**25,597,538**	**25,597,538**	25,597,538	25,597,538
Denshun Industries (Pvt) Ltd.	**–**	90	**–**	**–**	89,045,615	89,045,615
Expo Aviation (Pvt) Ltd.	**–**	100	**–**	**–**	155,497,625	155,497,625
Expolanka International (Pvt) Ltd.	**100**	100	**333,607,465**	**333,607,465**	333,607,365	333,607,365
Expolanka Commodities (Pvt) Ltd.	**100**	100	**174,558,639**	**174,558,639**	174,558,639	174,558,639
Expolanka Freight (Pvt) Ltd.	**100**	100	**292,098,014**	**292,098,014**	292,098,014	292,098,014
Expolanka (Pvt) Ltd.	**100**	100	**371,111,561**	**371,111,561**	371,111,461	371,111,461
Expolanka Pharmaceuticals (Pvt) Ltd.	**100**	100	**407,668**	**407,668**	407,668	407,668
Expolanka Plantations (Pvt) Ltd.	**90**	100	**90**	**90**	30	30
Expolanka Teas (Pvt) Ltd.	**90**	100	**87,844,407**	**87,844,407**	97,604,797	97,604,797
Freight Care (Pvt) Ltd.	**100**	100	**4,423,590**	**4,423,590**	4,423,590	4,423,590
Globe Air (Pvt) Ltd.	**100**	100	**17,214,477**	**17,214,477**	17,214,477	17,214,477
International Airline Services (Pvt) Ltd.	**100**	100	**10,027,726**	**10,027,726**	10,027,726	10,027,726
Neptune Holdings (Pvt) Ltd.	**90**	100	**90**	**90**	10	10
Neptune Papers (Pvt) Ltd.	**100**	100	**70,671,636**	**70,671,636**	70,671,636	70,671,636
Skycare (Pvt) Ltd.	**100**	100	**1,679,053**	**1,679,053**	1,679,053	1,679,053
UCL Logistics (Pvt) Ltd.	**100**	100	**17,631,222**	**17,631,222**	17,631,222	17,631,222
Expo Consolidators (Pvt) Ltd.	**100**	100	**10,000,000**	**10,000,000**	10,000,000	10,000,000
Peri Logistics (Pvt) Ltd.	**60**	60	**173,555**	**173,555**	173,555	173,555
Luxe Asia (Pvt) Ltd.	**100**	100	**5,000,000**	**5,000,000**	5,000,000	5,000,000
Logistic Support Service (Pvt) Ltd.	**100**	100	**260,000**	**260,000**	260,000	260,000
Tropical Green (Pvt) Ltd.	**100**	–	**50**	**50**	–	–
Classic Vacation (Pvt) Ltd.	**100**	–	**30**	**30**	–	–
Asia Pasific Institution of Information Technology Lanka (Pvt) Ltd.	**44**	–	**21,420,010**	**21,420,010**	–	–
Total Carrying Value of Investments in Subsidiaries			**1,529,081,863**	**1,529,081,863**	1,761,964,963	1,761,964,963

NOTES TO THE FINANCIAL STATEMENTS

7. OTHER INVESTMENTS

	Group		Company	
Year ended 31 March	**2011**	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
Summary				
Non-Current				
Investments in Securities (Note 7.1)	**383,090,447**	38,591,926	**258,725,290**	–
Investments in Fixed Deposits	**–**	11,611,955	**–**	–
Investment in Gold	**25,475,050**	–	**–**	–
	408,565,497	50,203,881	**258,725,290**	–
Current				
Investments in Equity Securities (Note 7.2)	**7,473,993**	1,051,425	**6,378,540**	–
	7,473,993	1,051,425	**6,378,540**	–
Total Carrying Value of Other Investments	**416,039,490**	51,255,306	**265,103,830**	–

7.1 INVESTMENTS IN EQUITY SECURITIES - NON-CURRENT

	Carrying Value	**Directors' Valuation**	Carrying Value	Directors' Valuation
Year ended 31 March	**2011**	**2011**	2010	2010
	Rs.	**Rs.**	Rs.	Rs.
Non-Quoted				
Group				
Lanka Commodity Brokers (Pvt) Ltd.	**75,518,310**	**75,518,310**	17,025,000	17,025,000
Amana Investment Ltd.	**277,601,133**	**277,601,133**	18,206,166	18,206,166
SLFFA Cargo Services Ltd.	**717,922**	**717,922**	717,922	717,922
Asia Pacific Golf Courses Ltd.	**1,750,000**	**1,750,000**	1,750,000	1,750,000
Airline Cargo Resources India (Pvt) Ltd.	**5,100,000**	**5,100,000**	261,505	261,505
Expolanka Philippines	**22,403,082**	**22,403,082**	–	–
International Sky Services (Pvt) Ltd.	**–**	**–**	508	508
Other	**–**	**–**	630,825	630,825
Total Investments in Non-Quoted Equity Securities	**383,090,447**	**383,090,447**	38,591,926	38,591,926
Total Carrying Value of Non-Current Investments	**383,090,447**	**–**	38,591,926	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March	**Carrying Value 2011 Rs.**	**Directors' Valuation 2011 Rs.**	Carrying Value 2010 Rs.	Directors' Valuation 2010 Rs.
Company				
Amana Bank Ltd.	**238,725,240**	**258,733,240**	–	–
World Spices Teas (Pvt) Ltd.	**50**	**50**	–	–
	238,725,290	**258,733,290**	–	–

7.2 INVESTMENTS IN EQUITY SECURITIES - CURRENT

Year ended 31 March	No. of Shares	**Carrying Value 2011 Rs.**	**Market Value 2011 Rs.**	Carrying Value 2010 Rs.	Market Value 2010 Rs.
Quoted					
Group					
Asiri Surgical Hospitals PLC	97,600	**833,917**	**829,600**	–	–
Hemas Holdings PLC	18,000	**819,072**	**828,000**	–	–
United Motors Lanka PLC	5,300	**807,544**	**806,660**	–	–
Vidullanka PLC	115,000	**790,758**	**724,500**	–	–
Coco Lanka PLC	8,700	**756,586**	**693,390**	–	–
Kegalle Plantations PLC	3,600	**776,197**	**747,000**	–	–
Amana Takaful PLC	28,500	**100,867**	**59,850**	–	–
Browns Company PLC	3,000	**808,747**	**869,700**	–	–
Lanka Ceramic PLC	5,600	**829,372**	**819,840**	–	–
Sierra Cables PLC	61,500	**211,875**	**210,553**	211,875	129,150
Lanka IOC PLC	50,000	**1,113,475**	**880,000**	1,113,475	918,650
Sri Lanka Telecom PLC	100	**3,579**	**4,900**	3,579	3,625
(-) Provision for Fall in Value of Investments		**(377,996)**	–	(277,504)	–
Total Investments in Quoted Equity Securities		**7,473,993**	**7,473,993**	1,051,425	1,051,425

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March	No. of Shares	**Carrying Value 2011 Rs.**	**Market Value 2011 Rs.**	Carrying Value 2010 Rs.	Market Value 2010 Rs.
Quoted					
Company					
Asiri Surgical Hospitals PLC	97,600	**833,917**	**829,600**	–	–
Hemas Holdings PLC	18,000	**819,072**	**828,000**	–	–
United Motors Lanka PLC	5,300	**807,544**	**806,660**	–	–
Vidullanka PLC	115,000	**790,758**	**724,500**	–	–
Coco Lanka PLC	8,700	**756,586**	**693,390**	–	–
Kegalle Plantation PLC	3,600	**776,197**	**747,000**	–	–
Amana Takaful PLC	28,500	**100,867**	**59,850**	–	–
Browns Company PLC	3,000	**808,747**	**869,700**	–	–
Lanka Ceramic PLC	5,600	**829,372**	**819,840**	–	–
(-) Provision for Fall in Value of Investments		**(144,520)**	–	–	–
Total Investments in Quoted Equity Securities		**6,378,540**	**6,378,540**	–	–

8. INVENTORIES

Year ended 31 March	Group		Company	
	2011 Rs.	2010 Rs.	**2011 Rs.**	2010 Rs.
Raw Materials	**25,292,379**	57,954,189	–	–
Packing Materials	**135,942,821**	120,203,877	–	–
Work-in-Progress	**3,464,630**	11,751,633	–	–
Finished Goods	**472,862,712**	588,409,469	–	–
Consumables and Spares	**16,696,808**	18,081,542	–	–
Stationeries	**980,237**	755,787	–	–
Good-in-Transit	**72,391,273**	84,101,503	–	–
	727,630,861	881,258,000	–	–

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
Year ended 31 March	**2011**	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
9. TRADE AND OTHER RECEIVABLES				
Trade Debtors	**6,019,072,566**	5,006,989,434	**–**	**–**
Less: Provision for Doubtful Debts	**(98,521,341)**	(140,284,210)	**–**	**–**
	5,920,551,225	4,866,705,224	**–**	**–**
Other Debtors	**715,564,633**	1,648,288,483	**6,696,039**	**115,180,297**
Deposits, Advances and Prepayments	**787,233,487**	1,097,328,118	**11,987,715**	**3,456,279**
Loans to Company Officers (Note 9.1)	**57,215,954**	132,725,401	**207,872**	**617,171**
	7,480,565,300	7,745,047,226	**18,891,626**	**119,253,747**
9.1 LOANS TO COMPANY OFFICERS				
Balance as at beginning of the Year -	**132,725,401**	30,508,948	**617,171**	693,755
Net loans granted/ repayments during the Year	**(75,509,447)**	102,216,453	**(409,299)**	(76,584)
Balance as at end of the Year	**57,215,954**	132,725,401	**207,872**	617,171

10. AMOUNTS DUE FROM RELATED PARTIES

		Group		Company	
Year ended 31 March		**2011**	2010	**2011**	2010
	Relationship	**Rs.**	Rs.	**Rs.**	Rs.
Airline Resources (Pvt) Ltd.	Affiliate Company	**–**	110,012	**–**	–
Airline Services	Affiliate Company	**–**	177,216	**–**	–
Bio Extracts (Pvt) Ltd.	Subsidiary	**–**	–	**50,000,000**	2,875
Business Exports (Pvt) Ltd.	Affiliate Company	**–**	102,355	**–**	–
Classic Marketing (Pvt) Ltd.	Affiliate Company	**–**	371,903	**–**	–
Classic Papers (Pvt) Ltd.	Affiliate Company	**–**	21,291,329	**–**	19,889
Classic Enterprise (Pvt) Ltd.	Affiliate Company	**3,000,000**	3,000,000	**–**	–
Congo Brazza	Affiliate Company	**–**	6,797,495	**–**	–
Denshun Industries (Pvt) Ltd.	Affiliate Company	**3,396,288**	–	**3,336,288**	5,385,552
Expack Corrugated Cartons (Pvt) Ltd.	Affiliate Company	**165,743**	723,712,170	**–**	74,934,050

NOTES TO THE FINANCIAL STATEMENTS

		Group		Company	
Year ended 31 March		**2011**	2010	**2011**	2010
	Relationship	**Rs.**	Rs.	**Rs.**	Rs.
Expolanka Aviation Services (Pvt) Ltd.	Affiliate Company	**271,073**	–	**–**	–
Expo Aviation (Pvt) Ltd.	Affiliate Company	**–**	–	**–**	18,514
Expolanka Freight Nepal (Pvt) Ltd.	Affiliate Company	**–**	8,855	**–**	–
Expo Consolidators (Pvt) Ltd.	Subsidiary	**–**	–	**37,638,184**	5,238,184
Expo Express Services (Pvt) Ltd.	Affiliate Company	**–**	1,780,609	**–**	–
Expo Express Services - Vietnam	Affiliate Company	**–**	64,223,937	**–**	–
Expo Express Services Ltd.	Affiliate Company	**–**	16,710,074	**–**	–
Expo Vina Express Services Ltd.	Affiliate Company	**–**	5,984,625	**–**	–
Expolanka Corporate	Affiliate Company	**–**	181,698	**–**	–
Expolanka Commodities (Pvt) Ltd.	Subsidiary	**–**	–	**112,297,700**	–
Expolanka Exsotist	Affiliate Company	**–**	8,000,000	**–**	–
Expolanka Freight (Dubai)	Subsidiary	**–**	81,831,625	**–**	–
Expolanka Freight (Dubai) - Abudabi	Subsidiary	**–**	11,429,140	**–**	–
Expolanka Freight Ltd. - Pakistan	Subsidiary	**–**	398,527	**–**	–
Expolanka Freight (Jordan)	Affiliate Company	**–**	4,097,696	**–**	–
Expolanka Freight (Kabul)	Affiliate Company	**–**	3,983,872	**–**	–
Expolanka Freight (Pvt) Ltd.	Subsidiary	**–**	–	**93,218,820**	95,043,306
Expolanka Freight Limited - Vietnam	Subsidiary	**–**	42,329,682	**–**	–
Expolanka Investment (Pvt) Ltd.	Affiliate Company	**6,932,804**	53,092	**–**	–
Expolanka (Pvt) Ltd.	Subsidiary	**–**	–	**9,288,776**	4,688,775
Expolanka Plantations (Pvt) Ltd.	Subsidiary	**–**	–	**4,927,410**	4,927,470
Expolanka Services (Pvt) Ltd.	Affiliate Company	**–**	15,690,569	**–**	–
Expolanka Teas (Pvt) Ltd.	Subsidiary	**–**	–	**28,462,042**	22,588,594
Freightcare (Pvt) Ltd.	Subsidiary	**–**	–	**51,382**	–
HelloCorp (Pvt) Ltd.	Subsidiary	**–**	–	**3,164,086**	3,180,350
Ionosphere Lanka	Affiliate Company	**–**	16,000,000	**–**	–
Island Water (Pvt) Ltd.	Affiliate Company	**–**	55,952	**–**	–
Logistic Support Service (Pvt) Ltd.	Affiliate Company	**–**	–	**–**	750
Luxe Asia (Pvt) Ltd.	Subsidiary	**–**	–	**–**	16,264
Neptune Holdings (Pvt) Ltd.	Subsidiary	**–**	–	**8,557,400**	8,557,490
Neptune Papers (Pvt) Ltd.	Subsidiary	**–**	–	**11,735,035**	16,134,346
Pulsar Shipping (Pvt) Ltd.	Affiliate Company	**6,457,073**	1,457,073	**–**	750
SG Logistics (Pvt) Ltd.	Subsidiary	**–**	–	**28,831,700**	–
SDV Bangladesh (Pvt) Ltd.	Affiliate Company	**–**	57,958,531	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

		Group		Company	
Year ended 31 March		**2011**	2010	**2011**	2010
	Relationship	**Rs.**	Rs.	**Rs.**	Rs.
Silver Wings (Pvt) Ltd.	Affiliate Company	**249,214**	216,110	**–**	–
Sky Air (Pvt) Ltd.	Affiliate Company	**565,865**	565,865	**–**	–
Steam Ship and Allied Ltd.	Affiliate Company	**–**	80,635	**–**	–
Travel Express (Pvt) Ltd.	Affiliate Company	**5,996,259**	6,480,579	**–**	–
Ubizsport (Pvt) Ltd.	Affiliate Company	**–**	8,625	**–**	–
World Spices and Teas (Pvt) Ltd.	Affiliate Company	**8,992,210**	8,987,710	**–**	–
Tropical Green (Pvt) Ltd.	Affiliate Company	**–**	–	**2,250,000**	–
Classic Travel (Pvt) Ltd.	Subsidiary	**–**	–	**12,182,873**	–
Expolanka International (Pvt) Ltd.	Subsidiary	**–**	–	**87,563,469**	–
Provision for Doubtful Receivables	Affiliate Company	**–**	(16,000,000)	**–**	–
		36,026,529	1,088,077,561	**493,505,164**	240,737,159

11. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

	Group		Company	
Components of Cash and Cash Equivalents	**2011**	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
11.1 FAVOURABLE CASH AND CASH EQUIVALENT BALANCES				
Cash and Bank Balances	**2,228,020,408**	1,684,834,766	**112,337,536**	38,982,964
	2,228,020,408	1,684,834,766	**112,337,536**	38,982,964
11.2 UNFAVOURABLE CASH AND CASH EQUIVALENT BALANCES				
Bank Overdrafts	**(694,259,972)**	(916,066,364)	**(464,842,246)**	(610,812,802)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	**1,533,760,436**	768,768,402	**(352,504,710)**	(571,829,838)

NOTES TO THE FINANCIAL STATEMENTS

12. STATED CAPITAL

	2011		2010	
	Number	**Rs.**	Number	Rs.
Fully Paid Ordinary Shares	**1,782,915,000**	**1,782,915,000**	1,782,915,000	1,782,915,000

13. RESERVES

	Group		Company	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
(a) Capital Reserve				
Revaluation Reserve (Note 13.1)	**599,790,404**	618,702,006	**–**	–
	599,790,404	618,702,006	**–**	–
(b) Revenue Reserves				
Exchange Fluctuation Reserve	**(9,375,334)**	11,327,641	**–**	–
General Reserve (Note 13.2)	**337,671,462**	307,129,953	**–**	–
	328,296,129	318,457,594	**–**	–
Total Reserves	**928,086,532**	937,159,600	**–**	–

	Group		Company	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
13.1 CAPITAL RESERVE				
Balance as at the beginning of the Year	**618,702,006**	488,131,339	**–**	–
Transfers during the Year	**(18,911,602)**	130,570,667	**–**	–
Balance as at the end of the Year	**599,790,404**	618,702,006	**–**	–
13.2 GENERAL RESERVE				
Balance as at the beginning of the Year	**307,129,953**	267,468,000	**–**	–
Transferred during the Year	**30,541,509**	39,661,953	**–**	–
Balance as at the end of the Year	**337,671,462**	307,129,953	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

14. LOANS AND IJARA PAYABLES

14.1 GROUP

	2011			2010		
	Amount Repayable Within 1 Year	**Amount Repayable After 1 Year**	**Total**	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
	Rs.	**Rs.**	**Rs.**	Rs.	Rs.	Rs.
Finance Leases	**40,291,289**	**84,622,392**	**124,913,681**	382,616,587	47,774,124	430,390,711
Bank Loans	**460,941,446**	**–**	**460,941,446**	396,345,290	555,161,971	951,507,261
Bank Overdrafts (Note 11.2)	**229,417,726**	**464,842,246**	**694,259,972**	305,253,562	610,812,802	916,066,364
Other Loans	**371,272,716**	**622,677,648**	**993,950,364**	352,141,512	944,535,445	1,296,676,957
	1,101,923,177	**1,172,142,286**	**2,274,065,463**	1,436,356,951	2,158,284,342	3,594,641,293

14.2 COMPANY

Ijara Payables (Note 14.2.1)	**1,272,378**	**1,158,643**	**2,431,021**	1,043,391	2,431,028	3,474,419
Other Loan	**184,324,316**	**–**	**184,324,316**	–	–	–
Bank Overdrafts (Note 11.2)	**–**	**464,842,246**	**464,842,246**	–	610,812,802	610,812,802
	185,596,694	**466,000,889**	**651,597,583**	1,043,391	613,243,830	614,287,221

14.2.1 IJARA PAYABLES

	As at 01.04.2010	New Leases Obtained	Repayments	**As at 31.03.2011**	**Current As at 2011**	**Non–Current As at 2011**
	Rs.	Rs.	Rs.	**Rs.**	**Rs.**	**Rs.**
Gross Liability	4,481,764	–	(1,595,022)	**2,886,742**	**1,595,016**	**1,291,726**
Finance Charges Allocated to future periods	(1,007,345)	–	551,624	**(455,721)**	**(322,638)**	**(133,083)**
Net Liability	3,474,419	–	(1,043,398)	**2,431,021**	**1,272,378**	**1,158,643**

15. DEFERRED INCOME TAX

15.1 DEFERRED INCOME TAX ASSETS

	Group		Company	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
Balance as at the beginning of the Year	**41,530,200**	43,822,663	**–**	–
Income arisen during the Period	**1,186,541**	(2,292,463)	**–**	–
Balance as at the end of the Year	**42,716,741**	41,530,200	**–**	–

Expolanka Holdings PLC has not recognized net deferred tax asset as at 31 March 2011 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 tax losses amounting to Rs. 409,860,766/- can be utilized. (Refer Note 23.1).

15.2 DEFERRED INCOME TAX LIABILITIES

	Group		Company	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
Balance as at the beginning of the Year	**8,717,807**	3,378,229	**–**	–
Provision made during the Year	**5,808,939**	8,150,198	**–**	–
Reversal made during the Year	**–**	(2,810,620)	**–**	–
Balance as at the end of the Year	**14,526,746**	8,717,807	**–**	–

16. OTHER DEFERRED LIABILITIES

Retirement Benefit Obligation - Gratuity

	Group		Company	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
Balance as at the beginning of the Year	**177,815,851**	114,868,676	**7,479,537**	6,315,687
Charge for the Year	**43,632,774**	69,446,238	**4,021,242**	2,063,850
Transfers during the Year	**–**	(855,770)	**–**	–
Payments during the Year	**(6,643,674)**	(5,792,449)	**(535,000)**	(900,000)
Exchange Loss	**(499,845)**	149,156	**–**	–
Balance as at the end of the Year	**214,305,106**	177,815,851	**10,965,779**	7,479,537

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
Trade Payables	**4,315,894,374**	4,926,426,385	**13,214,449**	7,576,998
Sundry Creditors Including Accrued Expenses	**1,071,497,946**	1,646,761,773	**1,056,219**	7,349,763
	5,387,392,320	6,573,188,158	**14,270,668**	14,926,761

NOTES TO THE FINANCIAL STATEMENTS

18. AMOUNTS DUE TO RELATED PARTIES

		Group		Company	
		2011	2010	**2011**	2010
		Rs.	Rs.	**Rs.**	Rs.
18.1 NON-CURRENT					
Mr. Osman Kassim	Director	**–**	3,894,924	**–**	–
		–	3,894,924	**–**	–
18.2 CURRENT					
APIIT Malaysia	Affiliate Company	**8,692,606**	6,525,713	**–**	–
Classic Papers (Pvt) Ltd.	Affiliate Company	**3,855,819**	–	**–**	3,471,086
Classic Vacations (Pvt) Ltd.	Subsidiary	**–**	–	**558,066**	408,378
Cross Freight Lines Ltd.	Affiliate Company	**–**	1,618,243	**–**	–
Expack Corrugated Cartons (Pvt) Ltd.	Affiliate Company	**5,989,750**	7,707,912	**–**	–
Expolanka Commodities (Pvt) Ltd.	Subsidiary	**–**	–	**–**	4,658,465
Expolanka Freight - Afghanistan	Affiliate Company	**–**	486,057	**–**	–
Expolanka Freight (Pvt) Ltd. - India	Affiliate Company	**–**	217,592	**–**	–
Expolanka Freight (Pvt) Ltd. - Egypt	Affiliate Company	**–**	22,256	**–**	–
Expolanka Investment (Pvt) Ltd.	Affiliate Company	**–**	19,670	**8,037**	19,670
Expolanka International (Pvt) Ltd.	Subsidiary	**–**	–	**–**	24,762,858
Expolanka Pharmaceuticals (Pvt) Ltd.	Subsidiary	**–**	–	**–**	18,750
Expolanka Pakistan (Pvt) Ltd.	Affiliate Company	**–**	35,713	**–**	–
Freight Air (Pvt) Ltd.	Affiliate Company	**343,422**	343,422	**–**	–
Freight Care (Pvt) Ltd.	Subsidiary	**–**	–	**–**	127,939
Freight Care Aviation Services (Pvt) Ltd.	Affiliate Company	**–**	1,268,968	**–**	–
Globe Air (Pvt) Ltd.	Subsidiary	**–**	–	**4,185,500**	4,185,500
Infodata (Pvt) Ltd.	Affiliate Company	**277,344**	277,344	**–**	–
International Airlines Services (Pvt) Ltd.	Subsidiary	**–**	–	**45,237**	45,237
Nissho Iwai (Pvt) Ltd.	Affiliate Company	**9,266,069**	9,266,069	**–**	–
Pulsar Shipping Agencies (Pvt) Ltd.	Affiliate Company	**–**	24,390,627	**–**	–
SG Logistics (Pvt) Ltd.	Subsidiary	**–**	–	**–**	22,506,036
Skycare (Pvt) Ltd.	Subsidiary	**–**	–	**500,005**	1,980,000
UCL Logistics (Pvt) Ltd.	Subsidiary	**–**	–	**3,381,500**	4,280,750
Universal Freight	Affiliate Company	**–**	12,351	**–**	–
World Spices & Teas (Pvt) Ltd.	Affiliate Company	**–**	–	**50**	–
		28,425,010	52,191,937	**8,678,396**	66,464,669

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
18.3. LOANS FROM DIRECTORS				
Mr. Osman Kassim	**–**	1,643,752	**–**	–
	–	1,643,752	**–**	–
	28,425,010	53,835,689	**8,678,396**	66,464,669

19. REVENUE

	Group		Company	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
SUMMARY				
Sales of Goods	**9,068,617,810**	9,836,837,838	**–**	–
Rendering of Services	**23,438,614,505**	13,871,925,111	**116,662,520**	111,815,826
	32,507,232,315	23,708,762,949	**116,662,520**	111,815,826
19.1 BUSINESS SEGMENT ANALYSIS				
Transportation	**18,068,714,033**	11,854,240,750	**–**	–
International Trading	**8,593,083,784**	7,401,260,277	**–**	–
Manufacturing	**603,455,836**	425,688,459	**–**	–
Strategic Investment	**490,099,745**	374,502,745	**–**	–
Others	**4,751,878,917**	3,653,070,717	**116,662,520**	111,815,826
	32,507,232,315	23,708,762,949	**116,662,520**	111,815,826

19.1.1 The Group operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different market.

19.2 GEOGRAPHICAL SEGMENT ANALYSIS

	Group		Company	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
Sri Lanka	**15,938,446,200**	13,164,709,455	**–**	–
International	**16,568,786,115**	10,544,053,494	**–**	–
	32,507,232,315	23,708,762,949	**–**	–

Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

NOTES TO THE FINANCIAL STATEMENTS

20. OTHER INCOME AND GAINS

	Group		Company	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
Other Operating Income	**368,306,902**	235,468,971	**–**	–
Bad Debts Recovery	**24,839,934**	696,000	**–**	–
Commission Income	**22,167,635**	23,517,510	**–**	–
Container Yard Service Income	**–**	570,865	**–**	–
Dividend Income	**–**	3,327,840	**439,027,006**	83,872,756
Duty Rebate	**630,947**	2,027,727	**–**	–
EDRS Income	**–**	12,673,455	**–**	–
Exchange Gain	**45,900,733**	5,653,736	**–**	–
Finance Income	**1,317,500**	–	**–**	–
Income on Handling at Stores	**16,908,438**	26,437,640	**–**	–
Income on Sale of Cargo Drive Software	**1,479,765**	3,020,000	**–**	–
Insurance Claim Received	**–**	23,839,902	**–**	–
Investment Income	**8,819,458**	12,451,121	**–**	–
Machinery Hire Income	**111,600**	7,868,548	**–**	–
Management Fees	**3,246,110**	1,848,093	**–**	–
Navinna Estate Profit	**1,621,718**	2,963,273	**–**	–
NBT Revenue	**49,627**	1,253,426	**–**	–
Profit on Disposal of Subsidiaries (Note 20.1)	**303,217,515**	3,958,450	**17,092,018**	1,775,865
Profit on Disposal of Property, Plant and Equipment	**14,468,566**	83,383,254	**–**	–
Refuse Tea Sales	**516,877**	2,818,319	**–**	–
Negative Goodwill	**76,360,326**	–	**–**	–
Weighing Bridge Service Income	**1,016,274**	1,334,941	**2,831,622**	–
	890,979,926	455,113,071	**458,950,645**	85,648,621

20.1 During the year ended 31 March 2011 the Company has sold its investments in subsidiaries namely, Denshun Industries (Pvt) Ltd. and Expo Aviation (Pvt) Ltd. in full and 10% of its holdings at Expolanka Teas (Pvt) Ltd., Neptune Holdings (Pvt) Ltd. and Expolanka Plantations (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 gain of Rs. 303,217,515/- to the Group.

21. FINANCE COST

	Group		Company	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
Mark-up on Loans and Borrowings	**242,178,653**	241,694,511	**33,403,963**	36,747,869
Finance Charges on Lease Liabilities	**38,174,571**	106,729,956	**551,626**	555,716
	280,353,224	348,424,467	**33,955,589**	37,303,585

22. PROFIT BEFORE TAX

	Group		Company	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
Stated after Charging				
Included in Administrative Expenses				
Employees Benefits including the following	**1,416,506,128**	1,139,553,451	**70,540,956**	47,804,641
Defined Benefit Plan Costs - Gratuity	**43,632,774**	69,446,238	**4,021,242**	2,063,850
Defined Contribution Plan Costs - EPF and ETF	**107,905,252**	81,483,130	**7,123,393**	5,893,838
Depreciation	**218,657,026**	432,869,941	**10,089,569**	12,131,160
Directors' Emoluments	**101,938,503**	80,900,931	**11,800,000**	7,800,000
Auditors' Remuneration (Fees and Expenses)	**16,658,544**	13,819,119	**1,163,951**	794,286
Donations	**6,603,176**	3,702,029	**2,129,045**	264,735
Included in Selling and Distribution Costs				
Advertising Costs	**72,242,531**	52,745,574	**452,937**	48,296

NOTES TO THE FINANCIAL STATEMENTS

23. INCOME TAX EXPENSE

	Group		Company	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year	**500,333,272**	328,382,857	**–**	–
Under Provision of Current Taxes in Respect of Prior Years	**–**	4,059,911	**–**	–
10% of Withholding Tax on inter-company Dividends	**49,423,773**	**15,219,774**	**–**	**–**
Deferred Income Tax				
Deferred Taxation Charge/ (Reversal)	**5,808,939**	(12,282,661)	**–**	–
	555,565,984	**335,379,881**	**–**	**–**

23.1 A RECONCILIATION BETWEEN TAX EXPENSE AND THE PRODUCT OF ACCOUNTING PROFIT/(LOSS)

	Company	
	2011	2010
	Rs.	Rs.
Accounting Profit before Income Tax	**393,011,189**	29,423,817
Aggregate Disallowable Items	**30,013,053**	46,837,424
Aggregate Allowable Expenses	**(19,032,479)**	(11,206,955)
Aggregate Allowable Income	**(456,205,029)**	(85,648,621)
Taxable Loss	**(52,213,266)**	(20,594,335)
Tax Losses Carried Forward	**(357,647,501)**	(337,053,166)
Tax Losses Incurred during the Year	**(52,213,266)**	(20,594,335)
Tax Losses Brought forward	**(409,860,767)**	(357,647,501)

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	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	**1,546,853,117**	518,020,048	**393,011,189**	29,423,817

Number of Ordinary Shares used as the denominator:	**Number**	Number	**Number**	Number
Weighted Average Number of Ordinary Shares in Issue applicable to basic Earnings Per Share	**1,782,915,000**	1,782,915,000	**1,782,915,000**	1,782,915,000

24.3 DIVIDEND

Interim dividend of Rs. 0.121 per share amounting to Rs. 215,732,715/- was paid in month of December 2010 to the shareholders of the Company.

25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the Balance Sheet date Expolanka Holdings PLC was listed on the main Board of the Colombo Stock Exchange (CSE) by raising a sum of Rs. 2,408,000,000/- by issuing 172,000,000 shares at Rs. 14/- per share.

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

26. COMMITMENTS AND CONTINGENCIES

26.1 COMPANY

The Company does not have signficant capital commitments as at the Balance Sheet date.

26.2 GROUP

26.2.1 CAPITAL EXPENDITURE COMMITMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

26.2.2 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.

	Amount Rs.
Institution	
National Development Bank PLC	1,475,000,000
Commercial Bank of Ceylon PLC	500,000,000
Habib Bank Ltd.	300,000,000
Lanka ORIX Finance Company PLC	291,744,877
Sampath Bank PLC	350,000,000
Pan Asia Banking Corporation	450,000,000
Standard Chartered Bank	950,000,000
DFCC Bank	33,941,280
Others	169,000,000
	4,519,686,157
Bank guarantees obtained by Group of Companies	945,752,100

27. ASSETS PLEDGED

Nature of Liability	Company	Carrying Amount Pledged **2011 Rs.**	Carrying Amount Pledged 2010 Rs.	Included Under
Diminishing Musharakah	Expolanka (Pvt) Ltd.	**600,000,000**	575,000,000	Property, Plant and Equipment
Diminishing Musharakah	Expolanka Freight (Pvt) Ltd.	**215,000,000**	215,000,000	Property, Plant and Equipment

28. RELATED PARTY DISCLOSURES

COMPANY

Details of significant related party disclosures are as follows:

28.1 TRANSACTIONS WITH RELATED ENTITIES DURING THE YEAR

	Subsidiaries	
	2011	2010
	Rs.	Rs.
Management Fees Charged	**10,308,000**	12,160,359
Technical Fees Charged	**43,494,571**	60,800,605
Secretarial Fees Charged	**5,100,000**	1,304,862
Dividend Received	**439,027,001**	83,872,756
Settlement of Liabilities by the Company on behalf of Subsidiaries	**1,928,195**	1,474,815
Advances to Subsidiaries	**196,558,707**	27,194,929
Advances from Subsidiaries	**119,480,528**	103,224,570

Amounts due from/to Related Parties are disclosed under Note 10 and 18 in the Notes to the Financial Statements.

28.2 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL (KMP) OF THE COMPANY

The key management personnel of the Company are the members of its Board of Directors

	Group		Company	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
Key Management Personnel Compensation				
Short-term Employee Benefits	**81,681,467**	65,102,905	**11,800,000**	7,800,000
	81,681,467	65,102,905	**11,800,000**	7,800,000

NOTES TO THE FINANCIAL STATEMENTS

Advance to KMP to incur expenses on behalf of the Company

	2011 Rs.	2010 Rs.
As at the Beginning of the Year	**109,036,045**	8,409,853
Advance Granted during the Year	**–**	100,626,192
Advanced Recovered during the Year	**(109,036,045)**	–
As at end of the year	**–**	109,036,045

28.3 TRANSACTIONS WITH ENTITIES THAT ARE CONTROLLED, JOINTLY CONTROLLED OR SIGNIFICANTLY INFLUENCED BY KEY MANAGEMENT PERSONNEL

During the year ended 31 March 2011 the Company has sold its investments in subsidiaries namely, Denshun Industries (Pvt) Ltd. and Expo Aviation (Pvt) Ltd. in full to Expolanka Investment (Pvt) Ltd. for a total consideration of Rs. 255,984,000/-. This has resulted in a gain of Rs. 11,440,760/- to the Company and a gain of Rs. 330,979,260/- to the Group.

During the year ended 31 March 2011 Expack Corrugated Cartons (Pvt) Ltd., purchased the property situated at No. 79, Pattiwila Road, Gonawala, Kelaniya. The total transaction value was Rs. 102,661,125/- from which Expolanka Commodities (Pvt) Ltd. booked a gain of Rs. 71,808,426/-.

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