limitless

EXPOLANKA HOLDINGS PLC - ANNUAL REPORT 2018/19

When it comes to our raring dare to do attitude, we are boundless... Expolanka experienced a journey this year in which the company made leaps and bounds in the industry.

Most notably, the freight arm of the conglomerate performed admirably in the year under review as we not only expanded our geographical presence through 4PL services but also through product diversification and explored new avenues in digitalisation. With so many novel ventures highlighted during the past year, we felt it apt to look ahead and take stock of our options; a vast horizon that lies ahead.

From the depths of our solid foundation to the seemingly impossible heights of opportunity, we are limitless..

limitless

CONTENTS

About this Report 04
Group Milestones 05
Financial Highlights 06
Highlights of the Year 07
Chairman's Message 10
Group CEO's Review 13
Financial Indicators 17
Board of Directors 18
Senior Management Team 20
Group Performance 23
Group Strategy 24

OVERVIEW

Sustainability Strategy 29
Material Topics and Topic Boundaries 30
Stakeholder Engagement 35
Stakeholder Value Creation 38
Capital Management Reports 39
- Financial Capital 39
- Manufactured Capital 40
- Intellectual Capital 41
- Human Capital 44
- Natural Capital 51
- Social and Relationship Capital 60

GRI Index 64
Independent assurance Report 67

INTEGRATED MANAGEMENT DISCUSSION AND ANALYSIS

Organizational Structure 71
Our Footprint 72
Business Reports 74
- Logistics Sector 74
- Leisure Sector 81
- Investments Sector 85

OPERATIONAL REVIEW

Corporate Governance 91

Risk Management Report 108

Related Party Transactions Review Committee Report 114

Remuneration Committee Report 116

COMPLIANCE REPORTS

Annual Report of the Board of Directors on the Affairs of the Company 119

The Statement of Director's Responsibility 123

Audit Committee Report 124

Independent Auditor's Report 127

Statement of Financial Position 131

Statement of Profit or Loss 132

Statement of Comprehensive Income 133

Statement of Changes in Equity 134

Statement of Cash Flows 135

Notes to the Financial Statement 136

FINANCIAL REPORTS

Group Real Estate Portfolio 184

Five Year Summary 185

Share Information 186

Notice of Meeting 189

Form of Proxy 191

Corporate Information IBC

SUPPLEMENTARY INFORMATION

ABOUT THIS REPORT

[GRI 102-12, 102-46, 102-48 102- 49, 102- 50, 102- 51, 102- 52, 102-53, 102- 54, 102-56]

This is Expolanka Holdings PLC's sixth integrated annual report and covered the reporting period 01st April 2018 to 31st March 2019. This report has been prepared in accordance with the GRI Standards: "Core option".

This report has been prepared primarily for the benefit of current and prospective investors, for representatives from government and regulatory authorities in Sri Lanka and for any other stakeholders who have an interest in the Group's performance.

There has been no restatement of information from the previous annual report and there are no changes to the list of material topics and topic boundaries. External assurance has been obtained for sustainability reporting from Ernst & Young, Chartered Accountants. The date of the most recent integrated report of Expolanka Holdings PLC was for the year 2017/18.

This Integrated Annual Report covers business activities over which Expolanka Holdings PLC has operational control, including those outside Sri Lanka. Entities that are not operationally controlled by the Group are not included in the scope of the Integrated Annual Report.

REPORTING PRINCIPLES

The report has been prepared in compliance with the following frameworks;

1. Listing rules of the CSE
2. The Code of Best Practice on Corporate Governance for public listed companies, jointly issued by The Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission of Sri Lanka and The Colombo Stock Exchange.
3. The International Integrated Reporting (IR) framework of 2013
4. GRI - Global Reporting Initiative (In accordance to the "Core" option)

ASSURANCE

The content included in this Integrated Report has been approved by the respective business heads and reviewed by the audit committee prior to submission to the Board of Directors for approval. In addition, Messrs.' Ernst & Young, Chartered Accountants have provided an independent assurance statement that further verifies the Group's compliance with the GRI Standards.

FORWARD LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to Expolanka Holdings PLC's financial condition, results, operations and businesses. These statements and forecasts involve risk and uncertainty as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements.

FEEDBACK

For further information or feedback please contact:

Mushtaq Ahamed
Director - Group Finance Expolanka Holdings PLC
Address : 15A Clifford Avenue, Colombo 03.
Email : investor@expolanka.com

DIRECTORS STATEMENT OF RESPONSIBILITY FOR THIS REPORT

We acknowledge our responsibility for ensuring the integrity of our Integrated Report 2018/2019.

Reflecting on our operating context, strategy and value creation model, we believe this integrated report addresses all matters that have, or could have, a material effect on our ability to create value.

We have applied our collective mind to the preparation and presentation of information in this integrated report, which has been prepared in accordance with the framework.

GROUP MILESTONES

1978
Expolanka initiated as an exporter of fresh produce through incorporation of Expolanka (Pvt) Ltd

1982
Expolanka moved in to the freight sector through the incorporation of Expolanka Freight (Pvt) Ltd - Sri Lanka

1993
EFL began expansion beyond borders through establishing Expo Freight Ltd - Bangladesh

1994
Moved in to travel agency business by establishing Classic Travel (Pvt) Ltd

1996
EFL India begins operations

2003
Expolanka Holdings was established, bringing the Expolanka brand's many investments under one umbrella

2007
Expolanka Freight (Vietnam) Ltd began operation

2009
PT Expo Freight Indonesia began operation

2011
Listed on the main board of the Colombo Stock Exchange via an Initial Public Offering

2012
Expo Freight (Shanghai) Limited began operation. Logistic Park (Pvt) Ltd initiated its operation Rebranding of Freight cluster as EFL

2013
EFL Global Freeport (Pvt) Ltd initiated operations

2014
S G Holdings Global Pte. Ltd. purchased a majority shareholding of Expolanka Holdings PLC

2018
EFL Malaysia Sdn. Bhd began operation

FINANCIAL HIGHLIGHTS

[GRI 102-7]

Revenue

- Logistics 95%
- Investments 3%
- Leisure 2%

EBIT

- Logistics 105%
- Investments -14%
- Leisure 9%

NPAT

- International 88%
- Local 12%

REVENUE

LKR 95,455 Mn

23% ↑

GROSS PROFIT

LKR 18,100 Mn

32% ↑

EBIT

LKR 3,313 Mn

74% ↑

PBT

LKR 3,073 Mn

84% ↑

PAT

LKR 1,909 Mn

99% ↑

HIGHLIGHTS OF THE YEAR

March 2019

ISO Certification for India Warehousing Sector
It was an extremely proud moment for EFL India when we received the ISO 9001:2015 Certification for 3PL, Warehousing and Distribution Services, covering all our facilities in Chennai, Mumbai, Bangalore and New Delhi.

November 2018

November 2018

EFL facilitates significant cross-border trade between Bangladesh and India
EFL achieved a significant milestone in cross-border trade by acting as the key facilitator for the very first bonded Cross-Border Land-Air Transshipment, on behalf of a leading European retail brand. EFL trucks from Bangladesh crossed into India with the transshipment to reach Kolkata within the stipulated time-frame.

For this transshipment, the EFL offices in Bangladesh and India collaborated to affect the transfer of cargo weighing 4.1 tonnes from Bangladesh trucks into Indian trucks, which took place at the Benapole (Dhaka) – Petrapole (India) border. The freight was moved in GPS enabled trucks to the Kolkata airport and were airfreighted to reach the final destination in Europe within the stipulated time-frame.

April 2018

Qatar Awards
In view of their long-standing partnership with EFL, Qatar Airways presented two awards of appreciation. The awards symbolize a strengthened partnership between the two parties and continues to pave the way for an extensive future for EFL's business growth.

EFL Further Expands Operations In South Africa
EFL South Africa opened their second branch in Port Elizabeth. Since the city is a hub for a range of industries including automotive, shoes, metal, timber and general trade, the Port Elizabeth team looks forward to strengthening their business prospects within this region.

LMD Brands Annual 2019
Conglomerate Brands - Expolanka reaches 11th place based on potential brand value.

October 2018

EFL opens new office in Malaysia
EFL set up its 18th overseas operation in the regional hub of Malaysia.

April 2018

March 2019

December 2018

New Shanghai Office
To renew our presence in the largest export market in the world, EFL China recently opened a new office in Shanghai.

Mumbai team begins operations in a New Office
Our Mumbai team recently moved to a new workspace.

Opening of Classic Travel Beruwala Branch

HIGHLIGHTS OF THE YEAR (contd.)

New Kenya Office
EFL Kenya moved to a new office in Nairobi.

Relocation of EFL GO
EFL Global Operations relocated from the EFL Freight office premises to a new space located in Colombo 03, Sri Lanka. Group CEO, Hanif Yusoof was present at the opening.

EFL Relocates in Hong Kong
EFL Hong Kong expanded and moved to a new and more convenient location in Kowloon.

Emirates Recognises Indonesia Team
The Indonesian team was presented a special token of appreciation for the support extended towards the growth of Emirates in Indonesia. The Cargo Manager of Emirates Jawad Ahmed made the presentation to Samuel Hosea Tanoto, EFL's Indonesian GM of Airfreight.

EFL wins Highest Foreign Exchange Earner for logistics services at Presidential Export Awards
Managing Director of EFL Sri Lanka Saif Yusoof received the award from the State Minister of National Policies and Economic Affairs at a gala ceremony. Evaluations for the award category won by EFL was based on foreign exchange earnings of the logistics companies that had applied in the financial year under review.

EFL awarded for Delivery Excellence by Huawei
EFL was recognised for its supply chain solution management and delivery excellence in addition to its ability to meet demanding project deadlines in a timely and flexible manner at the Huawei Annual Core Partner Convention 2018 held in New Delhi, India.

EFL Vietnam receives CX top cargo agent
EFL was awarded Cathay Airway's Top Cargo Agent 2017 at the award ceremony held this year.

Won Great Place to Work - Sri Lanka EFL

December 2018

Vietnam Receives BR Appreciation Award
The Vietnam team received an appreciation award from Eva Air at the agent award party that was held on the 14th of December at the SOL Rooftop in Ho Chi Minh.

EFL Vietnam receives SQ Top Agent
The Vietnam team was awarded Singapore Airline's Top Agent Award 2017 at the annual awards ceremony held on the 18th of September.

September 2018

November 2018

October 2018

October 2018

Emirates Top Agent Award 2018 - Philippines
The Philippines team was awarded Emirates' Top Agent Award for 2018 for the first time, at a ceremony held on the 27th of November at the Discovery Primea in Makati.

Satish Sethi, Emirates Country Manager of Philippines presented the award to the team.

EFL Awarded Singapore Airlines Top Agent Award 2017/18 - Sri Lanka
The Sri Lankan team was awarded the Gold Award 2017/18 at the Top Agents Awards Ceremony of Singapore Airlines which was held on the 12th of October at The Hilton Colombo.

Global Distribution Centre (EGDC) re-branded as 'EFL Global Freeport'
EFL rebranded its Freeport operations under the new moniker: 'EFL Global Freeport (Pvt) Ltd'.

It is the first private sector enterprise to be granted a license to operate as a freeport in Sri Lanka.

Hong Kong & Indonesia Go Live on CargoWise
During this quarter, Hong Kong and Indonesia made their transition into CargoWise.

August 2018

August 2018

USA-India Trade Lane Meeting
On the 2nd of August, Evan Rosen, Bill Wilkening, and Ray Luengo from EFL USA met with the management team from EFL India in the first collaboration meeting to discuss ocean/air/origin services/etc.

CHAIRMAN'S MESSAGE

[GRI 102-14]

Over the next few years, we will continue to expand EFL's geographic footprint as well as the service portfolio to encompass the full range of logistics services, to multiple industries, across all major global trade routes.

Dear Stakeholder,

I am pleased to announce that with our consistent approach to growth, Expolanka Holdings has enhanced its global network of operations during the year by strengthening our presence in key growth markets such as China, Vietnam, Indonesia and many others in the Far East, and will continue to do so in the future. With our unwavering attention towards attaining our strategic objectives, we have been successful in mitigating risks and we are now in the verticals of the future. It is in this promising background, that I present the financial statements and annual report on Expolanka Holdings PLC, for the financial year 2018/19.

Our flagship brand EFL is now physically present in almost all key international trade routes, albeit at varying levels of strength. Penetrating the east-west trade traffic directly from the point of origin, the Strategy of expansion starting to provide increasing performance that have boosted our after tax profits by 99% year-on-year to Rs 1.91 Bn. This growth has also been supported by sustained growth on our home turf, the Indian subcontinent, and also in China and the other East Asian bloc in general.

Meanwhile, our leisure operations also made strong headway during the year as demonstrated by the sector profits increase of 24% year-on-year.

BEYOND THE NUMBERS – GROWING SUSTAINABLY

A few years ago, Expolanka Holdings made a commitment to advance along a sustainable path following the vision of becoming one of the leading sustainable organisations in the industry. At Expolanka, we believe a conscious effort at sustainable living and sustainable business practices are vital, not only to enhance our business but also to protect all life on this planet.

To demonstrate our commitment, we made a pledge to support the United Nation's Sustainable Development Goals (UNSDGs). I am pleased to report that we have made tangible progress in translating our promise into action in the current financial year, through the Expolanka Global SDG Programme. I urge our stakeholders to please refer the Social and Environmental capital reports for details on how we have implemented our promise at ground

Naosuke Kawasaki - *Chairman*

level in the different countries in which we operate. In addition, during the year under review, we also became a signatory to the United Nations Global Compact, which helps us align our strategies and operations based on universal principles that advances societal goals.

Our social and environmental activities are formulated in accordance with the SDG goals and have been implemented through the adoption of the Expolanka Global Goals project that has been deployed with our usual efficiency across the globe. In ensuring the effectiveness and impact of our initiatives, the Group first identified the needs of each country and developed projects to support and uplift the diversified needs of the local communities. The projects executed so far aimed at promoting biodiversity, counteracting hunger and poverty, addressing special needs and differently abled children, and finally sustaining access to clean water and hygiene. To further ensure the success of each project, they were executed in partnerships with reputable local NGOs and other local organisations in each country, who best know and understand the needs of the local people and their environment.

GOVERNANCE

Good governance is the foundation of a sustainable business. Therefore, we continued to strengthen our governance structures during the year. I believe we have strengthened our ability to drive the Company towards a global positioning through the right mix of international expertise at the helm.

The core of our operation is our system of governance that has been developed to reflect international best practices that support operational integrity at all levels. The culture of good governance is integrated into all activities, systems and processes and all personnel at all levels of the organisation to facilitate expansion within a strong framework of compliance and controls. Our systems have been continually improved to accommodate new compliance and governance standards while adopting legal standards of different countries and regions. The overall governance mechanisms have been enhanced, particularly with relation to Japan's Financial Instruments and Exchange Act that dictates strict rules for the internal control of financial reporting. This ensures that our investors are protected through the accuracy and reliability of corporate disclosures, as our parent company is a Japanese listed entity.

As part of our sophisticated governance platform, all statutory payments are monitored through a dedicated system - a Compliance Management System (CMS). This is utilised for renewals of business licenses for our operating locations across the globe as we expand our footprint every year. Comprehensive full internal audits are conducted regularly in line with Japan's Financial Instruments and Exchange Act.

Fully cognizant of the vital importance of strong governance we have given prominence to compliance within our management processes at all times and in all our activities. Authority matrices have been instituted throughout the Group. These define authority boundaries and cost limits, as well as responsibilities. Personnel held accountable and are empowered to provide leadership to act within clearly defined limits that have created an optimum balance in the speed and effectiveness of decision making. Together with the routine internal audits that are conducted periodically, the segregation of personnel duties are reviewed regularly and clarity of roles too are reviewed to address any ambiguities. This empowers our team to act with confidence and speed.

99%
INCREASE IN PROFIT AFTER TAX

23%
INCREASE IN ECONOMIC VALUE AMONG OUR STAKEHOLDERS

Clarity of understanding with regards to the different legal frameworks of the world are essential in our industry. Hence, we have enabled legal updates for our management to ensure adequate levels of awareness and knowledge is prevalent. The overall enterprise risk management systems were strengthened to ensure robust risk surveillance and rapid risk responses throughout the widespread network of our operations. Internal controls have been reviewed and strengthened with authority matrices implemented to ensure proper delegation with adequate levels of responsibility and authorisation. Station-wise, Board meetings were conducted regularly to ensure strict oversight and supervision of all operations. In addition, at risk management meetings, all operational aspects are scrutinised with subjects such as data protection, and internal audit related matters analysed in greater depth. A Specially Designated Nationals list screening initiative has also has been undertaken. Across the Group compliance awareness levels have been raised as a key component of our compliant expansion plan.

STAKEHOLDER RETURNS

We view our stakeholders as partners in our sustainable growth model. During the current financial year we distributed in excess of Rs 94.09 Bn of economic value among our stakeholder groups, which is an increase of 23% year on year. We have also taken into consideration key stakeholder needs in our business activities. Please refer the Stakeholder Engagement and Capital Management Reports for information on how we have created value for different stakeholders during the year.

CHAIRMAN'S MESSAGE (contd.)

STRATEGY AND RESOURCE ALLOCATION

Our objective is to become a global player in the international logistics supply chain through our subsidiary EFL. As an offshoot of our core business, we will also build an international leisure business through our travel agency Classic Travel (Pvt) Ltd.

By concentrating our resources and energies on our core business of logistics, we will foster a more specialised organisation supported by expert human capital, sophisticated systems and an expanding base of organisational knowledge. This will allow us to build an intellectual and partnership base that can be leveraged to create a sustainable competitive advantage.

Over the next few years, we will continue to expand EFL's geographic footprint as well as the service portfolio to encompass the full range of logistics services, to multiple industries, across all major global trade routes.

Within the short to medium term, we will continue to expand and consolidate our operations. We will also diversify our industry/customer portfolio, which is skewed towards the apparel trade.

To achieve our strategic objectives, we will continue to allocate resources for geographic expansion and provision, including the acquisition of physical assets, human capital and technology systems whilst providing a full range of supply chain management services to our customers. A second area of significant resource allocation will be on technology and digitalisation. The CargoWise ERP system, which is now deployed across all EFL global operations, has definitely improved market/customer intelligence and operational visibility.

We are in the process of laying the foundation for digital transformation through digitalisation. In the new financial year, our plans encompass an increase to our technology allocation in order to support this goal.

Our people are an essential aspect of our competitive model in both logistics and leisure, representing a large base of market and industry knowledge and technical expertise. Going forward, we will continue to attract specialised expertise to help build our global footprint and we will also sharpen our human edge through continuous exposure and training.

Together with our organic growth model, we are also open to acquisitions that will support our global expansion.

The logistics industry is not only highly competitive at a global level, but also extremely dynamic with high levels of macro environmental unpredictability that imbues elevated risk aspects to our business. Within this turbulent milieu, our strength lies within our capacity to change swiftly in response to macro environmental changes and market trends that shift through the globe in varying degrees of intensity. We are also highly flexible in the face of change with the ability to adapt fast to external trends and developments. Therefore, with the high degree of future readiness imbibed within our operating structures, we are now geared to reap benefits moving forward, as all our business segments have the potential for strong and incremental growth.

Our future strategy is aimed at accelerating our rate of growth, whilst improving profitability, and simultaneously aligning ourselves with future demand patterns. We are also better prepared and equipped to face challenges due to the solid foundations we have established in the past. Therefore, we can look positively at the future, and as we continue our journey of growth we shall do so as a responsible corporate orgasation.

APPRECIATIONS

The Board and I wish to extend our sincere appreciations to Mr. Osman Kassim, Mr. Tomoki Sano and Mr. Toji Shiho for their contribution and guidance to the Company during their tenure. On the same note, I thank the members of the Board for their dedication in guiding the Group during the year and for their support extended to me at all times.

The achievement of our vision lies in the hands of our people, and I fully acknowledge the contributions by the Executive Management and the entire Expolanka team, for a successful year. I have full confidence in our people to drive the many initiatives envisaged for the future. I also extend my sincere gratitude to our valued customers, investors, bankers, suppliers and business associates for their loyalty and patronage. I look forward to your continued support as we move forward.

Sincerely

Naosuke Kawasaki
Chairman

GROUP CEO'S REVIEW

During the year, we achieved a marked increase in business volumes, particularly from the Far East and Indian subcontinent markets, attributable to our continuous efforts to gain market share in these regions. Our business growth translated into robust growth in gross profits that outpaced overhead investments for the year.

I am extremely pleased to report a year of excellent progress for the Expolanka Group. Our flagship brand EFL, which is our core business and is the largest contributor to our group performance made strong headway towards the realisation of its global strategy of expansion, consolidation and returns. Furthermore, our leisure brand, Classic Travel continued to make good progress, delivering a strong year of performance. More importantly, the Expolanka Group is now aligned to a growth path that is focused on driving sustainable growth coupled with strong financial returns whilst operating in a fairly dynamic operating environment impacted by constant changes in demand & supply dynamics and geopolitical uncertainty.

The industry we operate in continues to evolve, with seasonality being replaced by fast turnaround, constant capacity challenges, rising competition with digital technologies being integrated into supply chain creating value for customers. As a forward-looking organisation, we have embraced this change, looking at new markets, new opportunities, and new solutions. Remaining flexible has been a key ingredient to our success and we will continue to evolve to meet the opportunities presented to us and create value to all our stakeholders.

FINANCIAL PERFORMANCE

Our performance in a nutshell, was driven by 23% growth in Group revenue year-on-year, pushing the topline over Rs 95 billion in the financial year 2018/19. This is indeed an exceptional achievement, as this is a remarkably rapid growth in revenue within one year in an extremely competitive industry and can be directly attributed to the focused strategy adopted by our business operations.

This growth is a reflection of a continuing strategy adopted at Expolanka, where we have focused on growing market share & topline over the last several years. Reflecting back to FY 2012/13, we have grown from a revenue of Rs. 50 Bn by a compounded annual growth rate (CAGR) of 11%. This growth in revenue was supported by the logistics sector CAGR of 19% from FY 2012/13 and was achieved despite the Group divesting certain non-core international trading operations throughout the years. This affirms the success of our focused approach to growth.

Hanif Yusoof - *Group CEO*

GROUP CEO'S REVIEW (contd.)

During the year, we achieved a marked increase in business volumes, particularly from the Far East and Indian subcontinent markets, attributable to our continuous efforts to gain market share in these regions. Our business growth translated into robust growth in gross profits that outpaced overhead investments for the year.

Together with well-planned growth in revenues, we also focused on enhancing our operational efficiencies that contributed towards improved capacity management which resulted in improvements in yields together with streamlined operational processes enabling improvement in our efficiencies and operating margins. The combined efforts above have enabled the company to achieve a commendable growth of 74% in operating profits compared to the previous year.

In terms of our financial standing, I am pleased to report as a direct result of our efforts on restructuring and consolidation, the Group balance sheet is strong and provides stability and strength for future growth. It is noteworthy that we are a Company with very low leverage and also have at our disposal balance sheet strength as well as avenues to access funds efficiently, with ease. Our stability is further augmented by the reliable backing of our main shareholder, and we also have at our disposal growing financial reserves. Therefore, our shareholders and other stakeholders can be confident of our financial capabilities and stability as we continue to expand, which augurs well for our future.

PERFORMANCE IN BRIEF

Our encouraging financial results for 2018/19 have been derived from operational level improvements across the board.

The growth during the year was led by a concentrated effort in expanding our trade lane performance, enhancing our product portfolio and growing our core customer base both in terms of increased performances from our existing customers and servicing new strategic accounts.

Furthermore, EFL also strengthened its new market segments of electronics and retail. These new segments performed admirably during the year, by building capacity enabling us to create a platform to expand these segments in the future. Please refer to the logistics sector review for details on EFL's performance during the year.

EFL plans to leverage on our freight forwarding expertise by augmenting and providing services across the customer's supply chain and position ourselves as a key partner of our customer's growth.

In terms of brand visibility and brand equity, the year under review has been exceptionally positive for Expolanka. We believe our brands are our collective personality, our character and our visage, by which our clients build relationships with us. Therefore, we make immense effort to position our brands as not only professional experts, but also as ethical and value driven. I believe our exceptional growth during the current year is indicative of our international reputation in our business sectors and our rapid operational and business expansion is the best barometer of our clients trust us and reliance on us.

23%
GROWTH IN GROUP REVENUE

Over Rs. 95 Bn
REVENUE

A significant development in our brand positioning has been our increased commitments towards sustainable business growth. As an entity with a rapidly growing global footprint, we are cognizant of our wider accountability and we have formally made commitments towards the United Nations Sustainable Development Agenda. I am proud to report that we have already taken concrete steps towards implementing our promises through our global network of offices that have operationalised many social welfare programmes in line with different Sustainable Development Goals (SDGs).

I am pleased to report that we have also moved closer towards our vision of becoming a total supply chain solution provider. During the year, we have continued to develop and build EFL's supply chain infrastructure globally to support this objective by investing in warehouses across geographic locations, container freight stations in key localities, expanding our trucking facilities, managing charters, and strengthening our relationships with carriers.

Our advancement in logistics has been supported by the CargoWise ERP system. The new system has now been deployed across a majority of EFL operating points across the world.

The platform has helped integrate all aspects of the logistics business and improve supply chain visibility, decision making, and response time. It is also easier for customers to link-up with our systems across the globe, which has enhanced customer convenience and trust. Furthermore, the deployment of the CargoWise system will generate process improvements

across the value chain and enhance cost efficiencies by eliminating non-value adding and repetitive processes, automating data entry, ensuring workflow benefits for customers and suppliers.

In line with Expolanka's more focused vision of growth, the leisure sector operations have become more focused with a view to expanding its core operations of corporate travel & ticketing. Whilst doing so, we were able to develop both outbound and inbound business operations during the year. This approach is our starting point to become a full-service leisure operation and will augment our core business. We believe that we have great growth opportunities in our chosen market and while experiencing some industry related challenges particularly in the procurement function, our leisure operation has recorded a commendable performance for the year under review.

Profits from the leisure sector grew by 24%, accounting for 11% of total Group profit after tax. This growth is again, from the expansion of existing business and the addition of new business. In addition, Classic Travel also entered the inbound tourism market. Again, we have been able to leverage our network and tacit knowledge.

Meanwhile, continuing our sustainable growth objectives, Classic Travel has opted to become carbon neutral by purchasing Sri Lanka Certified Emission Reduction (SCER's). This move supports our obligations under the UNSDGs.

Classic Travels' unique selling proposition is its wide service portfolio which includes augmented services such as visa solution, insurance solutions, and other services, which offers the highest efficiency and convenience for business travellers. I believe we have been quite successful in this regard as we have been designated 'official travel partner,' by some large corporate customers in Sri Lanka. Please refer to the leisure sector review for further performance details.

Our investment sector operations have performed reasonably well, with our export operation consolidating its business across its portfolio, whilst the IT services & the corporate office functions focused on value creation across the group.

FUTURE OUTLOOK AND PLANS

Advances in global trade generally align with global GDP growth, which is expected to be modest in the new financial year as well. According to the World Bank's Global Economic Prospects published in January 2019, global GDP growth is expected to moderate to 2.9% during 2019, from the 3.0% growth of 2018. However, regional variations in growth are anticipated, with the Far East and the Indian subcontinent leading the thrust of this forward momentum. However, protectionist policies and trade tensions are elevated, particularly between the US and China. Although trade tariffs are a threat to global growth, our geographical diversification and strong presence in various jurisdictions allow us to take advantage of the possible shifting in manufacturing of certain countries. However, the tangible effects of these shifts may take years to witness. In all probability, we may observe more regionalisation with products being manufactured closer to the end market opening up opportunities for regional and domestic logistics services.

Air and sea freight will continue to face challenges in the new financial year. In addition, new regulations on ship emissions that are pending for 2020 will add to cargo transport costs, on top of volatility in oil prices. However, I believe EFL's strategic global locations will allow us to capture a share of any fallout from the main trade routes.The air freight market is also expected to grow at a slower pace in 2019. EFL will be monitoring these external developments and will leverage its supply chain relationships to maintain competitive pricing and flexible facilities.

Expolanka remains optimistic about its future in navigating through these challenges due to its nimble and efficient organisation culture. Diversification of geographical exposure, strong customer relationships, in-depth local knowledge in respective stations, and focused verticals, will provide us with a strong framework to face any challenge.

Backed by the strong gains that have cumulated from our global presence during the current financial year, we are poised for sustained growth in the new financial year. We are now ready to step up our business to the next level and are equipped with the correct combination of skills, technologies, and supply chain improvements to drive a faster pace of growth. During the new financial year, we will leverage our ERP system for operational efficiencies, cost benefits, and customer convenience and we will continue to invest in extending and enhancing the level of sophistication of our technologies to carve out a solid competitive advantage.

A key strategic priority for the new year will be to leverage our technological capabilities to support business growth to become a total logistics service provider, based on a digital platform. Ongoing investments into our systems and processes, years of experience, and international brand recognition within the global logistics sector, makes this a viable proposition in the short term.

We at Expolanka are acutely aware of the rapid pace of innovation taking place in the logistics space that we operate in. As a forward-looking organisation, we understand the importance of being nimble, agile, and innovative. The key drivers of change that will impact our industry in the future, we believe, are technological innovations. Therefore, we need to understand these and adopt them into our business model, transforming them into enablers that strengthen us with competitive advantages.

Considering the operating environment, customer requirements, and our own strategic goals, our digital strategy should prioritise increased visibility, improved efficiencies, process automation, increased intelligence, and supply chain integration and optimisation.

GROUP CEO'S REVIEW (contd.)

Therefore, Expolanka is undertaking in-depth research into aligning our digital strategy with the priorities discussed above. We believe this will make us a far more efficient, global, and competitive logistics solutions company.

Business expansion in terms of establishing a strong presence in key growth markets across the globe will remain a priority in the new financial year and will contribute towards our competitiveness and operational efficiencies. We are already present in most major trade centres in the world and will continue to establish our presence in emerging locations based on the dynamics of global trade.

We further hope to undertake market diversification initiatives which will continue, to enhance revenues and also to realign the risk portfolio by diluting EFL's concentration on the apparel sector. Hence, we are strengthening our network and building competencies to support the verticals of the future.

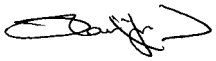
Procurement would be focused on further to unlock the efficiencies and economies of scale we possess. We will continue to improve on our carrier space procurement and pricing efficacy.

I believe our leisure venture Classic Travel is also poised for strong growth over the medium term as we expand into new markets and consolidate in existing markets. A number of new markets have been earmarked and will be developed within the new two years. The B2B focus will be retained as we offer a specialised product tailored for business travellers. Marketing our unique value offering will be a priority to raise awareness about the extent of value-added services offered by Classic Travel.

Despite the foreseeable challenges, we have the capability to unlock value in the future by utilising the key strengths of our global network, our management personnel and their expertise, diversity of people, a diverse product range which include air freight, sea freight, transport, brokerage, and other specialised services. These strengths will enable us to provide unique and customized solutions for our customers that will support continued value creation into the future.

APPRECIATIONS

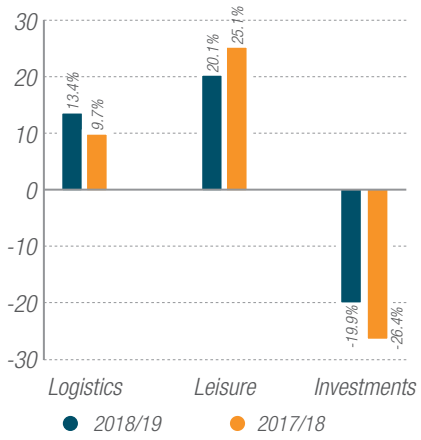
As we continue to forge ahead towards our collective vision, I would like to record my appreciations for the year we have concluded so successfully. Throughout the ups and downs of the year, the Chairman and Board have maintained confidence in me to extend all the support they can, while also strengthening our decision making with unique insights. I appreciate this leadership and I look forward to their continued support in the new financial year. The management and staff have been my strength and ensured that our strategies are deployed at ground level to achieve our targets. I fully acknowledge their hard work at all levels and I look forward to another productive year with all of you. I also extend my appreciation to our customers, investors, bankers, suppliers, and business associates for their support during the year and I hope to serve you better in the new financial year.



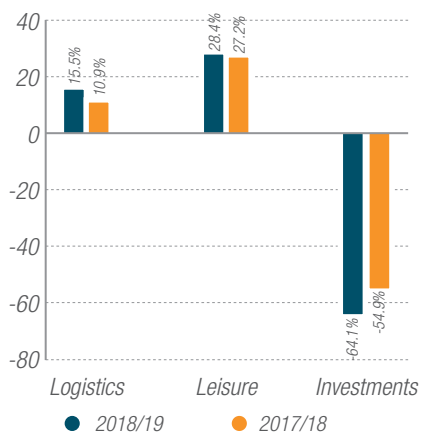
Hanif Yusoof
Group CEO

FINANCIAL INDICATORS

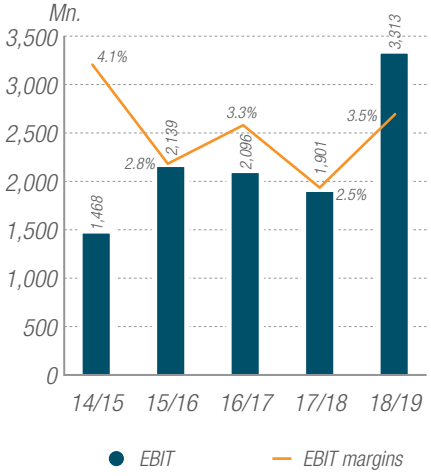
Industry Group ROCE Comparison



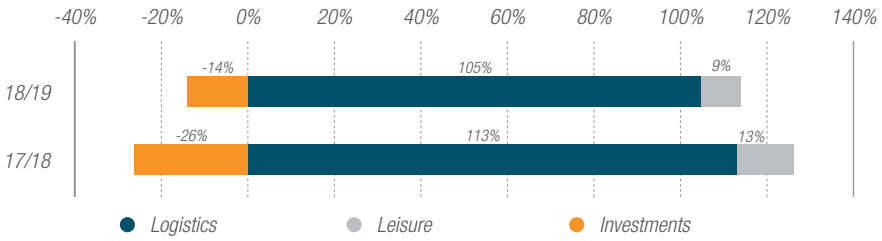
Industry Group ROE Comparison



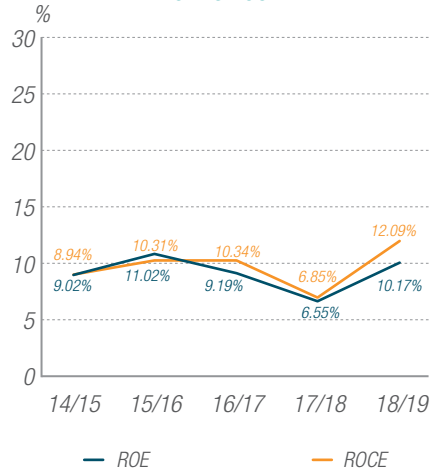
EBIT & EBIT Margin



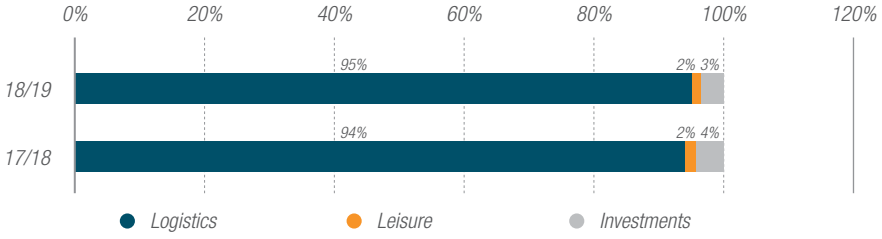
EBIT Composition



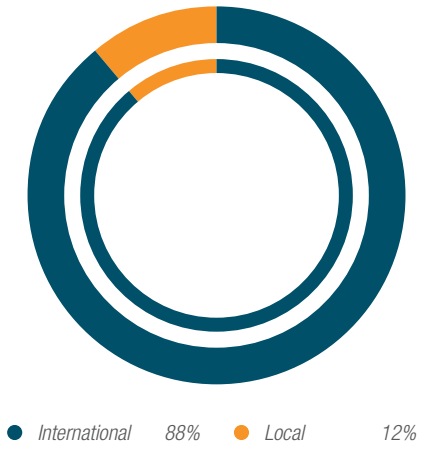
ROE Vs ROCE



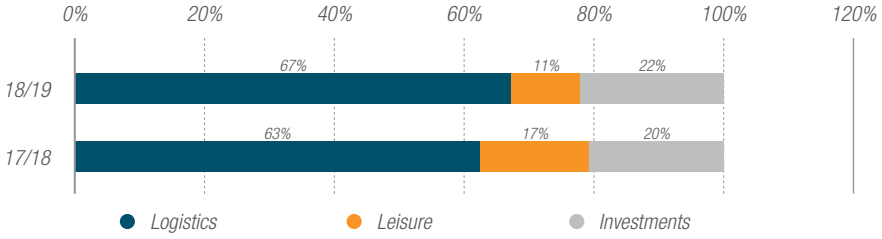
Revenue Composition



Revenue



Finance Cost Composition



BOARD OF DIRECTORS

[GRI 405-1]

Mr. Naosuke Kawasaki

Chairman

Mr. Naosuke Kawasaki graduated from the Department of Law at Kyoto University in 1977, and started his career at the Bank of Tokyo Ltd. (the MUFG Bank, Ltd). In a career spanning over 40 years, he has held several senior management positions and directorships in financial services and logistics businesses companies. He has been the Managing Director of SG Holdings Global PTE. LTD., Singapore, since March 2013.

Mr. Hanif Yusoof

Executive Director and Group CEO

Mr. Hanif Yusoof is one of the founding members of the Group. He has been the cornerstone in building and expanding the Freight and Logistics sectors of the Group. He has served as President of the Freight Forwarders Association of Sri Lanka, in addition to being on the UN/ ESCAP panel of trainers for freight forwarding. His entrepreneurship nature has led him to become a well admired industry professional and recipient of the "Asia Pacific Entrepreneurship Special Achievement Award" by Enterprise Asia 2013. His other achievements include being awarded in 2012, by the Central Bank of Sri Lank for "Global Commerce Excellence" in light of contributions to the Sri Lankan economy. He also received "The Outstanding young Persons" (TOYP) award in 1998. In 2013, he was among the 10 individuals recognised by LMD Magazine – Sri Lanka, as "Business People of the Year".

Mr. Yoshifumi Matsubara

Executive, Non-Independent Director

Mr. Yoshifumi Matsubara is a graduate from the Department of Law at Waseda University. He was appointed as a Director of SG Holdings Global Pte Ltd Singapore, when the Company was established in 2013. He joined SG Holdings, Japan in July 2012. Prior to that Mr. Matsubara has worked for more than 30 years in sales and marketing and has been posted in several countries in Asia, namely Philippines, Vietnam and Thailand.

Mr. Motonori Matsuzono

Non-Executive, Non-Independent Director

Mr. Motonori Matsuzono is a graduate of the Business Administration Department of Kobe University. He is currently the Director of SG Holdings Global Pte. Ltd. Prior to joining SG Holdings Global Pte. Ltd, he has held several management positions at Nippon Sheet Glass Group and its overseas subsidiaries in the Finance and Accounting area over a span of more than 20 years.

Mr. Sanjay Kulatunga

Non-Executive, Independent Director

Mr. Sanjay Kulatunga is a Chartered Financial Analyst (CFA). He also holds an MBA from the University of Chicago 'Booth School of Business'. Mr. Kulatunga has an established record as a founder and an Executive Director in industries ranging from Finance to Export manufacturing. He has also served in the Financial Sector Stability Consultative Committee of the Central Bank of Sri Lanka and the Securities Exchange Commission (SEC) of Sri Lanka.

Mr. Harsha Amarasekera P.C.

Non-Executive, Independent Director

Mr. Harsha Amarasekera, President Counsel is a leading light in the legal profession in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts. His fields of expertise include Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law.

He also serves as an Independent Director in several leading listed companies in the Colombo Stock Exchange including CIC Holdings PLC (Chairman), Swisstek (Ceylon) PLC (Chairman), & Swisstek Aluminium Limited (Chairman) Vallibel One PLC, Royal Ceramics Lanka PLC, Chevron Lubricants Lanka PLC, Amana Bank PLC, Ambeon Capital PLC, Amaya Leisure PLC and Vallibel Power Erathna PLC. He is also the Chairman of CIC Agri Business (Private) Limited.

SENIOR MANAGEMENT TEAM

Mr. Jagath Pathirane

Director / CEO – Expolanka Freight and Chief Administrative Officer of Expolanka Holdings and EFL HQ

Jagath Pathirane is the Chairman of the Sri Lanka Logistics & Freight Forwarders Association (SLFFA). He is a member of the Advisory Committee on Logistics, of the Ministry of Development Strategies & International Trade taking an active role in the National Export Strategy (NES) on Logistics Policy and Infrastructure Development of the country. He represents Expolanka Holdings PLC and Sri Lanka Logistics and Freight Forwarding Association (SLFFA) as a member of the Committee of the Ceylon Chamber of Commerce.

He is a Chartered Member of Logistics and Transport UK and certified member of Chartered Institute of Marketing (CIM,UK)

Mr. Senthilnathan Shanmugam

CEO - EFL HQ (Pvt) Ltd

Senthilnathan Shanmugam, CEO of EFL, is an industry veteran of 35 years, with his long career spent between Sri Lanka, USA, Bangladesh and India where he founded and grew the Indian entity of EFL to where it is today, before taking on more responsibility for the company at HQ, in the role of the company's COO, and then as the CEO of EFL HQ (Pvt) Ltd. Between his role in India and at HQ, he has been a part of the core management group that has transformed EFL from its humble beginnings to its present status as one of the world's leading logistics companies. Senthil's vision for EFL is leveraging on its current market presence and embracing technology to further EFL's growth as a leading supply chain company. A native of Kandy, Sri Lanka, Senthil is a proud alumni of Trinity College.

Mr. Mushtaq Ahamed

Director - Group Finance, Expolanka Holdings PLC

Mr. Mushtaq Ahamed is an Associate Member of both the Institute of Chartered Accountants (CA) Sri Lanka and Chartered Management Accountants of Sri Lanka. He also holds Bachelor of Science Honors degree in Business Administration (Finance Special) from University of Sri Jayewardenepura and also holds an MBA from University of Colombo. He has over 20 years of professional experience in the fields of finance and general management.

Mr. Saif Yusoof

Managing Director – Expolanka Freight, Classic Travel & ITX 360

Mr. Saif Yusoof holds industry experience of 10 years. He holds a Diploma in Business Studies and obtained a BBA from the Western Michigan University specialising in Integrated Supply Management. He also completed executive education at Harvard, INSEAD and MIT. He is a member of the Council of Supply Chain Management professionals.

Mr. Suresh Mendis

CEO - Classic Travel

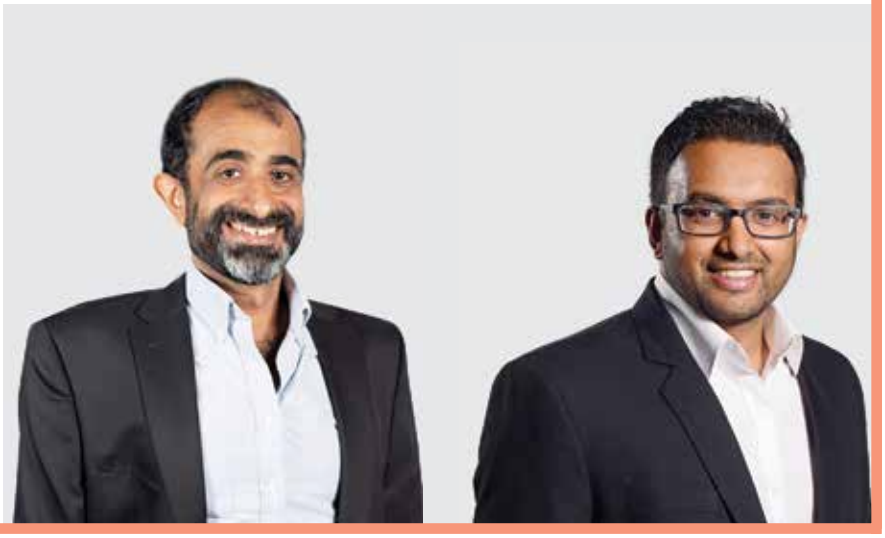
Mr. Suresh Mendis has an IATA worldwide qualification issued by Air Lanka, along with an ACMA Foundation 'A' qualification, with a career spanning over 40 years in the industry. He is a Past President of the International Air Transport Association (IATA) Agents Association of Sri Lanka, a post he has held for two consecutive terms. He is also a Council Representative of both IATA Agents Association and the Travel Agents Association for the current period.

Mr. Kanishka Wijesinghe

Director Expolanka Airline Division

Mr. Kanishka Wijesinghe is a qualified Airline Marketing professional certified by IATA. He has obtained certifications in Airline Management, Marketing, Sales, Operations, Customer relations and in Human relations with several International Airlines. He is also a Fellow (FCMI) of the Chartered Management Institute CMI-UK and is certified as an Expert Supply Chain Management (ESCM) from the IoSCM (Institute of Supply Chain Management) UK and from the International Purchasing & Supply Chain Management Institute – USA (IPSCMI). He has over 35 years' experience in the airline industry and has been a former President of the Sri Lanka Airline Cargo Association (SLACA)

SENIOR MANAGEMENT TEAM (contd.)



Mr. Shantanu Nagpal

Director of Strategic Planning and Business Development, Expolanka Holdings PLC

Mr. Shantanu Nagpal has a Bachelor's degree in Philosophy Politics and Economics at Oxford (Chevening Scholar) and holds a MBA from INSEAD in France (Misys Scholar). He has over 22 years of professional experience.

Mr. Imdadh Marikar

Director/ CEO - Expolanka (Pvt) Limited

Mr. Imdadh Marikar holds a Professional Post Graduate Diploma from Chartered Institute of Marketing (CIM,UK); a Bachelor's degree on Management & Information Systems from the University of London, UK; and an MBA from the University of Southern Queensland, Australia. He has more than 15 years' experience in Food Processing & International Trade.

He has been appointed to serve on the Advisory Committee on 'Processed Food & Beverages' for a period of 3 years by the Hon Minister of Development Strategies & International Trade, under the provision of the EDB act.

Presently serves as the Vice President to the Exporters Association of Sri Lanka (EASL) and also serves as the Vice President to the Lanka Fruit & Vegetable Producers, Processors and Exporters Association (LFVPPEA)

GROUP PERFORMANCE

GROUP PERFORMANCE

	2018/19 Rs. Mn	2017/18 Rs. Mn	Change %	
Revenue from contracts with customers	95,455	77,533	23.1%	Continuing momentum from the FYE18, Expolanka was able to deliver strong growth of 23% in its Revenue, which was fuelled by growth in Volumes across the Logistics Sector. Air Freight Volumes grew by 12% & Ocean Freight Volumes grew by 15% during the year. Both the Indian Sub Continent & the Transpacific Trade lane performed admirably over the course of the Financial Year. Consolidating performance in the leisure sector was the key focus in the sector which enabled the sector to contribute Rs. 1.4 Bn to the group topline. Sustaining its performance the Investment sector generated a Revenue of Rs. 3.1 Bn for the year
Earnings before Interest and Tax (EBIT)	3,313	1,901	74.3%	A focus on improving procurement coupled with a concentration on driving key operational variables, enabled the group to record an EBIT of Rs. 3.3 Bn, a growth of 74% over the last year. With a focus on the core fundamentals of the business in mind, Expolanka was able to implement key strategies with the view of optimizing efficiencies across the organization and to drive the company towards generating strong and sustainable earnings
Finance Cost	(240)	(232)	3.3%	Expolanka was able to maintain its Finance cost with only a slight increase of 3% during the current year, despite the strong growth in topline. Focused initiatives were undertaken to restructure some of the borrowings of the Group & identified alternative efficient borrowing structures. The Group continues to pursue improvements in its working capital management to further bring in efficiency in its gearing levels and related costs
Profit Before Tax (PBT)	3,073	1,669	84.1%	Driven by the operational performance of the group, the Profit Before Tax of Expolanka grew by an impressive 84% during the current year recording a PBT of Rs. 3.1 Bn
Profit After Tax (PAT)	1,909	962	98.5%	Augmenting the focus on driving growth, Expolanka was able to bring in efficiency in its business operation enabling the group to record a significant growth in its Profit for the year by 99%, delivering a 1.9 Bn PAT
Total Assets	33,597	28,708	17.0%	Total Assets increased by Rs. 4.9 Bn, primarily due to the growth in Debtors resulting from the growth in Revenue.
Total Equity	15,787	14,028	12.5%	Resulting form the Profit attributed to the current year.
Total Debt	5,332	4,204	26.8%	Total Debt increased by Rs. 1.1 Bn, primarily to fund the Revenue growth at the group.
Return on Capital Employed (ROCE)	10.17%	6.55%	3.6%	Efficient utilization of its Capital and improved earnings enabled the group to improve its ROCE to 10.17%
Return on Equity (ROE)	12.09%	6.85%	5.2%	Driven by its Strategy to drive returns, Expolanka was able to bring in efficeny in optimizing equity, generating a higher profit base and improving its ROE to 12.09%

CONTRIBUTION TO THE GROUP

	Turnover	EBIT	Capital Employed	Equity
Logistics	95%	105%	83%	90%
Leisure	2%	9%	6%	5%
Investments	3%	-14%	11%	5%
	100%	100%	100%	100%

GROUP STRATEGY

The Expolanka Group has emerged from a comprehensive restructuring process which included the portfolio restructure of many subsidiary companies. This restructuring has resulted in a more streamlined business, which is focused strongly on the Group's core competencies of logistics, involving the transportation and related services, for both cargo and persons.

The Group's growth strategy is now mapped out clearly with the ultimate objective of becoming a total solutions provider in the area of logistics, with a global business scope. Therefore, over the coming years, we will continue to divest peripheral, non-core businesses and will focus on growing vertically and horizontally within our core field, by scaling-up the logistics and leisure businesses - EFL and Classic Travel Pvt Ltd.

OUR SUPPLY CHAIN [GRI 102-9]

Through our subsidiaries' operations in the sectors of logistics, leisure and investments, we engage with a large number of suppliers across various sectors. As part of the sustainability framework, we are actively working with all suppliers to ensure sustainability of the supply chain. This is mainly the case in the logistics sector where we partner with carriers to meet the increasing requirements of customers.

SIGNIFICANT CHANGES IN THE SUPPLY CHAIN

During the current financial year, the Group experienced changes to suppliers with the inclusion of new suppliers and exit of others. However, we did not experience any significant changes to our supply chain in itself.

Significant Suppliers	Logistics	Leisure	Investments
Airlines	✓	✓	
Shipping Lines	✓		
Transporters	✓	✓	✓
Warehouse & Office Space Providers	✓	✓	✓
Equipment/Machinery & Spare Parts	✓		✓
Fruit & Vegetable Farmers			✓
Hotels		✓	
IT Equipment & Services	✓	✓	✓
Packaging Material	✓		✓
Printers	✓	✓	✓
Coconut Suppliers			✓

EXTERNAL INITIATIVES ADAPTED BY THE GROUP [GRI 102-12]

- The International Integrated Reporting (IR) framework of 2013
- GRI - Global Reporting Initiative
- United Nations Sustainable Development Goals (UNSDGs)
- The Companies Act of 2007 (Sri Lanka)
- Listing rules of the CSE
- The Code of Best Practice on Corporate Governance for public listed companies, jointly issued by The Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission of Sri Lanka and The Colombo Stock Exchange.

MEMBERSHIP AND ASSOCIATIONS [GRI 102-13]

Expolanka Holdings PLC

- Corporate Social Responsibility - Sri Lanka (CSR - SL)
- Bio Diversity - Sri Lanka

EFL (Expolanka Freight (Pvt) Ltd)

- American Chamber of Commerce in Sri Lanka
- Air and Ocean Partners (AOP)
- Clean Cargo Working Group (CCWG)
- European Chamber of Commerce
- Global Logistics Emissions Council (GLEC)
- International Federation Freight Forwarders Associations (FIATA)
- International Air Transport Association (IATA)
- UNGC - United Nation Global Compact
- Sri Lanka Freight Forwarders Association
- World Cargo Alliance (WCA)

Expolanka (Pvt) Ltd

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

Classic Travel (Pvt) Ltd

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

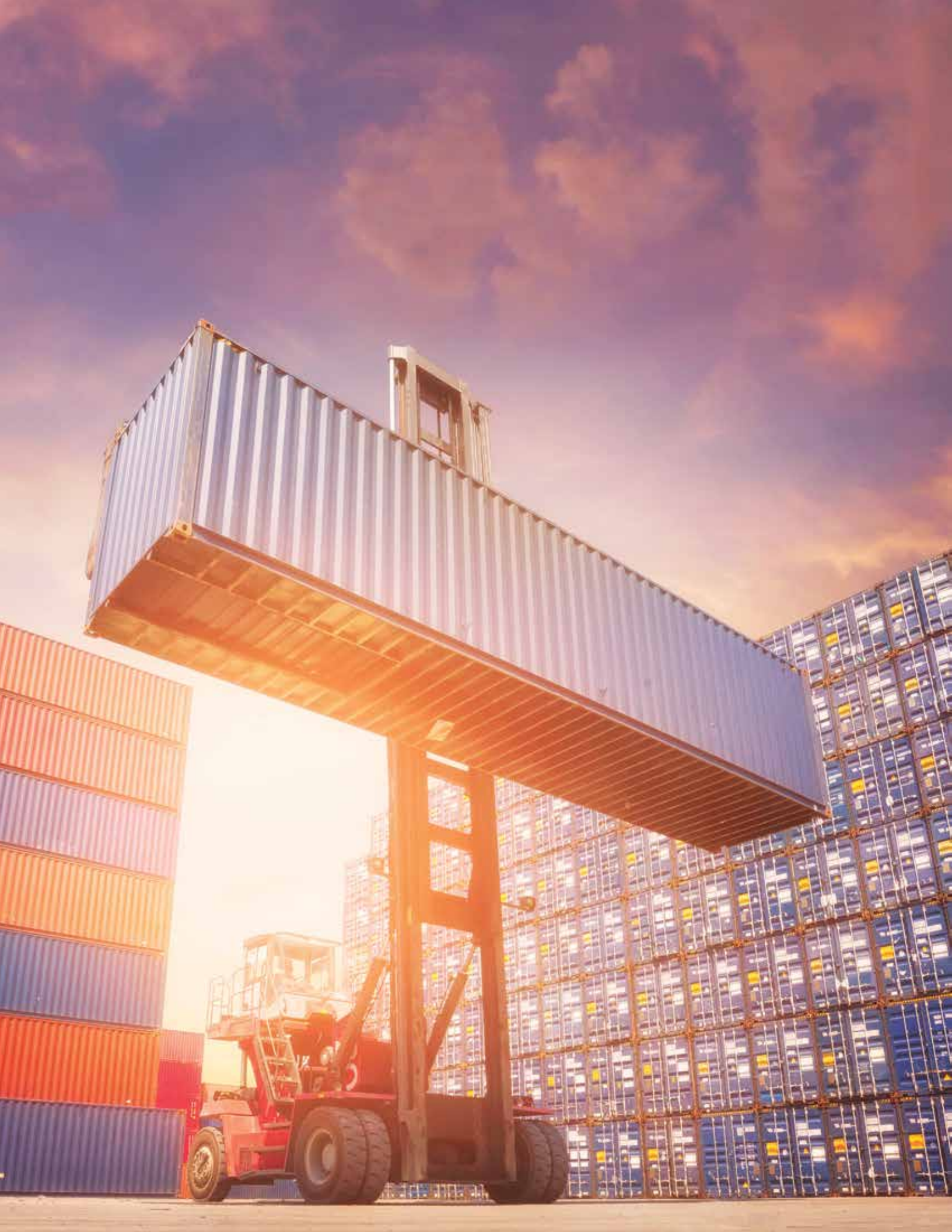
CERTIFICATIONS

Expolanka Freight Ltd

- Certified Customs - Trade Partnership against Terrorism (C-TPAT)
- ISO 9001:2008 Quality Management Systems Certification - SGS United Kingdom
- ISO 14001 - Environmental Management Systems
- ISO 14064 - Green House Gas Emissions Certification
- Leadership in Energy and Environmental Design (LEED) - Gold
- OHSAS 18000: 2007 Occupational Health and Safety Management Systems.

Expolanka (Pvt) Ltd

- Organic EU (European Agricultural Standards)
- USDA (United States Agricultural Standards)



limitless

VISION

INTEGRATED MANAGEMENT DISCUSSION AND ANALYSIS

- Sustainability Strategy 29
- Material Topics and Topic Boundaries 30
- Stakeholder Engagement 35
- Stakeholder Value Creation 38
- Capital Management Reports 39
  - Financial Capital 39
  - Manufactured Capital 40
  - Intellectual Capital 41
  - Human Capital 44
  - Natural Capital 51
  - Social and Relationship Capital 60
- GRI Index 64
- Independent assurance Report 65

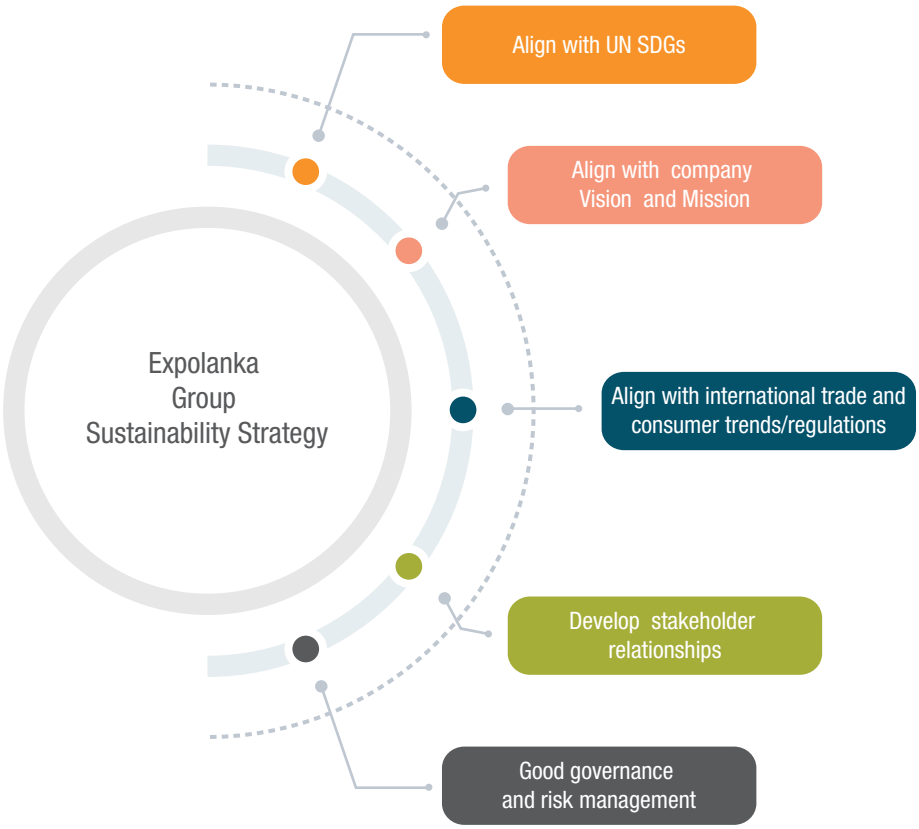
SUSTAINABILITY STRATEGY

EXPOLANKA GROUP SUSTAINABILITY STRATEGY

The Expolanka Group sustainability strategy has been developed in line with the Group's vision for the future and also to accommodate the UN SDG expectations from corporates. Our key objective is to ensure sustained and sustainable value creation for all stakeholders through greater accountability, not only towards financial growth, but also towards the environment and wider society. The Group vision is cascaded down to all the companies in the Expolanka Group and is also operationalised at all operational locations through a framework of strategic drivers.

As our core business and the largest economic entity within the Expolanka Group with a growing global footprint, EFL plays a key role in operationalising our sustainability strategy. Therefore, the sustainability focus for the financial year was to operationalise SDG's at different EFL locations while responding better to customer perceptions and expectations of sustainability.

Following an in-depth study to identify what customers consider as material sustainability issues for their freight partner, the EFL materiality map was reconstituted, with a stronger stakeholder and sustainable growth perspective.



Sustainability Governance [GRI 102-18]

In addition to our policies, we also have in place an integrated sustainability governance model to strengthen our overall framework. At the highest-level, the Chairman and CEO provide sustainability stewardship and guidance, while the Sustainability and CSR team identifies, assesses and implements Expolanka's corporate sustainability agenda and ensures best practices are followed in the day-to-day execution of these strategies.

Spearheaded by the Chief Administration Officer along with the Sustainability Lead, the team is also tasked with maintaining a transparent reporting framework that provides stakeholders with information regarding the progress made in achieving sustainability goals.

MATERIAL TOPICS AND TOPIC BOUNDARIES

[GRI 102-46, 102-47]

IDENTIFYING MATERIAL DISCLOSURES

The material topics selected for disclosure in this report were decided by the senior management, under the guidance of the Group CEO.

Material topics were identified by:

1. First, identifying general subjects under the areas of community, economic, employees, environment, suppliers and governance, that were deemed high in materiality to our key stakeholder groups and also to the company
2. Topic boundaries were defined in the process of understanding what groups were impacted by the identified subject areas
3. These subject areas were then matched against disclosures of the GRI Standards 2016

SCOPE OF MATERIAL TOPICS

COMMUNITY
- Local Development

ENVIRONMENT
- Greenhouse Gas Emissions
- Effluent and Waste
- Environmental Compliance

GOVERNANCE
- Anti-corruption
- Privacy and Data Protection

ECONOMIC
- Economic Performance
- Market Presence

SUPPLIERS
- Supplier Social Standards
- Supplier Environmental Assessment
- Anti-Competitive Behaviour

EMPLOYEES
- Remuneration and Benefits
- Recruitment and Retention
- Health, Safety and Well Being
- Human Rights
- Diversity and Inclusion
- Training and Development
- Labour/ Management Relations

List of material topics and topic boundaries and Management Approach [GRI 103-1, 103-2, 103-3]

GRI Disclosure	Description	GRI 103 Management Approach Disclosures		
		GRI 103-1 : Why the topic is material and topic boundary.	GRI 103-2 : Management Approach	GRI 103-3 : Evaluation of the management approach
201	Economic Performance	Expolanka Holdings has a wide network of stakeholders that benefit from the economic value generated. These include but are not limited to: • Shareholders • Employees • Different governments that receive tax payments • Customers • Suppliers	All financial policies and decisions require prior Board approval. A formal investor policy is in place regarding dividends and shareholder returns. Annual budgets and financial targets are linked to mid term strategies that take into account the distribution of economic value among stakeholders.	The internal control system for financial risk management includes: 1. A Board Audit sub committee 2. Internal audit division 3. Periodic internal audits 4. Annual external audits 5. New ERP system for greater financial transparency
202	Market Presence	Expolanka companies comply with all local and international labour laws and believe that taking care of employees will motivate them. The topic boundary is our employees at all levels in all our offices.	The company has a Board approved policy on human resources, which covers benefit plans and recruitment. The company also has a full time compliance officer to ensure company policies comply with labour laws in different countries.	We have not faced any fines or penalties for non compliance of labour laws in any country that we operate, which indicates the legal effectiveness of our system.
205	Anti-Corruption	We deal with many regulatory authorities and bodies and we aim to promote best ethical practices. As a compliant organisation we do not engage in anti-competitive behaviour. Any such action would tarnish our reputation hurting the company and shareholders.	The Group has a Pledge document which is signed by every employee to abide by the policies and procedures. As a compliant organisation we do not engage in anti-competitive behaviour. Any such action would tarnish our reputation hurting the company and shareholders.	The “Pledge”, which is key driver of the Expo Group Code of Conduct, is a comprehensive document that offers guidance on conduct in the workplace. This covers matters such as human rights, safety, whistle blowing etc. “Pledge” also includes specific procedures to prevent conflict of interest, bribery and corruption and also covers post-termination procedure in order to protect the information security and confidentiality.

MATERIAL TOPICS AND TOPIC BOUNDARIES (contd.)

GRI Disclosure	Description	GRI 103 Management Approach Disclosures		
		GRI 103-1 : Why the topic is material and topic boundary.	GRI 103-2 : Management Approach	GRI 103-3 : Evaluation of the management approach
305	Emissions	With core business interests in logistics and leisure, the Group's activities are primarily service-oriented and have a significant direct impact on the environment.	Expo has a formal Board approved policy commitment towards environmental sustainability for operations anywhere in the world.	The annual audits carried out under ISO 14064 guidelines help determine the emissions of the Sri Lankan Logistics sector and the Group looks forward to increase this ISO Certification Globally.
306	Effluents and Waste	The Group's core businesses are highly paper intensive, thereby generating large volumes of paper waste on a daily basis	Group has a strict policy on paper use alongside a focused effort to invest in process digitalisation.	Emphasising the commitment towards responsible disposal of waste where all paper waste is sent for recycling.
307	Non-compliance with environmental laws and regulations	This would directly impact the company's reputation, brand image, as well as employee and shareholder benefits through fines and loss of licenses.	We strive to minimise and mitigate the impact of its operations on the environment in a sensible, innovative and legally compliant manner.	We have not faced any fines or penalties for non compliance of environmental regulations in any country that we operate, which indicates the legal effectiveness of our system.
308	Supplier Environment Assessment	This is material as it impacts the sustainability of the entire supply-chain, as the Expo Group relies mostly on its suppliers.	There is a Supplier Code of Conduct questionnaire to screen our suppliers based on environmental criteria's.	The suppliers will be rated and evaluated based on the responses of the questionnaire.
401	Employment	Employees are the core strength of the Group	The Group also leverages on its global vision and progressive, growth-centric culture to strengthen employer branding and position Expo as an employer of choice. As a centralised team, all performance evaluations and disputes/grievances are also managed at Group level.	The effectiveness of this approach is gauged by looking at actual performance against targets.
402	Labour / Management Relation	Employees are the core strength of the Group	The group has policies and procedures to handle labour relation with management. The dedicated HR personnel handle and communicate organisational changes to the staff.	The group has not experienced any major organisational changes for the reporting period.
403	Occupational Health & Safety	Directly impacts the productivity of the employees	The company has a full time compliance officer to ensure company policies comply with labour laws in different countries. Health and safety committees are set up in all our operational locations of Sri Lanka. Health and safety training is mandatory and is conducted annually in Sri Lanka.	We have not faced any fines or penalties for non compliance in any country that we operate. All health and safety related incidents are monitored at all operational locations and reported.

GRI Disclosure	Description	GRI 103 Management Approach Disclosures		
		GRI 103-1 : Why the topic is material and topic boundary.	GRI 103-2 : Management Approach	GRI 103-3 : Evaluation of the management approach
404	Training and Education	We believe training contributes towards competitiveness and our training programmes target all employees in all our operational locations.	Skill needs gap analyses are conducted annually at all operational locations. Training is scheduled with the best resource personnel.	Effectiveness of our approach is measured by performance monitoring.
405	Diversity of governance bodies and employees	As a global entity we believe diversity is an important component of sustainable business.	We believe that sound diversity practices contribute to positive results across the Group and as such remain committed to build an inclusive and engaging culture for all our employees by promoting diversity across all our operations.	By building an inclusive culture for our employees, we seek to develop empowered, motivated and customer focused employees, who are inspired to innovate and collaborate in order to create the best possible solutions for our customers, our shareholders and the society in which we operate.
406	Incidents of discrimination and corrective actions taken	We are committed to providing a work environment free of discrimination throughout our Group.	In keeping up with the policy throughout the Group we do not tolerate any discrimination or harassment on the basis of religious belief, colour or any other status protected by law.	An open door grievance management system is in place and we record any complaints of discrimination.
408	Child labour	Relationships with our suppliers and Company financials are also impacted by this material topic. We believe our policy and actions to uphold human rights, benefit children and adults in some parts of the world that are at risk.	At the core, our aim is to ensure that each and every one of these employees are treated fairly, and with dignity and respect. In doing so, we seek to comply with globally accepted best practices for human rights practices such as those set out under the United Nations Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work (ILO Declaration).	To date, we have not faced any legal action or received any complaints with regards to these issues.
409	Forced or compulsory labour			
412	Human rights assessments			
413	Local community	The Expolanka Global SDGs programme has been launched to uphold our pledge of sustainable growth. Our local community actions have beneficial impacts on communities in our operational locations.	The Global Goals projects were identified through country needs and priorities and alinged with the UN SDG's.	Our approach and project implementation will be evaluated by UN Global Compact.
414	Supplier Social Assessment	This is material as it impacts the sustainability of the entire supply-chain, as the Expo Group relies mostly on its suppliers.	We have developed a Supplier Code of Conduct Questionnaire to screen our suppliers based on social criterias.	The suppliers will be rated and evaluated based on the responses of the questionnaire.

MATERIAL TOPICS AND TOPIC BOUNDARIES (contd.)

GRI Disclosure	Description	GRI 103 Management Approach Disclosures		
		GRI 103-1 : Why the topic is material and topic boundary.	GRI 103-2 : Management Approach	GRI 103-3 : Evaluation of the management approach
416	Customer health and safety	The health and safety impacts of products and services have an internal boundary of our employees and an external boundary of our customers and local communities.	Expolanka policy is of full compliance with all health and safety regulations in all our operational locations.	We evaluate our approach by monitoring customer feedback regarding health and safety and also monitoring any legal concerns.
418	Customer privacy	This topic impacts the company and brand reputation and also our customers and regulators.	Expolanka policy is of total legal compliance and we invest in full time legal experts to advise the Board and Management. We have set up a dedicated external communications unit that monitors media reports in Sri Lanka regarding the company.	We evaluate our approach by monitoring all customer feedback, media reports and community feedback.

STAKEHOLDER ENGAGEMENT

[GRI 102-40]

As a global entity the Expolanka Group interacts with a large number and diverse groups of stakeholders. Therefore, constructive and structured engagement is a prerequisite to understand the different, and sometimes conflicting, requirements of different stakeholders, and to create win-win solutions for all the Group's companies and different stakeholder groups. Given the high potential impact from key stakeholders, stakeholder relationship building is essential for the long-term sustainability of the Group.

LIST OF STAKEHOLDER GROUPS

Given below are the internal and external stakeholder groups that the Group deals with.

IDENTIFYING AND SELECTING STAKEHOLDERS [GRI 102-42]

We have adopted a structured approach to engage and involve stakeholders that allows us to build long term relationships. As part of the engagement process, we established the following framework to identify stakeholders that we should engage with, based on their potential impacts on the Company.

STAKEHOLDER ENGAGEMENT (contd.)

Approach to stakeholder engagement and key topics and concerns raised [GRI 102-43, 102-44]

Stakeholder	Sustainable Business objectives	Method of Engagement	Key Topics/Concerns/ Issues	Response
Regulators	Ensure full and timely compliance with all regulatory directives, at all operational locations, to eliminate risk of non-compliance penalties, loss of licenses and negative reputational impact.	• Maintain and submit relevant documentation to relevant authorities • Maintain operational transparency • Maintain international good governance practices	• Understand legal Requirements.	• Dedicated Corporate Legal Team.
Investors	To meet the confidence of the current & potential investors and maintain a balance between profits and the ability to sustain a long term, stable stream of earnings.	• Annual General Meeting • Investor Relations Team • Group website • Email access to management team.	• Better interaction • Enhance financial returns and investor wealth creation.	• Presentations to potential and current investors periodically. • Improved interactive website. • Regular email feedback of performance to investors who request same. • Implement best management practices to improve returns.
Customers	• To play the role of partner in the business success of customers. • To always serve customers with passion and dedication.	• Customer relationship management • Meetings with Senior Management • Daily interactions at operational level • Social events	• To enhance customer business outcomes through the offer of synergies drawn through business solutions. • Responsive interaction	• Dedicated customer response/account management teams. • Customer-specific service adaptations and customisations. • Overseas offices in 18 countries to enhance customer response. • International joint ventures and Strategic partnerships to offer greater value.
Employees	To foster a diverse talent pool that delivers superior and efficient performance whilst ensuring that such efficiency is not achieved at the expense of work-life balance, ethics or corporate values.	• Open door policy for communication throughout the Group - Daily • Round Table discussions • Cross functional committees • Video conferencing • Performance Reviews • Online training modules and systems Ongoing • Grievance handling procedure • Online systems for HR and Training, Measurement and management of Key Performance Indicators • Employee suggestion schemes	• Inspiring employees to innovate.	• Events that bring together all employees together. • Group-wide committee that have representation from all sectors. • Programmes for employee suggestions, new thinking and employee involvement in system and process innovation.

Stakeholder	Sustainable Business objectives	Method of Engagement	Key Topics/Concerns/ Issues	Response
Suppliers	To balance cost considerations with sustainable procurement practices.	Supplier surveys for ongoing relationship management - Annually • Feedback evaluations • Registration of Suppliers • Procurement committees - Monthly Committees to address supplier appeals and grievances - As and when required	System for handling appeals and other grievances • Support micro suppliers	Appointment of committees to address supplier issues • New supplier registration criteria to support small scale operators
Community	Align operations with the UN SDGs and the UNGC goals to uplift communities around our workplace. Stringently observe all economic and social compliances at all operational locations.	• Community based projects • Employee involvement and volunteerism in community projects • Through continuous dialogue	• Needs that emerged through constant dialogue with the community • Natural disasters	CSR projects • Micro Finance • Clean Water Project
Environmental groups	Gradually align operations with the UN SDGs and the UNGC to promote environmental conservation mentality. Stringently observe all environmental compliance requirements in all operational locations. Comply with international environmental certifications Integrate environmentally friendly practices into daily operations behavior.	Report on progress of UN SDG environmental goals annually. Implement the P3 Sustainability System • Conduct awareness programmes • Meetings and Consultancy • Audits	Climate change	Eco-friendly practices including 3R and 5R implementation • GHG calculation

STAKEHOLDER VALUE CREATION

EXPOLANKA CONTRIBUTIONS TO SDG

The Sustainable Development Goals (SDGs) were developed by the United Nations as a blueprint to achieve a better and more sustainable future for everyone around the world. These 17 goals address some of the major global challenges including poverty, inequality, climate, peace and justice and are intended at interconnecting countries, businesses and people to work towards achieving these goals by 2030.

Expolanka Holdings adopted the UN SDGs as the foundation of sustainable growth and operations of the business in its journey forward as it continues to expand its global foot print. Our commitments under the SDGs are discharged through our network of operational locations across the globe in the form of a range of social welfare programmes that have been identified according to the requirements of each country.

Given below is how the Expolanka Group's contributions to the SDG's and economic, social and environmental value creation during the year under review. At an operational level, our largest business, EFL, our leisure business Classic Travels, and our investment arm Expolanka (Pvt) Limited, have all been aligned with the UN SDG goals through the allocation of specific goals to support each business. The linkage between our capital management and the UN SDGs are listed below.

	Capital	Definition	Inputs	Outcomes	Contribution to SDG's
Economic Dimension	Financial Page 39	Economic resources to fund the business	• Financial capital utilised towards capital and recurrent expenditure • Investments towards expansion	• Economic value created and distributed among different stakeholder groups.	
	Manufactured Page 40	Infrastructure	• Strengthening Expo Group infrastructure • Growing EFL's Global Footprint • Expanding Warehousing Capacity • Strengthening Leisure Sector Core Infrastructure	• End-to-end solutions for the customer • Improved business scale leading to higher returns for shareholders	
Social Dimension	Intellectual Page 41	The knowledge and intellectual property people use to gain a competitive advantage and grow the business	• Safeguarding Brand Reputation • Knowledge Management • Investing in Systems and Processes • Strategic Partnerships • Best Practices	• Consistent long-term Returns to shareholders • Best in-class experience for customers	
	Human Page 44	The knowledge, skills, talents and experience of people that determines the capacity of an organisation to accomplish its goals	• Recruitment and Retention • Remuneration and Benefits • Diversity and Inclusion • Human Rights Compliance • Training and Development • Employee Engagement • Employee Health, Safety and Wellbeing	• Job Satisfaction • Higher Remuneration • Better Benefits • Opportunities for career growth • Share in the intangible benefits associated with corporate growth • Better work life balance • Ability to upgrade lifestyle	
	Social and Relationship Page 60	The value an organisation builds through engagement and information-sharing with stakeholders to achieve mutual well-being	• Customer Relationship Management • Supplier integration • Corporate Social Responsibility	• Access to the best in-class solutions (customer) • Sustainable long-term business relationships (Supplier) • Community development	
Enviornmental Dimension	Natural Page 51	The world's stock of natural ecosystems and assets, including geology, soil, air, water and all forms of life	• Energy and Fuel Management • Greenhouse Gas (GHG) Emissions • Water Management • Material Resource use and Waste	Conservation of the environment for future generations	

CAPITAL MANAGEMENT REPORTS

FINANCIAL CAPITAL [GRI 201-1]

Economic Value Creation

We at Expolanka give an utmost importance to our shareholders, employees and other stakeholders thereby ensures that the Group's financial capital and the economic performance is sustainable. We believe that the success of our organisation depends on creating financial value to our shareholders, economic value to the economy, and repayment of borrowing from financial institutions and creating value to our employees.

Management Approach

We at Expolanka possess a value creation process that supports the wellbeing of the economy through each constituent of the process and thereby ensures that all our business transactions create positive economic impact. This is strengthened by the Group's focus on having strong financial management, which will eventually increase the economic value.

We are committed to create value to our shareholders, which is also demonstrated in the Group's financial statements. A performance centric culture is created for our employees that creates value, thus opening avenues for increased efficiency and effectiveness by abiding by applicable rules and regulations. During the financial year 2018/19, a monetised value of Rs. 96.13 Bn has been created (compared to Rs. 77.81 Bn during the year 2017/18), out of which Rs.94.09 Bn has been distributed to our stakeholders.

Economic Value Statement for 2018/19

For the year ended 31st March In Rs. Millions	Group Total 2018/19	%	Logistics	Leisure	Investments	Group Total	Eliminations/ Adjustments	Consolidated Group Total
Direct economic value generated								
Revenue	95,455	99.3%	113,818	1,375	3,452	118,646	(23,191)	95,455
Dividend income	17	0.0%	626	-	239	866	(848)	17
Other operating and finance income	601	0.6%	1,062	14	40	1,115	(514)	601
Share of profit of an associate and Joint Venture	60	0.1%	20	9	-	29	32	60
Total Value Added	96,134	100%	115,526	1,398	3,732	120,655	(24,522)	96,134
Economic value distributed								
Operating costs	83,459	86.8%	103,020	743	3,273	107,036	(23,577)	83,459
Employee wages & benefits	8,620	9.0%	7,874	406	341	8,620	-	8,620
Payments to providers of funds	533	0.6%	1,500	32	346	1,878	(1,345)	533
Payments to government	1,478	1.5%	1,292	70	15	1,377	101	1,478
Total Distributed	94,090	97.9%	113,685	1,251	3,975	118,911	(24,821)	94,090
Economic value retained								
Depreciation & Amortisation	428	0.4%	361	16	51	428	-	428
Profit after dividends	1,616	1.7%	1,480	131	(294)	1,316	299	1,616
Retained for reinvestment/growth	2,043	2.1%	1,841	146	(243)	1,744	299	2,043

CAPITAL MANAGEMENT REPORTS (contd.)

MANUFACTURED CAPITAL

The Group's manufactured capital consists of moveable and immovable assets spread across 18 countries. These global assets primarily fall under EFL, the logistics company. The key manufactured assets of the Group are;

- EFL stations: Over 60 office premises in 18 different countries under rental agreements
- Brick and mortar buildings belonging to the Expo Group
- The EFL Campus: This is a fully owned asset of the Group
- Warehouses These are rental premises located across the globe
- Offices of Classic Travels : Fully owned assets

MANAGEMENT APPROACH

The Expo Group's policy towards manufactured capital is to adopts an asset-lite model, where the Group does not invest in constructing or purchasing premises. Instead the Group enters into long term rental agreements. This approach offers greater flexibility and the ability to accelerate scalability in the long term.

CHANGES TO MANUFACTURED CAPITAL BASE

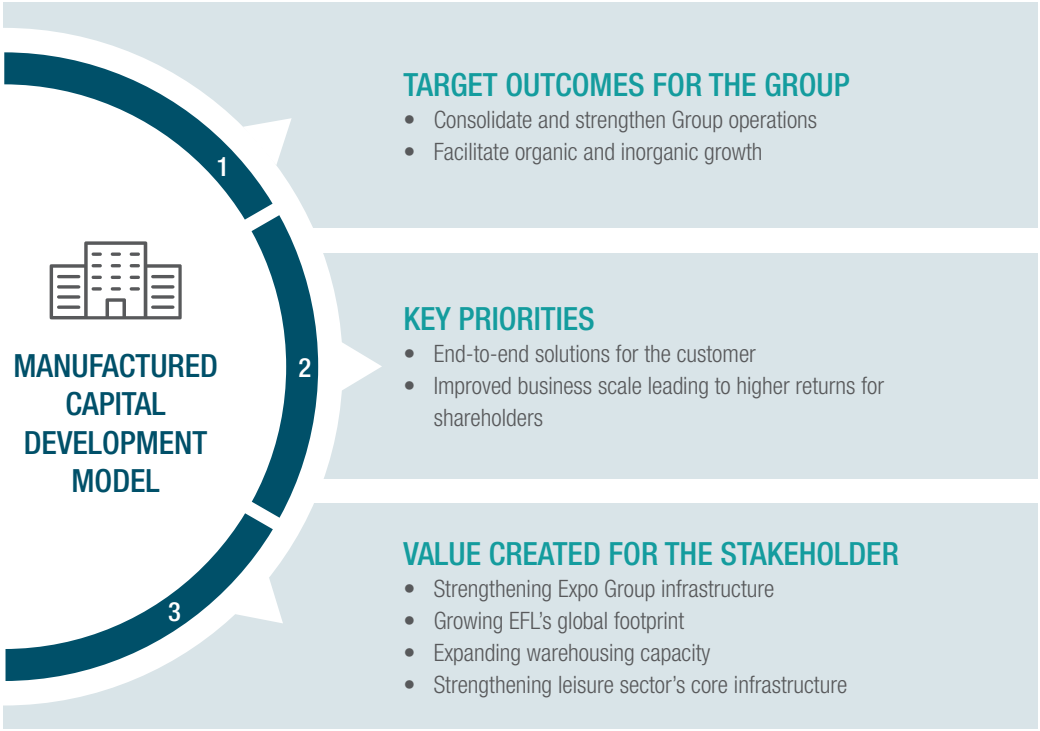
During the financial year 2018/19, the Expolanka Group added value to its manufactured capital base through the addition of new office space and/or changes to existing offices to improve the capital value. The major changes include:

EFL Branches

- New EFL offices were set up in Malaysia and South Africa
- The EFL Hong Kong office, Nairobi, Shanghai and Mumbai office premises were relocated

Classic Travel Branches

- Beruwala branch is our newest addition.



INTELLECTUAL CAPITAL

The Expolanka Group has a deep and unique intellectual capital repository in the form of organisational knowledge acquired and retained through years of experience in the global logistics industry. In addition, our intellectual assets comprise our brands – EFL and Classic Travel that are internationally well reputed, market knowledge regarding the different markets we operate in, and customised systems and processes. This intangible asset base is the Group's unique competitive advantage.

MANAGEMENT APPROACH

The intellectual capital strategy of the Group is to strengthen the equity and reputation of the two core brands: EFL and Classic, by investing in technology, know-how and strategic partnerships that enhance each core brand proposition. With the goal to make EFL a global brand, a detailed brand manual along with a media policy has been developed, clearly identifying how the organisation manages all brand assets. The Group is investing heavily on technology to enhance cost efficiency, increase productivity and improve customer value. The Group is also actively looking to trademark any innovative applications/mobile apps that enable ease of business.

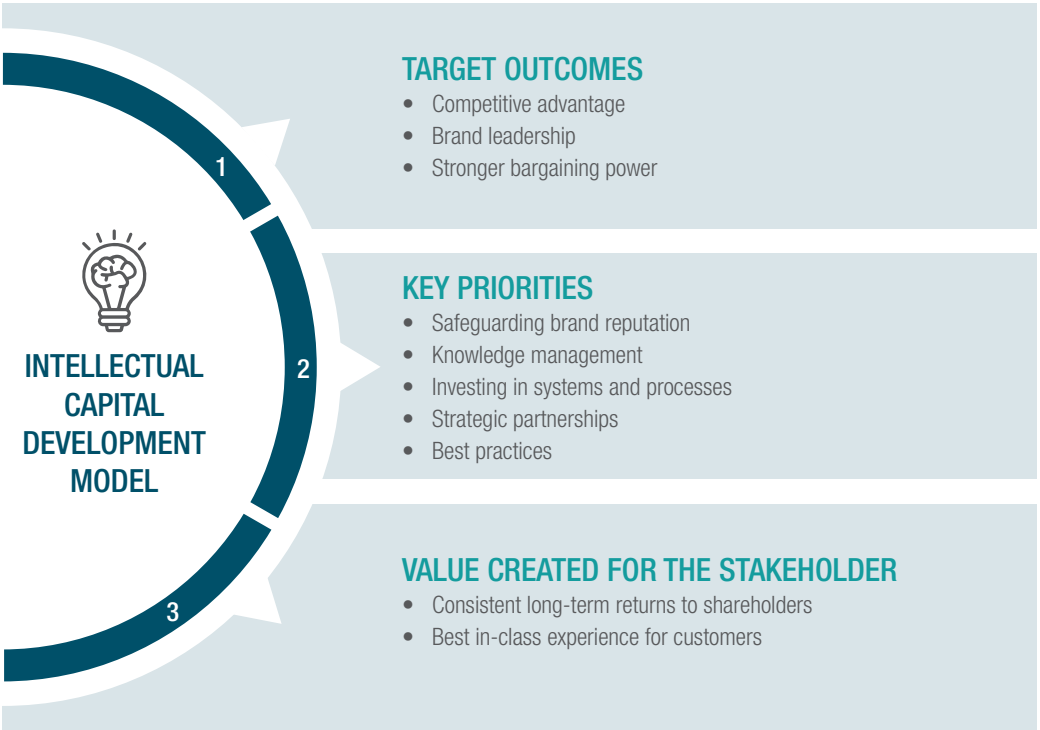
CHANGES TO INTELLECTUAL CAPITAL BASE

During the current financial year, the Expolanka Group made extensive investments in software systems to enhance the Group's intellectual capital base.

Transition to CargoWise ERP system:
CargoWise One, is a technology platform that provides a comprehensive end-to-end logistics solution, and forms an integral link in the global supply chain.

The most significant development with regards to operational improvement was the transition to the CargoWise ERP system. As at 1st April 2019, the new system was deployed in nine countries spanning 12 of the largest EFL entities. The first phase of the CargoWise ERP roll out was completed across Colombo,Sri Lanka in the year under review, with the entire network to be covered by mid-2019.

CargoWise connects with a manifold network of partners, creating a seamless method for EFL to exchange information between customers and the supply chain providing greater visibility for the stakeholders.



CAPITAL MANAGEMENT REPORTS (contd.)

Intellectual Capital

We are now planning its second stage of implementation by deploying additional functionalities in process optimisation and automation, to bring about greater productivity and efficiency improvements.

Automated corporate governance

A major contribution towards good governance during the year, was the automation of the corporate governance processes of Expolanka Holdings PLC and its subsidiaries, including all EFL stations around the world. Developed in-house by ITX360, the fully-fledged Corporate Management System contains a total of six key modules - Board of Directors (BOD), Compliance Report, Share Structures, Agreements, Litigation List and Grant of Authority (GOA, to be developed). As part of the second phase, the Share Structures module was launched in March 2018 along with the compliance module rolled out to more than 45 subsidiaries across the globe.

Goodera - Powering the world of good Sustainability management software

EFL has formulated its sustainability framework and has conducted multi-pronged stakeholder engagements to develop its sustainability roadmap. This process has been fast tracked with the implementation of a sustainability management software to track the Group's new sustainability KPI's which are environment, employee, safety and community.

The global logistics sector is increasingly adopting sustainable business partnerships in order to enhance social benefits, while minimising environmental impacts. Therefore, a key objective for our logistics operations is to become a sustainable logistics services provider to enhance stakeholder relationships, while also enabling more socially and environmentally responsible.

Goodera P3 technology platform leverages strong domain expertise to transform the way the world of good works. Goodera is being used globally by corporations, foundations, governments, non-profits and employees to fulfil their most ambitious CSR, Sustainability and Volunteering goals in a simple, transparent, measurable and engaging manner.

The Goodera software has been deployed across all EFL global offices and will be instrumental in tracking and collecting data on EFL's global activities and different operational aspects. The objective is to strengthen EFL's sustainable business model by developing sustainability indicators that are based on complex quantified data and date trends emanating from different operations from different parts of the world.

BUSINESS CONTINUITY PLAN (BCP) FOR GLOBAL FREIGHT OPERATIONS

Another significant development during the year was the formulation of a new Business Continuity Plan (BCP) for the global freight operations, as a part of a dynamic new Business Continuity Management (BCM) programme covering all EFL stations worldwide.

The BCP is expected counteract or minimise interruptions to EFL's key business activities at EFL HQ, in Sri Lanka, the EFL Campus, Wellampitiya, and the Transport Division Expolanka Freight (Pvt) Limited. Once fully rolled out in 2019, the BCP would effectively minimise any negative impacts to people, process, technology and infrastructure by ensuring continued availability of services, legal and regulatory compliance and revenue continuity of EFL.

EFL INDIA OBTAINS ISO 9001:2015

The next phase of the system upgrade at stations saw EFL India obtain ISO 9001:2015 certification, following full compliance with quality, safety and supply chain protocols. Raising operational standards of the station, the certification adds a significant boost to EFL's overall position in the global logistics sphere.

IMPROVEMENTS TO SYSTEMS

EFL is an early adopter of O365 as a document management and collaboration platform. Today Microsoft O365 goes far beyond email and calendar, as Office 365 has document storage and collaboration utilities, video conferencing software and powerful business intelligence platforms.

The Tier 1 High Jump software, which was fully rolled out across all four of EFL's warehouses in the previous year, continues to deliver good results. This is one of the most robust warehouse management platforms currently available in the market. During the year, the 3PL dashboard was added to the system which has enhanced client visibility and has made it possible to deliver a range of value-added services to meet the increasingly complex needs of our customers.

At the same time, there were no substantiated complaints concerning breaches of customer privacy and losses of customer data in any of the operations.

ENTERTAINMENT PORTAL

The Entertainment Portal is a unique corporate client relationship managing portal built in-house by the Expolanka Group's software developing unit, ITX360. The system contains four main modules namely, the Advertisement and Sponsorship module, Daily Customer Reward module, Entertainment Cost module and User Items Purchasing module. The new platform is expected to enhance our customer engagement and contribute towards stronger relationships. The project was under User Acceptance Testing (UAT) and is planned to go live by 1st of April, 2019.

PROCESS IMPROVEMENTS IN THE LEISURE SECTOR

The Classic Wings Visa was launched in 2018, based on a request made by Wings Classic Travel Bangladesh (a subsidiary of Classic Travel Sri Lanka), to implement the current Visa System process at Wings Classic Travel. The Visa System is a web based visa platform covering the visa

management process. Wings Classic Travel provides a range of services including document management, interview management and communication with the passengers, along with other services such as, SMS alerts, E- mail alerts and tracking facilities for passengers, sales and operational staff. The implementation of the Visa System will enable greater value addition and customer convenience for Wings Classic Travel Bangladesh.

STRENGTHENING STRATEGIC PARTNERSHIPS

Strategic partnerships bring multiplier benefits by giving Expo the opportunity to access resources and expertise in different fields. ITX360, which comes under the Group's strategic investments cluster, maintains strategic partnerships with a number of leading global software developers in order to deliver on our standards for service excellence. We seek out strategic partnerships that complement our business goals and in doing so, seek experts who are leaders in their field.

ITX360 strategic partnerships

SLASSCOM
THE KNOWLEDGE AND INNOVATION CHAMBER

ITX360 is a member of SLASSCOM. SLASSCOM is a representative body of the Sri Lankan IT and BPM industry

The Software Experts Crayon

Crayon offers industry-leading programmes for business referrals and business partners

infor

Infor is a leading global enterprise applications company which has signed a reseller agreement with ITX360, with the aim of reselling INFOR applications in Sri Lanka

JUNIPER NETWORKS

Juniper Networks, Inc. develops and markets networking products

CISCO

Cisco Systems, Inc. develops, manufactures and sells networking hardware, telecommunications equipment and other high-technology services and products.

CISCO Meraki

Cisco Meraki is a cloud managed IT company

cenmetrix

Cenmetrix operates as an SI (Systems Integrator) in the technology and software space

FORTINET

Fortinet develops and markets cyber security software, appliances and services

EXPO TOASTMASTERS CLUB

The Expolanka Toastmasters Club was set up in 2012 to improve our team's presentation skills and communication abilities of staff. The Club organises events and activities that encourage personal development and soft skills throughout the year.

CAPITAL MANAGEMENT REPORTS (contd.)

HUMAN CAPITAL [GRI 102-16]

The Expolanka Group has a highly trained, technically qualified and experienced base of human capital representing multiple sectors. Being a service-oriented business, our team is the core strength of the Group, providing the manpower and skills to operationalise strategic and operational targets.

Expolanka's strength is its "passionate group of employees" and the Group fosters an environment which promotes continuous learning to unleash the employee's full potential. The Group makes a conscious effort to nurture the employees' growth and to deliver outstanding shareholder value.

The Group has in place a Code of Conduct called The Pledge, which is the behavioural code adopted by all employees of the Group. It sets out how employees should conduct themselves at work, responsibilities, dress code, treatment of others and also the Group's whistle-blower policy. A comprehensive guide to the world of Expo, our Code also covers environmental and social obligations applicable to all Expo employees.

TARGET OUTCOMES FOR EXPO

- Enhance employee satisfaction
- Increase retention ratio
- Expand gender balance
- Reduce attrition
- Improve productivity
- Strengthen return-to-work ratio
- Develop the leadership pipeline
- Minimise incidents of injury

KEY PRIORITIES

- Recruitment and retention
- Remuneration and benefits
- Diversity and inclusion
- Human rights compliance
- Training and development
- Employee engagement
- Employee health, safety and well-being

VALUE CREATED FOR THE EMPLOYEE

- Job satisfaction
- Higher remuneration
- Better benefits
- Opportunities for career growth
- Intangible benefits associated with corporate growth

OUR EMPLOYEES [GRI 102-7, 102-8]

Our total global workforce stands at 3,078 in the current financial year, distributed among 18 countries across the globe, all working towards one objective and driven by one vision. Out of this number, our permanent cadre is a majority of 2,725 personnel while only 353 persons are on a contract basis. As our largest global business activity, the logistics sector held the largest share of employees being 2578 men and women, followed by our leisure operations employing 286 persons and our investments sector 214 employees. All employees at Expolanka are hired as full-time employees.

	Permanent	Contract
Male	2175	235
Female	550	118

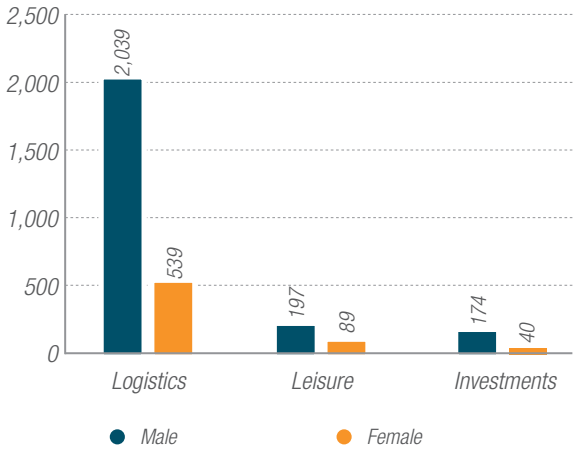
Sectors	Permanent	Contract
Logistics	2254	324
Leisure	280	6
Investments	191	23
Total Staff	2725	353

Staff Geographic Representation
Total Staff 3078 as at 31st March 2019

Sri Lanka	50%	Vietnam	3%	Cambodia	0.5%
India	24%	Hong Kong	2%	Mauritius	0.4%
Bangladesh	6%	UAE	1%	Malaysia	0.3%
USA	4%	Kenya	1%	Madagascar	0.3%
Indonesia	3%	Pakistan	1%	Philippines	0.3%
China	3%	South Africa	1%		

Total Staff - Gender Wise

Gender Distribution - Sector Wise



CAPITAL MANAGEMENT REPORTS (contd.)

Human Capital

Sectors	Total Staff	Gender Distribution		Age Analysis			
	Total Staff as at 31st March 2019	Males	Females	18-25 years	26-35 years	36-45 years	46 years & above
Logistics	2578	2039	539	348	1106	715	409
Leisure	286	197	89	84	121	51	30
Investments	214	174	40	52	106	44	12
Total Staff	3078	2410	668	484	1333	810	451

NOTICE REGARDING OPERATIONAL CHANGES [GRI 402-1]

There is no such set notice period regarding the communication of any operational changes but depending on the situation, there is a minimum of two weeks notice given to employees.

RECRUITMENT AND RETENTION [GRI 401-1]

At Expolanka, we view our employees as a major contributor to the creation of value in the long-term, by promoting business growth and bringing benefits to the society as a whole. Our goal therefore is to recruit and retain people who have the necessary credentials, readily identify with Expolanka's core values and are a good cultural fit for our unique work ethic. As such, we look to attract professionals who demonstrate the competencies required for the achievement of our objectives with a commitment to improve customer satisfaction and are driven to become future leaders within the Group.

Sectors	Recruitments		Resignations	
	Male	Female	Male	Female
Logistics	357	207	277	121
Leisure	47	23	36	27
Investments	22	15	30	14
Total Staff	426	245	343	162

Total Staff Sector Wise

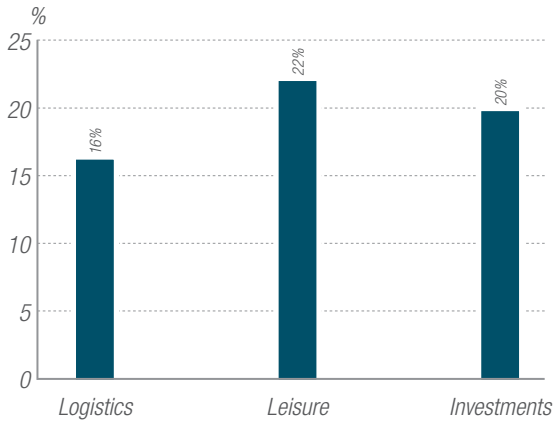
Sectors	Recruitments				Resignations			
	Heads & Above	Managers	Executives	Non Executives	Heads & Above	Managers	Executives	Non Executives
Logistics	13	58	247	246	14	55	166	163
Leisure	0	9	25	36	0	8	22	33
Investments	2	2	16	17	2	3	19	20
Total Staff	15	69	288	299	16	66	207	216

EMPLOYEE TURNOVER

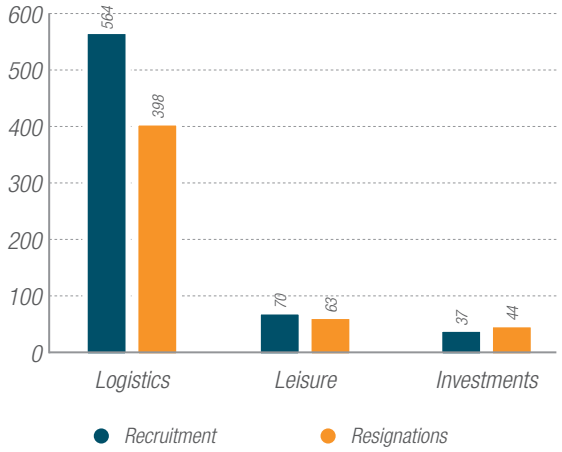
Our approach to developing our human capital base is to attract and retain the best talent from all parts of the world, continually upskilling our people through global exposure and structured training programmes. We make all efforts to retain our personnel through not only competitive remuneration, but also by providing a safe, rewarding and fulfilling work environment.

Sectors	Turnover Ratio %	No of staff at the beginning of year (March 2018)	No of staff at the end of year (March 2019)	Average	No of resignations
Logistics	16%	2417	2578	2498	398
Leisure	22%	278	286	282	63
Investments	20%	235	214	225	44
Total	17%	2930	3078	3004	505

Turnover Ratio - Sector Wise



Recruitment vs Resignations - Sector Wise



Remuneration [GRI 202-1]

Our remuneration and benefit structure is designed to attract, motivate, and retain talented employees who are capable of driving Expolanka's mission and values. Accordingly, Expolanka's remuneration philosophy focuses on a two-pronged reward mechanism, consisting of fixed remuneration (basic salary, medical insurance, vehicle and fuel allowances, subsidized loan facilities etc.) coupled with variable remuneration (bonus etc.), which is based on a number of factors including individual/team goals that relate to the corporate objectives of the respective business units as well as the overall Group performance.

Being a global Group, we strive to benchmark our remuneration structures against industry standards in the countries in which we operate. Further, abiding by all applicable local labour laws in those respective countries, Expolanka ensures its employees have full access to all benefits mandated by law including leave entitlements, provident fund contributions, gratuity payments et al.

As a forward-looking Group, we understand that it is vital to recognise and reward without prejudice or bias, all exceptional performers who go the extra mile. Individual accomplishments are recognized through differentiated pay, bonuses and opportunities for career growth within Expolanka and these are facilitated through a highly transparent three-step performance management process encompassing goal setting, performance monitoring and performance review. The performance management mechanism also serves as a critical channel in providing valuable input towards planning our training and development activities as well as to earmark potential candidates for the Expolanka leadership pipeline and succession planning process.

CAPITAL MANAGEMENT REPORTS (contd.)

Human Capital

Expolanka abides by the National Minimum Wage of Workers Act No.03 of 2016 (Sri Lanka) where the entry level wage is matched to the act.

The Group also leverages on its global vision and progressive growth-centric culture to strengthen employer branding and position Expolanka as an employer of choice. As a centralised team, all performance evaluations and disputes/grievances are managed at Group level.

DEFINED BENEFITS (GRI 201-3)

We are committed and consistent in meeting our defined benefit obligations. We contribute as per the stipulated norms, 12% of the basic salary to the Employee Provident Fund (EPF) and 3% to the Employee Trust Fund (ETF). As at the reporting period, the Group incurred a cost of Rs. 423,376,587 in terms of EPF and ETF. We are also regular in meeting our obligations on gratuity payable under the Payment of Gratuity Act No. 12 of 1983. The liability recognised as at the balance sheet date is Rs. 514,217,666.

EMPLOYEE BENEFITS AND FACILITIES [GRI 401-2]

Medical Insurance & Workmen Compensation Insurance Policy:
This is a comprehensive insurance scheme which covers employees' general, surgical and hospitalisation needs. The scheme entails for planned and emergency hospitalisation, covering leading hospitals and clinics. The insurance is also extended to the immediate family members. Employees are insured for personal as well as duty related accidents. OPD facilities are also available based on the above.

Vehicle and Fuel Allowance

Employees are entitled for a vehicle allowance along with a fuel entitlement based on the employees' category for their respective transport needs. In addition, employees are entitled to travel allowances for work outside standard working hours.

Loans

A variety of loans are available to staff including loans for bikes, emergency staff loans and festival advance/short term loans based on their role in the company, personal circumstances and urgent requirements.

Lunch & Lunchroom Facilities

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

Overtime

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

FORCED LABOUR (GRI 409-1)

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

The Group respects all employees and has ensured humane management that fosters employee well-being. The level of wages paid to employees are just, equitable and on par with industry standards. Expolanka in most instances is considered as a benchmark in the area of employee remuneration. We are conscious and even demand this vital practice from our suppliers and outsourced service providers. There have been no forced labour cases recorded for this financial year.

DIVERSITY AND INCLUSION [GRI 405-1]

The Group embraces diversity as we firmly believe to succeed we need to move forward towards an inclusive culture where diversity is valued and nurtured. We believe that sound diversity practices contribute to positive results across the Group and as such remain committed to build an inclusive and engaging culture for all our employees by promoting diversity across all our operations. In line with globally accepted human rights principles including the ILO convention and the UNGC compact, Expolanka is committed to providing a work environment that is free from discrimination.

In keeping with this commitment, the Group strictly practices a policy of equal opportunity employment at every stage of the employment cycle. Hence, the Group will not at any point tolerate discrimination or harassment on the basis of religious beliefs, colour or any other status protected by law. This policy applies to all Expolanka employees across the Group, without exception and is aimed at qualifying our status as an Employer of Choice.

DIVERSITY

	Heads & above		Asst. Manager and above		Executives		Non Executives	
	Male	Female	Male	Female	Male	Female	Male	Female
18-25 years	0	0	3	1	71	54	280	75
26-35 years	21	2	132	51	497	178	371	81
36-45 years	53	10	193	49	244	50	168	43
46 years & above	91	9	88	26	92	19	106	20

RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN [GRI 405-2]

	Male	Female
Heads & above	1.00	0.99
Managers	1.00	1.03
Executives	1.00	1.11
Non Executives	1.00	0.80

Above figures are derived from Sri Lanka

By building an inclusive culture for our employees, we seek to develop empowered, motivated and customer focused employees, who are inspired to innovate and collaborate in order to create the best possible solutions for our customers, our shareholders and the society in which we operate.

Employee communication and engagement is an important part of Expolanka's inclusion strategy. We communicate regularly with our employees through the intranet, emails, quarterly newsletters etc. to ensure they are kept abreast on such matters as the Group's strategic intent and growth plans, proposed operational/structural changes within the Group, successes achieved by business units etc. At the same time, it is crucial for us to be able to receive feedback from our employees as it highlights areas where we are doing well and points to aspects that requires improvement, and also gives employees an opportunity to contribute to future plans for the Group through innovative ideas and solutions. In this context, we practice an open-door policy to promote ongoing employee dialogue, sustainability and CSR efforts. A formal grievance procedure is also in place to enable employees to report to the relevant authorities, any matters of discontent. Further, we advice all our employees to use this channel to raise any concerns regarding ethics, discrimination or harassment matters, and also to report suspected violations of applicable laws, regulations and policies.

Expolanka invests in a range of work-life balance activities which are aimed at promoting inclusivity by providing an informal setting for employees to engage with their colleagues.

DISCRIMINATION [GRI 406-1]

Expolanka is against any form of social prejudices. The Group did not encounter or record any incidents of discrimination during the reporting period. Procedures are well set out in the "Pledge" on dealing with such incidents if and when they occur. No discrimination cases have been recorded for this financial year.

MATERNITY LEAVE [GRI 401-3]

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

Commencing the date of Confinement, maternity leave entitlement as follows:

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

If the female employee does not take the 14 days prior to confinement, she will be entitled for it after confinement.
Accordingly the total days are bolded above.

PERFORMANCE EVALUATION AND MANAGEMENT [GRI 404-3]

All full time employees of the Group are entitled to an annual performance appraisal, a highly transparent platform for employees and their reporting managers to engage in a performance review discussion to identify gaps in performance and provide constructive feedback. A two-way communication channel that includes coaching, counseling, training and feedback on job performance, the performance review discussion is conducted jointly between the appraisee and the appraiser to assess performance against the set KPI's. The process is supported by developmental feedback sessions to analyse and identify the overall performance, shortfalls, strengths/weakness or opportunity areas of the appraisee.

CAPITAL MANAGEMENT REPORTS (contd.)

Human Capital

The mechanism also acts as a platform to identify individual training needs and map employee career goals in tandem with long term corporate objectives.

	15/16	16/17	17/18	18/19
No of employees promoted (Local)	15%	14%	11%	15%

TRAINING AND DEVELOPMENT [GRI 404-1, 404-2]

	Internal vs External Training Programs			Category wise				
Sectors	Internal Programs	External Programs	Training Hours	Asssitnat Managers & Above	Executives	Non Executives	Investment (LKR)	Average Training Hours
Logistics	47	37	1011	108	173	339	708,652.00	0.39
Leisure	11	29	737	15	92	49	434,625.00	2.58
Investments	0	12	343	12	8	1	922,487.00	1.60
Total	58	78	2091	135	273	389	2,065,764.00	

Types of Training Programs Conducted

No. of Training Programs on Technical skills	80
No. of Training Programs on Soft Skill	14
No. of Training Programs on Health & safety	38
No. of Training Programs on Sustainability	2
No. of Training Programs on Other	2

HEALTH, SAFETY AND WELLBEING [GRI 403-2, 403-3]

Health, Safety & wellbeing.

Health and fitness has become a growing global concern and the Group plays its part by ensuring that our employees remain healthy and fit, both physically and mentally. Various initiatives such as having visiting psychology counselors, medical camps conducted on an annual basis with leading hospitals in the country and after work fitness programmes in collaboration with fitness company “Sweatshop” all bear evidence towards the Group’s commitment of having a fit and healthy workforce.

Meanwhile in our warehouse operation, which is subject to specific safety hazards, due to the nature of their business, we have taken steps to benchmark internationally accepted best practices in compliance with the OHSAS 18000:2007 - Occupational Health and Safety Management Systems certification process.

HEALTH AND SAFETY COMMITTEE [GRI 403-1]

There is a full-time compliance officer in place and a team member from each department representing the Health & Safety Committee in locations adhering to OHSAS 18000:2007.

Statistics based on OHSAS

Number of injuries and diseases reported	5
Injury rate (number of injuries per 100 employees)	0.5
Lost day rate (lost days as % of scheduled work days)	0%
Number of people educated on serious diseases	150
Total absentee days per 100 workforce days	2

HUMAN RIGHTS [GRI 408-1]

Child Labour

At Expolanka, we strictly enforce the policy of the minimum age of employment - 18 years and above. We categorically eschew child labour and we have never employed minors in any of our operations which spans over three decades. We are conscious and even demand this vital practice from our suppliers and outsourced service providers. No child labour cases have been recorded for this financial year.

NATURAL CAPITAL

The Expolanka Group's natural capital encompasses natural resources used in the normal course of business to support the Group's value creating processes. The electricity, fuel, water, paper et al used in the Group's day-to-day operations are all generated using natural resources, which makes the Group accountable for the use of these natural elements.

MANAGEMENT APPROACH

The Group operates within the UN SDG's goal of minimising and mitigating the impact of operations on the environment in a sensible, innovative and legally compliant manner. These actions include those initiated to mitigate the direct impact resulting from the business and also broader efforts to respond to climate change.

All Expolanka employees are also bound by The Pledge or Code of Conduct, which calls for the protection of the natural environment and conservation of resources.

The Environmental Policy outlined in 2013 is effective across the Group and under LEED guidelines for the warehousing cluster. Several initiatives are continually being carried out to ensure that green policies are applied to cleaning and maintenance.

Under the Group's Energy Management Strategy (EMS), in 2016 the Group introduced solar energy at the EFL campus in Orugodawatte, reducing energy consumption from the national grid.

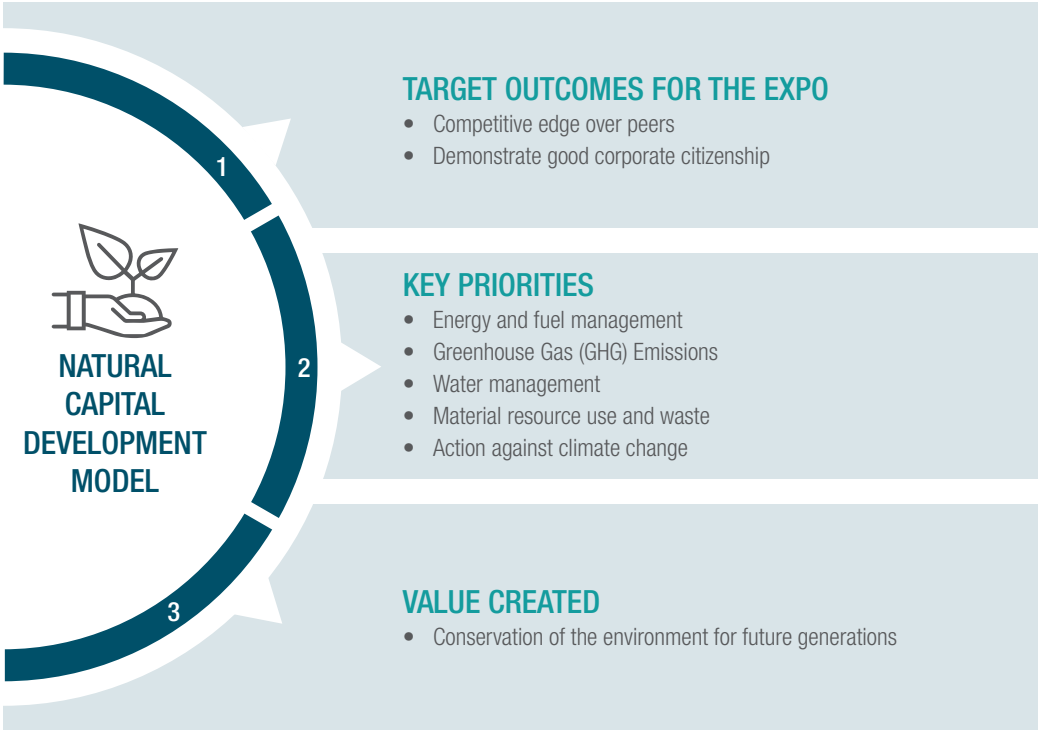
In 2016, the Group qualified for the ISO 14064 standard on green-house gas (GHG) emission controls.

EVALUATION OF NATURAL CAPITAL

Annual audits are implemented under ISO guidelines to help determine the emissions output of the Sri Lankan logistic sector operations. We also monitor the usage of materials and compare consumption against the increase in operations and number of staff, to understand material consumption patterns and how best to introduce conservation initiatives.

Environmental Compliance [GRI 307-1]

All sectors across the Group are fully compliant with all applicable mandatory environmental laws and regulations and as such there were no monetary fines or non-monetary sanctions during the financial year.



CAPITAL MANAGEMENT REPORTS (contd.)

Natural Capital

ADVANCEMENTS IN NATURAL CAPITAL MANAGEMENT

Adopting GLEC Framework for Airfreight Carbon Calculation

The GLEC Framework allows businesses to calculate and report their logistics emissions consistently across a multi-modal supply chain. Results can be used to inform stakeholders and improve business decisions and actions.

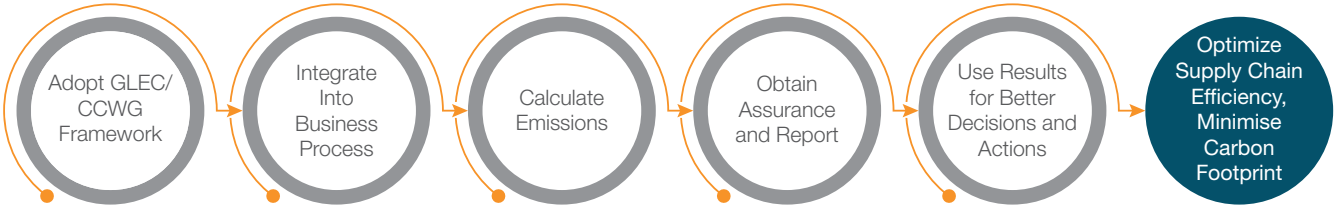
The Freight sector has adopted the GLEC Framework to calculate air freight emission and this data is fed into the decision making process to optimise the supply-chain efficiency and minimise the carbon footprint.

Adopting the CCWG Clean Cargo Working Group for Sea Freight carbon calculation

The Clear Cargo CO2 Emissions Calculation Methodology is one of the most well-established green freight initiatives and is an ocean shipping standard dedicated to reducing the environmental impacts of global goods transportation and promoting responsible shipping. It is used by other initiatives such as the U.S. EPA's SmartWay Programme, and the Global Logistics Emissions Council (GLEC).

Clean Cargo is a business-to-business leadership initiative that involves major brands, cargo carriers, and freight forwarders and represents around 85% of global container cargo capacity and constitutes the leading buyer-supplier forum for sustainability in the cargo shipping industry.

Supply Chain - Carbon Optimization Process



ALIGNING WITH THE ISO 14064-1:2006 CERTIFICATION

[GRI 305-1, 305-2, 305-3]

ISO 14064 Certification is a voluntary standard that enables companies to provide a credible and accurate measurement of its carbon foot print. The Certification details principles for designing, developing, managing and reporting organisation level GHG inventories including quantifying of emissions and removals.

The standard also identifies specific organisational actions that can be taken to further improve GHG management, in addition to providing guidance on quality management, reporting, internal auditing and the responsibilities for verification of reporting.

As a leading player in the global logistics industry, EFL is acutely aware of the fact that on average, our industry tends towards a larger carbon footprint that others in the services sector. This dynamic represents the next frontier in terms of how logistics providers must adapt to serve the global climate agenda.

Our objective is to calculate GHG emissions for all our operating countries. To achieve this objective, the Group has implemented international best practices for the measurement, monitoring and reporting of GHG emissions, complying with ISO 14064 standards. Under this system, scope 1 ,2 & 3 emissions are measured via the help of the sustainability system.

GREEN HOUSE GAS EMISSIONS INVENTORY

Due to the nature of activity, sources responsible for GHG emissions vary with each location as depicted below. All applicable emissions sources of EFL Sri Lanka were considered during this assessment.

The below numbers are for the period starting 2017 April till 2018 March. Due to the ISO verification process the most recent numbers are subject to audit and hence not included in this report, but this is a continuation from the period of reporting of the previous annual report.

Location Description	LC (tCO^2e)	ACV (tCO^2e)	CFS & TD (tCO^2e)	NW (tCO^2e)	JW (tCO^2e)	SDO (tCO^2e)	BO (tCO^2e)	KO (tCO^2e)	SO (tCO^2e)
Scope 1									
On Site Energy									
Stand By Generator - Diesel	13.258	0.000	2.701	0.534	0.000	0.641			
Fugitive Emissions									
Air Conditioning Refrigerant- R410	0.000	8.352	8.665				1.044		
Air Conditioning Refrigerant- R22	0.000	0.000	7.150		2.462				0.905
Fire Extinguishers - CO2	0.020	0.008	0.031	0.048	0.021	0.004			
Company owned vehicles									
Diesel	1.332	0.000	326.658						
Petrol	6.454	0.000	0.000						
Leased Vehicles									
Diesel	0.000	0.000	74.645						
Petrol	0.000	0.000	17.295						
Sub Total Scope 1	21.063	8.360	437.144	0.582	2.483	0.645	1.044	0.000	0.905
Scope 2									
Purchased Electricity									
Purchased Electricity	400.980	23.629	58.827	151.610	10.819	19.366	1.219	1.252	1.252
Sub Total Scope 2	400.980	23.629	58.827	151.610	10.819	19.366	1.219	1.252	1.252
Scope 3									
Electricity - Transmission & Distribution losses	45.888	2.704	6.732	17.350	1.238	2.216	0.140	0.143	0.143
Hired Vehicles									
Diesel			5,750.600						
Petrol			41.273						
Third-Party Deliveries									
Local									
Inbound-local supply: Three-wheeler	0.347								
Inbound- local supply - Lorry	0.7420	0.165	0.173			0.031	0.019		0.008
Inbound- foreign supply - foreign airport to local airport									
- Long haul	0.066								

CAPITAL MANAGEMENT REPORTS (contd.)

Natural Capital

Location Description	LC (tCO^2e)	ACV (tCO^2e)	CFS & TD (tCO^2e)	NW (tCO^2e)	JW (tCO^2e)	SDO (tCO^2e)	BO (tCO^2e)	KO (tCO^2e)	SO (tCO^2e)
- Medium haul	0.000								
- Short haul	0.000								
Inbound - foreign supply - airport to local facility	0.000								
Outbound- foreign supply - local airport to foreign airport									
- Long haul	11.538								
- Medium haul	1.688								
- Short haul	0.057								
Outbound- foreign supply - local facility to airport	0.007								
Waste Transportation									
Tractor	0.004		0.000	0.002	0.000				
Lorry	0.006	0.009				0.001	0.001	0.000	0.000
Three-wheeler			0.000						
Van			0.001						
Employee Commuting									
Bus	9.303	4.171	2.345	2.128	0.848	1.300			
Staff bus	1.140								
Train	16.338	0.000	2.129	4.421					
Car	4.080	0.000	1.040	0.685					
Car 1000cc- Petrol	0.000					2.300			
Car 1300cc- Petrol	0.710							1.349	
Car 1500cc- Petrol	1.740								
Car 1600cc- Petrol	3.665								
Car 1800cc- Petrol	0.820								
Car 2000cc- Petrol	0.530								
Motor Bike 80cc	0.000	0.438							
Motor Bike 100cc	0.870	0.253							
Motor Bike 110cc	0.000	0.145							
Motor Bike 125cc	0.761	1.812							
Motor Bike 135cc	0.563			0.851					
Motor Bike 150cc	3.075	1.689		0.504					
Motor Bike 200cc	0.000	0.185							
Motorbike	7.438	1.700	8.545	1.567	0.206				
Three-wheeler	24.437	0.060	0.023	0.993	0.057	0.177			

Location Description	LC (tCO^2e)	ACV (tCO^2e)	CFS & TD (tCO^2e)	NW (tCO^2e)	JW (tCO^2e)	SDO (tCO^2e)	BO (tCO^2e)	KO (tCO^2e)	SO (tCO^2e)
Employee Commuting - Fuel Allowance									
Petrol	311.485	10.519	10.491	5.522		7.648	8.200		0.069
Diesel	13.306		6.092	0.000					
Motorbike (100cc)	0.116								
Motorbike (125cc)	0.000	1.334							
Motorbike	1.398								
Car	4.800		1.280						
Car 1300cc- Petrol	2.13								
Car 2500cc- Petrol	0		0.873						
Car 3000cc- Petrol	0.000	1.98							
Waste									
Food - Landfill	17.884	2.155	0.620	2.082	0.063	0.231	0.132	0.016	0.016
Paper - Landfill	0.000				0.022				
Paper - Recycle	0.081		0.010	0.197					
Plastic/Polythene - Recycle	0.000		0.010						
Plastic/Polythene - Landfill	0.000			0.018					
Wood- Landfill	0.000			0.53	0.374				
Business Travel- Foreign Travel									
Business Class - Long haul	30.214								
- Medium haul	6.318								
- Short haul	0.182								
Economy Class									
- Long haul	19.811								
- Medium haul	12.339								
- Short haul	1.136								
Sub Total Scope 3	557.01	29.32	5832.24	36.85	2.81	13.90	8.49	1.51	0.24
Total	979.06	61.31	6,328.21	189.04	16.11	33.92	10.75	2.76	2.39

Summary of GHG Data	tCO^2e
Scope 1	472.23
Scope 2	668.95
Scope 3	6,482.37
Total	7,623.55

CAPITAL MANAGEMENT REPORTS (contd.)

Natural Capital

REDUCTION OF GHG EMISSION [GRI 305-5]

All short term actions have been achieved. In addition, our offices are pursuing the implementation of renewable energy solutions. In efficiency improvement, we have achieved back hauling and eco - driver training.
Long-term objectives have also been achieved through compliance with the GLEC Framework and the Sustainable Airfreight Alliance (SAFA) to create a common methodology in Air Freight Carbon Calculation.

Solar energy generation and emissions savings per month

We have achieved a reduction in Scope 2 emissions, where emissions generated from purchased electricity have also reduced due to the Group's investment into solar power at the EFL campus. The solar energy generation during the assessment period is 801,874 kWh. The total emission reduction from solar energy generation during the assessment period is 286.33 tCO^2e.

Description	Emission (tCO^2e) (2015/16)	Emission (tCO^2e) (2017/18)	Difference in emissions (tCO^2e)	Increase (I)/ Decrease (D) with the base year	Difference %
Scope 1					
On-Site Energy					
Stand by Generator - Diesel	23.63	17.14	6.49	D	27.47%
Fugitive Emissions					
Air Conditioning Refrigerant					
R 410	4.18	18.06	13.89	I	76.88%
R 22	5.88	10.52	4.63	I	44.06%
Fire Extinguishers - CO2	0.01	0.13	0.12	I	89.39%
Company Owned Vehicles					
Diesel	610.55	327.99	282.56	D	46.28%
Petrol	9.99	6.45	3.53	D	35.38%
Leased Vehicles					
Diesel		74.65	74.65	I	100.00%
Petrol		17.29	17.29	I	100.00%
Sub Total Scope 1	654.24	472.23	182.01	D	27.82%
Scope 2					
Purchased Electricity					
Purchased Electricity	871.97	668.95	203.02	D	23.28%
Sub Total Scope 2	**871.97**	**668.95**	**203.02**	**D**	**23.28%**
Scope 3					
Electricity - Transmission & Distribution losses	99.75	76.56	23.20	D	23.26%
Hired Vehicles					
Diesel	2,966.39	5,750.60	2,784.21	I	48.42%
Petrol		41.27	41.27	I	100.00%
Forklift- LPG	3.62	0	3.62	D	100.00%

Description	Emission (tCO^2e) (2015/16)	Emission (tCO^2e) (2017/18)	Difference in emissions (tCO^2e)	Increase (I)/ Decrease (D) with the base year	Difference %
Third-Party Deliveries					
Local					
Inbound- local supply -Tuk	0.17	0.00	0.17	D	100.00%
Inbound- local supply -Tuk		0.35	0.35	I	100.00%
Inbound- local supply - Lorry	0.71	1.14	0.43	I	37.99%
Inbound- foreign supply - foreign airport to local airport	0.12	0.07	0.06	D	45.88%
Inbound - foreign supply - airport to local facility	0.000	0.000	0.000		30.08%
Outbound- foreign supply - local airport to foreign airport	3.44	13.28	9.85	I	74.14%
Outbound- foreign supply - local facility to airport	0.002	0.007	0.005	I	72.27%
Waste Transportation					
Tractor	0.009	0.006	0.002	D	25.60%
Lorry	0.023	0.016	0.006	D	28.19%
Three-wheeler			0.000		
Three-wheeler	0.001		0.001	D	100.00%
Van	0.002	0.001	0.001	D	48.59%
Employee commuting					
Bus	26.19	20.10	6.09	D	23.26%
Staff bus		1.14	1.14	I	100.00%
Train	7.93	22.89	14.96	I	65.37%
Car	38.11	16.92	21.19	D	55.61%
Motorbike	39.96	30.60	9.36	D	23.41%
Three-wheeler	27.51	25.75	1.77	D	6.42%
Employee Commuting - Fuel Allowance					
Petrol	363.25	353.93	9.32	D	2.57%
Diesel	12.50	19.40	6.89	I	35.54%
Motorbike (100cc)		0.12	0.12	I	100.00%
Motorbike (125cc)		1.33	1.33	I	100.00%
Motorbike		1.40	1.40		
Car		11.06	11.06	I	100.00%
Car (1000cc)		0.00	0.00		
SUV		0.00	0.00	I	0.00%
Waste					
Food - Landfill	36.51	23.20	13.31	D	36.46%

CAPITAL MANAGEMENT REPORTS (contd.)

Natural Capital

Description	Emission (tCO^2e) (2015/16)	Emission (tCO^2e) (2017/18)	Difference in emissions (tCO^2e)	Increase (I)/ Decrease (D) with the base year	Difference %
Paper - Landfill	0.00	0.02	0.02	I	92.26%
Paper - Recycle	0.25	0.29	0.03	I	11.76%
Metals - recycle	0.02	0.00	0.02	D	100.00%
Plastic/Polythene - Recycle	0.01	0.01	0.00	D	62.76%
Plastic/Polythene - Landfill	0.02	0.02	0.00	D	18.09%
Wood- Landfill	0.23	0.90	0.67	I	74.09%
Wood- Recycle	0.00	0.00	0.00		
Business Travel- Local Travel					
Business Travel- Head Office to Logistics Park	1.70	0.00	1.70	D	100.00%
Business Travel- Foreign Travel					
Business Class	22.37	36.17	14.34	I	64.12%
Economy Class	15.34	33.29	17.95	I	53.92%
Sub Total Scope 3	3,666.15	6,482.37	2,816.21	I	43.18%
TOTAL	5,192.36	7,623.55	2,431.19	I	31.89%

Water Management

Being a service organisation, water is used mainly for sanitation and hygiene requirements of employees and hence the Group's water footprint is minimal compared to that of a manufacturing company. Nonetheless, the Group has committed to adopt an integrated approach to manage its water footprint and has implemented sound water management systems and practices, together with a proactive incident management framework aimed at promoting continuous improvement at all levels. Further, responsible water management is considered to be the duty of every employee, with the Group's senior management setting the tone from the top to raise awareness regarding the importance of continuous and ongoing action to conserve water.

MATERIAL RESOURCE USE AND WASTE [GRI 306-2]

The Group's core businesses are highly paper-intensive and as such we generate large volumes of paper waste on a daily basis. Paper is the single largest waste material generated by the Group. The Group management approach in this regard is to recycle paper and to minimise paper usage by shifting manual systems to digital platforms. Expolanka Group has a long-standing partnership with Neptune Recyclers (Pvt) ltd, enabling a total of 7556 Kg's of paper waste to be sent for recycling in the year under review.

Company	Environmental Savings					
	Collection (Kg)	Trees (Nos)	Oil (Ltrs)	Electricity (Kwh)	Water (Ltrs)	Landfill (Cubic Metres)
Classic Travel (Pvt) Limited	60	1	105	240	1,907	-
Expolanka Freight (Pvt) Limitied	7,426	126	13,033	29,704	235,998	22
Expolanka Holdings PLC	70	1	123	280	2,225	-
Total	7,556	128	13,261	30,224	240,130	22

NEW SUPPLIERS THAT WERE SCREENED USING ENVIRONMENTAL AND SOCIAL CRITERIA [GRI 308-1, 414-1]

Being a diversified Group, we deal with a wide range of suppliers ranging from international airlines and shipping agents to small-scale fruit farmers. Given the diversity of our supplier base, we have refined our policies and practices to ensure that environmental impacts assessment is integral to our procurement agenda.

EFL's suppliers are mainly sea carriers and airlines, which are required for freight. With regards to environment & social criteria supplier screening, up to 85% of the sea freight carriers are screened on a yearly basis, through the Clean Cargo Working group.

With regards to airlines environmental & Social criteria, we have introduced a Work Plan to assess airlines, using environmental criteria, which will be enacted in 2019.

KEY ENVIRONMENTAL INITIATIVES

Classic Travel :

Classic continues to print ecological information on all tickets according to guidelines dictated by the ICAO – International Civil Aviation Authority guidelines.

UN SDG - Expolanka Global Goals

EFL Sri Lanka :

Under this project, EFL Sri Lanka partnered the Forest Department and the Ministry of Environment to increase forest cover by a total of 10,000 trees covering an area of 25 acres. In this five year project, EFL will contribute the maintenance cost for this project's lifetime.

EFL Madagascar:

Deforestation has been a long standing issue in Madagascar. It is one of the world's top biodiversity conservation areas due to its high concentration of endemic species and extreme rates of habitat loss. It has been unequivocally proven that humans have been posing pressure on its ecosystem and become a threat to its biodiversity.
Our EFL team in Madagascar are aware of the importance of forests and the climatic changes in their country which are a threat to its biodiversity and ecosystems.
Therefore, we decided to partner with a local NGO, Mitsinjo Asssociation ParcAndasibe, which is renowned for their work especially with regards to protecting life on earth. By working closely with them, EFL Madagascar initiated Phase-1, allocating 5000m2 at a National park in Andasibe to successfully planted 500 plants to initiate forest cover.

CAPITAL MANAGEMENT REPORTS (contd.)

SOCIAL AND RELATIONSHIP CAPITAL

Social and relationship capital consists mainly the strength of the relationships the Group has with customers, suppliers and business partners, as well as the community ties we have built by working towards socio-economic upliftment.

Recognising that engagement forms the basis for developing respect, trust and understanding between all stakeholders, the Group strives to build strong ties with all stakeholder categories to enable the creation of mutually beneficial outcomes and thereby improve the sustainability of business operations in the long-term.

The Expo Pledge, taken by all employees makes our team accountable towards due care and respect towards the communities in which they operate. Employees promise to always practice safe methods and act responsibly so as to avoid any harm to our stakeholders, which include the community and to work towards contributing towards the betterment of society.

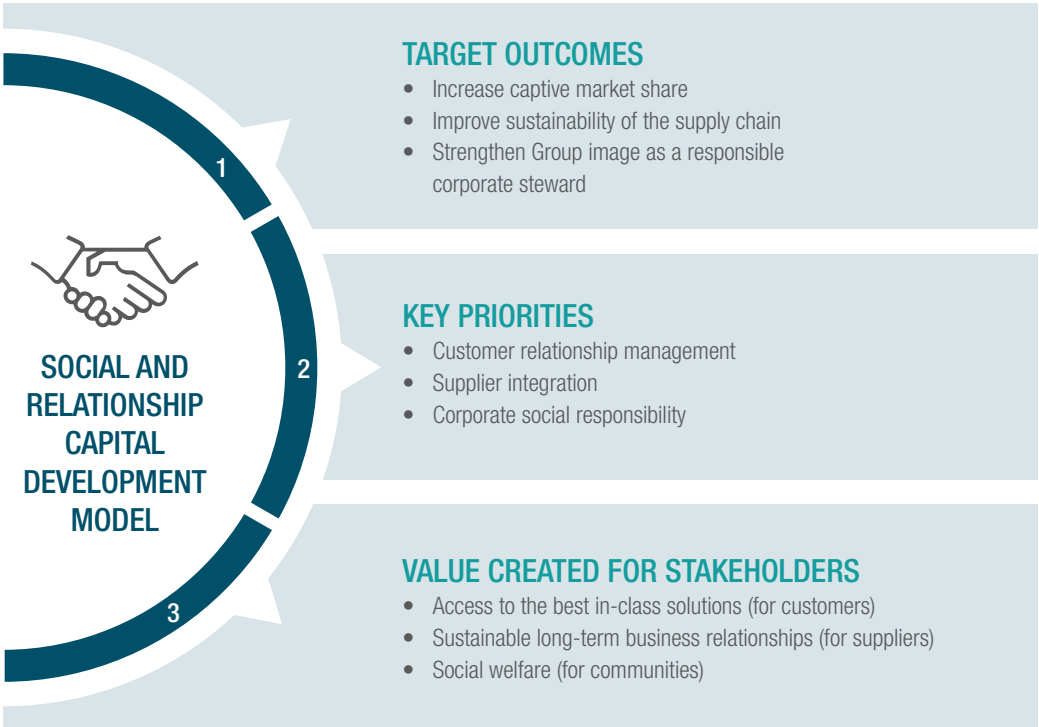
MANAGEMENT APPROACH: LOCAL COMMUNITY ENGAGEMENT

In July 2018, Expolanka Holdings made a commitment to find initiatives that not only grow the business, but also benefit society. To achieve this goal, we began to support the United Nation's Sustainable Development Goals (UNSDGs).

To achieve SDG's through the Expolanka Group we first identified the needs of each country in which we operated through EFL. We then developed a project specific to each country, in line with the relevant SDG. We also formed partnerships with credible NGOs in that specific country to enhance project impacts.

Customer Relationship Management

In this current highly competitive environment, managing our relationships with customers is vital for business sustainability. At Expolanka, we go the extra mile by anticipating customer needs and taking a proactive approach to develop value added services and support systems to enhance customer convenience. In addition, we recruit the best talent in the market to ensure maximum efficiency of service delivery and also invest in developing the technical and soft skills of our personnel to maintain the highest standards of service delivery.



Supplier Integration

As the Expo Group outsources certain aspects of its transportation system, integration of suppliers into the sustainability framework remains a priority. Despite the large number of suppliers, the Group has successfully achieved all three aspects of supplier integration during the year. This includes the first step of tracking all GHG emissions from outsourced transport through the P3 system. The second involves the Group's renewable energy procurement strategy where all possible aspects of integrating renewable energy into operations are examined. In this regard, a decision was made to purchase fuel efficient trucks for land transportation of cargo. Under the RE100 target, the Group plans to source all its electricity entirely from renewable sources. To increase the impacts of energy efficiency, Expo companies will collaborate with key industry stakeholders such as CCWG, GLEC, IATA and the Smart Freight Centre to improve methodologies for carbon foot printing of transportation.

UNDP-Expolanka Sustainable Development Initiative

For the first time in Sri Lanka, and as part of its larger 'HackaDev' initiative (the National Youth Social Innovation Challenge), the United Nations Development Programme (UNDP) has partnered with Expolanka Holdings PLC to introduce and pilot the first 'HackaDev Corporate'. This constitutes the first social innovation challenge implemented for a private sector company in Sri Lanka, providing an opportunity for the Expolanka team to contribute towards the sustainable development of Sri Lanka.

A total of eight teams comprising five people each collated from different companies within the Expolanka family have signed up for the challenge. Following an initial workshop held in September 2018, social innovation ideas are set to be rolled out by Expolanka Holdings PLC, as its flagship CSR initiative going forward. Each idea is linked to a core SDG, ranging from concepts related to quality education to waste management and food security.

Operations with local community engagement, impact assessments, and development programmes [GRI 413-1]

EFL Philippines :

The Philippines has a food deficit that is exacerbated by the combined effects of man-made and natural disasters. Many Filipinos suffer from "involuntary hunger" and those who experience "extreme hunger" keep rising. Therefore, EFL Philippines has made a commitment to support SDG 2 by tackling hunger in extreme poverty-stricken areas.
EFL Philippines partnered with Project Pearls, a local NGO that helps the poorest of poor children, giving them a better life by giving them PEARLS - Peace, Education, Aspiration, Respect, Love and Smiles through education, empowerment, nutrition, nourishment and healthcare.

EFL Philippines began sponsoring a feeding programme, every Saturday. Our staff volunteer by conducting storytelling, art sessions and providing a healthy meal for 300 poor children in Helping Land, Tondo.

EFL UAE :

The World Health Organisation has noted that with a population of 8 million in the UAE, approximately 11% have a disability. As the numbers of people with disabilities increase, the UAE Government is focusing on making more services available to people with special needs and are now recognising them as "people of determination."

Even though a number of services has become available to people of determination, there is still a gap in their social inclusion. To assist in bridging this gap, EFL UAE decided to partner Al Noor, a training centre dedicated to children and adults with special needs.

EFL UAE participated in Al Noor's annual fundraising event – Family Fun Fair. Our energetic team assembled an exciting photo booth with props, where participants could take fun pictures, stimulating their senses and was provided opportunities of inclusion. This event was a huge success and our team did raise a significant proportion of funds to provide facilities and training material to the children and adults of Al Noor.

CAPITAL MANAGEMENT REPORTS (contd.)

Social and Relationship Capital

EFL Hong Kong :
As the city faces an ageing population and housing prices continue to rise, an alarmingly increasing segment of the population continue to live in poverty. With little or no access to food or housing, Bloomberg reported that 1 in 5 people living in Hong Kong are living in poverty.

To help address the needs of the people, EFL Hong Kong decided to work with Food Angel, a food rescue and food assistance programme that uses edible surplus food, which would have been disposed as waste from different sectors of the food industry.

Our team in Hong Kong volunteered at the food kitchen by helping prepare vegetables, food packs, and serving hot meals in the central kitchen and then redistributed the food by serving it in underprivileged communities in the area. This also helped in reducing the amount of food waste which has also become an epidemic in all countries besides the direct impact of providing nutritious meals to the under-privileged.

EFL Kenya :
Similar to the case in South Africa, more than half of Kenya's population lacks access to clean water and suffer from water borne illnesses.

Clean Water Kenya is a Non-Profit Organisation supplying Portable Water Filtration Systems to rural Maasai and Kampo villages throughout the Great Rift Valley and Northeast of Kenya. Our team in Kenya have dedicated to help more rural communities by partnering with Clean Water Kenya.

EFL Kenya is currently preparing to distribute water barrels and rain filters to over 100 families, as well as teach a lesson to communities on sanitation, hygiene and waste management and how to clean the filter.

In addition to our social contributions through supporting the SDGs under its line companies, the Expolanka Group makes many social contributions every year through CSR programmes conducted by companies in the Group, including disaster relief efforts conducted collectively by the Expolanka Group.

Expolanka Holdings Sri Lanka:
Micro Finance Project – Budding Entrepreneurs
During the year more than fifty entrepreneurs benefitted from this project which is conducted in partnership with Helpage Sri Lanka, who identifies beneficiaries to receive micro financing support. Currently, the revolving fund stand at LKR 715,000 which are to be redistributed in the new financial year to newly selected beneficiaries from the Colombo Divisional Secretariat office areas and the Homagama Divisional Secretariat areas.

10,000 Liter RO Clean Water Project

Expolanka Holdings declared open a 10,000 Litre RO (Reverse Osmosis) Clean Water Project At Thumbullegama - Mahawa through Sirasa Gammedda.

This RO filter provides clean water to more than 350 familes in the village, when earlier they had to buy purified water at a cost. Now the people of Thumbullegama have access to clean and healthy drinkable water.

EFL Sri Lanka

Blood Donation Camp

Organised by the EFL's employees, over 200 donors across the EFL cluster participated in the blood donation camp.

Flood Relief - Expolanka Group

A team from the Expo Group travelled to Kilinochchi to distribute dry rations to 110 flood affected families.

GRI INDEX

[GRI 102-55]

GRI Disclosure	Description	Page number(s) / Director response
GRI 102: General Disclosures		
102-1	Name of the organization	Back Cover
102-2	Activities, brands, products, and services	74, 81, 85
102-3	Location of headquarters	Back Cover
102-4	Location of operations	72-73
102-5	Ownership and legal form	119, Back Cover
102-6	Markets served	72-73, 80, 84, 88
102-7	Scale of the organization,	6, 45
102-8	Information on employees and other workers.	45
102-9	Supply chain	24 (Partial Assurance)
102-10	Significant changes to the organization and its supply chain	None
102-11	Precautionary Principle or approach	108-113
102-12	External initiatives	4, 25
102-13	Membership of associations	25
102-14	Statement from senior decision-maker	10-12
102-16	Values, principles, standards, and norms of behavior	44, 91
102-18	Governance structure	29, 92
102-40	List of stakeholder groups	35
102-41	Collective bargaining agreements	None
102-42	Identifying and selecting stakeholders	35
102-43	Approach to stakeholder engagement	36-37
102-44	Key topics and concerns raised	36-37
102-45	Entities included in the consolidated financial statements	137-138
102-46	Defining report content and topic Boundaries	4, 30-34
102-47	List of material topics	30-34
102-48	Restatements of information	4
102-49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	4
102-50	Reporting period	4
102-51	Date of most recent report	4
102-52	Reporting cycle	4
102-53	Contact point for questions regarding the report	4
102-54	Claims of reporting in accordance with the GRI Standards	4
102-55	GRI content Index	64-66
102-56	External assurance	4, 67-68

GRI Disclosure	Description	Page number(s) / Director response
103 Management Approach		
103-1	Explanation of the material topic and its Boundary	31-34
103-2	The management approach and its components	31-34
103-3	Evaluation of the management approach	31-34
GRI 201: Economic		
201-1	Direct economic value generated and distributed	39
201-3	Defined benefit plan obligations and other retirement plans	48
GRI 202 : Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	47-48
205 Anti-corruption		
205-3	Confirmed incidents of corruption and actions taken	None
GRI 305: Emissions		
305-1	Direct (Scope 1) GHG emissions	52-55
305-2	Energy indirect (Scope 2) GHG emissions	52-55
305-3	Other indirect (Scope 3) GHG emissions	52-55
305-5	Reduction of GHG emissions	56-58
GRI 306: EFFLUENTS AND WASTE		
306-2	Waste by type and disposal method	58
GRI 307: ENVIRONMENTAL COMPLIANCE		
307-1	Non-compliance with environmental laws and regulations	51
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT		
308-1	New suppliers that were screened using environmental criteria	59
GRI 401: EMPLOYMENT		
401-1	New employee hires and employee turnover	46-47
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	48
401-3	Parental leave	49 (Partial Assurance)
GRI 402: LABOUR/MANAGEMENT RELATIONS		
402-1	Minimum notice periods regarding operational changes	46
GRI 403: OCCUPATIONAL HEALTH AND SAFETY		
403-1	Workers representation in formal joint management–worker health and safety committees	50
403-2	Types of injury and rates of injury	50
403-3	Workers with high incidence or high risk of diseases	None
GRI 404: TRAINING AND EDUCATION		
404-1	Average hours of training per year per employee	50

GRI INDEX (contd.)

GRI Disclosure	Description	Page number(s) / Director response
404-2	Programs for upgrading employee skills and transition assistance programs	50
404-3	Percentage of employees receiving regular performance and career development reviews	49
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY		
405-1	Diversity of governance bodies and employees	18-19, 48-49
405-2	Ratio of basic salary and remuneration of women to men	49
GRI 406: NON-DISCRIMINATION		
406-1	Incidents of discrimination and corrective actions taken	49
GRI 408: CHILD LABOUR		
408-1	Operations and suppliers at significant risk for incidents of child labour	50
GRI 409: FORCED OR COMPULSORY LABOUR		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	48
GRI 412: HUMAN RIGHTS ASSESSMENT		
412-1	Operations that have been subject to human rights reviews or impact assessments	None
GRI 413: LOCAL COMMUNITIES		
413-1	Operations with local community engagement, impact assessments, and development programs	61-63
GRI 414: SUPPLIER SOCIAL ASSESSMENT		
414-1	New suppliers that were screened using social criteria	59
GRI 416: CUSTOMER HEALTH AND SAFETY		
416-1	Assessment of the health and safety impacts of product and service categories	None
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	None
GRI 418: CUSTOMER PRIVACY2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	None

INDEPENDENT ASSURANCE REPORT

[GRI 102-56]

Building a better working world

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

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

Independent Assurance Report to Expolanka Holdings PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2018/19

INTRODUCTION AND SCOPE OF THE ENGAGEMENT

The management of Expolanka Holdings PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report- 2018/19 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 39 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' - Core guidelines.

BASIS OF OUR WORK AND LEVEL OF ASSURANCE

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

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

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

MANAGEMENT OF THE COMPANY'S RESPONSIBILITY FOR THE REPORT

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

ERNST & YOUNG'S RESPONSIBILITY

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 14 May 2019. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the ICASL.

KEY ASSURANCE PROCEDURES

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

- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2019.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' – Core guidelines.

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

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

INDEPENDENT ASSURANCE REPORT (contd.)

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

LIMITATIONS AND CONSIDERATIONS

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

CONCLUSION

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

- The information on financial performance as specified on page 39 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2019.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards- 'In accordance' Core.

Ernst & Young
Chartered Accountants

29 May 2019
Colombo

limitless

SCOPE

OPERATIONAL REVIEW

Organizational Structure 71

Our Footprint 72

Business Reports 74

- Logistics Sector 74
- Leisure Sector 81
- Investments Sector 85

ORGANIZATIONAL STRUCTURE

- Air Freight
- Sea Freight
- Logistics
- Warehousing
- Transportation
- General Sales Agents

- Outbound Leisure and Corporate Travel
- Destination Management
- Corporate Travel

- Export of;
  - Desiccated Coconut
  - Selected Fruits and Vegetables
- Value added processing
- IT Solutions
- Corporate Services

AIR EXPORTS VOLUME GROWTH
10%

REVENUE GROWTH
9%

EXPORT BUSINESS REVENUE GROWTH
3%

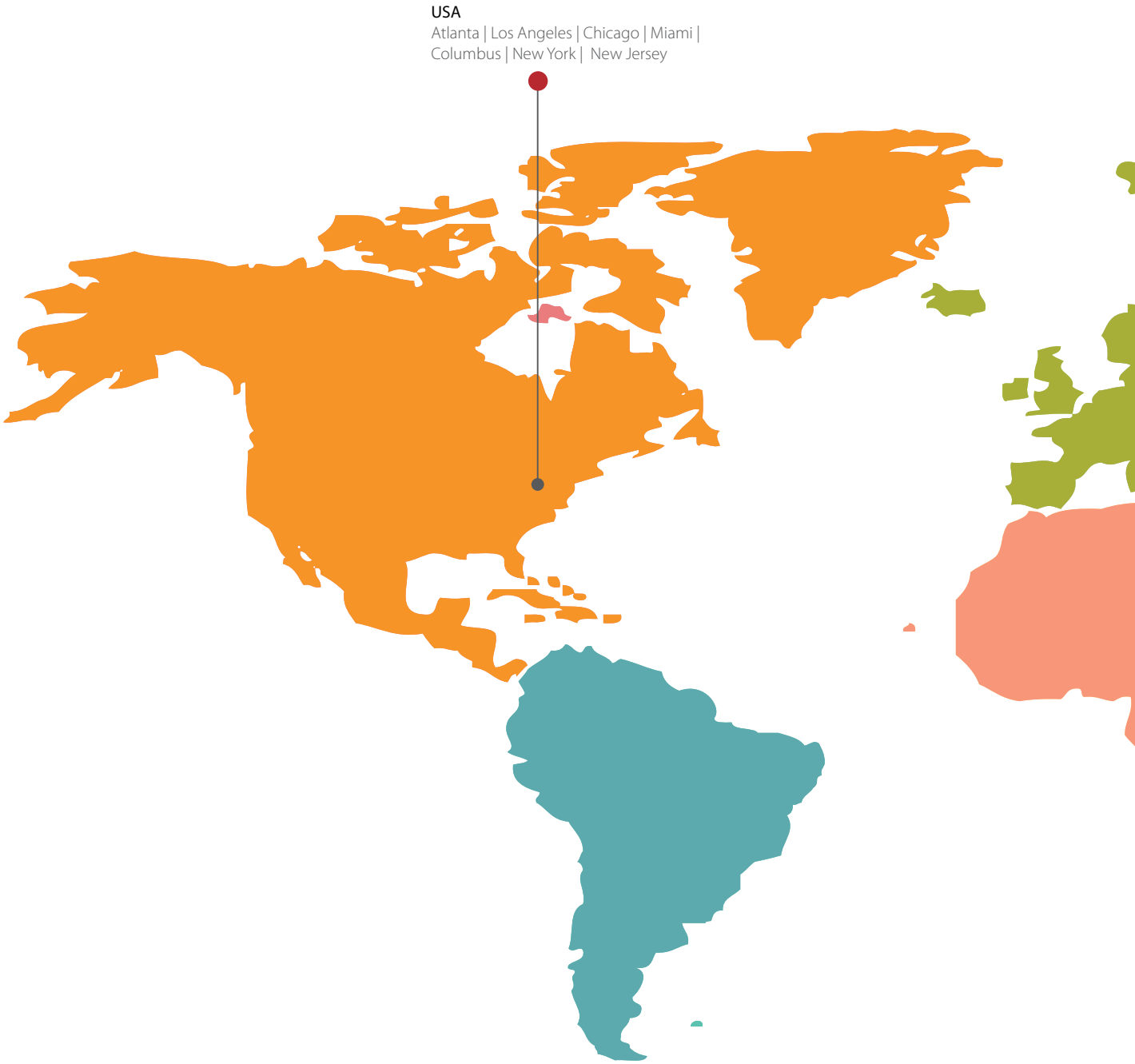
OCEAN EXPORTS VOLUME GROWTH
18%

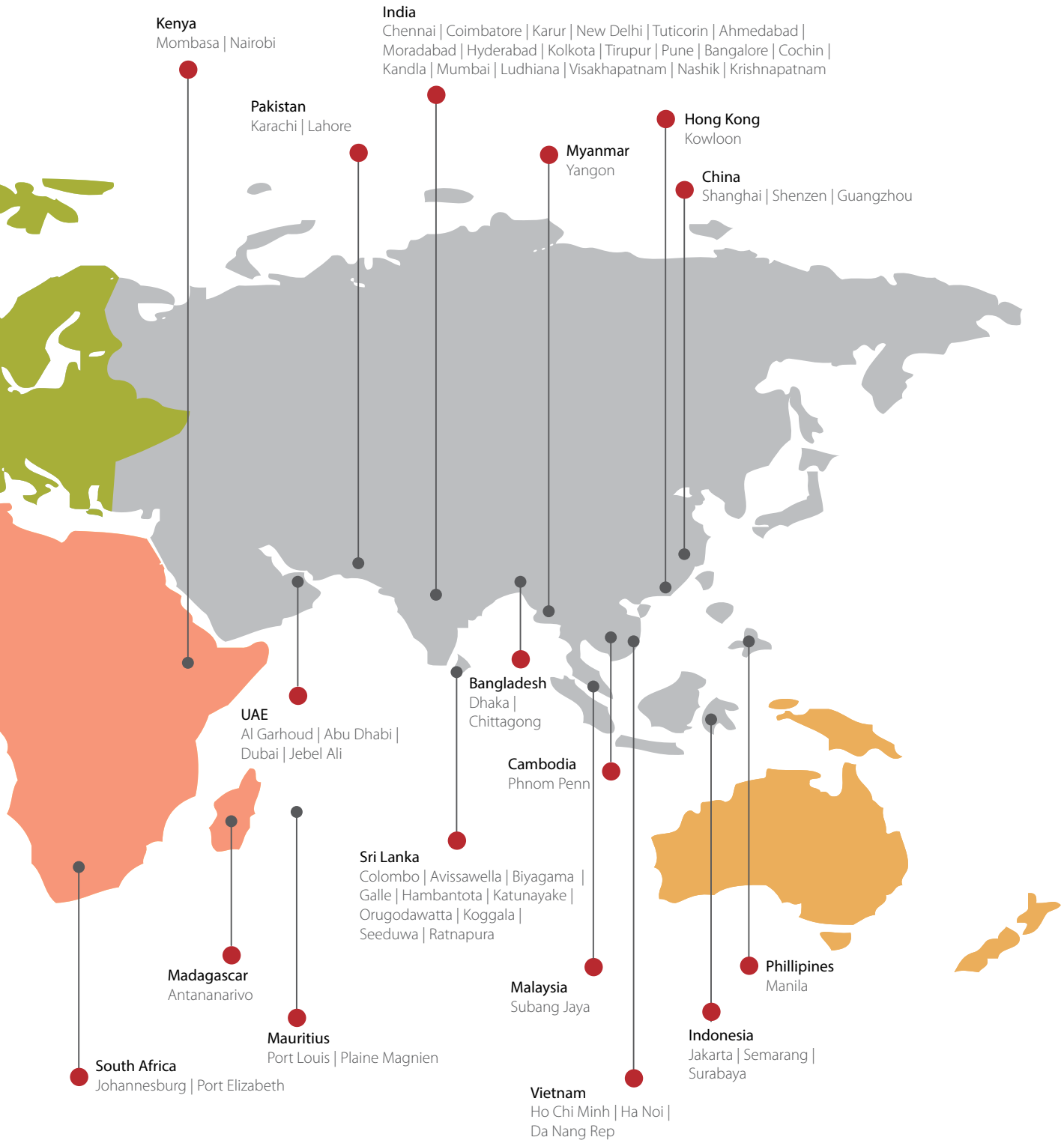
PROFIT GROWTH
24%

EXPORT BUSINESS PROFITABILITY
Rs. 61 Mn

OUR FOOTPRINT

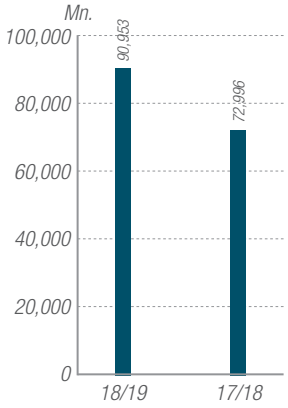
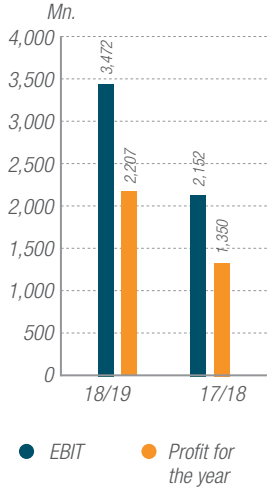
[GRI 102-4, 102-6]




Kenya
Mombasa | Nairobi
India
Chennai | Coimbatore | Karur | New Delhi | Tuticorin | Ahmedabad | Moradabad | Hyderabad | Kolkota | Tirupur | Pune | Bangalore | Cochin | Kandla | Mumbai | Ludhiana | Visakhapatnam | Nashik | Krishnapatnam
Pakistan
Karachi | Lahore
Hong Kong
Kowloon
Myanmar
Yangon
China
Shanghai | Shenzen | Guangzhou
Bangladesh
Dhaka | Chittagong
UAE
Al Garhoud | Abu Dhabi | Dubai | Jebel Ali
Cambodia
Phnom Penn
Sri Lanka
Colombo | Avissawella | Biyagama | Galle | Hambantota | Katunayake | Orugodawatta | Koggala | Seeduwa | Ratnapura
Madagascar
Antananarivo
Malaysia
Subang Jaya
Phillipines
Manila
Indonesia
Jakarta | Semarang | Surabaya
Mauritius
Port Louis | Plaine Magnien
South Africa
Johannesburg | Port Elizabeth
Vietnam
Ho Chi Minh | Ha Noi | Da Nang Rep

BUSINESS REPORTS

SECTOR SNAPSHOT LOGISTICS

Segment	Product Mix [GRI 102-2]	Highlights 2018/19	Revenue	Profits	Strategy
Logistics	1. Air Freight 2. Sea Freight 3. Logistics 4. Warehousing 5. Transportation 6. General Sales Agents (GSA)	1. Strong Growth in volume across all key products • Air Exports - 10% • Air Imports - 18% • Ocean Exports - 18% • Ocean Imports - 9% 2. Expanding operations in all trade lanes 3. Full deployment of the ERP system across the largest entities 4. Further value additions to customers	Revenue 	EBIT & NP 	1. Harness technology solutions for business expansion 2. Expand existing customer wallet share 3. Acquire new customers 4. Diversify by expanding our vertical portfolio. 5. Optimise Supply chain 6. Optimise trade lane performance to drive profitability

LOGISTICS SECTOR

EFL operates as a freight forwarder and competes in the logistics industry.

As one of the fastest growing logistics services providers in South Asia, EFL's global footprint is expanding rapidly every year and currently encompasses 60 + locations in 18 countries. Our growth has created value to communities across the globe through direct employment generation, indirect livelihoods and logistics connectivity for buyers and manufacturers. As at end March 2019, the logistics sector workforce comprised of 2,578 employees with many more support service providers. Our operations ensure uninterrupted trade connectivity between major consumer markets in the US and Europe, and manufacturing centres in Asia, Africa and the Middle-Eastern regions.

As we continue to expand our presence, we have upgraded our systems and skill base to bring us closer towards our objective of evolving into a global fourth-party (4PL) logistics services provider through expansion of our physical infrastructure, service portfolio and global reach.

BUSINESS REPORTS (contd.)

Logistics Sector

EFL GLOBAL

Industry Performance

The financial year 2018/19 saw EFL expand and consolidate its operations across its global network with volume growth in air freight and sea freight across almost all major trade lines, despite a fairly volatile year for global trade.

The International Air Transport Association (IATA) stated that global air freight markets, measured in Freight Tonne Kilometers (FTKs), grew by 3.5% compared to 2017/18. EFL managed to increase its volumes by approximately 10% & 18% for Air Freight Exports and Imports respectively. Air cargo demand lost some momentum towards the end of 2018 in the face of weakening global trade, lower consumer confidence and geopolitical headwinds. Freight capacity, however, grew by 3.8%. This was the tenth month in a row that year-on-year capacity growth outstripped demand growth at 3.5% compared to 2017/18. However, IATA is optimistic that demand will grow in the region of 3.7% in 2019.

Airlines in all regions, with the exception of Africa, reported an annual increase in demand in 2018. Asia-Pacific carriers posted the weakest growth with a decrease in demand by 4.5% compared to the same period a year earlier, while capacity increased by 2.6%. North American airlines posted the fastest growth for the seventh consecutive month in December 2018 with an increase in demand of 2.9% year-on-year and had a capacity increase of 4.5%. European airlines posted a 1.9% year-on-year increase in freight demand in December 2018 and a capacity rise of 3.7%. Weaker manufacturing conditions for exporters, particularly in Germany, one of Europe's key export markets, along with mixed economic indicators impacted demand in 2018. Meanwhile, in the Middle East, air freight volumes increased 0.1% year-on-year in December and capacity increased 4.5%. This contributed to an annual increase in demand of 3.9% in 2018 - the third fastest growth rate of all the regions.

Trade wars between the USA and a few countries and blocs prompted the WTO to revise the world merchandise trade volume's growth forecast to 3.9% in 2018. China, Republic of Korea and Japan led the world's shipbuilding activities accounting for around 90.5% of global deliveries. Greece, Japan, China and Germany led the world in terms of fleet ownership, together accounting for around 44.2% of the world's fleet. India, Bangladesh and Pakistan continue to lead the world in the dangerous and labour intensive work of ship scrapping. North America had the fastest export growth in global trade in 2018, Asia had the strongest import growth while resource-based economies faced a struggle.

World seaborne trade is projected to expand at a rate of 3.8% between 2018 and 2023 as volumes across all segments are set to grow, with containerised and dry bulk commodities trade expected to be the best performers. As per WTO reports, trade volume growth should slow down to 3.7% in 2019 as global GDP growth dips to 2.9%. While rising trade tensions pose the biggest risk to the forecast, monetary policy tightening and associated financial volatility could also destabilise trade and output. Current trade-related indicators show a loss of momentum, including global export orders and economic policy uncertainty. The industry may face some volatility from uncertain Brexit negotiations, and Indian sub-continent geo-political regional instability. Also certain disruptions may occur from e-commerce and digitalisation.

Logistics Performance

The current financial year saw our logistics sector surge ahead carving through global turbulences to achieve highly commendable financial results across the network. The sector recorded a revenue of Rs. 90.95Bn, which is a growth of 25% year on year demonstrating the effectiveness of the sector blueprint in driving the topline, while containing the middle-line through efficiency and productivity gains that have cumulated through years of investments into digitalisation and supply chain optimisation.

With regards to import and export trade volumes, EFL recorded a 18% year on year growth in both sea exports and air imports, while air exports and sea imports have increased by 10% and 9% respectively. Against this growth, the sector achieved a gross profit growth of 26%, while sea imports achieved a 35% growth in gross profit. Air imports also recorded a 24% growth in gross profits while sea exports recorded a 6% increase.

While pushing its business volumes, EFL also maintained exceptionally high standards of customer care, reliability and convenience that has enhanced the EFL brand visibility among US apparel brands.

EFL's Trade Lane-wise Performance

The logistics sector has in the current financial year, recorded robust growth from its business activities across its global footprint, while also extending its reach further into key international markets.

Business volumes have increased from almost all of trade lanes, amply demonstrated by the growth in import and export trade volumes. Exports from Asia and the Middle East grew by 17% and exports to Europe, increased by 3%. Exports to other markets on the other hand experienced a 30% growth to a total 21% growth in exports year on year. When it comes to imports, Asia and the Middle East, which accounts for the majority 83% of value in terms of share of gross profit, surged ahead by 38% year on year and imports into Africa moved up by 19% for an average 28% growth in imports across all trade lines.

Strategy and Focus

In line with the long term vision of becoming a global 4PL player, EFL continued to strengthen its strategic location of offices, while acquiring new customers and also gaining wallet share from existing customers. Our global customer base has both expanded, to include new customer and market segments, and deepened by capturing a larger share of business volumes from existing international brands, particularly from the Far East. The strategy for EFL's stronghold in South Asia remained unchanged, where the focus was to strengthen core capabilities and enhance the Company's profile in the integrated logistics sphere. Advances in these targets have opened up opportunities into other fast-growing verticals, including Technology, and retail.

While enjoying a highly successful year in its Far East operations, EFL's solid reputation for reliability was used to attract new businesses and expand market share. Country-specific strategies were deployed in other East Asian origin markets where EFL already has a presence, namely the Philippines, Vietnam and Indonesia. In these countries, the main strategic thrust was to develop the existing customer base for higher volumes of frequency of business. In addition, the company continued to open new stations in strategic trade locations across the globe for a stronger foothold on existing and emerging trade routes.

Overall, the expansion efforts by the logistics sector has contributed towards positive gains in brand recognition and brand visibility, positioning EFL on a more competitive footing at a global scale. The logistics sector's business growth during the current year is indicative of its international reputation, which is backed by a long standing reputation for reliability and trustworthiness in the logistics trade and among apparel brands.

A strategic imperative during the year was to extend the logistics sector supply chain infrastructure globally and to support this objective the sector invested in accessing warehouses across geographic locations, setting up container freight stations in key localities, expanding trucking facilities, managing charters, and strengthening relationships with carriers. In Sri Lanka, EFL's Global Freeport facility played a key role in driving regional gains, while supporting the country's international trade development plans as well.

A major boost for the logistics sector's future growth was the global deployment of the CargoWise ERP system in the current year. The system offers an integrated ICT platform across the diverse logistics functions covering all operational locations which has significantly enhanced supply chain visibility. This has in turn, translated into better and more informed decision making and faster response times that will make EFL even more flexible towards customer requirements. The uniform system across all EFL offices also makes it easier for customers to communicate with EFL locations and to access relevant data regarding their shipments. Therefore, the system will provide a strong competitive advantage for the logistics sector through enhanced customer convenience and trust. The impact of the CargoWise system will be felt across the value chain by leading to process improvements and significant cost savings by eliminating non-value adding and repetitive processes, automating data entry, ensuring workflow benefits for customers and suppliers and also opening up the possibility of offshore processing centers. The greater visibility afforded through a single integrated system will contribute towards optimising data more effectively to support market trend analysis and decision making. Cost benefits will also accrue through the potential to control the rapid increase in staffing needs and by making it possible to reduce information and technology application costs.

Surging forward with its expansion strategy during the year, EFL also strengthened its new market segments of electronics and retail. These segments could provide rapid growth in the new financial year with the backend support systems now coming into operation.

Outlook and Prospects

Our carefully selected geographical operational locations, strong customer relationships have been built on tried and tested trust, in-depth local knowledge in respective stations, and focused verticals, provide us with a strong framework that is both resilient and hardy. Through our ubiquitous ability to evolve and our nimble and efficient organisation culture, EFL has emerged stronger and better equipped to surmount any challenges that may arise as we continue forward in our strategic route map. We are now poised and ready to step up our business to the next level and we are equipped with the correct combination of skills, technologies and supply chain improvements to drive a faster pace of growth.

Focused on our end objective and looking forward at our future journey, we understand the importance of being nimble, agile and innovative. In this context, the revolutionary force driving industry change in a global scale, is technology. Therefore, our logistics operation will continually monitor technology trends and will emphasize technology adaptation into the logistics business model with a strong future sustainability focus. During the new financial year, we will leverage our ERP system for operational efficiencies, cost benefits and customer convenience and continue to invest in extending and enhancing the level of sophistication of our technologies to carve out an unparalleled competitive advantage at a global scale. Considering the operating environment, customer requirements and strategic goals, our digital strategy will prioritise increased visibility, improved efficiencies, process automation, increased intelligence and supply chain integration and optimisation.

BUSINESS REPORTS (contd.)

Logistics Sector

Operating within a global paradigm, we will focus on leveraging our technological capabilities to strengthen our offerings in consultancy based logistics, on a digital platform. We are confident of achieving this objective significantly rapidly due to the ongoing investments into systems and processes, years of experience and international brand recognition within the global logistics sector.

Our logistics business has already made a mark in most major trade centres in the world. As we accelerate our growth strategy deployment, we will strengthen our presence in emerging trade hubs based on the dynamics of global trade, which will contribute towards our competitiveness and operational efficiencies.

Managing our external market risk elements is essential to sustain long term growth and in this regard the logistics sector will continue to diversify its business portfolios in order to reduce concentration risk in the apparel sector. We have already made headway in this regard and will continue to expand our non-apparel portfolio by growing the technology and retail customer segments.

Sustaining topline growth is highly dependent on procurement speed and efficiency and we will target growth over the next year. The effectiveness of our procurement strategy will be key to support volume growth and business diversification into providing logistics services for technology brands.

While pushing ahead with our strategic objectives, we will remain continually vigilant of new and emerging opportunities in the logistics industry that would add to customer value and extend EFL's service portfolio. With our sights firmly set on our goals and a clear strategic route map charted, the Group's logistics sector is gearing for growth that will create value for all stakeholders concerned.

EFL's warehousing operation is an essential component of the company's logistics business in providing secure, safe and economical storage of goods, inventory and information. It has been an area of focus for strategic realignment with the aim of optimising the sector's contributions towards the overall long terms vision for EFL as an emerging global logistics brand.

Strategy and Focus

With its value proposition clearly defined during the current year, the warehouse sector continued to consolidate on its existing strengths, while also expanding warehouse space in new locations in strategically important points of the logistics chain.

The warehouse sector holds the key strategic objectives of supporting the overall logistics operation by expanding existing customer wallet share via ensuring storage for higher volumes, increased frequency of services, and through the provision of customised storage services. An additional sector priority is to accommodate new customer segments to enhance overall revenues through new revenue generating opportunities.

Digital technologies and automation are changing the face of the logistics sector globally, and the warehousing sub-sector is an integral aspect of this digital supply chain. EFL warehousing is fully cognisant of the immense efficiency gains that can be unlocked through the correct technology applications which has led to us continuing to improve our technology platforms.

Warehousing Performance

The sector maximized benefits from the Tier 1 Highjump software and warehouse management system, which was rolled out fully across all five facilities already on the network in the previous year, by recording continued efficiency improvements. One of the best warehouse management platforms in the market, the advanced visibility dashboards offered by the Tier 1 Highjump software has enhanced service visibility and convenience for customers and enabled improved cost efficiencies, while also facilitating the delivery of a range of value-added services to customers.

As the apparel industry is the largest customer of the logistics sector and is one of the biggest industries within the region, the warehousing sector was mainly active in providing warehousing solutions for apparel brands. However, warehousing services to other sectors such as Retail and Technology sectors also made clear advances during the year and the successful handling of these goods have now established the EFL brand within a broader clientele. The portfolio diversification contributes towards rebalancing the sector risk profile, while creating a scalable platform to position EFL as a fully-fledged 4PL service provider.

The EFL Global Freeport, the country's first free port operation made strong progress during the year with a 32% increase in revenue.

Outlook and Prospects

The growth in global trade, coupled with our strategic locations, technological systems, specialised services and growing customer base, has created a highly conducive environment for growth of the warehousing sector. The diversification of customer and market segments to cater to other segments as well as the existing apparel customer base, has opened up new revenue streams that can be expected to grow in the new financial year. To accommodate this we have built strong teams with technical skills to focus on a solution driven service. We are confident of achieving this target through our asset light model, which enables greater flexibility and better risk management.

While pushing organic growth, the cluster will seek to grow inorganically, tapping into opportunities to widen its reach in other fast-growing sectors of the economy, while maintaining unwavering focus on productivity and efficiency gains.

AIRLINE GSA

EFL is a designated general sales agent (GSA) for a number of top airlines in the region and has built up strong relationships on the air carrier front to support logistics expansion and efficient and fast cargo delivery for clients positioned throughout the globe.

GSA Performance

The Airline GSA segment saw strong growth during the year with revenues moving up, under EFL's multi-country GSA model. The sector achieved a bottom line growth with a sustained emphasis on streamlined cost management and efficiency gains through system improvements.

We continued to consolidate existing partnerships in key markets, namely Sri Lanka, Pakistan, Bangladesh, the Maldives and India. In addition, brand visibility was enhanced across regions to enhance overall competitiveness and brand awareness.

Outlook and Prospects

EFL's airline GSA business is a growing component of the logistics value chain with high growth potential and has continually strengthened its operational base to support overall corporate vision. We are now a more streamlined and focused operation with the requisite support infrastructure implemented to sustain strong growth by enhancing scalability of the operations. We already have a customer base in South Asia with long standing relationships which will be leveraged in the new financial year for business volume growth, while in tandem, expanding the global footprint in partnership with reputed carriers who are increasingly seeking GSA partners with a proven track record. We will also develop customised solutions and greater value added services to maintain strong growth of the topline.

Key Indicators

(Rs. Mn)	2018/19	2017/18	% Change
Revenue	90,953	72,996	25%
Earnings Before Interest & Taxes (EBIT)	3,472	2,152	61%
Finance Cost	162	145	11%
Profit Before Tax	3,311	2,007	65%
Profit After Tax	2,207	1,350	63%
Total Assets	29,366	24,650	19%
Total Equity	14,262	12,394	15%
Total Debt	3,411	3,087	11%
Capital Employed	17,674	15,481	14%
Return on Equity	15.5%	10.9%	42%
Return on Capital Employed	13.4%	9.7%	39%

BUSINESS REPORTS (contd.)

Logistics Sector

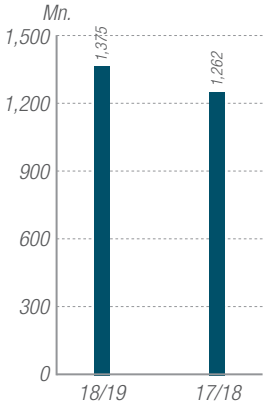
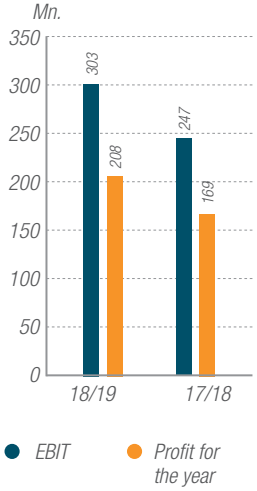
SECTOR CONTRIBUTION TO GROUP (%) [GRI 102-6]

Turnover 95%

EBIT 105%

Capital Employed 84%

SECTOR SNAPSHOT LEISURE

Segment	Product Mix [GRI 102-2]	Highlights 2018/19	Revenue	Profits	Strategy
	1. Outbound Corporate Travel and Leisure 2. Inbound Leisure and Corporate Travel 3. Destination Management services	1. Revenue and profit growth 2. Expanding operating base and reach 3. New products and services 4. Increase value added service portfolio 5. Continued brand enhancement	Revenue 	EBIT & NP 	1. Expand from outbound to full service provider for B2B category 2. Explore market expansion initiatives 3. Expand business volumes 4. Improve cross selling opportunities.

BUSINESS REPORTS (contd.)

LEISURE SECTOR

Since its origins in 1994 Classic Travel has built a solid market reputation as a specialist in corporate travel in Sri Lanka and the region. With a proven track record for holistic end-to-end solutions designed for the corporate sector, Classic is a premier corporate travel agency in Sri Lanka with a large and growing clientele of top blue chip corporates. The company has now expanded its business scope into inbound as well as outbound travel, MICE tourism and also offers a range of services in project management, logistics, accommodation, and event management.

Strategy and Focus

A large player in the leisure segment in the country, Classic Travel, leverages on core strengths of brand reputation and market experience, while also expanding the growth horizon into a full service leisure operation by growing both outbound and inbound tourism within the Corporate travel segment. Customer services is and has always been given prominence in our Leisure sector. Within this much broader strategy map, Classic Travel has recorded a robust performance for the year despite a challenging environment that caused some obstacles on the procurement end.

We have continued to focus and grow, expanding our operations during the year. Our focus is the Corporate travel business, and we have re-allocated resources to more profitable and suitable businesses.

Performance

The sector reported a revenue growth of 9% year on year, from Rs 1.26 Bn to Rs 1.38 Bn which by the astute expansion of top line by capturing more business from existing customers and also rapidly growing the customer portfolio for a large slice of new customer revenues. Total turnover was boosted by Classic Travel's focused approach adopted throughout. With this upward trajectory in topline, the profits from the leisure sector grew by 24%, reaching Rs 208 Mn from Rs 169 Mn in the previous year.

While maintaining a well targeted branding and marketing drive, a highlight of the year was the launch of a customised and highly specialised travel product for government servants under the sub-brand Kalaguna. This an innovative product under the Classic brand and is designed to provide customised travel services for all Sri Lanka government personnel. The unique feature of the product is that it provides access to a bundle of travel services on the basis of a valid ministry identification card and eliminates all red tape and hassle generally associated with travel procedures, which saves both time and money and enables rapid movement.

The Corporate business travel segment meanwhile, was broadened and deepened through a well structured communications strategy to raise awareness among the business sector regarding the exceptional value created for businesses by the company. Classic offers a full range of services for Corporate business clients that ensures the most convenient flights and connections and takes on all visa procedures to ensure a safe and easy trip for business travellers. Following these awareness raising activities, some large corporate customers in Sri Lanka have already designated Classic Travel their 'official travel partner'.

The company continued to add value to its service portfolio to differentiate the "Classic" product from the competition and the VIP customer service center at the BIA for Classic's outbound travelers, has been highly appreciated by our clients.

The increased technology focus was extended to the leisure sector to increase competitiveness through cost efficiencies and higher levels of customer convenience in both inbound and outbound travel segments

Outlook and Prospects

As the global tourism landscape becomes even more competitive, we are optimistic regarding the growth possibilities of our leisure sector business where we can leverage our core strengths and expertise to the maximum to capture market opportunities. While remaining within the Corporate category of travel and tourism, we will continue to develop our businesses within this category by enhancing scalability through technology integration, business volume growth and process improvements. Whilst technology may play a leading role in our business, the personalised touch and customer care which are our main strengths would help us thrive and be relevant in the industry.

Key Indicators

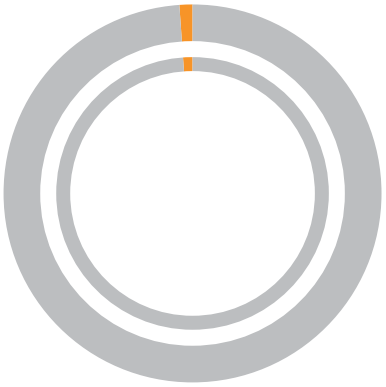
(Rs. Mn)	2018/19	2017/18	% Change
Revenue	1,375	1,262	9%
Earnings Before Interest & Taxes (EBIT)	303	247	23%
Finance Cost	25	39	-36%
Profit Before Tax	279	209	34%
Profit After Tax	208	169	24%
Total Assets	1,769	1,557	14%
Total Equity	734	620	18%
Total Debt	429	205	110%
Capital Employed	1,164	825	41%
Return on Equity	28.4%	27.2%	4%
Return on Capital Employed	20.1%	25.1%	-20%

BUSINESS REPORTS (contd.)

Leisure Sector

SECTOR CON TRIBUTION TO GROUP (%) [GRI 102-6]

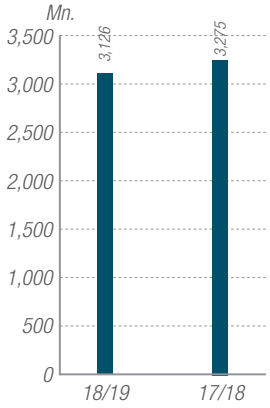
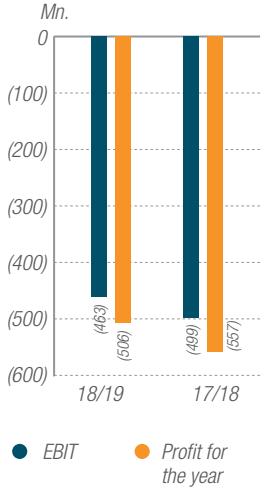
Turnover 2%



EBIT 9%

Capital Employed 6%

SECTOR SNAPSHOT INVESTMENTS

Segment	Product Mix [GRI 102-2]	Highlights 2018/19	Revenue	Profits	Strategy
	1. Export of: • Desiccated Coconut • Selected fruits and vegetables 2. Value added processing 3. IT Solutions	1. Consolidate multi sector sourcing model for coconut 2. Re-organise organic fruit operations to reduce risk concentration 3. Enhance value adding 4. Harness new technologies	Revenue 	EBIT & NP 	1. Optimise operation with enhanced business model 2. Consolidate value added process operation 3. Confine restructure of non-core investment.

BUSINESS REPORTS (contd.)

INVESTMENTS SECTOR

Our Investment sector performance improved during the year, due to lower administration costs being recorded, mainly in the Holding company. The Investment sector includes Holding company costs as well as the Export & IT businesses.

Performance Summary

Total export buiness revenues increased by 3% to Rs 3.08 Bn from Rs 3.00 Bn in 2017/18 and sector profitability increased to Rs 61Mn from Rs 29 Mn.

Desiccated coconut (DC) production decreased by 16.7% in 2018/19 against 2017/18 and exporters were unable to harness the full benefit of increased prices due to lower domestic production, as reflected by the decline of around 28% in DC exports during 2018/19. However, the company's multi-origin sourcing model was extremely successful in cushioning this downturn by obtaining DC from other sources such as Indonesia, which made it possible to meet demand growth.

The Organic coconut export segment, which exports mainly 'Organic' coconut-based products including Virgin Coconut Oil, Coconut Milk, Cream etc. continued to benefit from premium prices and the segment recorded modest revenue growth.

Strategy and Focus

Our highly effective multi-origin trading model was further streamlined and expanded during the year to address potential market risk factors and to enable sustainable growth in supplies.

The rationalisation of the fresh fruits and vegetable product portfolio by limiting exports to a few high demand products has been most effective in optimising cost-benefit aspects of this category.

The "Tropikal" range of organic dried fruits have done significantly well in the US and European markets and will be promoted further in the new financial year.

The dedicated Coconut Water processing plant in Seeduwa came into full commercial operation during the current year contributing towards overall sector topline. As an essential aspect of good agricultural practices, we continued to research on new techniques and approaches to strengthen our agricultural management system.

A significant improvement has been to obtain the ISO 22000, FSSC 22000 and BRC Global Standard which demonstrates our international quality standards and food safety standards.

Outlook and Prospects

The ban on fresh coconut exports was lifted in September 2018 which has once more improved the outlook for coconut exports. The forecast for the DC trading operation remains optimistic, particularly given the encouraging signs seen towards the end of the current financial year indicating a greater availability of DC in Sri Lanka. Nonetheless going forward, the prospects of the trading segment would largely depend on the successful management of the multi-origin sourcing model, for both export of fresh coconut and DC exports.

While the fruit and vegetable (fresh as well as dried) export business is set projected to maintain growth into the future on the back of global demand for organic and high quality natural produce, we will continue to incorporate new technologies and modern methodologies to improve our systems and ensure gains on scalability while benefiting from efficiency gains and ensuring the highest standard of food safety.

ITX 360

Operating Context

Inflows to computer and information services in Sri Lanka grew from US dollars 786 million in 2017 to US dollars 848 million in 2018.

In a landmark move, Sri Lanka unveiled the national brand for the Sri Lankan Information and Communication Technology and Business Process Management (ICT/BPM) sector with the tagline, "Island of Ingenuity - Sri Lanka Knowledge Solutions" in April 2018. This move showcases commitment at national level to support the development of the ICT sector in Sri Lanka. The national vision is to make Sri Lanka the 'Digital Gateway to Asia'.

Performance

Profitability impact of this unit on the total investment sector is minimal as Revenues and profits are minor.

The Expolanka Group's IT arm ITX360 made strong advances during the year towards supporting the Group's strategic objectives by providing highly specialised ICT technical support services for the logistics, leisure and investment sector companies. Through its strategic connections and partnerships within leading players in the global IT industry, the Company maintained its uniquely insightful position on the pioneering edge of the software with access to the latest cutting edge software advances and applications, and also cost benefits on proprietary software. Backed by an unparalleled knowledge of the latest advances in software systems, ITX360 was able to retail exceptionally high quality and customised software solutions for the market that summoned premium prices.

BUSINESS REPORTS (contd.)

Investments Sector

(Rs. Mn)	2018/19	2017/18	% Change
Revenue	3,126	3,275	-5%
Earnings Before Interest & Taxes (EBIT)	(463)	(499)	-7%
Finance Cost	53	48	11%
Profit Before Tax	(516)	(547)	-6%
Profit After Tax	(506)	(557)	-9%
Total Assets	2,462	2,501	-2%
Total Equity	791	1,014	-22%
Total Debt	1,491	912	63%
Capital Employed	2,282	1,926	18%
Return on Equity	-64.1%	-54.9%	17%
Return on Capital Employed	-19.9%	-26.4%	-25%

SECTOR CONTRIBUTION TO GROUP (%) [GRI 102-6]

Turnover 3%

EBIT -14%

Capital Employed 11%

limitless

PURPOSE

COMPLIANCE REPORTS

Corporate Governance 91

Risk Management Report 108

Related Party Transactions Review Committee Report 114

Remuneration Committee Report 116

CORPORATE GOVERNANCE

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE REPORT

[GRI 102-16]

Corporate Governance is essentially thought of as the way in which enterprises are directed and controlled.

Corporate Governance guides the structure and operational practices within our Group. Management's decision making is regulated and efficiency is improved, thereby creating sustainable value for all stakeholders. Strong business ethics, sound policies and procedures, effective and efficient monitoring systems are considered as the components of a good corporate governance system.

We at Expolanka across the group value Corporate Governance as we believe that the company has an obligation to conduct its business in a responsible manner, placing importance to stakeholder concerns, as well as making sure that the organisation remains sustainable. As the group places high importance in Corporate Governance, much effort is devoted to applying global best practices to achieve our governance objectives.

GOVERNANCE PRINCIPLES

The Group believes that the governance principles of trusteeship, transparency, accountability, control and ethical corporate citisenship are fundamental in maintaining competitiveness, growth and sustainability and that the practice of each of these principles create the right corporate culture that fulfils the true purpose of Corporate Governance. The Board works to ensure that the Group succeeds well beyond financial return, and continues to thrive regardless of challenging macro-economic variables.

EVOLVING GOVERNANCE NEED

As our global presence increases at a rapid pace, our governance structure continues to evolve to keep up with the growth. Also as we continue to diversify our business portfolio, sound corporate governance practices need to be in place to cater to changing business needs. We continuously review the framework within which we operate and the processes implemented to ensure that they reflect the complexities of our business and, whilst acknowledging our size, are also capable of adding value as the business grows.

GOVERNANCE CULTURE

Along with our group's vision of building great businesses and the core values, the Board understands the importance of setting the right culture and ensuring that this culture instills the correct values. Groups' Core Values and the Code of Conduct, which set out the values and standards that we expect from our employees together with other policies, govern how we conduct our business and set the standards that drive performance.

BEST PRACTICES

This reports sets out the Group's approach to Corporate Governance Practices, which are mostly principal based and have been formulated in compliance with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC), Companies Act No.7 of 2007, Listing Rules of the Colombo Stock Exchange (CSE) and Code of Business Conduct and Ethics.

My fellow directors and I fully appreciate and recognize the importance of, and is committed to, high standards of Corporate Governance, in managing the Company in an ethical, efficient and effective manner whilst nurturing an entrepreneurial culture.

DECLARATION

Furthermore, I take this opportunity and hereby affirm that I am not aware of any violation to the Code of Business Conduct and Ethics within the Expolanka Group having been appointed as the Chairman of the Board on the 23rd of May 2017.

Naosuke Kawasaki
Chairman

CORPORATE GOVERNANCE (contd.)

GOVERNANCE FRAMEWORK

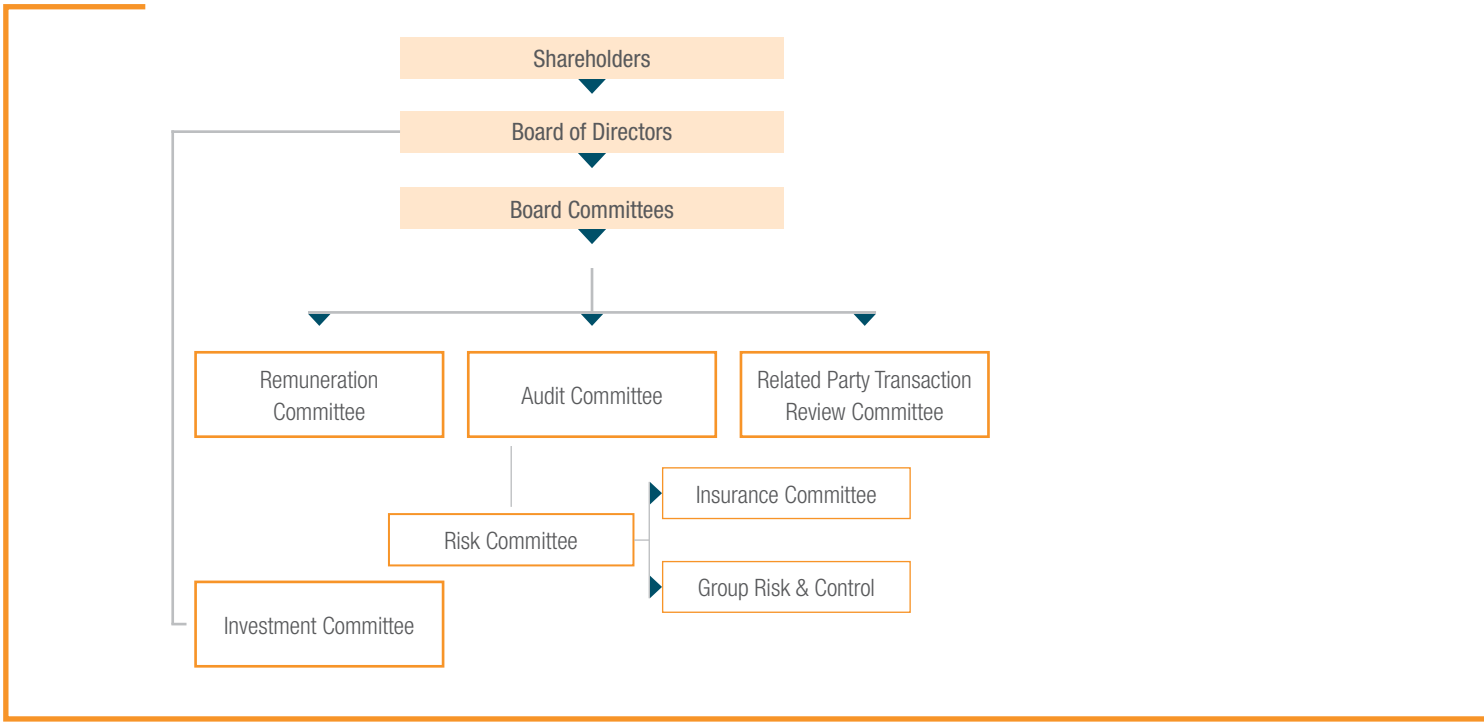
GOVERNANCE STRUCTURE [GRI 102-18]

The directors recognize that good governance, achieved through an ethical culture, competitive performance, effective control and legitimacy, can create sustainable value and enhance long-term equity performance. Expolanka Group's governance structure is based on the principles of accountability, transparency, ethical management and fairness. Our governance structures have evolved over the years in line with the regulatory developments and the best practice.

The Board of Directors along with the Chairman is the apex body responsible and accountable for the stewardship function to the shareholders. The directors are collectively responsible for upholding and ensuring the highest standards of corporate governance.

The Board has delegated some of its functions to the Board Sub Committees to focus on their delegated areas of responsibility and impart knowledge and experience in areas where they have greater expertise, while retaining final decision rights pertaining to matters under the purview of these committees.

Details of Board sub committees are provided in the respective sub-committee reports.



	Name of the Director	30/05/2018	01/08/2018	07/11/2018	06/02/2019	Attendance Eligibility	Attended
1	Mr. Naosuke Kawasaki	●	●	●	●	4	4
2	Mr. Hanif Yusoof	●	●	●	●	4	4
3	Mr. Harsha Amarasekera	●	●	●	●	4	4
4	Mr. Sanjay Kulatunga	●	●	●	●	4	4
5	Mr. Motonori Matsuzono	●	●	●	●	4	4
6	Mr. Yushifumi Matsubara	●	●	●	●	4	4
7	Mr. Osman Kassim	●	●	N/A	N/A	2	2
8	Mr. Tomoki Sano	●	●	N/A	N/A	2	2
9	Mr. Toji Shiho	●	●	N/A	N/A	2	2

● Present ● Excused

GOVERNANCE FRAMEWORK

A robust framework of structures, policies, procedures and processes ensure that the standards and values are upheld throughout the group. Accordingly in the year under review, the Directors spent a considerable proportion of its time streamlining and strengthening the processes pertaining to empowerment and accountability to further support good governance leading to greater transparency within the group.

The Corporate governance framework of the Company comprise of the following:

- Articles of Association
- Terms of reference of Board and Board Sub Committees
- Code of Business Conduct and Ethics
- Policies and Procedures
- Organization Structure
- Risk Management framework

The Board takes into account, Code of Best Practice in Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission and Listing Rules of Colombo Stock Exchange in setting the Governance Framework. The disclosures below indicate the level of conformance pertaining to the same.

Board Composition Directorship Status

● *Non-Executive Directors 4* ● *Executive Directors 2*

Independence

● *Non-Independent Directors 4* ● *Independent Directors 2*

CORPORATE GOVERNANCE (contd.)

GOVERNANCE CHECKLIST

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

A. Directors
B. Directors' Remuneration
C. Relationship with Shareholders
D. Accountability and audit
E. Institutional
F. Other investors
G. Internet of things and Cyber security
H. Environment, Society and Governance (ESG)

Section 1 – The Company

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A. Directors			
A.1 The Board The Code prescribes the Board to effectively direct and control the affairs of the company. Expolanka is led by a professional, multi-disciplined and experienced Board of Management comprising of the Chairman, Chief Executive Officer (CEO) and Executive and Non-Executive Directors including two Independent Non-Executive Directors as at 31st March 2019. The profiles of the Board of Directors are set under the Directors Profiles in this Annual Report.			
A.1.1	Board Meetings	Compliant	The Board meetings are held periodically to decide on the strategic direction and review the performance of the Group aligned to the aspired corporate goals. The meetings are structured with the minutes, agenda and board papers circulated to all members well in advance to facilitate informed and effective decision making. Additional meetings are also convened to deliberate on issues that demand immediate decisions. The attendance of the Board of Directors are given in the Governance Report of this Annual Report.
A.1.2	Responsibilities of the Board	Compliant	The Board is responsible to lead the strategic and business direction of the Group as described below. • Formulates and implements a sound business strategy with a structured monitoring process to ensure sustainability of the Group. • Evaluates and takes responsible decisions in relation to new business ventures or restructuring of existing companies, if necessary. • Ensures the CEO and the management team possess the right skills, experience and knowledge to implement the formulated strategy effectively with proper succession planning. • Appoints suitable members to the Board sub Committees • Ensures effective systems to secure integrity of information, internal controls and risk management through delegation to the Audit Committee. (Compliance checklist is provided to all Board members to ensure compliance with applicable laws and regulations.) • Ensures all stakeholder interests are considered in corporate decisions making. • Accounting policies are reviewed annually to ensure compliance to evolving accounting standards including convergence towards the new Sri Lanka Financial Reporting Standards (SLFRS).

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.1.3	Compliance with laws and seek independent professional advice	Compliant	Board is collectively and individually committed to ensure compliance with all applicable laws and regulations and adheres to best governance practices. The Directors obtain independent professional advice if required for decision making.
A.1.4	Company Secretary	Compliant	SSP Corporate Services (Private) Limited is appointed as the Group's Company Secretary to ensure that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed. All Directors have access to the advice and services of the Company Secretary.
A.1.5	Independent judgment of the Directors	Compliant	All Directors exercise independent judgment and opinions on issues that are discussed and considered at the Board.
A.1.6	Dedicate adequate time and effort by the Directors	Compliant	Board Meetings are held on a periodic basis. The Chairman and the Board Directors dedicate adequate time for the affairs of the Group by attending Board and Sub Committee meetings assiduously. In addition, the Board Directors meet and discuss with the senior management on operational and strategic issues as and when required.
A.1.7	Decision on calling for a resolution	Compliant	If necessary in the best interest of the company, one-third of the directors call for a resolution to be presented to the Board.
A.1.8	Training for new and existing Directors	Compliant	The Board recognises the need for continuous training. Adequate knowledge sharing opportunities are provided to acquire requisite skills and exposure to effectively discharge their duties.
A.2 Chairman and CEO The Code prescribes to clearly differentiate the roles between the Chairman and the CEO to ensure balance of authority and good governance. The Chairman of the Group is responsible to effectively lead and guide the Board whilst the CEO is responsible to lead the senior management to ensure effective functioning of day to day operations of the Group, in consultation and guidance of the Chairman and the Board.			
A.2.1	Segregated roles and responsibilities of the Chairman and CEO	Compliant	The position of the Chairman and CEO are separated in order to prevent unfettered powers of decision making to a sole individual.
A.3 Chairman As prescribed by the Code, the Chairman of the Group with his integrity and experience in corporate governance is responsible to lead the strategic direction of the Board. The Chairman guides the Board in all decisions and presides and maintains order at Board meetings.			
A.3.1	Role of the Chairman	Compliant	The Chairman is responsible for the efficient conduct of Board meetings and to ensure, inter alia: • The agenda for board meetings is developed in consultation with the CEO, Directors and the Company Secretary taking in to consideration matters relating to strategy, performance, resource allocation, risk management and compliance. • Sufficiently detailed information of matters included in the agenda should be provided to Directors in a timely manner. • All directors are made aware of their duties and responsibilities and the board and committee structures through which it will operate in discharging its responsibilities. • The effective participation of both Executive and Non-Executive Directors is secured; All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company.

CORPORATE GOVERNANCE (contd.)

Governance Checklist

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
			• All directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda. • The views of Directors of issues under consideration are ascertained and a record of such deliberations reflected in the minutes. • The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders
A.4 Financial Acumen As per the Code, the Board is to be represented by some members with financial acumen and knowledge to advice on matters related to finance.			
A.4	Availability of sufficient financial acumen and knowledge	Compliant	The Board is made up of knowledgeable and experienced individuals for guidance on matters of finance and Management. One of the Directors is an Associate Member of Chartered Institute of Management Accounting as well as a Chartered Financial Analyst and chairs the Audit Committee.
A.5 Board Balance The Code stipulates that the Board has to be fairly represented with a balance between Executive and Non-Executive Directors.			
A.5.1	Presence of Non-Executive Directors	Compliant	Out of a total of six Directors in the Board, three are Non-Executive Directors. Names of the Directors category wise are set out in the Annual Report under Board of Directors profiles.
A.5.2	Independent Non-Executive Directors	Compliant	Out of the Non-Executive Directors, two are Independent Non-Executive Directors complying with the requirement to have the higher of two, or one third of Non-Executive Directors, as Independent Non- Executive Directors.
A.5.3	Independence of Non-Executive Directors	Compliant	There are two Independent Non-Executive Directors out of the three Non-Executive Directors and they are construed to be independent of management and free of any business or other relationship that could materially impair their independent judgment.
A.5.4	Declaration of Independence	Compliant	Each Independent Non-executive director submits a declaration of independence in a prescribed format.
A.5.5	Determination of independence of the Directors	Compliant	The Board has determined the independence of Directors based on the declarations submitted by the Independent Non-Executive Directors as to their independence, as a fair representation and the Board will continue to evaluate their independence on this basis annually.
A.5.6	Appointment of an Alternate Director	Not Applicable	An Alternate Director has not been appointed by a Non-Executive or an Independent Director.
A.5.7	Appointment of a Senior Independent Director	Not Applicable	The roles of the Chairman and the CEO are separated negating the applicability of this requirement.
A.5.8	Confidential discussions with Senior Independent Director	Not Applicable	Please refer the comment for A.5.7 above.
A.5.9	Chairman's meetings with Non-Executive Directors	Compliant	The Chairman meets with Independent Non-Executive Directors as deemed necessary.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.5.10	Recording of concerns in the Board Minutes	Compliant	All concerns that are not unanimously resolved will be recorded in the Board Minutes as per Company Policy. However all decisions of the Board were taken unanimously and there were no concerns raised by the Directors which needed to be recorded in the Board Minutes during the reporting period.
A.6 Supply of Information The Code stipulates the management to supply all relevant and timely information to the Board in order to make effective decisions for the company.			
A.6.1	Management's obligation to provide appropriate and timely information to the Board	Compliant	The Management ensures that a set of timely, accurate, relevant and comprehensive information is provided to the Directors by way of a Board Paper prior to the Board Meeting, with adequate time for review and prepare for discussions.
A.6.2	Timely distribution of documents for Board meetings	Compliant	All papers related to the Board and Sub-Committee meetings are circulated at least seven days prior to the meetings.
A.8 Re-Election All Directors should be required to submit themselves for re-election at regular intervals			
A.8.1	Re-election of Non-Executive Directors	Compliant	Non-Executive Directors are subjected to a Re-election process as specified by the Companies act and the re-appointment is not automatic.
A.8.2	Re-election of Chairman and Board Directors	Compliant	All Directors including the Chairman are subjected for election after their first appointment and have been re-elected at intervals of no more than three years.
A.8.3	Resignation	Compliant	In the event of a resignation of a director prior to completion of his appointed term, the director should provide a written communication to the board of his reasons for resignation.
A.10 Disclosure of information in respect of Directors The Code specifies Disclosure of relevant details regarding Directors to all shareholders through the Annual Report.			
A.10.1	Details of Directors	Compliant	This Annual Report discloses the relevant details of the Board in the Board of Directors profiles and Corporate Governance Sections.
A.11 Appraisal of CEO The Board is required to carry out an appraisal on the CEO's performance in relation to the Company's performance and set annual targets.			
A.11.1 & A.11.2	Setting annual targets and appraisal of the performance of the CEO by the Board	Compliant	The Board appraises the performance of the CEO against a prior set of agreed financial and non-financial, short to medium and long term objectives and targets. The Board carried out the CEO evaluation at the end of reporting financial year.
B. Directors' Remuneration			
B.1 Procedure The Code specifies that a Remuneration Committee to be established formerly and transparently to independently determine the Remuneration Policy and the Remuneration of the Directors.			
B.1.1	Establishment of a Remuneration Committee	Compliant	A Remuneration Committee is appointed to assist the Board in establishing remuneration policy and guidelines for the remuneration of directors. As per the policy, no Director or employee should get involved in deciding his/her own remuneration.

CORPORATE GOVERNANCE (contd.)

Governance Checklist

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
B.1.2	Composition of the Remuneration Committee	Compliant	Both members of the Remuneration Committee are Independent Non- Executive Directors.
B.1.3	Chairman and the members of the Remuneration Committee	Compliant	The Remuneration Committee composition is listed out in the Remuneration Committee report in this Annual Report
B.1.4	Determination of remuneration of Non-Executive Directors	Compliant	The Board determines the remuneration of the Non-Executive Directors aligned to the current market practices.
B.1.5	Consultation with the Chairman, CEO and access to professional advice	Compliant	The Remuneration Committee consults the Chairman and the Group CEO and has access to professional advice from within and outside the Company.
B.2 The level and make up of Remuneration The Code stipulates that the level of Remuneration for Directors to be sufficient to attract and retain the best in the Industry and a portion of Remuneration of Executive Directors to be linked to performance.			
B.2.1 & 2.2	Executive Directors' remuneration package	Compliant	The Remuneration Committee reviews industry and market practices and norms when setting the remuneration of Executive Directors.
B.2.2	Executive Directors' remuneration package	Compliant	The Company have a competitive directors' remuneration package which promote long-term success
B.2.3	Comparison of remuneration with other companies	Compliant	The Remuneration Committee compares the remuneration levels of the Company with comparable industry norms.
B.2.4	Comparisons of remuneration with other companies in the Group	Compliant	The Remuneration Committee reviews and compares executive remuneration across the Group companies.
B.2.5	Performance related elements of remuneration of Executive Directors	Compliant	The Remuneration Committee reviews CEO's performance aligned to the pre agreed targets and goals in the best interest of the Company and the stakeholders. There are no performance related elements of remuneration for the Non-Executive Directors.
B.2.6	Executive share Options	Not Applicable	Presently the Group does not have Executive share option schemes.
B.2.7 & 2.8	Executive Directors' Remuneration	Compliant	The Company does not have any long term incentive share option schemes. Non-Executive Directors are not eligible for performance based remuneration. A Report from the Remuneration Committee is given in this Annual Report.
B.2.9	Early termination of Executive Directors	Compliant	There are no terminal compensation commitments other than gratuity in the company's contracts of service.
B.2.10	Remuneration for Non-Executive Directors	Compliant	Non-Executive Directors are remunerated in line with market practices and norms.
B.3 Disclosure of Remuneration As per the Code, the Company has to contain a statement of the Remunerations Policy and details of Remuneration of the Directors as a whole in the Annual Report.			

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
B.3.1	Disclosure of Remuneration	Compliant	A statement on Company's remuneration policy is set out in the Remuneration Committee Report in this Annual Report. The details of aggregate Remuneration of the Executive and Non-Executive Directors are disclosed in this Annual Report.
C. Relations with Shareholder			
C.1 Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings The Code stipulates that the Board shall convene an Annual General Meeting (AGM) to have a dialogue on company matters with the shareholders.			
C.1.1	Adequate notice of the AGM	Compliant	The notice of AGM is circulated together with the Annual Report and Accounts which includes information relating to any other resolutions that be set before the shareholders at the AGM 15 working days in advance as per Section 135 of the Companies Act No. 07 of 2007.
C.1.2	Separate resolution for all separate issues at the AGM	Compliant	Each substantial issue is proposed as a separate resolution. The adoption of the Annual Report of the Board of Directors, along with the Financial Statements, is also proposed as a separate resolution.
C.1.3	Use of proxy votes	Compliant	A Form of Proxy accompanies the Annual Report, when they are dispatched to the shareholders. The Company has a mechanism to record all proxy votes and proxy votes lodged on each resolution.
C1.4	Board Sub-Committee Chairman to be present at the AGM	Compliant	The Chairman of the Board ensures that the Chairman of Board Sub Committees are present at the AGM to respond to any queries posed by the shareholders.
C.1.5	Procedures of voting at the AGM	Compliant	The proxy form including a summary of the procedures governing voting at the AGM is circulated to all shareholders.
C.2 Communication with Shareholders The Code stipulates that the Board should implement effective communication with Shareholders			
C.2.1	Dissemination of timely information	Compliant	All information with regard to the Annual Report and Quarterly Reports are disseminated through Corporate Communications and all changes through the company secretary – SSP Corporate Services (Private) Limited.
C.2.2	Disclosure of Method of communication with Shareholders	Compliant	Expolanka Holdings PLC maintains an 'Open Door' Policy with regard to communication with shareholders and shareholders are welcome to direct their suggestions/inquiries to the Group CEO and Board Secretary.
C.2.3	Implementation of Policy and Method of communication	Compliant	Multiple channels of communication are available. The Feedback form in the Annual Report/ the Group websites' contact us link, and the contact person details in the Annual Report are the main methods of communication. However interaction through investor meetings also serve as engaging forms of interaction.
C.2.4	Disclosure of Contact Person	Compliant	The contact person for shareholder engagement is disclosed in the Annual Report whilst a contact link in the website also serves as a conduit for interaction.
C.2.5	Process and Disclosure of Director's awareness of concerns of Shareholders	Compliant	Concerns are raised to the Group CEO for discussion with the Board, as and where the issues raised are deemed critical or noteworthy.
C.2.6	Requirements for the Contact Person	Compliant	Contact person details are clearly communicated. The contact person is well versed with the requirements of the role.

CORPORATE GOVERNANCE (contd.)

Governance Checklist

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
C.2.7	Process of Responding to Shareholder's matters	Compliant	Shareholder matters are to at the first line of interaction by the key contact person, if issues/ suggestions/inquiries are raised to the Group CEO or the Board, resolutions or clarifications are made by the office of the Group CEO.
C.3 Major Transactions All major transactions that will materially impact on the net asset base of the Company or the Group are to be disclosed to the shareholders.			
C.3.1	Disclosure on major transactions	Compliant	Procedures are in place to disclose major transactions that will materially alter the net asset base. During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which had a material impact on the net asset base of the Company and the consolidated Group.
C.3.2	Public listed companies disclosures	Compliant	Procedures are in place to comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the Securities Exchange Commission and by the Colombo Stock Exchange
D. Accountability and Audit			
D.1 Financial Reporting The Code requires a fair and a balance report on the organization's financial position, performance and prospect.			
D.1.1	Present a Balanced and understandable assessment of the Company's Financial position compiling to relevant laws and regulations	Compliant	All efforts are taken to ensure that the Annual Report presents a balanced assessment of the Company's Financial position. Care has been exercised to ensure that all statutory requirements are compiled.
D.1.2	Board's responsibility for statutory and regulatory reporting	Compliant	The Company's Interim and Annual Financial Statements are prepared in accordance to the Sri Lanka Accounting Standards and the Company's Act No 7 of 2007 and duly audited. The Interim and Annual Financial statements were published on time during the reporting period. All Regulatory Reports were filed by the due dates. Price sensitive information was disclosed to the Colombo Stock Exchange (CSE) on a timely basis during the financial year 2018/19
D.1.3	Declaration by the Chief Executive and Chief Financial officer on the financial statements	Compliant	This is declared under the Statement of Directors' Responsibility and Statement of Financial Position
D.1.4	Directors' Report in the Annual Report	Compliant	The Annual Report of the Board of Directors on the affairs of the Company containing the subject declarations is given in this Annual Report.
D.1.5	Statement of Directors' and Auditor's responsibility for the Financial Statements	Compliant	A Report on the Statement of Directors' Responsibilities is given in this Annual Report. The Auditor's Report on the financial statements for the year ended 2018/19 is given on page 127 under Independent Auditors Report.
D.1.6	Management Discussion and Analysis	Compliant	Management Discussion and Analysis is presented on the Company together with the subsidiaries as separate sections in this Annual Report.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D.1.7	Summon an Extra Ordinary General Meeting (EGM) to notify serious loss of capital	Compliant	EGMs are held for companies complying with the requirements.
D.1.8	Disclosure of Related party transactions in the Annual Report	Compliant	Related party Transactions have been disclosed in Related Party Disclosures under Notes to the Financial Statements.
D.2 Internal Control The Board is required to maintain a comprehensive system of Internal Controls and Risk Management to safeguard the shareholder's wealth and Company's sustainability.			
D.2.1	Review the effectiveness of internal controls	Compliant	The Board has the overall responsibility for the system of internal controls covering financial, operational, compliance and risk management. The Board has delegated these responsibilities to the Audit Committee. Systems have been designed to provide the Directors with the reasonable assurance that assets are safeguarded; transactions are authorised and recorded properly whilst material errors and irregularities are prevented, detected and rectified effectively.
D.2.2	Review and Confirm on the assessment of the principal risk faced by the company and how they are being mitigated	Compliant	The Principal risks facing the company are reviewed and discussed at the Board Meetings periodically along with the strategies to manage and mitigate the same.
D.2.3	Internal Audit function	Compliant	Internal Audit Function is available in the Organisation.
D.2.4	Review the process of Internal Control and Risk Management	Compliant	Internal audit function has been outsourced to Messrs. PricewaterhouseCoopers Advisory Services (Pvt) Ltd. Group's Risk & Control Department coordinates and ensures that recommendations are implemented conscientiously apart from carrying out various other audits and special assignments across the group. The effectiveness and the scope of the Internal Audit Function is assessed periodically.
D.2.5	Director's responsibility on maintaining a system of Internal Control and Contents of the Statement of Internal Control	Compliant	Audit Committee statement on Internal Controls and contents of the Statement of Internal Control have been highlighted in the Annual Report under the report from the Audit Committee.

CORPORATE GOVERNANCE (contd.)

Governance Checklist

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D.3 Audit Committee The Board is responsible to appoint an Audit Committee to establish a formal and transparent process to select Accounting Policies, Financial Reporting and Internal Controls and to maintain a good Relationship with the Auditors.			
D.3.1	Composition of the Audit Committee	Compliant	The Audit Committee comprises two Independent Non-Executive Directors. Please refer the Audit Committee Report in this Annual Report.
D.3.2	Terms of Reference of the Audit Committee	Compliant	The Audit Committee operates on a clearly defined Terms of Reference which focuses on the purpose of the Committee, its duties and responsibilities including the scope and functions of the Committee.
D.3.3	Duties of the Audit Committee and disclosures of the Audit Committee	Compliant	Please refer the Audit Committee Report as specified in D.3.1. The Audit Committee Report highlights the names of the members, determination of independence of auditors and other relevant information.
D.4 Related Party Transactions Review Committee The Code requires the Company to not engage in transactions with related parties in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.			
D.4.1	Related Party and Related Party transactions	Compliant	The Company's related party and related party transactions is defined as per LKAS 24
D.4.2	Composition of the Related Party Transactions Review Committee	Compliant	The Related Party Transactions (RPT) Review Committee comprises of two Independent Non-Executive Directors and a Chairman who is an Independent Non-Executive Director appointed by the Board. Please refer the RPT Review Committee report.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D.4.3	Disclosure of RPT Review Committee	Compliant	• Related Parties documentation is done as per the definition of LKAS 24 and the CSE Listing Rules and to comply with the requirement under Section D.4.2 of the code. • A procedure to obtain a statement of related party interest from each such related party at least once in each quarter, when there's a change in the status and in any event prior to entering into any transaction between such related parties and the company, its parent or any of subsidiaries, sub-subsidiaries, fellow subsidiaries, associates, joint ventures and any other entries which are considered related parties as defined as LKAS 24 unless they are exempted related party transactions as defined in CSE listing Rules. • Key Management personnel of the company responsible for contracting, procurement, payments, and any other channel through which have an inflow or outflow of resources can result, should have a list of all related parties and have a process in place to capture and report any related party transaction within their area of responsibility. • A Procedure to inform all related parties of what constitutes exempted related party transactions. • A procedure to identify and for directors to report recurrent and non-recurrent related party transactions and to obtain Board or Shareholder approval by special or ordinary resolution as required by the CSE Listing Rules • A procedure and guideline to delegate to Key Management Personnel to deal with recurrent related party transactions as defined in the CSE Listing Rules • A Procedure for the RPT Review Committee to review and recommend to the board matters relating to such transactions • Any interested directors should not participate at the meeting at which the transaction relating to him/her is discussed unless invited to seek clarification/information. • A procedure and definition of disclosures required to be made by the company on an annual basis, those requiring immediate disclosure and those requiring shareholder approval. • A procedure to identify related party transactions which require immediate disclosures as per the CSE listing rules and to ensure that required disclosures are made by the Company to the Colombo Stock Exchange in accordance with the CSE Listing rules. • A Procedure to identify related party transactions which require shareholder approval by special resolution at an extra-ordinary general meeting • The Company secretary should maintain a permanent record in manual or electronic form of such statements, submissions, approvals and minutes • Review and recommend to the Board the related party disclosures to be made in the Annual report of the Company.
D.5 Code of Business Conduct and Ethics The Code stipulates the Company may adopt a Code of Business Conduct and Ethics Directors and key Management Personnel and to declare any material violations.			
D.5.1	Disclosure of Code of Business Conduct and Ethics	Compliant	The Company has adopted and is in compliance to the Code of Business Conduct and Ethics applicable to Directors and all employees across the Group. Any violation of the Code is taken for consideration.

CORPORATE GOVERNANCE (contd.)

Governance Checklist

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D.5.2	Process to ensure the material and price sensitive information	Compliant	The Company has a process in place to ensure material and price sensitive information is promptly identified and reported in accordance with relevant regulations.
D.5.3	Disclosure on Key Management/ any other employees involved in financial reporting personnel shares	Compliant	All the Directors, Key Management Personnel and employees of the Company are required to declare details of their dealings in shares of the Company in a prescribed format to the Company Secretary. Shares pertaining to the Key Management Personnel information are duly disclosed.
D.5.4	Affirmation of the Code of Business Conduct and Ethics	Compliant	Please refer the Chairman's Statement on Corporate Governance and the Annual Report of the Board of Directors which affirm that there are no material violations of the Company's Code of Business Conduct and Ethics during the reporting period.
D.6 Corporate Governance Disclosures The Code requires the Company to disclose the extent to which the Company adheres to established practices and principles good Corporate Governance.			
D.6.1	Disclosure of Corporate Governance	Compliant	The Corporate Governance Report herein sets out the manner in and the extent to which the Company has complied with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC.
Section 2 – Shareholders			
E. Institutional Investors			
E.1 Shareholder Voting The Code specifies the Company to engage the institutional shareholders and encourage them to exercise their voting rights in key decision making.			
E.1.1	Communication with shareholders	Compliant	The AGM provides an ideal forum for shareholders to express their views and vote for key decisions. The Chairman ensures that any view expressed by investors at the AGM is discussed at the Board level. Shareholders are provided with Quarterly Financial Statements and the Annual Report including the operational and financial performance of the reporting year. These reports are also made available on the Group's official website and are provided to the Colombo Stock Exchange.
E.2 Evaluation of Governance Disclosures The Code specifies obtaining a feedback from institutional investors on the governance structure, composition and practices.			
E.2.1	Due weight by institutional Investors	Compliant	The Corporate Governance Report contains the Company's governance arrangements and Institutional investors are encouraged to give a feedback on the governance arrangements.
F. Other Investors			
F.1	Individual Shareholders	Compliant	The Annual Report contains sufficient information in order to carry out adequate analysis or seek independent advice regarding Investing/Divesting decisions. Following are the main reports included in this Annual Report which provide an overall assessment of the Company's affairs during the financial year 2018/19 and the way forward: • Chairman's Review • CEO's Review • Management Discussion and Analysis • Annual Financial Statements

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
F.2	Shareholder voting	Compliant	All shareholders are encouraged to participate at the AGM and cast their votes or exercise their proxy for decision making.
H. Environment Society and Governance			
H.1 ESG Reporting			
H.1.1	Disclosure on how ESG reporting	Compliant	The Environmental (Natural) and Social Capital are discussed under the Capital Management Reports. Further Governance has been elaborated in detailed under the Corporate Governance Report in page 91
H.1.2	The Environment	Compliant	The environment has been discussed in the report Natural Capital Section in the annual report
H.1.3	Social Governance	Compliant	Engagement with the society has been discussed in the Social Capital Section. Management approach to core sustainability agenda is under material topics and topic boundaries. Further labour practices have been discussed in the Human Capital section in the annual report. Also for product responsibility refer the report on Social and Relationship Capital Section in this Annual report.
H.1.4	Governance	Compliant	Please refer Corporate Governance Report for Inclusiveness report in the Annual Report.
H.1.5	Board's role on ESG factors	Compliant	

SECTION B

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

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

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.1(a)	Non-Executive Directors	Two or one third of the total number of Directors, whichever is higher, shall be Non-Executive Directors.	Compliant	The Board comprises of four Non-Executive Directors out of the total of six Directors.
7.10.2 (a) & (b)	Independent Non-Executive Directors	Two or one third of Non-Executive Directors, whichever is higher, shall be independent. Declaration of Independence by Non-Executive Directors	Compliant	The Board comprises of two independent Non-Executive Directors. Non-Executive directors have submitted declaration of Independence

CORPORATE GOVERNANCE (contd.)

Governance Checklist

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.3(a)	Disclosure relating to Directors	The names of all Independent Directors shall be disclosed in the Annual Report.	Compliant	Please refer Directors Profiles section in the Annual Report for Directors' disclosures
7.10.3(b)	Disclosure relating to Directors	In the event a Director does not qualify as "independent" as per the rules of Corporate Governance but if the Board is of the opinion that the director is nevertheless independent, it shall specify the basis of the determination in the Annual Report.	Compliant	No such determination has been carried out by the Board.
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director which includes information on the nature of his/her expertise in relevant functional areas is to be published in the Annual Report.	Compliant	Please refer Directors Profiles in the Annual Report for Directors' disclosures
7.10.3(d)	Disclosure relating to Directors	Upon appointment of a new Director to its Board, the Company shall forthwith provide to the CSE a brief resume of such Director.	Compliant	Information on Directors have been shared with the CSE as per the requirement
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Compliant	Refer Remuneration Committee Report of this Annual Report.
7.10.5(a)	Remuneration Committee – Members	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher.	Compliant	The Remuneration Committee comprises two Independent Non-Executive Directors.
7.10.5(b)	Remuneration Committee Functions	The Remuneration Committee shall recommend to the Board remuneration payable to the Executive Directors and to the CEO	Compliant	Refer Remuneration Committee Report of this Annual Report.
7.10.5(c)	Disclosure in the Annual Report	The Annual Report should set out: • Names of the Directors of the Remuneration Committee • The statement of Remuneration Policy • Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Refer Remuneration Committee Report of this Annual Report.
7.10.6	Audit Committee	A listed company shall have an Audit Committee	Compliant	Refer Audit Committee Report of this Annual Report.

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.6(a)	Composition of the Audit Committee	• The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher. • One of the Non-Executive Directors shall be appointed as the Chairman of the Committee by the Board of Directors • The CEO and CFO shall attend the Audit Committee meetings • The Chairman or one member of the Audit Committee shall be a member of a recognised professional accounting body	Compliant	• The Audit Committee comprises of two Independent Non-Executive Directors • Mr. Sanjay Kulatunga (Independent Non-Executive Director) acts as the Chairman of the Committee • The Group CEO and CFO attend meetings by invitation • The Chairman is an Associate Member of the Chartered Institute of Management Accountants
7.10.6(b)	Functions of the Audit Committee	The Audit Committee shall oversee the following functions. • Preparation, presentation and disclosure of the financial statements and ensure they are in line with the Sri Lanka Accounting Standards • Compliance with financial reporting, Companies Act and other financial reporting regulations and requirements • Processes to ensure that Internal Controls and risk management are adequate to meet the requirements of Sri Lanka Accounting Standards • Assessment of the independence and performance of external auditors Appointment, re-appointment and removal of external auditors and approve the terms of remuneration and terms of engagement.	Compliant	Refer the Audit Committee
7.10.6(c)	Disclosure in the Annual Report	The Annual Report shall disclose: • Names of the Directors of the Audit Committee • The determination of the independence of the Auditors and the basis for such determination • A Report by the Audit Committee setting out the manner of compliance with the listing rule 7.10 on Corporate Governance	Compliant	Refer the Audit Committee Report

RISK MANAGEMENT REPORT

[GRI 102-11]

Risk is defined as uncertainty about outcomes or future events which can be either positive or negative. A negative risk is anything which prevents an organization from achieving its stated goals and objectives.

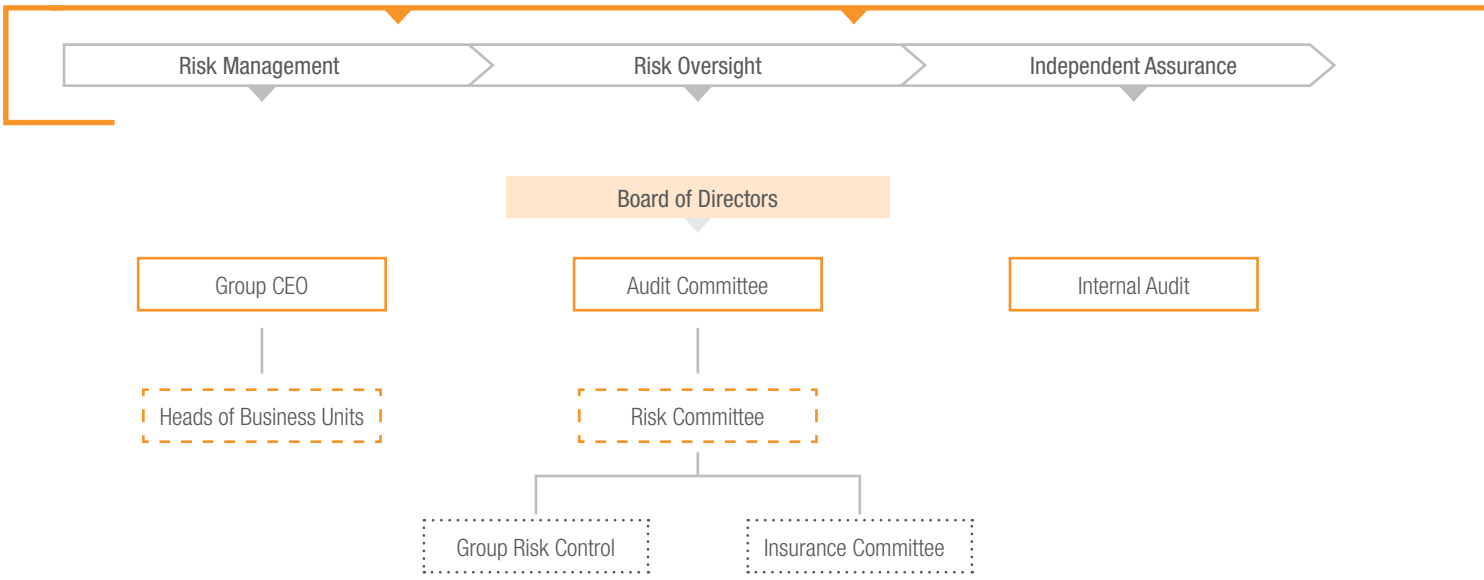
Expolanka is part of a complex, global business world and is therefore exposed to a multitude of external and internal influences thereby exposed to a variety of risks which are either general in nature or industry/country specific. Risks and opportunities are inherent to entrepreneurial activity and every business decision is therefore based on the associated risks and opportunities.

Expolanka recognises the importance of sound risk management in every aspect of its business. The Group regards risk management as a systematic and proactive means to analyse and manage the opportunities and threats related to its business operations. The Group's processes are built around developing an appropriate and mindful risk culture to support of our strategic objectives and does not seek to eliminate all risks but rather to identify, understand and manage them within acceptable limits in order to support the creation of long-term value.

We have deployed systems and processes in place to identify risks at an early stage and to manage them by taking appropriate action. Material risks are monitored and regularly discussed at the Risk Committee and the Audit Committee of the Board of Directors. We recognise the dynamic environment in which the Group operates, and continue to refine the risk management systems in place where necessary, to ensure strong governance across the Group.

RISK GOVERNANCE STRUCTURE

Robust and effective management of risks is an essential and integral part of corporate governance. It helps to ensure that the risks encountered in the course of achieving the Group's strategic objectives are managed within the Group's risk appetite.



RISK MANAGEMENT FRAMEWORK

Risk Management Framework adopted recognizes that effective risk management include three distinct lines of defense.

- As the first line of defense, Business Units own and manage risks and is responsible for maintaining effective internal controls
- Audit Committee and Risk Committee forms the second line of defense and independently assesses all material risks
- Internal Audit, as the third line, independently reviews the Group's risk management controls, processes and systems.

Role	Responsibility	Line of Defense	Scope
Risk Management	Group CEO, Business Unit Heads & Individuals	1st Line of Defense	Primary responsibility for risk management lies at the business level. Part of the role of all business managers is to ensure they manage risks appropriately. As the first line of defense, heads of individual divisions and departments manage risks faced by their business units/functions. As the risk owners, they identify and evaluate the risks which may potentially impact the achievement of their business objectives, mitigate and monitor the risks by designing and executing control procedures in their day-to-day operations
Risk Oversight	Board Oversight - Audit Committee	2nd Line of Defense	Audit Committee acting on behalf of the board ensures that an effective risk management is established and maintained by the group. It also oversees risk mitigation efforts of the management to manage the significant risks of the group
	Risk Committee		The Risk Committee assists the Audit Committee in discharging its Corporate Governance responsibilities for risk management and internal controls. It monitors the Group's overall risk profiles by reviewing the key risks. The Risk Committee meets at least four times each year and keeps the Audit Committee informed about its activities.
Independent Assurance	Internal Audit	3rd Line of Defense	Internal Audit, as the third line of defense, provides independent assurance to Senior Management and the Board on the adequacy and operational effectiveness of internal control, risk management, and governance systems and processes. Internal Audit assesses whether risks have been adequately identified, appropriate internal controls are in place to manage those risks and whether those controls are working effectively. Issues identified by Internal Audit are followed up to validate remediation. The risk assessment results are also mapped to the internal audit plan to ensure the audit performed systematically covers all the significant risks and the corresponding key controls.

RISK CULTURE

Expolanka recognises that a sound risk culture is a fundamental requirement of an effective risk management hence promotes a culture that effectively supports appropriate risk awareness, behaviors and sound risk-based decision making.

The Group remains strongly committed to maintaining and strengthening a workplace culture in which employees uphold the highest standards of behavior. The Code of Conduct articulates the values that staff are expected to demonstrate and form the basis of all behaviors and actions. All staff attest that they have read and understood the Code of Conduct. Processes are already in place to ensure greater comfort for staff reporting concerns across a range of issues.

RISK MANAGEMENT REPORT (contd.)

RISK MANAGEMENT PROCESS

The objective of our risk management activities is to recognize, assess and manage risks early on and to implement appropriate measures to minimize them. Group's risk management consists of structures, policies and processes. The responsibilities, objectives and processes of risk management are described in our internal risk management guidelines.

Each business area, function and unit is responsible for identifying, measuring and managing of risks related to its own operations, and for reporting on risk exposures, risk management activities and results to its own management team. Staff are empowered to use their professional judgment in deciding which risks are material. We consciously accept and bear manageable and controllable risks that stand in a reasonable relation to the anticipated opportunities – as an aspect of general entrepreneurial risk. All employees are required to take responsibility for their role in risk management, regardless of position, function or location.

Mechanisms for identification of risks include findings from internal and external audit, exceptions reporting, and periodic assessments of the business environment, incident analysis, discussions with the Audit and Risk Committee and analysis of the company's performance relative to the agreed expectations. Risk is analysed and evaluated to understand the potential impact and likelihood of occurrence and is prioritised and treated as applicable.

The Risk Committee periodically review these risks and provide complementary insights into existing and emerging risks. A continuous dialogue between the Board, Audit Committee and the Management is maintained in order to assure the Group's effectiveness in this area.

We intend to evolve and enhance the risk management process with the overall objective of creating a greater awareness and understanding of risks in order to further improve the culture of intelligent risk taking.

RISK FACTORS

The perceived principal risks to which the Group is exposed and the mitigating controls in place to manage these risks have been provided in the below table. These risks thus identified are considered and reviewed at various stages within our business process continuously and appropriate risk responses and strategies are implemented. Opportunities for further enhancement are evaluated continually. The Principal Risk identified helps bring governance and management focus to the key risks which may prevent the Group from achieving its stated goals and objectives.

Risk Factors	Risk Exposure	Key Controls & Mitigating Actions	Risk Grading 16 /17	Risk Grading 17/18	Risk Grading 18/19
Business Partner Risk	Loss of principals/business partners, customers, suppliers, JV partners due to global mergers and acquisitions, intense competition, service level gaps	• Transaction to Solution driven business initiatives to add value to the service provided. • Improvement to Service Level Agreements • Investment committee evaluations on new investments • Consolidation of equity stake of subsidiaries • Formalisation and standardisation of agreements with business partners • Meeting customer requirements on reporting compliance and service delivery • Enabling and expanding core network strength • Improved integration through technology with business partners	Medium	Medium	Medium

Risk Factors	Risk Exposure	Key Controls & Mitigating Actions	Risk Grading 16 /17	Risk Grading 17/18	Risk Grading 18/19
Product & Market Dependency Risk	Loss of market share or market leadership in relevant segment due to intense competition from existing and potential competitors, changes in customer attitudes due to adverse economic and social conditions.	• Synergistic acquisitions to broaden the product and market range • Enhanced overall supply chain management to provide a comprehensive value added solutions to the customer • Strengthening of products offered by the company apart from the traditionally prominent Air Freight Exports • Broadening the reach through branch operations • Product diversification through active venturing into other verticals apart from our specialised area of apparels • Increasing footprint in the other regions thus reducing concentration risk • Trade lane performance consolidation	Medium	Medium	Medium
Credit risk	Probable income loss arising due to the probability of default by the company's debtors.	• Credit Evaluation and Approvals • Company wise credit policies • Credit default recoveries through centralised legal department • Increased focus and follow up on debtor collections • Monitoring of market on customer's and agent's credit profiles • Deeper credit monitoring for certain business segments and extensive reporting • Online screening for bad/sanctioned customers	Medium	Medium	Medium
Investment Risk	The future profitability of the group is affected by the degree of realization of expected earnings on investments	• Investment appraisal on new ventures by the Investment Committee • Expert Legal advice on investment agreements • In-depth Financial, Commercial and Legal due diligence on investment prior to decision making • Established project evaluation criteria driven by financial, commercial and strategic parameters • Strong governance structure for project approvals • Continuous review from project implementation to maturity	Medium	Medium	Medium
Legal & Compliance Risk	Non-compliance pertaining to statutory and regulatory provisions could bring adverse effect on our businesses.	• Monthly Report and review of Statutory Compliance • Legal Policies and Procedures • Screening process to avoid dealing with sanctioned customers/ countries • Improvements to tighten data protection of stakeholders • Improved governance structure pertaining to legal and compliance • Periodic self-evaluation and legal audit on compliance	Medium	Medium	Medium

RISK MANAGEMENT REPORT (contd.)

Risk Factors	Risk Exposure	Key Controls & Mitigating Actions	Risk Grading 16 /17	Risk Grading 17/18	Risk Grading 18/19
Human Capital Risk	Risk arising as a result of failure to attract, develop and retain a skilled workforce.	• Improved performance evaluation and measurement process • Increased HR engagement to drive the culture across the group • Working towards building a strong succession plan • Enhanced sources of recruitment	Low	Low	Low
System & Technology Risk	Potential for system failures, Inaccuracy or delays in decision making due to inaccurate or non-availability of timely information from key computer systems and cyber attacks	• Independent ITGC Audit • Robust controls to secure IT systems and processing information to increase confidentiality and integrity of data. • Recruitment of Specialised IT Security personnel • Implementation of Disaster Recovery with latest technologies to support business continuity. • Improvement of existing IT security infrastructure and implementation of new firewall system to support branch network. • Trainings on existing and latest best suited technologies and adaptation of available IT best practice to align with IT governance. • Regular system penetration test to identify system vulnerabilities and action plans to address the same • Adopting to the technological advancement • Specialised systems to cater to respective business requirements	Medium	High	High
Foreign Exchange Risk	Potential losses as a result of high volatility in foreign currency exchange rates against the Sri Lankan Rupee.	• Group Treasury Policy • Natural Hedging through receivables and payables matching. • Leading and Lagging in the conversion of foreign currency based on exchange rate movement projections. • Entering into Forward Contracts to mitigate the FOREX risk. • Incorporating the projected downswing in exchange rates to the pricing of goods and services	Medium	Medium	Medium
Operational Risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events	• Group Policies and Procedures • Periodic audit performed by Internal Auditors to ensure compliance and the effectiveness of operational controls. • Business continuity plans to ensure smooth operations • Systemising and monitoring of operational KPI's to bring service enhancement through technology • Improved internal efficiencies by strengthening roles and responsibilities • Robust documentation process supported through technology	Medium	Medium	Medium

Risk Factors	Risk Exposure	Key Controls & Mitigating Actions	Risk Grading 16 /17	Risk Grading 17/18	Risk Grading 18/19
Country & Geo Political Risk	Risk of operating in new markets, political risks	• Analyzing PEST factors and developing appropriate strategies • Monitoring of country specific legal & regulatory requirements • Broad basing of airline service providers to reduce the dependency on regional airlines • Strong market monitoring to address potential challenges pro actively • Enhanced organisational structure to minimize risk exposure	Medium	Medium	Medium
Reputational Risk	Reputational risk results from damage to the group's image among stakeholders, which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships.	• Channeling of all media communications through Group's Corporate Communication department • Customer feedback system implemented to gauge customer satisfaction as a part of continuous development • Brand monitoring and approval process to mitigate potential brand threats • Communication of Code of Ethics to all recruits • Strict adherence to statutory and regulatory compliance • Rollout of a revised media policy and an update to the EFL brand manual to ensure consistency in communication • Align PR strategy of the organisation with the business strategy • Proactive customer service engagement	Medium	Medium	Medium

The risks described are not an exhaustive list of the risks Expolanka faces and there may be additional risks which do not constitute a direct threat in the short-term, or risks which management deems immaterial or otherwise common to most companies, but which could at some time have a material adverse effect on Expolankas' financial position, results, operations, or liquidity.

It is to be acknowledged that risk management and internal control systems are designed to manage rather than eliminate the risk of failure in achieving our strategic and business objectives, and can only provide reasonable assurance.

SUMMARISED ASSESSMENT OF THE RISK SITUATION

The overall view of the risk situation of the Group, which is derived from the summary of the risks described leads to the assessment that the risks are not of a nature to threaten the existence of the Group as a going concern. In 2018/19, no significant risks were identified that would have the potential to substantially negatively impact the Group and its future development.

The most material risks remain the uncertainty of the global economic development, business-related risks and non-compliance with laws and regulations thus being in the constant focus of the management for the year in review. We are confident that we will continue to successfully master the challenges arising from the above risks in the future as well.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

PURPOSE OF THE COMMITTEE

Related Party Transactions Review Committee was established by the Board to ensure compliance with the rules and regulations governing Related Party Transactions for Listed Entities as per the requirement of Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (the "Code") and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules").

The purpose of the Committee as set out in its Terms of Reference (TOR), is to conduct an appropriate review of company's related party transactions and to ensure that the company complies with the rules set out in the Code. The primary objective of the rules is to ensure that the interests of the shareholders as a whole are considered when entering into related party transactions.

COMPOSITION

The Committee comprised of two (2) Independent Non-Executive Directors and is chaired by Mr. Sanjay Kulatunga. With the resignation of Mr. Toji Shiho from the Board and its sub committees with effect from 2nd August 2018, the composition of the committee changed. Brief profiles of the members are given on the pages 18 and 19 of this annual report. Company Secretaries, S.S.P. Corporate Services (Pvt) Ltd act as the Secretary to the Related Party Transactions Review Committee.

SCOPE OF THE COMMITTEE

Scope of the Committee include the following:

- Formulate and recommend a policy for adoption on related party transactions for the Group which is consistent with the Code whilst ensuring that related party transactions are transacted at arm's length and are not prejudicial to the interests of the entity and its minority shareholders.
- Review proposed related party transactions of the company other than those transactions which are explicitly exempted in the Listing Rules. Seek information the Committee requires from management with regard to any transaction that are entered into with a related party and ensure immediate market disclosures are made as required by the Continuing Listing Requirements of the CSE.
- Ensure that no Director of the company shall participate in any discussion of a proposed related party transaction for which he is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee.
- Include appropriate disclosures on related party transactions in the annual report as required by the Continuing Listing Requirements of the CSE.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining independent advice from independent professional experts.

MEETINGS

The Related Party Transactions Review Committee convened 4 meetings during the financial year ended 31st March 2019 and the attendance of the members of the Related Party Transactions Review Committee was as follows:

	30th May 2018	1st Aug 2018	8th Nov 2018	6th Feb 2019	Attendance Eligibility	Attended
Mr. Sanjay Kulatunga	●	●	●	●	4	4
Mr. Harsha Amarasekera	●	●	●	●	4	4
Mr. Toji Shio*	●	●	N/A	N/A	2	2

● Present ● Excused

** Resigned from the Board on 2nd of August 2018*

The committee has reviewed the related party transactions during the financial year and has communicated its observations to the Board of Directors as per the CSE Listing Rules 9.3.2 (c)

The Group CEO, Group Finance Director, Group CFO, Manager - Treasury, CEO - Freight & Logistics Sector, COO - Freight & Logistics Sector and other Senior Management personnel also attended the meeting by invitation. The Company Secretary functions as the Secretary to the Related Party Transactions Review Committee.

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

Meeting Date	Key Points of Discussion
30th May 2018	Tabling a comparison between Related Party and Unrelated Party Borrowings.
	Review of terms of the Facility agreement with the related party based in Singapore.
	Tabling the Transfer Pricing compliance requirements for local subsidiaries in line with the local transfer pricing regulations for the FY 2017/18.
	Discussion and review of the proposed acquisition of Sagawa Global Logistics (Malaysia) Sdn. Bhd.
1st August 2018	Update on the specific local entities who would require to comply with different Transfer Pricing requirements based on crossing thresholds.
	Tabling the guidelines prepared for International Transfer Pricing Compliance Framework and the applicable Global Transfer Pricing Compliance requirements stemming from the OECD BEPS Action 13 initiative.
	Creating awareness on the Key aspects of Master File and CbCR (Country by Country Reporting).
8th November 2018	Tabling the information pertaining to Major non-recurring related party transactions as of 31st of October 2018.
	Discussion on the findings stemming from the study of Transfer Pricing compliance for companies based in Far East Asia.
	Update on the current status of compliance pertaining to BEPS Action 13.
6th February 2019	Tabling a comparison between the lending rates of Related Parties and Unrelated Parties.
	Discussion on the findings stemming from the study of Transfer Pricing compliance for key entities in the Freight & Logistics sector based in Asia
	Update on the current status of compliance pertaining foreign subsidiaries in line with BEPS Action 13 & the countries' local Transfer Pricing regulations.

On behalf of the Related Party Transaction Review Committee

Sanjay Kulatunga
Chairman - Related Party Transactions Review Committee

REMUNERATION COMMITTEE REPORT

COMPOSITION

During the year under review, the Remuneration Committee comprised of two Independent Non-Executive Directors who were appointed by and are responsible for the Board of Directors. The Composition of the Committee mentioned below fulfilled the requirements of the Listing Rules No. 7.10.5 of the Colombo Stock Exchange;

Mr. Harsha Amarasekara (Chairman)
Mr. Sanjay Kulatunga

The brief profiles of the Directors are given on pages 18 and 19 of the Annual Report.

SCOPE OF THE COMMITTEE

The scope and the responsibilities of the Remuneration Committee include;

- to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration
- to review and approve the management's remuneration packages with reference to the Board's corporate goals and objectives
- to make recommendations to the Board on the remuneration packages of all executive directors and senior management including any compensation payable for loss or termination of their office or appointment
- consider other topics as defined by the Board

REMUNERATION POLICY

The remuneration policy of the company is designed to attract, motivate and retain the company's executive team, with market competitive remuneration and benefits, to achieve the objectives of the company. Accordingly salaries and other benefits are reviewed periodically taking into account the performance of the individual and industry standards.

The remuneration packages which are linked to the individual performance are aligned with the company's short term and long term strategy of the business. The Committee makes every endeavor to maintain remuneration levels that are sufficient to attract and retain Executive Directors, CEO's and the members of the senior management team.

MEETINGS

The Committee meets as an when a need arises. The Committee formally met once during the year under review where both members were present. The attendance of the Remuneration Committee meeting is as below;

	8th Aug 2018
Mr. Harsha Amarasekera	●
Mr. Sanjay Kulatunga	●

The Remuneration Committee reviewed the existing remuneration and benefit structure of the organization to ensure that it is in line with the company's overall aims and objectives. Further it was also made certain that the policy is competitive, formal and transparent.

The Committee also discussed the Compensation Guidelines which are in place to verify fair & equitable remuneration package while maintaining the ethical and corporate governance standards of the Group. Furthermore, the existing salary package of the Group CEO was evaluated to ensure that it is competitive and transparent.

No Director was involved in deciding his/her own remuneration package.

Mr. Harsha Amarasekera
Chairman - Remuneration Committee

limitless

OUTLOOK

FINANCIAL REPORTS

Annual Report of the Board of Directors on the Affairs of the Company 119

The Statement of Director's Responsibility 123

Audit Committee Report 124

Independent Auditor's Report 127

Statement of Financial Position 131

Statement of Profit or Loss 132

Statement of Comprehensive Income 133

Statement of Changes in Equity 134

Statement of Cash Flows 135

Notes to the Financial Statement 136

SUPPLEMENTARY INFORMATION

Group Real Estate Portfolio 184

Five Year Summary 185

Share Information 186

Notice of Meeting 189

Form of Proxy 191

Corporate Information IBC

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

[GRI 102-5]

The Directors are pleased to present the Annual Report on the State of Affairs, together with the Audited Financial Statements for the year ended 31st March 2019 of Expolanka Holdings PLC a Diversified Holding Company, listed on the Colombo Stock Exchange, Audited Consolidated Financial Statement of the Group and the Auditors' Report on those Financial Statements. Expolanka Holdings PLC which was incorporated in Sri Lanka on 05th March 2003 as a Private Limited Liability Company under the Companies Act No. 17 of 1982 and Re-registered on 11th November 2008 a Public Limited Liability Company under the Company's Act No 07 of 2007 and the Company's Re-registration Number is PB 744.

The contents of this Report are in accordance with the statutory requirements, the requirements of relevant regulatory authorities and best accounting practices which have been brought to the notice of the shareholders and other stakeholders. These Audited Financial Statements were approved by the Board of Directors on 29th May 2019.

COVENANT AND CORE VALUES

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

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

The business activities of the Company and the Group are conducted maintaining the highest levels of ethical standards in achieving its corporate objectives. All new staff are required to abide by the code of conduct which they sign at time of joining.

PRINCIPAL ACTIVITIES

Expolanka Holdings PLC, the Group's holding Company manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the Expolanka Group, and provides numerous function based services to its Group Companies. The Companies within the Group and its holding percentages are described on page 137 of this Annual Report. The principal activities of the Group are categorized into three sectors namely, Logistics, Leisure and Investments.

BUSINESS REVIEW AND PROSPECTS

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

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

FINANCIAL STATEMENTS

The Audited Financial Statements of the Company and the Group are given on pages 131 to 183 .

AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 127.

ACCOUNTING POLICIES

Details of accounting policies have been discussed in Note 02 of the financial statements. There have been no changes in the accounting policies adopted by the Group during the year under review except for SLFRS 15 Revenue from Contracts with Customers and SLFRS 9 Financial Instruments standards the Group adopted with effect from 1 April 2018.

REVENUE

Revenue generated by the Company amounted to Rs. 125,190,000 (2018 - Rs. 110,128,200) whilst Group revenue amounted to Rs. 95,454,911,468 (2018 - Rs. 77,532,886,917). Contribution to the group revenue from the different business segments is provided in page 177.

RESULTS AND APPROPRIATIONS

The profit after tax of the holding Company was Rs. (3,410,156) (2018 - loss of Rs. 185,429,783) whilst the Group profit attributable to equity holders of the parent for the year was Rs. 1,447,985,318 (2018 - Rs. 710,865,511). Results of the Company and of the Group are given in the income statement in the audited financial statement.

The Company declared an interim dividend of Rs. 293,237,250 at Rs. 0.15 cents per share for the financial year 2018/19. Dividend per share has been computed based on the amount of dividends recognised as distribution to the equity holders during the period. As required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of Directors has confirmed that the company satisfies the solvency test in accordance with Section 57 of the Companies Act No 7 of 2007, and has obtained a certificate from the auditors, prior to declaring the dividend.

DONATION

Total donations made by the Company and Group during the year amounted to Rs. 0 (2018 - Rs. 30,000) and Rs. 20,098,286 (2018 - Rs. 9,397,688) respectively. The amounts do not include contributions on account of Corporate Social Responsibility (CSR) initiatives. The CSR initiatives, including completed and on-going projects, are detailed in the sustainability report of the annual report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (contd.)

PROPERTY, PLANT AND EQUIPMENT

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 24,518,180 (2018 - Rs. 32,264,335) and Rs. 3,961,747,782 (2018 - Rs. 3,748,354,128) for the Company and the Group respectively. Capital expenditure for the Company and the Group amounted to Rs. 2,172,621 (2018 - Rs. 3,638,489) and Rs. 510,038,245 (2018 - Rs. 678,266,078) respectively. Details of Property, Plant and Equipment and their movements are given in Note 03 to the financial statements.

INVESTMENTS

Investments of the Company in subsidiaries, associates, joint ventures and other external equity investments amounted to Rs. 4,756,779,601 (2018 - Rs. 4,768,644,038) respectively. Detailed description of the short and long term investments held as at the balance sheet date, are given in pages 158 to 163 to the financial statements.

STATED CAPITAL MOVEMENTS

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

Stated Capital	Rs.
As at 01 April 2018	4,097,985,000
Movements during the year	
As at 31 March 2019	4,097,985,000

DIRECTORATE

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

Naosuke Kawasaki - Chairman
Hanif Yusoof - CEO/Executive Director
Motonori Matzusono - Non-Executive Director
Yushifumi Matsubara - Executive Director
Sanjay Kulatunga - Non-Executive Independent Director
Harsha Amarasekara - Non-Executive Independent Director

The Directors' brief profiles are given in the Board of Directors section of the Annual Report. The section also includes names of persons holding office as Directors of the company and all its subsidiary and associate companies as at 31 March 2019.

DIRECTORS REMUNERATION

Directors' remuneration, in respect of the Company for the financial year 2018/19 is Rs. 37,931,417. Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2018/19 is Rs. 682,593,084.

AUDIT COMMITTEE

The following Directors serve the Audit committee;

Mr. Sanjay Kulatunga - Chairman
Mr. Harsha Amarasekara - Member

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

REMUNERATION COMMITTEE

The following Directors serve the Remuneration Committee;

Mr. Harsha Amarasekera - Chairman
Mr. Sanjay Kulatunga - Member

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

RELATED PARTY TRANSACTION REVIEW COMMITTEE

The following Directors serve the Related Party Transaction Review Committee;

Mr. Sanjay Kulatunga - Chairman
Mr. Harsha Amarasekara - Member

The report of the Related Party Transaction Review Committee is given under the section of Corporate Governance of the Annual Report.

SHARE INFORMATION

The distribution and composition of shareholders and the information relating to share trading is given in the Share Information section of the Annual Report. Given below, as additional disclosure, are the Expolanka Holdings PLC's Board of Directors' shareholdings as at 31 March 2019.

Name of Director	No of Shares
Naosuke Kawasaki	Nil
Hanif Yusoof	147,021,464
Motonori Matzusono	Nil
Yushifumi Matsubara	Nil
Sanjay Kulatunga	Nil
Harsha Amarasekara	Nil

SHAREHOLDERS

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

MAJOR SHAREHOLDING

No.	Name of Shareholder	31st March 2019		31st March 2018	
		No. of Shares	%	No. of Shares	%
1	SG HOLDINGS GLOBAL (PTE.) LTD	1,319,165,681	67.48	1,319,165,681	67.48
2	CACEIS BANK LUXENBOURG S/A BARCA GLOBAL MASTER FUND LP	173,811,433	8.89	173,811,433	8.89
3	HANIF YUSOOF	147,021,464	7.52	147,021,464	7.52
4	HSBC INTL NOM LTD-BBH-MATTHEWS EMERGING ASIA FUND	94,231,424	4.82	94,231,424	4.82
5	FAROOK KASSIM	23,560,811	1.21	23,041,756	1.18
6	J.B. COCOSHELL (PVT) LTD	11,161,962	0.57	1,872,580	0.10
7	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	9,499,000	0.49	9,499,000	0.49
8	AMALIYA PRIVATE LIMITED	7,716,250	0.39	-	-
9	E.W. BALASURIYA & CO. (PVT) LTD	7,591,805	0.39	7,591,805	0.39
10	MR. MOHOMED UVAISE MOHAMED ALI SABRY	6,500,000	0.33	-	-
11	MR. SHAFIK KASSIM	5,401,559	0.28	17,571,637	0.90
12	AMANA BANK PLC	4,540,098	0.23	4,540,098	0.23
13	MR. KANDANARACHCHIGE SENAKA RAVINDRANATH NISSANKA	4,500,000	0.23	-	-
14	MRS. VASUDEVAN SARASWATHI	4,036,860	0.21	325,071	0.02
15	EMPLOYEES TRUST FUND BOARD	3,486,700	0.18	3,486,700	0.18
16	HALLSVILLE TRADING GROUP INC.	3,000,000	0.15	3,000,000	0.15
17	MR. MOHAMED HAJI OMAR	2,898,660	0.15	2,178,660	0.11
18	MR. DICKOWITA KANKANAMGE ATHULA KITHSIRI WEERATHUNGA	2,000,000	0.10	-	-
19	MR. AMARAKOON MUDIYANSELAGE WEERASINGHE	1,956,966	0.10	-	-
20	MR. MOHAMAD NAZMI HAMEED	1,829,000	0.09	-	-

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance rules laid down under the Listing Rules of the Colombo Stock Exchange. The Expolanka Governance section on pages 91 to 107 discusses the areas pertaining to Corporate Governance in detail.

AUDITORS

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

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

EMPLOYMENT

The Company and its Subsidiaries have equal opportunity policy and such employee related codes are protected in the respective selection, training, development and promotion policies, ensuring that all related decisions are purely based on merit. In this regard the Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. The number of persons employed by the Company and its Subsidiaries at year-end was 3,078 (2018– 2,930). The details of the Group's employment, human resources initiatives and employees are included under the group Human Resources section of the Annual Report. There have been no material issues pertaining to the employees and employee relations of the Company and its Subsidiaries.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (contd.)

STATUTORY PAYMENTS

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

GOING CONCERN

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

ENVIRONMENTAL PROTECTION

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

SUSTAINABILITY

The Group pursues its business goals under corporate business governance and the group has taken numerous steps, particularly in ensuring the conservation of its natural resources and environment. These steps have been encapsulated in a group-wide sustainability programmes that were launched and are being launched on a continuous manner and immense progress have been made in various projects. The Sustainability Report form part of this annual report and could refer on page 64.

ANNUAL REPORT

The Board of Directors has approved the Company and the Consolidated Financial Statements on 29th May 2019. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board.

ANNUAL GENERAL MEETING

The Annual General Meeting of the company will be held at the Bougainvillea Ballroom, Hotel Galadari, No. 64, Lotus Road, Colombo 01, on Monday 5th August 2019 at 4.00 pm.

By Order of the Board

Hanif Yusoof
Director

Sanjay Kulatunga
Director

SSP Corporate Services (Pvt) Ltd
Secretaries

29 May 2019

THE STATEMENT OF DIRECTOR'S RESPONSIBILITY

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

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

The financial statements comprise of;

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

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

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

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

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

The External Auditors, Messrs Ernst & Young, reappointed in terms of Section 158 of the Companies Act were provided with every opportunity to take whatever steps and undertake whatever inspections that they considered being appropriate to enable them to give their audit opinion on the financial statements. The Report of the Auditors, shown on page 127 sets out their responsibilities in relation to the financial statements.

As required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test and have obtained certificates from the auditors, prior to declaring the first interim dividend of Rs. 0.15 per share declared on 5th March 2019

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

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payment, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the balance sheet date have been paid or where relevant provided for, except as specified in Note 28 to the financial statements covering contingent liabilities.

Naosuke Kawasaki
Chairman

Hanif Yusoof
Director

29 May 2019

AUDIT COMMITTEE REPORT

ROLE OF THE COMMITTEE

The Audit Committee is a formally constituted sub-committee of the Board of Directors which operates under a written charter adopted by the Board of Directors. The Committee is empowered by the Board to assists the Board of Directors in fulfilling its oversight responsibilities relating to:

- Ensure adequacy and effectiveness of the Company's internal controls over financial reporting systems to provide accurate, appropriate and timely information to the stakeholders.
- Review the appropriateness of accounting policies and their adherence to statutory and regulatory compliance requirements and applicable accounting standards.
- Review the quality and integrity of interim and annual financial statements prepared for publication prior to submission to the Board of Directors
- Ensure the adequacy, design and operating effectiveness of risk management measures, internal control and governance processes in place to identify, avoid and mitigate risks.
- The selection and performance of the Company's independent Internal and External auditors; and independent auditors' qualifications and independence.

Rules on Corporate Governance under listing rules of the Colombo Stock Exchange and Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka further regulate the composition, role and functions of the Audit Committee.

COMPOSITION

The Committee comprises of two (2) Independent Non-Executive Directors and is chaired by Mr. Sanjay Kulatunga. The composition of the Committee fulfilled the requirements of the Listing Rule No 7.10.6 of the Colombo Stock Exchange. Brief profiles of the members are given on the pages 18 and 19 of this annual report.

The composition of the Audit Committee changed during the year when, Mr. Toji Shio, member of Audit Committee resigned from the Board on the 2nd of August 2018.

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

MEETINGS

The Audit Committee convened 4 meetings during the financial year ended 31st March 2019 and the attendance of the members of the Audit Committee was as follows:

	30th May 2018	1st Aug 2018	8th Nov 2018	6th Feb 2019	Attendance Eligibility	Attended
Mr. Sanjay Kulatunga	●	●	●	●	4	4
Mr. Harsha Amarasekera	●	●	●	●	4	4
Mr. Toji Shio*	●	●	N/A	N/A	2	2

● Present ● Excused

** Resigned from the Board on 2nd of August 2018*

The agenda and the papers for the meetings are circulated among the members with sufficient notice. The Group CEO, Director Group Finance, CFO and Risk & Control division attended the Audit Committee meetings by invitation. The CEO and CAO of the Freight & Logistics Sector and Senior Management also attended as and when required. The External Auditors and the Internal Auditors were also invited to attend meetings when necessary.

The Board is apprised of the significant issues deliberated through verbal briefings and audit committee meeting minutes and considers and adopts, the recommendations of the Audit Committee as applicable.

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

Meeting Date	Key Points of Discussion
30th May 2018	• Review of Quarterly Financials for the period ending 31st March 2018
	• Review of Consolidated Financial Statements for the year ending 31st March 2018 and recommendation to Board for approval
	• Review of ERP system implementation across the group and progress update
	• Review of effectiveness of working capital management with strong emphasis on customer on boarding process and debtor's control
	• Meeting with EY Partner and the team and review of significant developments during the year and other Key Audit Matters
	• In depth review of Income Tax Assessments and contingent liabilities for the companies within the group
	• Tabling and review of Risk Committee minutes
1st August 2018	• Review of Financial Statements for the quarter ending 30th June 2018
	• Review of exposure arising from accounts receivable and alternate risk mitigation strategies
	• Status and progress update on the income tax assessments of the group
	• Presentation by the ERP Steering Committee on the system implementation progress and cost vs. benefit
	• Discussion on the current audit coverage in terms of entities audited across the group by EY, Principal Auditors and plans to ensure audit uniformity
	• Discussion with PwC, Internal Auditors on the audits performed, high risk findings and follow ups and the internal audit plan
	• Review and finalization of Internal audit plan for 18/19 from the Risk Committee minutes
8th November 2018	• Review of Financial Statements for the quarter ending 30th September 2018
	• Progress update on the ERP system and the audit of system controls
	• In depth review of overdue debtors and the initiatives and measures taken across the group to ensure settlement
	• Status and progress update on the income tax assessments of the group
	• J-Sox - Internal Control Self-Assessment audit update from the Risk Committee minutes
6th February 2019	• Review of Financial Statements for the quarter ending 31st December 2018
	• Presentation by the ERP Steering Committee on the system implementation progress update, system features and capability and system efficiency
	• Discussion and review of external audit plan, timelines, key area of emphasis and disclosures with EY Engagement Partner and the team
	• Status and progress update on the income tax assessments of the group
	• Authority matrix roll out for subsidiaries from the Risk Committee minutes

FINANCIAL REPORTING

The Committee has reviewed and discussed the Group's quarterly and annual financial statements with the management and the External Auditors ensuring that the Company's financial reporting gives a true and fair view based on the accounting records and in accordance with the stipulated Sri Lanka Accounting Standards prior to publication. Accordingly the committee reviewed the following;

- Adequacy and effectiveness of the internal controls, systems, and procedures to provide reasonable assurance on the reported financials.
- Appropriateness of the accounting policies adopted, key judgments and estimates used in preparation of financial statements and compliance with Sri Lanka Accounting Standards (SLFRSs & LKASs) and other regulatory provisions relating to financial reporting and required disclosures.
- Quarterly financial reports and Annual financial reports prior to submission to the Board.

AUDIT COMMITTEE REPORT (contd.)

The Committee extensively discussed and reviewed the internal control aspects of new ERP system implemented by the group to ensure reliability of financial reporting.

INTERNAL AUDIT, INTERNAL CONTROLS AND RISK MANAGEMENT

The objectives of the internal audits is to have an independent review of the system of internal controls as established by the management, its adequacy and to determine the extent of adherence to the controls and to take corrective action where necessary.

The Audit Committee, sub-committee of the Main Board exercises oversight over the Internal Audit function. The Committee reviewed the risk based internal audit plan for the year 18/19 and approved the same.

PwC, internal auditors met the Committee during the year and provided an update of previous year internal audit and findings arising from the same. The Committee reviewed the management's responses to the issues raised and recommendations to overcome the issues and the implementation plans. The Committee discussed matters of significance arising from internal audit with the management and ensured proper action plans for closure.

Internal control self-assessments for the companies within Expolanka Group and compliance audit on the same was carried out during the year to ensure internal controls specified by Japan's Financial Instruments and Exchange Act are being established group-wide as part of the continuous listing requirement of the ultimate parent company.

Review of risks and internal controls encompassed periodic discussions with senior management, meetings with External and Internal Auditors and review of the minutes of the Risk Committee meetings which are tabled at the Audit Committee meetings. The committee also assessed the major business and control risks and advised the Board on action to be taken where weaknesses were observed. The Key risks associated with the business are given in the Risk Management Report on pages 108 to 113.

EXTERNAL AUDIT

The Audit Committee met the company's Principal auditors Messrs. Ernst & Young prior to the commencement of external audit and discussed the audit plan, scope, approach, areas of emphasis, key audit matters etc. with the auditors.

The Committee reviewed and discussed with management and the external auditors on the Company's audited financial statements. It also reviewed the quality of the financial reporting, the reasonableness of significant accounting judgments and estimates and the clarity of disclosures in the financial statements, and the assessment of the Company's internal controls on financial reporting.

The Committee reviewed the nature of services provided by the auditors, and has determined that Messrs. Ernst & Young were independent on the basis that they did not carry out any management related functions of the company. The Committee has recommended to the Board, having considered their independence and performance Messrs.' Ernst & Young (EY), re-appointed as the Lead/ Consolidation auditors of the group for the financial year ending 31 March 2020 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

CONCLUSION

The Audit Committee is satisfied that the Group's accounting policies and internal controls are adequate and have been operating effectively to provide reasonable assurance that the financial affairs of the Group are managed in accordance with policies and accepted accounting standards based on the review of reports submitted by the external and internal auditors and the information received during the deliberations.

On behalf of the Audit Committee.

Sanjay Kulatunga
Chairman - Audit Committee

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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

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

TO THE SHAREHOLDERS OF EXPOLANKA HOLDINGS PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Expolanka Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2019, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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

A member firm of Ernst & Young Global Limited

KEY AUDIT MATTERS COMMON TO BOTH GROUP AND COMPANY

Key audit matter	How our audit addressed the key audit matter
Transactions and balances of foreign subsidiaries significant to the consolidated financial statements Expolanka PLC is a Group which includes a number of foreign subsidiaries operating in different jurisdictions as more fully described in note 2.2.1 of the consolidated financial statements. Of these subsidiaries, the financial statements of subsidiaries domiciled and operating in India, Bangladesh, United States of America, United Arab Emirates, Vietnam, China, Indonesia and Hong Kong are significant to the consolidated financial statements of the Group. The transactions and balances of such subsidiaries were considered most significant to our audit due to the geographical dispersion of those operations and magnitude of such subsidiaries' contribution to the results and position reported in the consolidated financial statements of the Group.	Our audit procedures, among others, included the following: • We involved and directed component auditors to address specific Group - level risks and areas of focus identified by us, at Group - Level. We visited component auditors of such significant subsidiaries and reviewed their working papers for adequacy and appropriateness of work performed to address the Group – Level risks identified. • Further, we obtained specific risk-based questionnaires and detailed audit programs from component auditors, which we there on assessed to identify whether a consistent approach was adopted across teams. • We have also assessed the adequacy of disclosures provided in note 24 to these financial statements in relation to the geographic segmentation of Group subsidiaries.
Annual Impairment Test of Goodwill The goodwill on the statement of financial position of the Group amounts to Rs. 374.5Mn which has been derived mainly from the Group's investment in Expolanka USA LLC, EFL Global Freeport (Private) Limited and Expo freight (Vietnam) Limited. Under Sri Lanka Accounting Standards, the Group is required to annually test the amount of goodwill for impairment. The Management's impairment assessment process is complex and judgmental and is based on assumptions as disclosed in Note 4, which are affected by economic and geopolitical factors. In consideration of the significance of the balance and the level of judgment involved, the impairment assessment of goodwill has been considered as a key audit matter.	Our procedures included among other, involving our internal specialized resources to assist us in evaluating the assumptions and methodology used by the Group, in particular those relating to the forecasted revenue growth and profit margins of Expolanka USA LLC, EFL Global Freeport (Private) Limited and Expo freight (Vietnam) Limited. We also assessed the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill. We also assessed whether the disclosures made by Management in Note 4.1.1 to the financial statements fairly reflect the Management's approach and assumptions applied in relation to the impairment test carried out.

Key audit matter	How our audit addressed the key audit matter
Adoption of new accounting standard SLFRS 15 – Revenue from Contracts with Customers. The Group has adopted SLFRS 15 from 1 April 2018 as explained in note 2.2.13 to the financial statements. Management was required to evaluate compliance of existing revenue recognition policies with the new Revenue Standard. Due to Group involvement in industries such as logistics and leisure, the Group was required to consider relevant clarification and guidance specifically relating to point of revenue recognition i.e. at a point in time or over the period, agent vs principal relationship in adoption of new revenue standard. As more fully described in note 2.4.1 to the financial statements, the process of adoption involved consideration of relevant legal aspects, industry practices, use of Management critical judgments and estimates. As the determination of the appropriate accounting policy required significant judgement by Management and in consideration of the various revenue arrangements that the Group has in place, we considered the application of SLSFRS 15 as a key audit matter.	Among other audit procedures focused on the adoption of New Revenue Standard, we performed following specific procedures. • We assessed the process followed by the Group to ensure all revenue streams are considered in its assessment and that the related contracts reviewed are representative of specified revenue streams & contractual terms. • We obtained Management's impact assessment and examined a sample of customer contracts to assess whether relevant contractual terms are considered in full and whether conclusions reached are in line with SLFRS 15. • In addition, we assessed the adequacy of the related financial statement disclosures in Note No 2.2.13 and Note No.17.

OTHER INFORMATION INCLUDED IN THE 2019 ANNUAL REPORT

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1516

Ernst & Young

Colombo
29 May 2019

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group 2019 Rs.	Group 2018 Rs.	Company 2019 Rs.	Company 2018 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	3	3,961,747,782	3,748,354,128	24,518,180	32,264,335
Intangible assets	4	635,099,255	539,913,970	1,806,250	2,591,250
Investments in subsidiaries	5	-	-	4,570,227,815	4,570,227,815
Investment in an associate and joint ventures	6	237,698,403	213,494,348	43,990,000	43,990,000
Other financial assets	7	145,023,258	155,144,144	142,561,786	154,426,223
Deferred income tax assets	22	186,779,308	122,472,004	-	-
Prepayments and other assets	8	234,548,242	-	-	-
		5,400,896,248	4,779,378,594	4,783,104,031	4,803,499,623
Current assets					
Inventories	9	122,879,282	153,600,653	-	-
Trade and other receivables	10	21,349,981,105	17,662,154,827	175,474,629	471,531,149
Prepayments and other assets	8	1,795,751,200	2,266,601,937	21,696,144	13,992,402
Other financial assets	7	194,276,010	163,961,188	451,656	-
Income tax recoverable		275,912,047	56,807,977	-	-
Cash and cash equivalents	11	4,456,865,049	3,625,713,712	155,779,974	34,882,582
		28,195,664,693	23,928,840,294	353,402,403	520,406,133
Total assets		33,596,560,941	28,708,218,888	5,136,506,434	5,323,905,756
EQUITY AND LIABILITIES					
Stated capital	12	4,097,985,000	4,097,985,000	4,097,985,000	4,097,985,000
Reserves	13	983,692,993	603,849,826	(11,864,435)	-
Retained earnings		9,193,919,473	8,075,240,615	238,138,521	537,552,217
Equity attributable to equity holders of parent		14,275,597,466	12,777,075,441	4,324,259,086	4,635,537,217
Non-controlling interest		1,511,718,909	1,250,977,852	-	-
Total equity		15,787,316,375	14,028,053,293	4,324,259,086	4,635,537,217
Non-current liabilities					
Financing and lease payables	14	1,198,889,432	811,845,411	691,284,493	246,134,570
Deferred income tax liabilities	22	482,305	4,264,451	-	-
Retirement benefit obligation	15	514,217,666	635,012,859	22,958,932	16,509,163
		1,713,589,403	1,451,122,721	714,243,425	262,643,733
Current liabilities					
Financing and lease payables	14	4,132,734,967	3,391,771,031	-	-
Trade and other payables	16	11,553,517,996	9,228,856,643	98,003,923	425,724,806
Income tax liabilities		409,402,200	608,415,200	-	-
		16,095,655,163	13,229,042,874	98,003,923	425,724,806
Total equity and liabilities		33,596,560,941	28,708,218,888	5,136,506,434	5,323,905,756
Net assets per share		7.30	6.54	2.21	2.37

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

Mushtaq Ahamed
Director - Group Finance

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

Hanif Yusoof
Director

Sanjay Kulatunga
Director

The accounting policies and notes on pages 136 through 183 form an integral part of the financial statements.

29th May 2019
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Note	Group 2019 Rs.	Group 2018 Rs.	Company 2019 Rs.	Company 2018 Rs.
Revenue from contracts with customers	17	95,454,911,468	77,532,886,917	125,190,000	110,128,200
Cost of sales		(77,355,321,966)	(63,806,591,544)	-	-
Gross profit		18,099,589,502	13,726,295,373	125,190,000	110,128,200
Other operating income and gains	18	568,382,484	199,405,040	8,281,381	170,638
Selling and distribution expenses		(1,234,192,602)	(1,080,418,030)	(19,538,403)	(18,590,705)
Administrative expenses		(14,231,084,931)	(11,025,231,442)	(351,235,668)	(363,507,280)
Operating profit/(loss)		3,202,694,452	1,820,050,941	(237,302,690)	(271,799,147)
Finance costs	19	(239,693,976)	(231,939,529)	(6,106,201)	(20,745,852)
Finance income	20	49,821,042	37,109,631	239,998,735	107,115,216
Share of result of equity accounted investees (net of tax)	6	60,413,620	43,848,240	-	-
Profit/(loss) before tax	21	3,073,235,138	1,669,069,283	(3,410,156)	(185,429,783)
Income tax expense	22	(1,164,390,306)	(707,506,831)	-	-
Profit/(loss) for the year		1,908,844,832	961,562,452	(3,410,156)	(185,429,783)
Attributable to:					
Equity holders of the parent		1,447,985,318	710,865,511		
Non-controlling interest		460,859,514	250,696,941		
		1,908,844,832	961,562,452		
Earnings/ (loss) per share	23.1				
Basic		0.74	0.36	(0.00)	(0.09)
Diluted		0.74	0.36	(0.00)	(0.09)
Dividend per share	23.2			0.15	0.15

The accounting policies and notes on pages 136 through 183 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	Group 2019 Rs.	Group 2018 Rs.	Company 2019 Rs.	Company 2018 Rs.
Profit/(loss) for the year		1,908,844,832	961,562,452	(3,410,156)	(185,429,783)
Other comprehensive income					
Other comprehensive income to be reclassified to statement of profit or loss in subsequent periods					
Net exchange differences on translation of foreign operations		502,068,481	122,346,713	-	-
Net other comprehensive income to be reclassified to statement of profit or loss in subsequent periods		502,068,480	122,346,713	-	-
Other comprehensive income not to be reclassified to statement of profit or loss in subsequent periods					
Net gain/(loss) on financial instruments at fair value through OCI	13.1	(11,864,435)	1,205,651	(11,864,435)	-
Actuarial loss on defined benefit plans	15	(40,057,324)	(14,844,843)	(2,766,290)	(7,993,741)
Income tax effect	22.3	3,009,595	(2,708,069)	-	-
Net other comprehensive income not to be reclassified to statement of profit or loss in subsequent periods		(48,912,164)	(16,347,261)	(14,630,726)	(7,993,741)
Other comprehensive income for the year, net of tax		453,156,316	105,999,452	(14,630,726)	(7,993,741)
Total comprehensive income for the year, net of tax		2,362,001,148	1,067,561,904	(18,040,882)	(193,423,524)
Attributable to:					
Equity holders of the parent		1,790,780,756	820,609,455		
Non-controlling interest		571,220,392	246,952,449		
		2,362,001,148	1,067,561,904		

The accounting policies and notes on pages 136 through 183 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Group	Note	Attributable to Equity holders of parent						
		Stated capital	Fair Value Reserve of financial assets at FVOCI/AFS	Foreign currency translation reserve	Retained earnings	Total	Non -controlling interest	Total equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 01 April 2017		4,097,985,000	(1,205,651)	477,758,621	7,675,165,267	12,249,703,237	1,127,738,100	13,377,441,337
Profit for the year		-	-	-	710,865,511	710,865,511	250,696,941	961,562,452
Other comprehensive income		-	1,205,651	126,091,205	(17,552,912)	109,743,944	(3,744,492)	105,999,452
Total comprehensive income			1,205,651	126,091,205	693,312,599	820,609,455	246,952,449	1,067,561,904
Dividend paid	23.2	-	-	-	(293,237,251)	(293,237,251)	(123,712,697)	(416,949,948)
As at 31 March 2018		4,097,985,000	-	603,849,826	8,075,240,615	12,777,075,441	1,250,977,852	14,028,053,293
Profit for the year		-	-	-	1,447,985,318	1,447,985,318	460,859,514	1,908,844,832
Other comprehensive income		-	(11,864,435)	391,707,602	(37,047,729)	342,795,438	110,360,878	453,156,316
Total comprehensive income			(11,864,435)	391,707,602	1,410,937,589	1,790,780,756	571,220,392	2,362,001,148
Dividend paid	23.2	-	-	-	(293,237,250)	(293,237,250)	(309,020,764)	(602,258,015)
Amount transferred due to changes in holdings		-	-	-	978,519	978,519	(1,458,571)	(480,052)
As at 31 March 2019		4,097,985,000	(11,864,435)	995,557,428	9,193,919,473	14,275,597,466	1,511,718,909	15,787,316,375

Company	Note	Stated Capital	Fair Value Reserve of financial assets at FVOCI AFS	Retained earnings	Total equity
		Rs.	Rs.	Rs.	Rs.
As at 01 April 2017		4,097,985,000	-	1,024,212,992	5,122,197,992
Profit for the year		-	-	(185,429,783)	(185,429,783)
Other comprehensive income		-	-	(7,993,741)	(7,993,741)
Total comprehensive income		-	-	(193,423,524)	(193,423,524)
Dividend paid	23.2			(293,237,251)	(293,237,251)
As at 31 March 2018		4,097,985,000	-	537,552,217	4,635,537,217
Loss for the year		-	-	(3,410,156)	(3,410,156)
Other comprehensive income		-	(11,864,435)	(2,766,290)	(14,630,726)
Total comprehensive income		-	(11,864,435)	(6,176,446)	(18,040,882)
Dividend paid	23.2			(293,237,250)	(293,237,250)
As at 31 March 2019		4,097,985,000	(11,864,435)	238,138,521	4,324,259,086

The accounting policies and notes on pages 136 through 183 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Group 2019 Rs.	Group 2018 Rs.	Company 2019 Rs.	Company 2018 Rs.
Cash Flows From / (Used in) Operating Activities					
Profit/(Loss) before Income Tax Expenses		3,073,235,138	1,669,069,283	(3,410,156)	(185,429,783)
Adjustments for,					
Depreciation	3	427,670,721	354,834,168	9,578,226	12,958,408
Amortization	4	83,729,795	66,547,696	785,000	548,750
Amortization of prepayment and other assets		55,328,393	-	-	-
Investment Income	20	(32,436,708)	(14,105,705)	(706,065)	(23,748)
Profit on Sale of Property, Plant and Equipment	18	(9,319,883)	(2,785,085)	(8,000)	(43,310)
Profit / Loss on sale of Investments	-	-	1,205,651	-	2,442,899
Dividend Income	20	(17,384,334)	(23,0003,926)	(239,292,670)	(107,091,468)
Finance Cost	19	239,693,976	224,029,905	6,106,201	12,836,228
Share of results of equity accounted investees	6	(60,413,620)	(43,848,240)	-	-
Allowances for Expected Credit Losses	10.2	209,320,282	162,003,600	-	-
Impairment loss on quoted AFS equity investment	-	-	7,909,624	-	7,909,624
Provision for Defined Benefit Plans	15	153,728,550	216,365,595	4,109,329	(14,983,025)
Operating Profit / (Loss) before Working Capital Changes		4,123,152,310	2,618,222,566	(222,838,135)	(270,875,425)
(Increase)/Decrease in Inventories		30,721,371	(18,400,541)	-	-
(Increase)/Decrease in Trade and Other Receivables		(3,752,643,634)	(4,977,550,045)	296,056,522	(216,450,286)
(Increase)/Decrease in Prepayments		477,915,314	(512,448,119)	(7,703,742)	3,888,953
Increase/ (Decrease) in Trade and Other Payables		2,182,434,155	2,488,031,884	(327,720,883)	364,242,565
Net change in working capital due to Group structure change		978,519	-	-	-
Cash Generated from Operations		3,062,558,036	(402,114,254)	(262,206,238)	(119,194,193)
Finance Cost paid		(239,693,976)	(224,029,905)	(6,106,201)	(12,836,228)
Income Tax Paid		(1,647,730,873)	(471,477,300)	-	-
Defined Benefit Plan Costs paid	15	(343,353,945)	(82,028,905)	(425,850)	(1,989,600)
Net Cash From / (Used in) Operating Activities		831,779,242	(1,179,680,364)	(268,738,289)	(134,020,021)
Cash Flows From / (Used in) Investing Activities					
Investment Income Received		32,436,708	14,105,705	706,065	23,748
Acquisition of Property, Plant and Equipment	3	(510,038,245)	(678,266,078)	(2,172,621)	(3,638,489)
Acquisition of Intangible assets	4	(103,799,761)	(41,659,247)	-	(3,140,000)
Proceeds from Sale of Property, Plant and Equipment		36,066,500	202,720,595	348,550	45,001
Other current Investments (net)		(30,314,822)	(42,899,498)	(451,656)	-
Other non current investments (net)		(1,743,548)	-	-	-
Net Acquisition of Subsidiaries, net of Cash Aquired	31	(37,177,209)	-	-	(18,804,545)
Sales Proceeds from Disposal of Equity Investment		-	336,530,928	-	313,540,622
Dividend Received		53,593,899	39,380,342	239,292,670	107,091,468
Additions to prepayment and other asset		(273,333,295)	-	-	
Proceeds from Sale of Subsidiaries		4,076,650	13,095,355	-	
Net Cash Flows Used in Investing Activities		(830,233,124)	(156,991,896)	237,723,008	395,117,805
Cash Flows From / (Used in) Financing Activities					
Proceeds From Financing and Lease		2,324,876,351	2,456,065,599	445,149,923	-
Repayment of Financing and Lease	14	(978,812,101)	(999,507,958)	-	(137,327,660)
Changes in non-controlling interest		(1,458,571)	-	-	-
Dividends Paid to Minority Share holders		(309,020,764)	(123,712,697)	-	-
Dividends Paid to Parent Company Share Holders	23.2	(293,237,250)	(293,237,251)	(293,237,250)	(293,237,251)
Net Cash Flows From / (Used in) Financing Activities		742,347,664	1,039,607,693	151,912,673	(430,564,911)
Effect of Exchange Rate Changes		678,799,224	83,488,886	-	-
Net Increase / (Decrease) in Cash and Cash Equivalents		1,422,693,006	(213,575,682)	120,897,392	(169,467,128)
Cash and Cash Equivalents at the beginning of the year	11	2,793,673,778	3,007,249,459	34,882,582	204,349,710
Cash and Cash Equivalents at the end of the year	11	**4,216,366,784**	2,793,673,778	**155,779,974**	34,882,582

The accounting policies and notes on pages 136 through 183 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENT

1. CORPORATE INFORMATION

1.1 General

Expolanka Holdings PLC is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 10, Mile Post Avenue, Colombo 03 and the principal place of business is situated at No. 15 A, Clifford Avenue, Colombo 03.

Ordinary shares of the company are listed on the Colombo Stock Exchange.

The financial statements for the year ended 31 March 2019, comprises "the Company" referring to Expolanka Holdings PLC as the holding company and "the Group" referring to the companies whose accounts have been consolidated therein.

1.2 Principal Activities and Nature of Operations

Holding Company

Expolanka Holdings PLC, the group's holding company, manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the Expolanka group and provides management and administration services to its subsidiaries and related companies.

Subsidiaries, Joint Ventures and Associates are grouped into 3 sectors namely Logistics, Leisure and Investments.

Logistics Sector

The logistics sector consists mainly of the group freight forwarding business represented by the EFL brand. The company engages in providing air freight, ocean freight and other contract logistics services such as warehousing & transport services. The sector also includes a GSA operations representing key strategic airlines.

Leisure Sector

The leisure sector consists mainly of corporate travel business which provides airline ticketing, hotel reservations, leisure services, inbound operations and event management services.

Investment Sector

The sector includes the export of commodities (desiccated coconut, a selection of fruits & vegetables), value added processing operation & IT services.

There were no significant changes in the nature of principal activities of the Company and the Group during the financial year under review.

1.3 Parent and Ultimate Parent Entity

The Company's parent entity is SG Holdings Global Pte Ltd. In the opinion of the directors, the Company's ultimate parent undertaking and controlling party is SG Holdings Co., Ltd, which is incorporated in Japan.

1.4 Date of Authorisation for Issue

The Financial Statements for the year ended 31 March 2019 were authorized for issue by the Board of Directors on 29 May 2019.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

2.1.1 Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 07 of 2007.

2.1.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for:

- Financial instruments reflected as fair value through profit or loss which are measured at fair value.
- Financial instruments designated as fair value through other comprehensive income (OCI) which are measured at fair value. (Previously classified as Available for Sale)
- Retirement benefit obligations which are determined based on actuarial valuations.

Where appropriate, the specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

2.1.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs), which is also the Company's functional currency. Subsidiaries whose functional currencies are different as they operate in different economic environments are reflected in Note 2.2.1 to the Financial Statements.

2.1.4 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.1.5 Comparative information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements. The presentation and classification of the Financial Statement of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

The Group applied SLFRS 15 and SLFRS 9 with effect from 1 April 2018. Due to the transition method chosen in applying these standards,

comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards.

2.1.6 Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

2.2 Significant Accounting Policies [GRI 102-45]

2.2.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Analysis of subsidiaries of the group based on sectors which are incorporated in Sri Lanka

	Holding Percentage	
Name of the Company	2019	2018
Logistics		
Direct		
Expolanka Freight (Private) Limited	100%	100%
E F L Headquarters (Private) Limited	100%	100%
Freight Care (Private) Limited	100%	100%
Globe Air (Private) Limited	100%	100%
International Airline Services (Private) Limited	100%	100%
E F L Transport (Private) Limited	100%	100%
Peri Logistics (Private) Limited	100%	100%
SG Logistics (Private) Limited	100%	100%
Sky Care (Private) Limited	100%	100%
UCL Logistics (Private) Limited	100%	100%
Logistics Park (Private) Limited	100%	100%

NOTES TO THE FINANCIAL STATEMENT (contd.)

	Holding Percentage	
Name of the Company	2019	2018
Indirect		
E F L Global Freeport (Private) Limited (Expo Global Distribution Centre (Private) Limited)	100%	100%
E F L Hub (Private) Limited	100%	100%
Global Logistics Services (Private) Limited	60%	60%
E A M Global (Private) Limited (Travel Express (Private) Limited)	100%	100%
Pulsar Shipping Agencies (Private) Limited	100%	100%
Oki Doki (Private) Limited	100%	100%
Alpha Aviation (Private) Limited	100%	100%
Alpha Air Solutions (Private) Limited	100%	100%
Pulsar Marine Services (Private) Limited	100%	100%
Leisure		
Direct		
Classic Travel (Private) Limited	100%	100%
Expo Visa Services (Private) Limited (Expo Consolidators (Private) Limited)	100%	100%
Classic Destinations (Private) Limited	100%	100%
Indirect		
Classic Fun Time (Private) Limited	100%	100%
Sunpower Travels (Private) Limited	100%	100%
Bongo (Private) Limited	100%	100%
Travel Bridge (Private) Limited	100%	100%
Investments		
Direct		
I T X 360 (Private) Limited	100%	100%
Tropikal Life International (Private) Limited	100%	100%
Expolanka (Private) Limited	100%	100%

Analysis of subsidiaries of the group based on sectors which are incorporated outside Sri Lanka:

Name of the Company	Country of Incorporation	Functional Currency	Holding Percentage 2019	2018
Logistics				
Direct				
EFL Global Logistics (Pte.) Ltd	Singapore	USD	100%	100%
Indirect				
Expolanka Bangladesh Limited	Bangladesh	BDT	45%	45%
UCL Logistics Limited	Bangladesh	BDT	0%	45%
Expolanka Freight (Cambodia) Limited	Cambodia	USD	51%	51%
Expo Freight (Shanghai) Limited	China	CNY	100%	100%
Expo Freight (Shenzhen) Limited	China	CNY	100%	100%
Airline Cargo Resources FZCO	UAE	AED	100%	100%
Expolanka Freight FZCO	UAE	AED	100%	100%
Expolanka Freight Dubai LLC	UAE	AED	100%	100%
Expo Freight (Hong Kong) Limited	Hong Kong	HKD	100%	100%
Expo Freight Private Limited	India	INR	90%	90%
AVS Cargo Management Services Private Limited	India	INR	46%	46%
EFL Express Private Limited	India	INR	90%	90%
UCL Logistics Private Limited	India	INR	90%	90%
Airline Carrier Resources Private Limited	India	INR	0%	90%
AMZ Logistics Solutions Private Limited	India	INR	46%	0%
Expo Century Logistics Private Limited	India	INR	100%	100%
International Sky Services India Private Limited	India	INR	97%	70%
PT Expo Freight Indonesia	Indonesia	USD	90%	90%
Expolanka Freight Ltd	Kenya	KES	100%	100%
Air Sea Logistics Limited	Kenya	KES	100%	45%
Expolanka Madagascar S.A.U	Madagascar	MGA	100%	100%
EFL Malaysia Sdn. Bhd	Malaysia	MYR	100%	0%
Expo Freight Limited	Myanmar	USD	51%	0%
Expolanka Freight Ltd	Mauritius	MUR	100%	100%
Union Cargo Private Limited	Pakistan	PKR	51%	51%
Expolanka Freight (Philippines) Inc.	Philippines	USD	100%	100%
EFL International (Pte.) Limited	Singapore	USD	100%	100%
Expolanka Freight (Proprietary) Ltd	South Africa	ZAR	100%	100%
Expolanka USA LLC	USA	USD	100%	100%
EFL Container Lines LLC	USA	USD	100%	100%
EFL Transportation LLC	USA	USD	100%	100%
Expolanka Freight (Vietnam) Ltd	Vietnam	VND	51%	51%
Leisure				
Indirect				
Classic Travel Maldives (Private) Limited	Maldives	MVR	49%	49%
Investment				
Indirect				
Expolanka Agri Exports (Private) Limited	India	INR	100%	100%

NOTES TO THE FINANCIAL STATEMENT (contd.)

Consolidation of entities in which the Group holds less than 50% share holdings

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The following companies, with equity control equal to or less than 50%, have been consolidated as subsidiaries based on above criteria.

	Holding Percentage	
	2019	2018
Expolanka Bangladesh Limited	45%	45%
Classic Travels Maldives Pvt Ltd	49%	49%
AVS Cargo Management Services Pvt Ltd	46%	46%

Acquisition of Subsidiaries

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

Equity Accounted Investees (Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in its associate and joint venture are accounted at cost in the Company financial statements.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint ventures of the Group are;

Name	Country of Incorporation	Holding Percentage	
		2019	2018
Airline Cargo Resources Limited	Bangladesh	50%	50%
Airline Services Limited	Bangladesh	50%	50%
Cross Freight Lines Limited	Bangladesh	50%	50%
Freight Care Aviation Limited	Bangladesh	50%	50%
Wings Classic Tours & Travels Limited	Bangladesh	50%	50%

Principle business activities of the above Joint venture companies are Airline GSA Operation and Travel.

Associate of the Group / Company is;

	Holding Percentage	
	2019	2018
Amana Takaful Maldives PLC	22.73%	22.73%

Principle business activities of the above Associate is provision of Takaful Insurance.

2.2.2 Business combinations and goodwill

Business Combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Statement of Profit or Loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the Statement of profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion the cash-generating unit retained.

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under the heading "Non- controlling Interest".

2.2.3 Foreign Currency

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in Statement of Profit or Loss. Non-monetary assets and liabilities which are measured in terms of historical cost in a foreign currency are translated using exchange rates at the dates of the initial transactions.

NOTES TO THE FINANCIAL STATEMENT (contd.)

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in Statement of Profit or Loss. Non-monetary assets and liabilities which are measured in terms of historical cost in a foreign currency are translated using exchange rates at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Foreign operations

The results and financial position of all Group entities that have a functional currency other than the Sri Lankan Rupee are translated into Sri Lankan Rupees as follows:

- assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition are translated to Sri Lankan Rupees at the exchange rate prevailing at the reporting date;
- Income and expenses are translated at the average exchange rates for the period.

The exchange differences arising on translation for Consolidation are recognised in Other Comprehensive Income. On disposal of a foreign operation, the relevant amount in the translation reserve is transferred to the Statement of Profit or Loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest in that foreign operation. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to the Statement of Profit or Loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation, and translated at the spot rate of exchange at the reporting date.

2.2.4 Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period
- All other assets are classified as non-current.
- A liability is current when:
- It is expected to be settled in a normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- It does not have a right at the reporting date to defer settlement of the liability by the transfer of cash or other assets for at least twelve months after the reporting period.

The Group classifies all other liabilities as non- current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.2.5 Property, Plant and Equipment

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services or for administration purpose and are expected to be used for more than one year.

Basis of Recognition

Property, plant and equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

Basis of Measurement

Items of property, plant & equipment including construction in progress are measured at cost net of accumulated depreciation and accumulated impairment losses, if any.

Owned Assets

The cost of property, plant & equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self- constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and includes the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on

qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Subsequent costs
The cost of replacing a component of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

The costs of the repair and maintenance of property, plant & equipment are recognised in the Statement of Profit or Loss as incurred.

Derecognition
The carrying amount of an item of property, plant & equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Any gains and losses on derecognition are recognised (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the Statement of Profit or Loss. Gains are not classified as revenue.

Depreciation
Depreciation is recognised in the Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment, in reflecting the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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

Leases – (Ijara Payables)
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a Lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a Finance Lease, Finance leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Profit or Loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss on a straight-line basis over the lease term.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.2.6 Intangible Assets

Basis of recognition
An Intangible asset is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation

NOTES TO THE FINANCIAL STATEMENT (contd.)

and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful life of intangible asset is assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

The useful life of intangible asset is as follows;

Software Over 4 Years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function/nature of the intangible asset. Amortisation was commenced when the assets were available for use.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognized.

2.2.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and loan to an employees included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e: removed from the Group's consolidated financial position) when:

The rights to receive cash flows from the asset have expired

Or

The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the Group has transferred substantially all the risks and rewards of the asset, or

(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

Trade receivables,

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs.

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

NOTES TO THE FINANCIAL STATEMENT (contd.)

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

Fair Value of Financial Instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.
- An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 7.6 to the Financial Statements.

2.2.8 Inventories

Inventories are valued at the lower of cost and net realisable value except commodity broker – traders. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

a) Raw materials:

- Purchase cost on a weighted average basis.

b) Finished goods and work in progress:

- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

c) Other inventories:

- At actual cost

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

2.2.9 Impairment of non- financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.2.10 Cash and Cash Equivalents

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

For the purpose of the statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

2.2.11 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense.

2.2.12 Employee Benefits

a) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations in Sri Lanka. The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

b) Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by

NOTES TO THE FINANCIAL STATEMENT (contd.)

LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in note 15. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The gratuity liability is not funded.

2.2.13 Revenue from Contract with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has several operating segments which are described In Note 24 to these financial statements. In all operating segments, the Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

Sale of Goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(ii) Significant financing component

The Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Where long-term advances are received from customers, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Rendering of Services (Logistics Sector)

The Group generates its revenues from four principal services: 1) Seafreight, 2) Airfreight, 3) Overland, and 4) Contract Logistics. Revenues reported in each of these reportable segments include revenues generated from the principal service as well as revenues generated from ancilliary services like customs clearance, export documentation, import documentation, door-to-door service, and arrangement of complex logistics supply movement, that are incidental to the principal service.

In Seafreight, Airfreight and Overland the Group generates the majority of its revenues by purchasing transportation services from direct (asset-based) carriers and selling a combination of those services to its customers. In its capacity of arranging carrier services, the Group issues a contract of carriage to customers. Revenues related to shipments are recognised based upon the terms in the contract of carriage and to the extent a service is completed. The Group measures the fulfilment of its performance obligations as services are rendered based on the status of a shipment. There are no significant judgements involved in the measurement of the performance of its obligations and the Group's contracts do not include any material variable considerations.

The Group elects to use the practical expedient regarding the disclosure requirement of the transaction price allocated to unsatisfied performance obligations. In nearly all customer contracts either the original expected duration is one year or less or the revenue is recognised at the amount to which the Group has a right to invoice.

Agency Services

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount that it retains for its agency services.

Contract Assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Interest
Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

The calculation of effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental cost that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income is presented in finance income in the Statement Profit or Loss.

Dividend
Dividend income is recognised in profit or loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Gains and losses
Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within "other income" in profit or loss.

Other income
Other income is recognized on an accrual basis.

2.2.14 Expenses
Expenses are recognized in the profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. For the purpose of presentation of the Statement of Profit or Loss, the function of expenses method is adopted.

Repairs and renewals are charged to profit or loss in the year in which the expenditure is incurred.

Finance income and finance cost
Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in the Statement of Profit or Loss. Interest income is recognised as it accrues in the Statement of Profit or Loss.

Finance cost comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in the Statement of Profit or Loss.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
Foreign currency gains and losses are reported on a net basis.

2.2.15 Tax expense
Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Profit or Loss except to the extent that it relates to a business combination, or items recognised directly in Equity or in Other Comprehensive Income.

Current tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENT (contd.)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.
Deferred tax liabilities are recognised for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

In respect of taxable temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

In respect of deductible temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in the Statement of Profit or Loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax on dividend income from subsidiaries is recognised as an expense in the Consolidated Statement of Profit or Loss at the same time as the liability to pay the related dividend is recognised.

Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables that are stated with the amount of sales tax.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

2.3 General

2.3.1 Events Occurring After the Reporting Date

All material post reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

2.3.2 Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.3.3 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "indirect method".

Interest paid is classified as an financing cash flow. Grants received, which are related to purchase and construction of property, plant & equipment are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows.

2.3.4 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chairman and the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

2.4 Changes in Accounting Policies and Disclosures

2.4.1 New and amended standards and interpretations

The Group applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018/19, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted SLFRS 15 using the modified retrospective method of adoption. Based on the assessment performed, the Group concluded that SLFRS 15 does not have a material impact on the Group's Consolidated Financial Statements.

The Group carried out an impact analysis of the possible impact from adoption of the SLFRS 15 across all the sectors and the key aspects covered are as follows.

Identified all goods or services, or contract deliverables, which have been promised within usual course of carrying out the business in each sector. In determining this, the management looked at implicitly or explicitly promised services including customary business practices or policies of each industry. Having considered the same, each business then determined the distinct performance obligation associated with the contracts they entered in to.

Logistics :

SLFRS 15 requires group logistics sector to recognize revenue for rendering of forwarding and logistics services at the time of receipt of the services by the counterparty, which generally occurs over time and customer consumes and receives the benefits as the services are performed. This is generally consistent with the timing and amounts of revenue the group recognized in accordance with the previous standard, LKAS 18.

Leisure :

In connection with contracts with corporate customers and free-individual-travelers, the Group identified certain principal versus agent considerations. In recognising revenue from these transactions, the Group considered whether the nature of its promise is a performance obligation to provide the services itself (acting as a principal) or to arrange for the other party to provide such services (acting as an agent). Agreements with corporate and individual had terms indicative that the group were in fact the agent. However, the accounting treatments that were adopted by the Group under the previous accounting standards were the same even prior to the application of SLFRS 15. Accordingly, this aspect of principal versus agent did not result in material changes to the reported figures

NOTES TO THE FINANCIAL STATEMENT (contd.)

SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The effect of adopting SLFRS 9 is given in Note 2.2.7 to the Financial Statements.

The nature of these adjustments are described below:

Classification and measurement

Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of SLFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under LKAS 39. The following are the changes in the classification of the Group's financial assets:

Quoted debt instruments previously classified as Held to maturity (HTM) financial assets are now classified and measured as Debt instruments at amortised cost. The Group's quoted debt instruments are regular government and corporate bonds that passed the SPPI test.

The business model determines whether cash flows will result from collecting contractual cash flows selling the financial assets, or both with the exception of trade receivables do not contain a significant financing component or for which group has applied the practical experience are measured at the transaction price.

Equity investments in Listed companies and non-listed companies previously classified as AFS financial assets are now classified and measured as Equity instruments designated at fair value through OCI. The Group elected to classify irrevocably these listed and non-listed equity investments under this category as it intends to hold these investments for the foreseeable future.

Impairment

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

The effect of adopting SLFRS 9 is given in Note 2.2.7 to the Financial Statements.

The Group did not have a material impact from the above amendment during the year ended 31st March 2019.

2.4.2 Standards Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

SLFRS 16 Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('Lessee'] and the supplier ('Lessor']. SLFRS 16 will replace Sri Lanka Accounting Standard – LKAS 17 (Leases) and related interpretations. SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The new Standard requires a lessee to:

- recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value
- present depreciation of lease assets separately, from interest on lease liabilities in the income statement.

SLFRS - 16 substantially carries forward the lessor accounting requirement in LKAS - 17. Accordingly, a lessor continues to classify its leases as operating lease or finance lease, and to account for those two types of leases differently.

SLFRS -16 will become effective on 1st January 2019. The impact on the implementation of the above Standard has not been quantified yet.

2.5 Significant Accounting Estimates and Judgements

The preparation of Financial Statements in conformity with SLFRS/LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes.

Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulation, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on upon the likely timing and the level of future taxable profits together as with future tax planning strategies.

Measurement of the Employee Benefit Obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 15 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of employee benefit obligations.

Measurement of the Recoverable Amount of Cash-Generating Units Containing Goodwill

The Group tests annually whether goodwill requires impairment, in accordance with the accounting policy stated in Note 2.2.9. The basis of determining the recoverable amounts of cash generating units and key assumptions used are given in Note 4.1.1 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENT (contd.)

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Group

	Freehold Land Rs.	Freehold Buildings Rs.	Plant and Machinery Freehold Rs.	Plant and Machinery Leasehold Rs.	Furniture and Fittings Rs.	Office and Factory Equipment Rs.
3.1.1 Cost						
As at 01 April 2018	932,651,696	1,152,850,721	132,013,936	80,015,068	642,789,912	421,842,418
Additions	-	8,600,000	-	7,120,382	122,756,475	48,602,784
Disposals	-	-	-	-	(28,497,885)	(24,324,483)
Derecognition	-	-	-	-	(7,837,900)	(3,152,999)
Transfers from / to others	-	13,019,365	44,240,702	-	2,126,786	-
Acquisition of subsidiaries	-	-	-	-	1,971,783	1,929,103
Disposal of subsidiaries	-	-	-	-	-	(1,284,823)
Exchange translation difference	20,546,966	34,511,471	8,986,062	-	49,145,573	23,069,142
As at 31 March 2019	953,198,662	1,208,981,557	185,240,700	87,135,450	782,454,744	466,681,142
3.1.2 Accumulated Depreciation						
As at 01 April 2018	-	187,390,128	28,063,737	25,929,353	306,181,786	204,419,861
Charge for the year	-	41,640,206	5,596,488	18,078,536	82,890,666	56,214,040
Disposal	-	-	-	-	(17,496,228)	(18,181,483)
Derecognition	-	-	-	-	(7,837,900)	(3,152,999)
Transfers from / to others	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	246,476	772,852
Disposal of subsidiaries	-	-	-	-	-	-
Exchange translation difference	-	4,174,947	1,801,656	-	24,209,659	11,086,706
As at 31 March 2019	-	233,205,281	35,461,881	44,007,889	388,194,459	251,158,977
3.1.3 Carrying Value						
As at 31 March 2019	953,198,662	975,776,276	149,778,819	43,127,561	394,260,285	215,522,165
As at 01 April 2018	932,651,696	965,460,593	103,950,199	54,085,715	336,608,126	217,422,557

3.1.4 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 560,643,552/- (2018 - Rs. 703,027,188/). Cash payments amounting to Rs 510,038,245./- (2018 - Rs.678,266,078/-) were made during the year ended for purchase of Property, Plant and Equipment.

3.1.5 Property, Plant and Equipment includes fully depreciated assets still in use having a gross carrying amounts of Rs. 254,719,103/- (2018 - Rs. 233,846,617/-)

Technological Equipment Rs.	Motor Vehicle Freehold Rs.	Motor Vehicle Leasehold Rs.	Tools and Equipment Rs.	Other Assets Rs.	Leasehold Improvements Rs.	Capital work in progress Rs.	Total Rs.
566,144,869	468,285,808	110,530,793	20,518,018	103,321,571	751,251,252	68,244,551	5,450,460,613
119,585,926	42,828,832	43,484,925	98,051	19,273,770	63,441,272	84,851,135	560,643,552
(63,914,700)	(34,266,578)	-	(244,292)	(7,513,498)	-	-	(158,761,436)
(14,227,197)	(5,625,145)	(148,107)	-	(35,600)	(470,513)	-	(31,497,461)
220,876	-	-	110,754	205,283	1,711,387	(131,556,459)	(69,921,306)
260,539	4,694,180	-	-	-	2,031,951	-	10,887,556
-	-	-	-	-	-	-	(1,284,823)
27,124,188	14,812,437	4,253,738	27,503	3,995,091	66,880,699	175,069	253,527,939
635,194,501	490,729,534	158,121,349	20,510,034	119,246,617	884,846,048	21,714,296	6,014,054,634
364,216,323	323,136,767	59,555,827	9,367,487	56,512,316	137,332,900	-	1,702,106,485
100,522,882	47,384,593	23,485,425	2,612,510	17,349,976	31,895,399	-	427,670,721
(56,429,865)	(34,749,994)	-	(193,178)	(4,964,071)	-	-	(132,014,819)
(14,227,197)	(5,625,145)	(148,107)	-	(35,600)	(470,513)	-	(31,497,461)
-	-	-	-	-	-	-	-
35,944	3,344,598	-	-	-	203,195	-	4,603,065
-	-	-	-	-	-	-	-
17,151,704	9,671,598	1,449,741	12,540	2,400,224	9,480,086	-	81,438,861
411,269,791	343,162,417	84,342,886	11,799,359	71,262,845	178,441,067	-	2,052,306,852
223,924,710	147,567,117	73,778,463	8,710,675	47,983,772	706,404,981	21,714,296	3,961,747,782
201,928,546	145,149,041	50,974,966	11,150,531	46,809,255	613,918,352	68,244,551	3,748,354,128

NOTES TO THE FINANCIAL STATEMENT (contd.)

3. PROPERTY, PLANT AND EQUIPMENT

3.2 COMPANY

	Motor Vehicles Freehold Rs.	Office Equipment Rs.	Technological Equipment Rs.	Furniture and Fittings Rs.	Computer and Accessories Rs.	Leasehold Improvements Rs.	Total Rs.
3.2.1 Cost							
As at 01 April 2018	30,367,432	5,803,622	37,545,316	10,875,518	12,879,528	24,738,880	122,210,296
Additions	-	-	989,010	-	-	1,183,611	2,172,621
Disposals	-	-	(400,000)	-	-	(294,780)	(694,780)
As at 31 March 2019	30,367,432	5,803,622	38,134,326	10,875,518	12,879,528	25,627,711	123,688,137
3.2.2 Accumulated Depreciation							
As at 01 April 2018	30,236,574	3,331,039	29,952,023	2,632,174	12,879,528	10,914,623	89,945,961
Charge for the year	38,300	498,731	3,557,572	1,314,547	-	4,169,076	9,578,226
Disposals	-	-	(216,667)	-	-	(137,563)	(354,230)
As at 31 March 2019	30,274,874	3,829,770	33,292,928	3,946,721	12,879,528	14,946,136	99,169,957
3.2.3 Carrying Value							
As at 31 March 2019	92,558	1,973,852	4,841,398	6,928,797	-	10,681,575	24,518,180
As at 01 April 2018	130,858	2,472,583	7,593,293	8,243,344	-	13,824,257	32,264,335

3.2.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 2,172,621/- (2018- Rs. 3,638,489/). Cash payment amounting to Rs. 2,172,621/- (2018- Rs.3,638,489/-) were made during the year ended for purchase of Property, Plant and Equipment .

3.2.5 Property, Plant and Equipment includes fully depreciated assets still in use having a gross carrying amounts of Rs. 43,799,094/- (2018 - Rs. 43,799,094/-)

4. INTANGIBLE ASSETS

4.1 GROUP

	Computer Software Rs.	Goodwill Rs.	2019 Rs.	Computer Software Rs.	Goodwill Rs.	2018 Rs.
Cost						
As at 01 April	362,380,840	374,519,791	736,900,631	290,477,349	374,519,791	664,997,140
Additions	103,799,761	-	103,799,761	69,653,599	-	69,653,599
Derecognition	(228,747,411)	-	(228,747,411)	-	-	-
Transfers from / to others	69,921,306	-	69,921,306	-	-	-
Exchange translation difference	8,604,937	-	8,604,937	2,249,892	-	2,249,892
As at 31 March	315,959,434	374,519,791	690,479,225	362,380,840	374,519,791	736,900,631
Amortisation						
As at 01 April	196,986,661	-	196,936,661	128,808,641	-	128,808,641
Charge for the year	83,729,795	-	83,729,795	66,547,696	-	66,547,696
Derecognition	(228,747,411)	-	(228,747,411)	-	-	-
Exchange translation difference	3,410,925	-	3,410,925	1,630,324	-	1,630,324
As at 31 March	55,379,969	-	55,379,969	196,986,661	-	196,986,661
Carrying value	260,579,464	374,519,791	635,099,255	165,394,180	374,519,791	539,913,970

4.1.1 Goodwill

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

	2019 Rs.	2018 Rs.
Expolanka Freight (Vietnam) Limited	33,262,114	33,262,114
Expolanka USA LLC	121,654,555	121,654,555
Expofreight (Hong Kong) Limited	6,016,299	6,016,299
Expo Freight (Shanghai) Limited	6,664,711	6,664,711
EFL Global Freeport (Private) Limited (Expo Global Distribution Centre (Private) Limited)	206,922,113	206,922,113
	374,519,791	374,519,791

The recoverable amount of all CGUs have been determined based on the value in use (VIU) calculation.

Key assumptions used in the VIU calculations

Gross margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium (8%-16%).

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on Industry growth rates. Cash flows beyond the five year period are extrapolated using 1% growth rate.

4.2 COMPANY

Computer Software	2019 Rs.	2018 Rs.
Cost		
As at 1 April	36,103,426	33,453,426
Addition during the year	-	3,140,000
De-recognition	(32,963,426)	-
Disposed	-	(490,000)
As at 31 March	3,140,000	36,103,426
Amortisation		
As at 1 April	33,512,176	33,453,426
Amortisation during the year	785,000	548,750
De-recognition	(32,963,426)	-
Disposed	-	(490,000)
As at 1 April	1,333,750	33,512,176
Net Book Value	1,806,250	2,591,250

NOTES TO THE FINANCIAL STATEMENT (contd.)

5. INVESTMENTS IN SUBSIDIARIES

	2019		2018	
	Holding %	Rs.	Holding %	Rs.
5.1 COMPANY				
Non - Quoted				
SG Logistics (Private) Limited	100	79,105,042	100	79,105,042
Classic Travel (Private) Limited	100	25,597,538	100	25,597,538
E F L Headquarters (Private) Limited	100	1,924,090,988	100	1,924,090,988
Expolanka Freight (Private) Limited	100	292,098,014	100	292,098,014
Expolanka (Private) Limited	100	596,111,561	100	596,111,561
Freight Care (Private) Limited	100	4,423,590	100	4,423,590
Globe Air (Private) Limited	100	17,214,477	100	17,214,477
Skycare (Private) Limited	100	1,679,053	100	1,679,053
UCL Logistics (Private) Limited	100	17,631,222	100	17,631,222
Peri Logistics (Private) Limited	60	10,000,000	60	10,000,000
E F L Transport (Private) Limited	100	260,000	100	260,000
Tropikal Life International (Private) Limited	100	41,000,050	100	41,000,050
Classic Destinations (Private) Limited	100	30	100	30
Logistics Park (Private) Limited	100	1,250,000,000	100	1,250,000,000
EFL Global Logistics (Pte) Ltd	100	211,016,250	100	211,016,250
ITX 360 (Private) Limited	100	100,000,000	100	100,000,000
International Airlines Services (Private) Limited	100	10,027,726	100	10,027,726
Expo Visa Services (Private) Limited (Expo Consolidators (Private) Limited)	100	1,173,555	100	1,173,555
		4,581,429,096		4,581,429,096
Less - Provision for impairment of Investments				
International Airlines Services (Private) Limited	100	(10,027,726)	100	(10,027,726)
Expo Visa Services (Private) Limited (Expo Consolidators (Private) Limited)	100	(1,173,555)	100	(1,173,555)
Total Carrying Value of Investments in Subsidiaries		4,570,227,815		4,570,227,815

Investment in subsidiaries is initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the income statement. After the initial recognition, Investments in subsidiaries are carried at cost less any accumulated impairment losses.

6. INVESTMENT IN AN ASSOCIATE AND JOINT VENTURES

6.1 Group

	Associate		Joint Ventures		Total	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Carrying value						
Cost / carrying value	43,990,000	43,990,000	83,834,854	72,298,479	127,824,854	116,288,479
Share of post acquisition profit	82,461,636	60,287,246	2,029,666	11,536,375	84,491,302	71,823,621
Share of pre acquisition reserve	25,382,248	25,382,248	-	-	25,382,248	25,382,248
	151,833,884	129,659,494	85,864,520	83,834,854	237,698,403	213,494,348
Balance sheet						
Total assets	1,665,305,223	1,323,407,585	687,735,479	725,912,774	2,353,040,702	2,049,320,359
Total liabilities	(930,772,846)	(771,480,151)	(423,394,747)	(545,111,971)	(1,354,167,592)	(1,316,592,122)
Net assets	734,532,377	551,927,434	264,340,732	180,800,803	998,873,109	732,728,237
Share of capital reserve	111,692,855	111,692,855	-	-	111,692,855	111,692,855
Net carrying value of the investments	846,225,233	663,620,289	264,340,732	180,800,803	1,110,565,965	844,421,092
Goodwill	(26,774,795)	(26,774,795)	-	-	(26,774,795)	(26,774,795)
Exchange flcutuation	(151,461,508)	(66,287,712)	(92,611,694)	(13,131,096)	(244,073,202)	(79,418,808)
Net assets	667,988,930	570,557,782	171,729,038	167,669,707	839,717,968	738,227,489
Group carrying amount of investment	151,833,884	129,659,494	85,864,519	83,834,853	237,698,403	213,494,348
Revenue and profit/(loss)						
Revenue	979,415,561	659,293,807	2,214,956,088	1,971,692,366	3,194,371,648	2,630,986,173
Profit/(loss) before income tax	170,839,245	108,840,151	88,278,097	74,542,194	259,117,341	183,382,345
Income tax	(31,079,874)	(19,110,187)	(30,985,466)	(27,628,058)	(62,065,340)	(46,738,245)
Profit/(loss) after income tax	139,759,371	89,729,964	57,292,631	46,914,136	197,052,002	136,644,099
Group share of profit for the year	31,767,305	20,391,172	28,646,315	23,457,068	60,413,620	43,848,240
Dividend	(9,592,916)	(4,455,724)	(26,616,650)	(11,920,694)	(36,209,565)	(16,376,418)
	22,174,389	15,935,447	2,029,666	11,536,375	24,204,055	27,471,821

Total assets, include cash and cash equivalents Rs.230,855,247/- (2018: Rs. 324,226,520/-) and prepayments Rs. 29,348,938/- (2018: Rs. 31,501,223/-).

Total liabilities, include tax payable Rs. 187,672,463/- (2018: Rs. 150,222,298/-) and long term borrowings Rs. 41,661,860/- (2018: Rs. 9,240,539/-).

Profit before income tax stated after charging depreciation Rs.88,278,096/- (2018: Rs.74,542,194/-) interest expense Rs.4,515,063/- (2018: Rs.3,684,629/-).

Associate company incorporated in Maldives of the Group which have been accounted for under the equity method of accounting is Amana Takaful Maldives PLC.

Joint Venture companies incorporated in Bangladesh of the Group which have been accounted for under the equity method of accounting are:

- Airline Cargo Resources Limited
- Cross Freight Lines Limited
- Airline Services Limited
- Freight Care Aviation Limited
- Wings Classic Tours & Travels Limited

NOTES TO THE FINANCIAL STATEMENT (contd.)

6.2 Company

Cost	2019 Rs.	2018 Rs.
Amana Takaful (Maldives) PLC	43,990,000	43,990,000
	43,990,000	43,990,000

The market price of a share of the Associate amounts to MVR 6 equivalent to Rs. 60.13 (2018 - MVR 5 equivalent to Rs. 56.81)
The investment in Associate in separate financial statements are carried at cost.

7. OTHER FINANCIAL ASSETS

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
7.1 Current				
Debt intruments at amortised cost				
Loans given to employees	194,276,010	163,961,188	451,656	
	194,276,010	163,961,188	451,656	-
7.2 Non Current				
Equity Instruments at Fair Value though OCI/AFS				
Investments in non-quoted securities (7.3)	101,520,332	99,776,780	99,058,859	99,058,859
Investments in quoted equity securities (7.4)	43,502,926	55,367,364	43,502,926	55,367,364
	145,023,258	155,144,144	142,561,786	154,426,223
Total current	194,276,010	163,961,188	451,656	-
Total non-current	145,023,258	155,144,144	142,561,786	154,426,223

*Trade receivables included in Note 10 also classify as 'Debt Instruments at amortised Cost'

Equity Instruments at Fair Value though OCI/AFS

Quoted

The Group has investments in listed equity securities. The fair value of the quoted equity shares is determined by reference to published price quotations in an active market.

Non-quoted

Fair value of the unquoted ordinary shares has been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

7.3 Investments in Non-quoted Equity Securities

	2019 Rs.	2018 Rs.
GROUP		
SLFFA Cargo Services Limited	717,921	717,921
Asia Pacific Institution of Information Technology Lanka (Private) Limited	99,058,859	99,058,859
Uniforce Logistics Limited	1,743,551	-
Total Investments in Non Quoted Equity Securities	101,520,332	99,776,780
Current	-	-
Non-current	101,520,332	99,776,780
	101,520,332	99,776,780
COMPANY		
Asia Pacific Institution of Information Technology Lanka (Private) Limited	99,058,859	99,058,859
	99,058,859	99,058,859
Current	-	-
Non-current	99,058,859	99,058,859
	99,058,859	99,058,859

7.4 Investments in Quoted Equity Securities

	2019			2018		
GROUP / COMPANY	No. of Shares	Price per share	Rs.	No. of Shares	Price per share	Rs.
Amana Takaful PLC	79,096,234	0.55	43,502,926	79,096,234	0.70	55,367,364
			43,502,926			55,367,364

During 2019, the group recorded an impairment loss of Rs. 11,864,435 (2018 - Rs. 7,909,624) on account of investment in Amana Takaful PLC.

NOTES TO THE FINANCIAL STATEMENT (contd.)

7.6 Fair value Measurement

Set out below is a comparison by class of the carrying amounts and fair values of the Group that are carried in the financial statements.

Financial Assets	Financial assets at amortised cost		Financial assets at fair value through OCI/AFS	
	2019	2018	2019	2018
Group				
Financial Instruments in non-current assets				
Other financial assets	-	-	145,023,258	155,144,144
Financial Instruments in current assets				
Trade and other receivables	21,349,981,105	17,662,154,827	-	-
Other financial assets	194,276,010	163,961,188	-	-
Cash and short-term deposits	4,456,865,049	3,625,713,712	-	-
Company				
Financial Instruments in non-current assets				
Other financial assets	-	-	142,561,786	154,426,223
Financial Instruments in current assets				
Trade and other receivables	175,474,629	471,531,149	-	-
Other financial assets	451,656	-	-	-
Cash and cash equivalents	155,779,974	34,882,582	-	-

Financial Assets	Financial assets at amortised cost	
	2019	2018
Group		
Financial Instruments in non-current liabilities		
Financing and lease payables	1,198,889,432	811,845,411
Financial Instruments in current liabilities		
Financing and lease payables	4,132,734,967	3,391,771,031
Trade and other payables	11,553,517,996	9,228,856,643
Company		
Financial Instruments in non-current liabilities		
Financing and lease payables	691,284,493	246,134,570
Financial Instruments in current liabilities		
Trade and other payables	98,003,923	425,724,806

The Management assessed that the fair value of cash and cash equivalents , trade and other receivables, trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

As at 31 March 2019, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value	As at 31 March 2019 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Equity Instruments at Fair Value though OCI/AFS				
Quoted Equity	43,502,926	43,502,926	-	-

During the reporting period ending 31 March 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

As at 31 March 2018, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	As at 31 March 2018 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Equity Instruments at Fair Value though OCI/AFS				
Quoted Equity	55,367,364	55,367,364	-	-

During the reporting period ending 31 March 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

8. PREPAYMENTS AND OTHER ASSETS

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Prepayments and other assets	2,030,299,442	2,266,601,937	21,696,144	13,992,402
Current	1,795,751,200	2,266,601,937	21,696,144	13,992,402
Non-current	234,548,242	-	-	-
	2,030,299,442	2,266,601,937	21,696,144	13,992,402

9. INVENTORIES

	Group	
	2019 Rs.	2018 Rs.
Raw Materials	645,217	1,186,758
Packing Materials	22,774,202	20,316,625
Work in Progress	-	-
Finished Goods	92,220,622	126,410,538
Consumables	3,100,719	163,200
Stationeries	4,138,522	5,523,532
Total of inventories lower of cost and net realisable value	122,879,282	153,600,653

NOTES TO THE FINANCIAL STATEMENT (contd.)

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Trade Debtors	21,138,483,179	16,277,481,618	-	-
Less: Allowances for Expected Credit Losses (10.2)	(520,870,610)	(404,849,961)	-	-
	20,617,612,569	15,872,631,657	-	-
Other Debtors	684,978,789	1,766,751,158	4,540,000	278,020,565
Amounts Due from Related Parties (10.1)	47,389,747	22,772,013	170,934,629	193,510,584
	21,349,981,105	17,662,154,827	175,474,629	471,531,149

10.1 Amounts Due from Related Parties

	Relationship	Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Alpha Air Solutions (Private) Limited	Subsidiary	-	-	7,330,714	7,388,217
Alpha Aviation (Private) Limited	Subsidiary	-	-	5,493,947	5,460,447
Bongo (Private) Limited	Subsidiary	-	-	-	5,572
Classic Destinations (Private) Limited	Subsidiary	-	-	685,827	152,772
Classic Travel (Private) Limited	Subsidiary	-	-	48,836,878	33,482,885
EAM Global (Private) Limited (Travel Express (Private) Limited)	Subsidiary	-	-	-	3,397
E F L Headquarters (Private) Limited	Subsidiary	-	-	-	28,006,490
EFL Hub (Private) Limited	Subsidiary	-	-	14,219,989	-
EFL Global Freeport (Private) Limited (Expo Global Distribution Centre (Private) Limited)	Subsidiary	-	-	735,684	76,159
Expolanka (Private) Limited	Subsidiary	-	-	6,088,448	5,171,790
Expolanka Freight (Private) Limited	Subsidiary	-	-	12,264,069	53,376,641
Freightcare (Private) Limited	Subsidiary	-	-	34,500	78,034
Global Logistics Services (Private) Limited	Subsidiary	-	-	491,994	1,098
Globe Air (Private) Limited	Subsidiary	-	-	21,000,000	20,999,790
International Airlines Services (Private) Limited	Subsidiary	-	-	47,568	164,425
ITX 360 (Private) Limited	Subsidiary	-	-	51,035,303	20,530,479
Logistic Park (Private) Limited	Subsidiary	-	-	650,352	227,495
Poly-Sagawa Logistics Co., Ltd.	Fellow Subsidiary	2,077,044	-	-	-
Pt.Sagawa Express Indonesia	Fellow Subsidiary	-	663,005	-	-
Oki Doki (Private) Limited	Subsidiary	-	-	-	1,000
Pulsar Shipping Agencies (Private) Limited	Subsidiary	-	-	234,961	31,000
Sagawa Express (H.K.) Co., Ltd.	Fellow Subsidiary	16,311	18,993	-	-
Sagawa Express International Taiwan Corp.	Fellow Subsidiary	-	83,754	-	-
Sagawa Express Philippines Inc.	Fellow Subsidiary	501,437	-	-	-
Sagawa Global Logistics Co., Ltd.	Fellow Subsidiary	-	4,437	-	-
SG Holdings Co., Ltd.	Ultimate Parent	3,140,232	2,748,811	-	-
SG Holdings Global Pte. Ltd.	Parent	405,823	18,624	-	-
SG Logistics (Private) Limited	Subsidiary	-	-	328,951	-
SG Sagawa (Thailand) Co., Ltd.	Fellow Subsidiary	206,571	100,407	-	-
SG Sagawa Ameroid Pte. Ltd.	Fellow Subsidiary	11,267	912,639	-	-

	Relationship	Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
SG Sagawa USA Inc.	Fellow Subsidiary	25,621	22,118	-	-
SG Sagawa Vietnam Co., Ltd.	Fellow Subsidiary	762,017	4,288	-	-
SGH Global Japan Co., Ltd.	Fellow Subsidiary	20,294,998	18,194,938	-	-
Skycare (Private) Limited	Subsidiary	-	-	-	9,200
Sun Power (Private) Limited	Subsidiary	-	-	-	86,250
Travel Bridge (Private) Limited	Subsidiary	-	-	-	33,500
Tropikal Life International (Pvt) Ltd	Subsidiary	-	-	510,256	17,998,943
UCL Logistics (Private) Limited	Subsidiary	-	-	547,215	225,000
Union Cargo (Pvt) Ltd - Pakistan	Subsidiary	-	-	397,974	-
Wings Classic Tours & Travels Limited	Joint Venture	19,948,426	-	-	-
		47,389,747	22,772,013	170,934,629	193,510,584

These outstanding balances are short term and revolving balances which are unsecured.

10.2 Allowances for Expected Credit Losses

	Group	
	2019 Rs. Collectively impaired	2018 Rs. Collectively impaired
At 01 April	404,849,961	297,002,728
Charge for the year	209,320,282	162,003,600
Written off during the year	(115,349,450)	(55,490,836)
Exchange fluctuation	22,049,817	1,334,469
At 31 March	520,870,609	404,849,961

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

	Group	
	2019 Rs.	2018 Rs.
Neither due nor past impaired	18,017,715,567	14,114,110,094
Past due but not impaired		
0 - 180 days	2,316,421,640	1,500,185,208
181 - 360 days	283,226,008	258,336,354
> 360 days	-	-
Allowance for expected credit losses	520,870,609	404,849,961
Gross carrying value	21,138,233,824	16,277,481,618
Allowance for expected credit losses	(520,870,610)	(404,849,961)
Total	20,617,363,214	15,872,631,656

NOTES TO THE FINANCIAL STATEMENT (contd.)

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Components of Cash and Cash Equivalents				
Cash at banks and on hand	4,456,865,049	3,625,713,712	155,779,974	34,882,582
Bank overdrafts (14)	(240,498,265)	(832,039,934)	-	-
Cash & Cash Equivalents for the Purpose of the Cash Flow Statement	4,216,366,784	2,793,673,778	155,779,974	34,882,582

12. STATED CAPITAL

	2018/2019	
	Number	Rs.
Fully Paid Ordinary Shares	1,954,915,000	4,097,985,000

12.1 Fully Paid Ordinary Shares

Balance at beginning of the year	1,954,915,000	4,097,985,000
Balance at end of the year	1,954,915,000	4,097,985,000

13. RESERVES

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Fair Value Reserve of Financial Asset at FVOCI/AFS (13.1)	(11,864,435)	-	(11,864,435)	-
Foreign Currency Translation Reserve (13.2)	995,557,428	603,849,826	-	-
	983,692,993	603,849,826	(11,864,435)	-

Fair Value Reserve of Financial Asset at FVOCI includes changes of fair value of financial instruments designated as Fair Value Reserve of Financial Asset at FVOCI.

Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of foreign operations and equity accounted investees into Sri Lankan rupees.

13.1 Fair Value Reserve of Financial Asset at FVOCI

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Balance as at 1 April	-	(1,205,651)	-	-
Change in Fair Value for the year	(11,864,435)	1,205,651	(11,864,435)	-
Balance as at 31 March	(11,864,435)	-	(11,864,435)	-

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
13.2 Foreign Currency Translation Reserve				
Balance as at 1 April	603,849,826	477,758,621	-	-
Currency translation difference during the year	391,707,602	126,091,205	-	-
Balance as at 31 March	995,557,428	603,849,826	-	-

14 FINANCING AND LEASE PAYABLES

	Group	
	2019 Rs.	2018 Rs.
14.1 GROUP		
Current finance cost bearing loans and borrowings		
Finance Leases	33,767,223	17,835,887
Bank Financing	1,299,495,520	894,387,709
Related Party Borrowings	2,558,973,960	1,647,507,501
Bank Overdrafts (11)	240,498,265	832,039,934
	4,132,734,967	3,391,771,031
Non-current finance cost-bearing loans and borrowings		
Finance Leases	108,068,327	108,705,297
Bank Financing	732,564,754	294,506,365
Related Party Borrowings	358,256,351	408,633,748
	1,198,889,432	811,845,411

14.2 Movement of Borrowings

	As At 01.04.2018	Finance Obtained	Repayment	Exchange Difference	As At 31.03.2019	2019			2018	
						Current < 1 year	Non-Current 1 - 5 years	Non-Current > 5 years	Current < 1 year	Non-Current 1 - 5 years
Finance Leases	126,541,184	22,303,643	(19,599,385)	12,590,107	141,835,549	33,767,223	92,467,607	15,600,719	17,835,887	108,705,297
Bank Financing	1,188,894,074	1,690,893,015	(862,629,486)	14,902,672	2,032,060,275	1,299,495,520	732,564,754	-	894,387,709	294,506,365
Related Party Borrowings	2,056,141,249	662,285,000	(96,583,230)	295,387,292	2,917,230,311	2,558,973,960	358,256,351	-	1,647,507,501	408,633,748
	3,371,576,508	2,375,481,658	(978,812,101)	322,880,070	5,091,126,135					
Bank Overdrafts (11)						240,498,265	-	-	832,039,934	-
						4,132,734,967	1,183,288,713	15,600,719	3,391,771,031	811,845,411

NOTES TO THE FINANCIAL STATEMENT (contd.)

14.3 Security and repayment terms

Group companies

External Financial Institution

Company	Lending Institution	2019	2018	Repayment	Security
Logistics Park (Private) Limited - Sri Lanka	Commercial Bank Ceylon PLC	48,371,795	60,217,949	Monthly Installments ending in June 2023	Corporate Guarantee from Expolanka Freight (Pvt) Ltd
Tropical Life International (Private) Limited - Sri Lanka	National Development Bank PLC	83,000,000	50,000,000	Repayable in 90 days from borrowing date	Corporate Guarantee from Expolanka Holdings PLC
Expolanka (Private) Limited - Sri Lanka	National Development Bank PLC	110,032,244	-	Repayable in 90 days from borrowing date	Corporate Guarantee from Expolanka Holdings PLC
Tropical Life International (Private) Limited - Sri Lanka	Amana Bank PLC	80,000,000	30,000,000	Repayable in 90 days from borrowing date	None
Expolanka (Private) Limited - Sri Lanka	Amana Bank PLC	40,000,000	40,000,000	Repayable in 90 days from the borrowing date	None
Tropical Life International (Private) Limited - Sri Lanka	Amana Bank PLC	95,100,183	62,202,795	Repayable in 90 to 180 days from the borrowing date	None
Expolanka (Private) Limited - Sri Lanka	Amana Bank PLC	296,474,070	314,556,747	Repayable in 90 to 180 days from the borrowing date	None
Classic Travel (Private) Limited - Sri Lanka	Amana Bank PLC	410,000,000	-	Repayable in 90 days from the borrowing date	None
Expo Freight (Private) Limited - India	HDFC Bank Limited	25,098,584	36,678,473	Repayable in 60 monthly installments	Vehicle Hypothecation
Expo Freight (Private) Limited - India	Axis Bank Limited - India	5,612,588	6,838,327	Repayable in 60 monthly installments	Vehicle Hypothecation
Expo Freight (Private) Limited - India	Standard Chartered Bank - India	-	276,542,797	Repayable in one year	Current Assets and 1st Charge on Fixed Assets of the company
Expo Freight (Private) Limited - India	Axis Bank Limited - India	142,331,696	65,722,417	Repayable in 3 months	Secured against the Current Assets of the company
Expolanka Holdings PLC - Sri Lanka	National Development Bank PLC	696,039,114	246,134,570	Revolving Overdraft facility under the Pooling Arrangement	None
		2,032,060,273	1,188,894,074		

Related Party

Company	Lending Institution	2019	2018	Repayment	Security
EFL Global Logistics Pte. Ltd - Singapore	SG Holdings Global Pte. Ltd - Singapore (Parent of Expolanka Holdings PLC)	2,558,973,960	1,556,700,000	Revolved Annually	None
EFL Global Logistics Pte. Ltd - Singapore	SG Holdings Global Pte. Ltd - Singapore (Parent of Expolanka Holdings PLC)	358,256,351	499,441,250	Equal Bi- Annual Installments ending in 2023 September	None
		2,917,230,311	2,056,141,249		
Total		4,949,290,583	3,245,035,324		

14.4 Company

	2019 Rs.	2018 Rs.
Non-current finance cost-bearing loans and borrowings		
Bank Financing	691,284,493	246,134,570
	691,284,493	246,134,570

15. RETIREMENT BENEFIT OBLIGATION-GRATUITY

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Balance as at 01 April	635,012,859	486,240,988	16,509,163	25,488,047
Current Service Cost	114,317,263	195,500,553	2,128,228	1,713,518
Finance charge for the year	39,411,287	20,865,042	1,981,101	3,058,567
Actuarial Loss	40,057,324	14,844,843	2,766,290	7,993,741
Payments during the year	(343,353,945)	(82,028,905)	(425,850)	(1,989,600)
Transfer during the year	-	-	-	(19,755,110)
Exchange difference	28,772,878	2,300,083	-	-
Disposal of Subsidiaries	-	(2,709,745)	-	-
Balance as at 31 March	514,217,666	635,012,859	22,958,932	16,509,163

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

Discount rate:	10.20%	12.00%	10.20%	12.00%
Salary Increment Rate	9.0%	8%-10%	9.0%	9.5%
Expected remaining working life (Years)	4.21 - 10.07	5.34 - 8.79	3.72	3.03

NOTES TO THE FINANCIAL STATEMENT (contd.)

	Discount Rate		Salary Increment	
	Group	Company	Group	Company
Sensitivity of assumptions used - 2019				
Effect on the defined benefit obligation liability				
Increase by one percentage point	28,917,389	748,855	(35,190,880)	(911,456)
Decrease by one percentage point	(33,187,081)	(805,773)	31,147,854	861,739
Sensitivity of assumptions used - 2018				
Effect on the defined benefit obligation liability				
Increase by one percentage point	21,410,225	433,855	(26,410,150)	(543,745)
Decrease by one percentage point	(24,393,771)	(461,504)	23,493,818	519,659

Sensitivity information of the Group represent the local subsidiaries data.

Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Less than or equal 1 year	52,400,307	99,488,455	5,302,760	4,517,789
Over 1 year and less than or equal 5 years	142,807,933	160,656,374	11,768,501	8,951,569
Over 5 year and less than or equal 10 years	130,859,533	175,542,967	4,174,935	2,524,902
Over 10 years	188,149,893	199,325,063	1,712,737	514,903
Total expected payments	514,217,666	635,012,859	22,958,932	16,509,163

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Trade Payables	9,352,020,100	7,740,879,885	3,731,306	7,373,833
Sundry Creditors including Accrued Expenses	2,165,842,876	1,459,847,085	88,265,959	183,349,510
Amounts Due to Related Parties (16.1)	35,655,019	28,129,672	6,006,658	235,001,463
	11,553,517,996	9,228,856,643	98,003,923	425,724,806

	Relationship	2019	2018	2019	2018
		Rs.	Rs.	Rs.	
16.1 Amounts Due to Related Parties					
Classic Travel (Private) Limited	Subsidiary	-	-	3,473,337	-
Expolanka Freight (Private) Limited	Subsidiary	-	-	43,587	-
E F L Headquarters (Private) Limited	Subsidiary	-	-	2,489,734	353,250
Freight Care Aviation Limited	Joint Venture	2,178,763	-	-	-
Globe Air (Private) Limited	Subsidiary	-	-	-	42,200,000
Logistics Park (Private) Limited	Subsidiary	-	-	-	189,000,000
Sagawa Express (H.K.) Co., Ltd.	Fellow Subsidiary	1,264,102	17,693,585	-	-
Sagawa Express International Taiwan Corp.	Fellow Subsidiary	11,751,366	-	-	-
Sagawa Express Philippines Inc.	Fellow Subsidiary	131,860	-	-	-
Sagawa Global Logistics (Malasia) Sdn Bhd	Fellow Subsidiary	-	91,845	-	-
Sagawa Global Logistics (Philippines) Inc.	Fellow Subsidiary	122,831	-	-	-
SG Holdings Co., Ltd.	Ultimate Parent	27,123	-	-	226,537
SG Holdings Global Pte. Ltd.	Parent	35,651	-	-	2,009,772
SG Logistics (Private) Limited	Subsidiary	-	-	-	1,211,905
SG Sagawa (Thailand) Co., Ltd.	Fellow Subsidiary	847,114	8,943	-	-
SG Sagawa Ameroid Pte. Ltd.	Fellow Subsidiary	263,609	204,364	-	-
SG Sagawa Express Vietnam Co., Ltd.	Fellow Subsidiary	6,655	-	-	-
SG Sagawa Vietnam Co., Ltd.	Fellow Subsidiary	2,332,556	-	-	-
SGH Global Japan Co., Ltd.	Fellow Subsidiary	16,522,291	10,130,936	-	-
Wings Classic Tours & Travels Limited	Joint Venture	171,100	-	-	-
		35,655,019	28,129,672	6,006,658	235,001,463

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
17.1 Timing of revenue recognition				
Goods transferred at a point in time	3,080,756,094	3,272,029,300	-	-
Services tendered over time	92,374,155,374	74,260,857,617	125,190,000	110,128,200
Total revenue from contracts with customers	95,454,911,468	77,532,886,917	125,190,000	110,128,200

17.2 Disaggregation of Revenue

The Group presented disaggregated revenue with Group's reportable segments based on the timing of revenue recognition and geographical region in the operating segment information section.

NOTES TO THE FINANCIAL STATEMENT (contd.)

18. OTHER OPERATING INCOME AND GAINS

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Other Operating Income	376,846,395	78,322,133	7,700,003	(17,260)
Bad Debts Recovery	15,085,917	9,012,858	-	-
Exchange Gain	136,536,938	83,196,702	573,378	144,589
Rental Income	30,593,351	26,088,262	-	-
Profit on Disposal of Property, Plant and Equipment	9,319,883	2,785,085	8,000	43,310
	568,382,484	199,405,040	8,281,381	170,638

19. FINANCE COSTS

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Finance Charges on Bank Financing	135,641,673	168,879,393	6,106,201	12,836,228
Finance Charges on Related Party Borrowing	80,201,720	19,121,220	-	-
Finance Charges on Lease liabilities	23,850,583	36,029,291	-	-
Impairment loss on quoted AFS equity investments	-	7,909,624	-	7,909,624
	239,693,976	231,939,529	6,106,201	20,745,852

20. FINANCE INCOME

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Investment Income	32,436,708	14,105,705	706,065	23,748
Dividend Income	17,384,334	23,003,926	239,292,670	107,091,468
	49,821,042	37,109,631	239,998,735	107,115,216

21. PROFIT/(LOSS) BEFORE TAX

Stated after Charging	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Included in Cost of Sales				
Employees Benefits including the following				
Defined Contribution Plan Costs - EPF and ETF	3,288,083	2,748,951	-	-
Depreciation	41,019,086	35,954,757	-	-
Included in Administrative Expenses				
Employees Benefits including the following				
Defined Benefit Plan Costs - Gratuity	153,728,550	216,365,595	4,109,329	(14,983,025)
Defined Contribution Plan Costs - EPF and ETF	420,088,504	290,137,314	9,080,626	6,949,458
Depreciation	386,651,634	352,385,863	9,223,996	12,958,408
Directors' Emoluments	682,593,084	522,770,210	37,931,417	38,988,325
Auditors' Remuneration (Fees and Expenses)	49,371,940	43,064,570	3,192,936	2,211,630
Donations	20,098,286	9,397,688	-	30,000
Included in Selling and Distribution Costs				
Advertising Costs	25,266,130	26,212,021	1,212,667	838,622

22. INCOME TAX EXPENSE

Current Income Tax	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Current Tax Expense on Ordinary Activities for the Year (22.1)	1,128,219,918	711,648,695	-	-
Under/(Over) Provision of current taxes in respect of prior years	17,226,724	(6,100,164)	-	-
14% of Withholding Tax on inter-company Dividends	83,669,757	35,395,260	-	-
Deferred Income Tax				
Deferred Taxation Charge/(Reversal)	(64,726,093)	(33,436,960)	-	-
	1,164,390,306	707,506,831	-	-

22.1 A reconciliation between tax expense and the product of accounting profit /(loss)

Accounting Profit before Income Tax	3,073,235,138	1,669,069,283	(3,410,156)	(185,429,783)
Exempt Income	(231,162,975)	(2,193,375,469)	(146,572,651)	-
Aggregate Disallowable Items	768,136,931	670,208,857	132,238,415	247,458,300
Aggregate Allowable Expenses	(333,709,498)	(288,065,792)	(11,082,949)	(13,436,454)
Aggregate Allowable Income	(484,212,707)	(1,236,738,391)	(706,065)	(107,141,265)
Tax loss utilised	258,299,641	11,282,595	29,533,406	-
Taxable Profit/(Loss)	3,050,586,530	(1,367,618,917)	-	(58,545,202)
Income Tax Expense	199,509,780	201,292,590	-	-
Income Tax on International Operations	928,710,138	510,356,104	-	-

NOTES TO THE FINANCIAL STATEMENT (contd.)

	Group		Company	
Current Income Tax	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.

22.2 Tax losses carried forward

Tax losses brought forward	(1,752,192,005)	(1,862,752,111)	(382,975,039)	(324,425,837)
Tax losses incurred during the year	(59,668,177)	(303,219,116)	-	(58,549,202)
Tax loss utilised	258,299,641	11,282,595	29,533,406	-
Tax loss readjustment	(8,051,609)	(402,496,627)		-
Tax losses carried forward	(1,561,612,151)	(1,752,192,005)	(353,441,633)	(382,975,035)
Statutory income tax rates - Local Subsidiaries	10% - 28%	10% - 28%		

22.3 Deferred Income Tax

	Group	
	2019 Rs.	2018 Rs.
22.3.1 Deferred Income Tax Assets		
At the beginning of the year	122,472,003	91,012,033
Charge or release to Income Statement	60,666,774	26,786,062
Charge or release to OCI Statement	3,009,595	(2,708,069)
Acquisition/(Disposal) of Subsidiary	(2,791,827)	-
Exchange Translation Difference	3,422,763	7,381,977
At the end of the year	186,779,308	122,472,004
The closing deferred tax asset and liability balancee relate to following;		
Accelerated depreciation for tax purposes	20,128,605	8,164,730
Employee benefit Liability	62,477,307	55,983,850
Losses available for offset against future taxable income	93,282,294	37,650,228
Others	10,891,102	20,673,196
	186,779,308	122,472,004

Expolanka Holdings PLC has not recognized net deferred tax asset as at 31 March 2019 due to the Company being unable to assess with reasonable certainty that taxable profits would be available to recover the asset in the foreseeable future, against which the tax losses amounting to Rs. 849,141,353/- (2018 - Rs. 1,417,957,397/-) can be utilized.

	Group	
	2019 Rs.	2018 Rs.
22.3.2 Deferred Income Tax Liabilities		
At the beginning of the year	4,264,451	2,303,694
Charge or release to Income Statement	(4,059,319)	1,812,025
Acquisition/(Disposal) of Subsidiary	-	1,229,677
Exchange Translation Difference	277,173	(1,080,945)
At the end of the year	482,305	4,264,451
The closing deferred tax asset and liability balances relate to following;		
Accelerated depreciation for tax purposes	-	425,224
Losses available for offset against future taxable income	-	1,625,814
Others	482,305	2,213,413
	482,305	4,264,451

Group has determined that the undistributable profit of its subsidiaries, joint ventures or associates will not be distributed in foreseeable future.

23. EARNINGS / (LOSS) PER SHARE

Basic Earnings / (loss) per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted Earnings / (loss) per share is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for outstanding share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

23.1 Basic Earnings / (Loss) Per Share

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Number of Ordinary Shares used as the denominator:	Number	Number	Number	Number
Opening Balance	1,954,915,000	1,954,915,000	1,954,915,000	1,954,915,000
Weighted average number of ordinary shares	1,954,915,000	1,954,915,000	1,954,915,000	1,954,915,000
BASIC EARNINGS / (LOSS) PER SHARE	Rs.	Rs.	Rs.	Rs.
Profit / (Loss) attributable to ordinary shareholders for basic earning / (Loss) Per Share	1,447,985,318	710,865,511	(3,410,156)	(185,429,783)
Weighted average number of ordinary shares	1,954,915,000	1,954,915,000	1,954,915,000	1,954,915,000
Basic Earnings / (Loss) Per Share	0.74	0.36	(0.00)	(0.09)
DILUTED EARNINGS / (LOSS) PER SHARE				
Profit / (Loss) attributable to ordinary shareholders for basic earning / (Loss) Per Share	1,447,985,318	710,865,511	(3,410,156)	(185,429,783)
Adjusted Weighted average number of ordinary shares	1,954,915,000	1,954,915,000	1,954,915,000	1,954,915,000
Diluted Earnings / (Loss) Per Share	0.74	0.36	(0.00)	(0.09)

NOTES TO THE FINANCIAL STATEMENT (contd.)

23.2 Dividend

	2019		2018	
	Per Share Rs.	Amount Rs.	Per Share Rs.	Amount Rs.
Declared and paid during the year				
Interim Dividend	0.15	293,237,250	0.15	293,237,250

24. SEGMENT INFORMATION

	Logistics		Leisure		Investments		Total	
Operating Segment	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Property, plant and equipment	3,191,444,606	2,892,373,479	64,725,398	71,034,191	743,817,296	784,946,459	3,999,987,300	3,748,354,129
Other Financial Assets	2,461,473	717,921	-	-	142,561,786	154,426,223	145,023,258	155,144,144
Other non-current assets	2,876,484,747	2,313,564,064	50,229,532	11,260,469	4,639,563,168	4,631,894,920	7,566,277,448	6,956,719,452
Segment non-current assets	6,070,390,827	5,206,655,464	114,954,930	82,294,659	5,525,942,250	5,571,267,601	11,711,288,006	10,860,217,725
Investments in Subsidiaries							(6,870,055,854)	(6,618,071,170)
Goodwill							374,519,791	374,519,791
Eliminations / adjustments							185,144,304	162,712,249
Total non-current assets							5,400,896,247	4,779,378,594
Inventories	-	53,290,081	-	-	-	100,310,572	-	153,600,653
Trade and Other Receivables	27,722,954,188	22,974,395,235	1,659,820,476	1,433,185,518	1,213,486,039	1,572,971,483	30,596,260,703	25,980,552,235
Other Financial Assets	151,008,222	118,387,047	37,322,563	43,761,721	5,945,225	1,812,420	194,276,010	163,961,188
Cash and Bank Balances	4,139,971,849	3,501,023,808	20,314,303	30,808,453	298,092,267	93,881,451	4,458,378,419	3,625,713,712
other current assets	7,109,196,840	2,098,496,157	251,303,658	112,172,792	136,854,879	114,051,323	7,497,355,377	2,324,720,272
Segment current assets	39,123,131,099	28,745,592,327	1,968,761,000	1,619,928,483	1,654,378,411	1,883,027,249	42,746,270,509	32,248,548,060
Eliminations / adjustments							(14,550,605,816)	(8,319,707,769)
Total current assets							28,195,664,693	23,928,840,291
Total assets							33,596,560,940	28,708,218,886
Financing and Lease (Ijara) Payables	1,282,044,265	612,739,318	88,844,802	25,000,000	764,779,122	325,672,467	2,135,668,189	963,411,786
other non-current liabilities	375,915,923	530,953,737	73,604,057	61,527,015	65,179,991	46,796,558	514,699,971	639,277,310
Segment non-current liabilities	1,657,960,188	1,143,693,056	162,448,859	86,527,015	829,959,113	372,469,025	2,650,368,160	1,602,689,096
Eliminations / adjustments							(936,778,757)	(151,566,375)
Total non-current liabilities							1,713,589,403	1,451,122,720
Financing and Lease (Ijara) Payables	3,913,391,589	2,600,615,309	430,513,079	205,549,711	721,354,495	586,286,129	5,065,259,163	3,392,451,149
Trade and Other Payables	23,474,703,337	16,006,450,559	714,689,556	789,749,064	426,925,670	975,762,368	24,616,318,563	17,771,961,991
other current liabilities	367,730,625	608,232,200	41,671,574	183,000	-	-	409,402,200	608,415,200

Operating Segment	Logistics		Leisure		Investments		Total	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Segment current liabilities	27,755,825,552	19,215,298,068	1,186,874,209	995,481,775	1,148,280,165	1,562,048,496	30,090,979,926	21,772,828,340
Eliminations / adjustments							(13,995,324,763)	(8,543,785,466)
Total current liabilities							16,095,655,163	13,229,042,874
Total liabilities							17,809,244,566	14,680,165,595
Total Segment asset	45,193,521,925	33,952,247,792	2,083,715,930	1,702,223,143	7,180,320,660	7,454,294,851		
Total Segment liabilities	29,413,785,740	20,358,991,124	1,349,323,068	1,082,008,790	1,978,239,278	1,934,517,522		

Primary segments (business segments)	Logistics		Leisure		Investment		Total	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Timing of revenue recognition								
Goods transferred at a point in time	-	-	-	-	3,080,756,094	3,272,029,300	3,080,756,094	3,272,029,300
Services tendered over time	90,953,300,347	72,996,439,734	1,375,168,180	1,261,555,410	45,686,847	2,862,473	92,374,155,374	74,260,857,617
Cost of Sales	(74,239,601,907)	(60,539,125,952)	(307,996,417)	(258,107,702)	(2,807,723,641)	(3,009,357,890)	(77,355,321,966)	(63,806,591,544)
Other operating income and gains	526,152,944	162,564,946	4,497,045	23,669,377	37,732,496	13,170,717	568,382,484	199,405,040
Depreciation and Amortisation	(444,526,822)	(357,889,494)	(15,893,465)	(14,165,612)	(50,980,228)	(49,326,758)	(511,400,515)	(421,381,864)
Overhead	(13,377,137,489)	(10,146,318,512)	(761,154,444)	(768,306,951)	(815,585,085)	(769,642,145)	(14,953,877,018)	(11,684,267,608)
Finance costs	(161,622,463)	(145,212,550)	(24,941,201)	(38,841,681)	(53,130,312)	(47,885,298)	(239,693,976)	(231,939,529)
Finance Income	34,399,885	16,001,243	-	-	15,421,156	21,108,388.36	49,821,042	37,109,631
Share of result of equity accounted investees (net of tax)	19,800,070	20,708,951	8,846,246	2,748,117	31,767,305	20,391,172	60,413,620	43,848,240
Profit Before Tax	3,310,764,565	2,007,168,367	278,525,942	208,550,957	(516,055,368)	(546,650,041)	3,073,235,139	1,669,069,283
Income Tax Expense	(1,103,871,385)	(657,295,795)	(70,079,212)	(39,981,458)	9,560,290	(10,229,578)	(1,164,390,306)	(707,506,831)
Profit for the year	2,206,893,180	1,349,872,572	208,446,730	168,569,500	(506,495,077)	(556,879,619)	1,908,844,833	961,562,452

Segments based on geographical location In LKR Mn	Sri Lanka	India	Bangladesh	USA	UAE	Vietnam	China	Hong Kong	Indonesia	Others	Total
2019 Timing of revenue recognition											
Goods transferred at a point in time	3,081	-	-	-	-	-	-	-	-	-	3,081
Services tendered over time	8,241	17,446	12,088	28,109	3,621	6,617	4,664	3,296	4,702	3,590	92,374
Non current assets*	2,742	313	300	361	385	13	35	256	15	648	5,069
2018 Timing of revenue recognition											
Goods transferred at a point in time	3,272	-	-	-	-	-	-	-	-	-	3,272
Services tendered over time	6,259	16,737	11,414	8,445	3,887	8,508	2,936	5,879	6,026	4,169	74,260
Non Current assets*	3,289	272	293	113	324	2	2	29	13	156	4,493

* excluding financial assets and deferred tax asset

NOTES TO THE FINANCIAL STATEMENT (contd.)

25. RELATED PARTY DISCLOSURES

The company carried out transactions in the ordinary course of business with related entities at an arms length transaction. The list of directors at each of the subsidiary, joint venture and associate companies have been disclosed in the group directory.

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
25.1 Transaction with related entities				
Providing of services	36,298,992	29,483,717	125,190,000	137,892,935
Receiving of services	257,586,387	212,470,312	-	-
Dividend Received	-	-	239,292,670	107,074,207
Settlements by Subsidiaries	-	-	387,058,625	78,456,600
Interest cost	80,036,278	18,506,817	-	-
Loan repayment	96,583,229	44,935,041	-	-

25.2 Transactions with Key Management Personnel (KMP) of the Company

Key management personnel include members of the Board of Directors of Expolanka Holdings PLC and its subsidiary companies.

	Group		Company	
Key Management Personnel Compensation	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Short-term employee benefits	682,593,084	522,770,210	37,931,417	38,988,325
	682,593,084	522,770,210	37,931,417	38,988,325

26. ASSETS PLEDGED

Assets pledged for facilities obtained is given in note 14.3 to the financial statements.

27. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that required adjustments to or disclosure in the financial statements.

28. COMMITMENTS AND CONTINGENCIES

28.1 Company

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

28.2 Group

28.2.1 Indemnification of VAT liability - APIIT

During the year 2014, the Company divested their investment in APIIT. Based on the agreement made, the Company has indemnified the buyer to the extent (43.84%) of the shares divested of the company from the total applicable liability of VAT assessment raised by the Department of Inland Revenue to APIIT for the periods YA- 06/07, 07/08, 08/09, 09/10, 10/11. Currently the case is under the Courts of Appeal. Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2019 is estimated at LKR 81.5 Mn after the provision of 37.5 mn.
The captioned cases were re-fixed for argument on the 07th, 10th and 13th June 2019.

28.2.2 Income Tax Assessment on SG Logistics (Pvt) Ltd

2011/12 & 2012/13 - The Company has filed an appeal at tax appeal commission against IT assessments for 2011/12 & 12/13 relating to exemptions claimed under the section 13 ddd of Inland Revenue Act on income received in foreign currency. Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2019 is estimated at LKR 53Mn. One year time period of the members of the Tax Appeals Commission was expired on 2th July 2018 and company will be informed of the next hearing date.
2014/15 - Another assessment was issued relating to the same exemptions claimed for the period 14/15 for LKR 13Mn for which a tax appeal has been made by the company.

28.2.3 Pulsar Shipping Agencies (Pvt) Ltd

2013/14 - The Company received an assessment for Y/A 13/14 from the Department of Inland Revenue for exemptions claimed under the section 13 ddd of Inland Revenue Act on income received in foreign currency. The company has filed appeals against these assessments with the Inland Revenue Department. Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2019 is estimated at LKR 17Mn. Two written submissions were submitted based on the request by the Commissioner explaining the nature of income and how income generated is in line with the 13ddd Act. Tax appeal commission is yet to inform a date for hearing against the appeal which has been submitted.
2014/15 - Another assessment was issued relating to the same exemptions claimed for the period 14/15 for LKR 11Mn for which a tax appeal has been made by the company.

28.2.4 Expolanka USA LLC

As disclosed previously, the Company was informed in June 2017 of a case that had been filed against its US-based subsidiary, Expolanka USA LLC and eleven of its employees who had previously worked for RCS Logistics Inc. This action was filed by RCS Logistics Inc. in the Superior Court of New Jersey, Hudson County. The main interim relief sought by RCS Logistics Inc. was denied by the Court. RCS has sought several reliefs, including monetary damages based on alleged anti-competitive acts on the part of Expolanka USA LLC and eleven of its employees. Expolanka USA LLC and the Individual Defendants are defending the action vigorously. As was previously disclosed on September 2018 quarterly financial statements, on application made by RCS Logistics Inc, Expolanka Holdings PLC has been added to these proceedings. Based on the legal advice, the management believes that the claim for monetary damages made against Expolanka USA LLC, Expolanka Holdings PLC and the other defendants by RCS Logistics Inc. is grossly exaggerated. The case is currently scheduled for trial in January 2020. No provision has been recognized in the Financial statements for the period ended 31st Mar 2019 in connection with this case as the management is not in a position, at this stage of the judicial proceedings, to give a reliable estimate of a potential judgment, if any, that may be rendered even in the event the outcome of these proceedings goes against Expolanka USA LLC, Expolanka Holdings PLC and/or the other defendants.

28.2.5 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 these guarantees.

	2019 Rs.	2018 Rs.
Institution		
Sampath Bank PLC	23,050,000	110,865,632
Standard Chartered Bank	102,484,458	100,599,570
National Development Bank PLC	193,032,244	50,000,000
Others	526,000,000	596,000,000
	844,566,701	857,465,202

28.2.6 Capital Expenditure Commitments

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

NOTES TO THE FINANCIAL STATEMENT (contd.)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial liabilities primarily comprise of short term borrowings for working capital requirements, long term borrowings for project financing, trade and other payables, and trade and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations, acquire strategic assets and to provide guarantees to support its operations. The Group has loans and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds available for sale investments.

The Group is exposed to market risk, credit risk and liquidity risk.

The Board of Directors and Group's senior management oversees the management of these risks. Further they review and agree policies for managing each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: finance rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include: loans and borrowings, deposits and available for sale investments.

Finance rate risk

Finance rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. The rates applied to Groups long term and short term borrowings are fixed periodically. The Group manages its finance rate risk by aggressively negotiating rates for short and long term borrowings and having a portfolio of facilities from various financial institutions which gives avenues to use the facility based on competitive rates. As Majority of the Group revenue is generated in USD, this helps the group in securing short and long term borrowings in USD at competitive rates.

Finance rate sensitivity

The finance rate sensitivity determines the impact of a change in the finance rate to the group's profit before tax.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group manages its foreign currency risk through natural hedging mechanism where it has implemented techniques of leading and lagging of FOREX transactions.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market-price risk arising from uncertainties about future values of the investment securities.

At the reporting date, the Groups exposure to quoted equity securities at market value was Rs. 43,502,926.The market value of these shares has decreased by 21.43 % in comparison to the previous financial year where the market value stood at Rs. 55,367,364.

At the reporting date, the Groups exposure to non-quoted equity securities at carrying value was Rs. 101,520,332.The carrying value for the non-quoted equity securities which was held at the end of 2018 was Rs. 99,776,780 .

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has a robust policy to assess the creditworthiness of the parties it transact with. The parties who aspire to trade in credit terms have to go through a credit verification process. The Group also has continuous dialogue with the respective parties to monitor the receivables position.

Trade and other receivable

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management.

Liquidity risk

The Group manages liquidity risk exposure through effective working capital management. The Company also has guidelines in place to ensure that the short term and medium term liquidity is managed at acceptable levels.

The table below summarises the maturity profile of groups financial liabilities based on contractual undiscounted payments.

Year ended 31 March 2019	On Demand	Less than 1 year	1-5 year	Above 5 year	Total
Bank Financing	-	1,299,495,520	732,564,754	-	2,032,060,275
Related Party Borrowing	-	2,558,973,960	358,256,351	-	2,917,230,311
Finance Leases (Ijara)	-	33,767,223	92,467,607	15,600,719	141,835,549
Trade and other payables	11,553,517,996	-	-	-	11,553,517,996

30. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Company Name	Country of incorporation and operation	2019	2018
Expolanka Bangladesh Limited	Bangladesh	55.00%	55.00%
Expo Freight India Holdings (Private) Limited	India	10.00%	10.00%
Expolanka Freight (Vietnam) Limited	Vietnam	49.00%	49.00%

	2018 Rs.	2017 Rs.
Accumulated Balances of Material Non - Controlling Interest		
Expolanka Bangladesh Limited	654,333,230	645,066,499
Expo Freight India Holdings (Private) Limited	250,754,911	189,643,203
Expolanka Freight (Vietnam) Limited	330,269,723	194,242,239
Accumulated Material Non- Controlling Interest	1,235,357,865	1,028,951,941
Profit allocated to Material Non - Controlling Interest	410,418,460	223,070,032

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

NOTES TO THE FINANCIAL STATEMENT (contd.)

Summarised statement of profit or loss

	2019	2018
Revenue	42,822,525,064	36,192,605,300
Operating Cost	(40,913,986,054)	(35,199,356,592)
Finance costs	(39,703,203)	(48,977,242)
Profit before tax	1,868,835,807	944,271,465
Income tax	(616,981,737)	(347,676,437)
Profit for the year	1,251,854,071	596,595,028
Total comprehensive income	-	(6,385,473)
Attributable to non-controlling interests	410,418,460	223,070,032
Dividends paid to non-controlling interests	(334,273,032)	(97,962,763)

Summarised statement of financial position

	2019	2018
Current Assets	9,509,229,439	8,354,687,871
Non- Current Assets	649,750,381	596,796,963
Total Assets	**10,158,979,820**	**8,951,484,834**
Current Liabilities	5,762,224,807	5,276,053,912
Non- Current Liabilities	25,489,278	209,737,979
Total Liabilities	**5,787,714,085**	**5,485,791,891**
Total equity	4,371,265,735	3,465,692,943
Attributable to:	-	-
Equity holders of parent	3,135,907,871	2,436,741,002
Non-controlling interest	1,235,357,865	1,028,951,941

Summarised cash flow information

	2019	2018
Operating	3,907,880,199	3,790,185,296
Investing	(92,852,311)	(68,633,645)
Financing	(3,955,760,822)	(3,841,340,709)
Net increase / (decrease) in cash and cash equivalents	(140,732,934)	(119,789,057)

The above information is based on amounts before inter-company eliminations

31 ACQUISITION OF SUBSIDIARIES

In March 2019, the Group has acquired AMZ Logistics Solutions Private Limited, EFL Malaysia Sdn. Bhd & Expo Freight Limited Myanmar.

Year ended 31 March	2019
ASSETS	
Property Plant & Equipment	6,284,491
Other non Current Asset	-
Trade and Other Receivables	166,552,743
Other Current Asset	7,064,577
Cash & Bank Balance	21,207,218
	201,109,029
LIABILITIES	
Financing and Lease (Ijara) Payables	-
Trade and Other Payables	36,977,189
Amount Due to related party	105,250,008
Income Tax Payable	497,405
	142,724,602
NET ASSETS	58,384,426
Goodwill	(338,958)

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

GROUP REAL ESTATE PORTFOLIO

Owning Company & Location	No. of Buildings	Buildings in SQ.FT	Free Hold Land in Perches	Net Book Value Mar-19
Properties in Colombo			23.50	109,147,500
Expolanka Pvt Limited				
No 10, Mile post Avenue, Kollupitiya , Colombo 3				
EFL HUB Pvt Limited	1	5,942		78,616,014
No 10, Mile post Avenue, Kollupitiya , Colombo 3				
Properties Outside Colombo	1	20,881	303.50	258,038,818
Expolanka Freight Pvt Ltd				
No 69, Ramyaweera Mawatha, Kittampahuwa, Wellampitiya				
Expolanka Freight Pvt Ltd			30.97	15,535,000
No 73/2, Ramyaweera Mawatha, Kittampahuwa, Wellampitiya				
Expolanka Pvt Limited	1	8,500	160.00	16,380,766
Kanomoolai, 10 mile post, Pubudugama, Madurankuli, Puttalam				
Expolanka Pvt Limited	2	135,609	555.26	1,048,273,857
No 390, Avisawella Road, Orugodawatte, Wellampitiya				
Pulsar Shipping Agencies (Pvt) Ltd	1	1,200	15.75	5,780,300
2/24th Portion of Bogahawatta, Galu Piyadda, Galle				
EFL Global Freeport (Pvt) Ltd	1	240,000		192,876,520
Lot No. 117, Spur Road 3, Phase 1, Export Processing Zone (EPZ), Katunayake, Sri Lanka				
Properties Outside Sri Lanka	1	42,912,000	105.58	89,489,929
Expo Freight Limited				
Diakhali, Yearpur, Ahulia, Dhaka				
Expo Freight Limited	1	55,066,000	105.58	114,836,233
Diakhali, Yearpur, Ahulia, Dhaka				
	9			1,928,974,938

FIVE YEAR SUMMARY

31st March	2018/19	2017/18	2016/17	2015/16	2014/15
In Rs. Mn.					
OPERATING RESULTS					
Group Revenue	95,455	77,533	63,492	56,015	52,652
Share of results of associates	60	44	22	37	12
EBIT	3,313	1,901	2,096	2,139	1,468
Finance Expenses	(240)	(232)	(403)	(92)	(154)
Profit before tax	3,073	1,669	1,692	2,047	1,314
Tax expenses	(1,164)	(708)	(464)	(601)	(266)
Profit after tax	1,909	962	1,229	1,446	1,047
Attributable to:					
Non Controlling Interest	461	251	274	332	162
Equity holders of the parent	1,448	711	955	1,113	886
CAPITAL EMPLOYED					
Share capital	4,098	4,098	4,098	4,098	4,098
Capital reserves	984	604	477	409	11
Revenue reserves	9,194	8,075	7,675	7,348	6,518
Minority interest	1,512	1,251	1,128	1,266	991
Total equity	15,787	14,028	13,377	13,120	11,618
Total debt	5,332	4,204	2,402	1,793	1,819
CAPITAL EMPLOYED	21,119	18,232	15,779	14,913	13,437
ASSETS EMPLOYED					
Property plant and equipment	3,962	3,748	3,632	3,423	3,376
Other non current assets	1,439	1,031	900	1,167	1,268
Current assets	28,196	23,929	18,810	18,085	17,348
Liabilities net of debt	(12,478)	(10,477)	(7,563)	(7,762)	(8,556)
ASSETS EMPLOYED	21,119	18,232	15,779	14,913	13,437
CASH FLOW					
Cashflow from operating activities	832	(1,180)	347	316	320
Cashflow from / (used in) investing activities	(830)	(157)	(22)	(338)	399
Cashflow from / (used in) financing activities	742	1,040	168	563	(941)
Net increase / (decrease) in cash and cash equivalents	1,423	(214)	523	922	(268)
KEY INDICATORS					
Basic earnings per share (Rs.)	0.741	0.364	0.488	0.570	0.453
Finance cost cover (no. of times)	13.8	8.2	5.2	23.4	9.5
Net assets per share (Rs.)	7.30	6.54	6.27	6.06	5.44
Debt / equity ratio (%)	33.8%	30.0%	18.0%	13.7%	15.7%
Dividend payout (Rs. Millions)	293	293	293	235	0
Dividend payout ratio (%)	20%	41%	31%	21%	0%
Current ratio (no.of.times)	1.7	1.8	2.2	2.0	1.8
Market price per share (Rs.)	4.0	4.9	6.0	7.0	8.5

SHARE INFORMATION

A trading summary for the financial year ending 31st March 2019 of Expolanka Holdings PLC share is given as below;

Trading Summary 1st April 2018 - 31st March 2019

Number of shares in issue	1,954,915,000
Number of shares traded during the Year	98,907,388
Number of transactions for the Year	7,209
Value of Transactions for the year	403,452,626.00
Market Capitalization as of 31st March 2019	7,819,660,000.00

Expo Share Performance

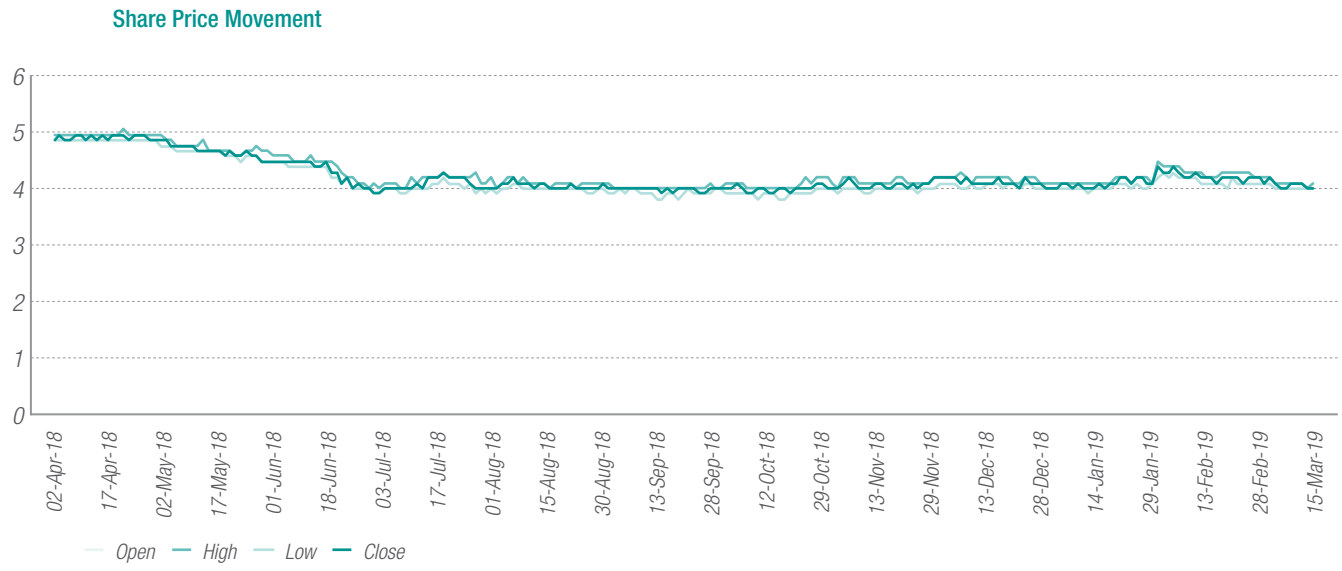
An analysis of the Expo Share performance over the last three years is reflected in the below table.

	31-Mar-2019	31-Mar-2018	31-Mar-2017
Highest (Rs.)	5.10	7.10	7.70
Lowest (Rs.)	3.80	4.80	5.60
Closing (Rs.)	4.00	4.90	6.00

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

	High	Low	Closing	Volume of shares Traded
1st Quarter	5.10	4.00	4.00	1,376
2nd Quarter	4.30	3.80	4.00	2,026
3rd Quarter	4.30	3.80	4.00	2,276
4th Quarter	4.50	3.90	4.00	1,376

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



Share Valuations

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

	2018/19	2017/18	2016/17	2015/16
Net Asset Per Share	7.30	6.54	6.27	6.06
Earnings Per Share	0.74	0.36	0.49	0.57
Trailing P/E Multiple	5.40	13.48	12.29	12.29
ROE	12.09%	6.85%	9.19%	11.02%

Share Distribution

The Expo Share is owned by a base of 7,111 voting registered shareholders as at 31st March 2019. The Distribution of the Shares is reflected below;

Range of Shareholding	No. of Shareholders	No. of Shares	% of Shareholding
1 - 1,000	3,138	2,100,612	0.11
1,001- 10,000	2772	11,988,822	0.61
10,001 - 100,000	968	34,340,638	1.76
100,001 - 1,000,000	202	57,677,310	2.95
Over 1,000,000	31	1,848,807,618	94.57

Analysis of Shareholding

Resident / Non Resident	No. of Shareholders	No. of Shares	% of Shares
Resident	7,040	355,726,308	18.20
Non-Resident	71	1,599,788,692	81.80

Individuals / Institutional	No. of Shareholders	No. of Shares	% of Shares
Individuals	6,887	293,908,001	15.03
Institutional	224	1,661,006,999	84.97

Float Adjusted Market Capitalization

As at	31.03.2019
Public shareholding (%)	25%
Public Shareholders	7,108
Float adjusted market capitalization	1,954,915,000

Public Holding of Shares

As of 31st March 2019, the Public Holding of Expolanka Holdings PLC shares stood at 488,703,855 shares which amounts to 25% of the issued Share Capital. The total No. of Shareholders representing the public Holdings as at 31st March 2019 is 7,108

SHARE INFORMATION (Contd.)

Shareholding by Directors

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

Name	No. of Shares - 31st March 2019	No. of Shares - 31st March 2018
Mr. N Kawasaki		
Mr. H Yusoof	147,021,464	147,021,464
Mr. O Kassim*		
Mr. Y Matsubara		
Mr. M Matzusono		
Mr. T Sano*		
Mr. S Kulatunga		
Mr. H Amarasekera		
Mr. T Shiho*		
Total	147,021,464	147,021,464

**Mr. O Kassim, Mr. T Shiho and Mr. T Sano resigned from their posts as Directors of Expolanka Holdings PLC with effect from the 2nd of August 2018.*

The Shareholding of the Spouses and Children under 18 years of the Directors

There is no shareholding of Spouses and children under 18 years of the Directors

Twenty Largest Shareholders as at 31st March 2019

The below table provides the details of the 20 Top Shareholders of Expolanka Holdings PLC as at 31st March 2019

No.	Name of Shareholder	31st March 2019		31st March 2018	
		No. of Shares	%	No. of Shares	%
1	SG HOLDINGS GLOBAL (PTE.) LTD	1,319,165,681	67.48	1,319,165,681	67.48
2	CACEIS BANK LUXENBOURG S/A BARCA GLOBAL MASTER FUND LP	173,811,433	8.89	173,811,433	8.89
3	HANIF YUSOOF	147,021,464	7.52	147,021,464	7.52
4	HSBC INTL NOM LTD-BBH-MATTHEWS EMERGING ASIA FUND	94,231,424	4.82	94,231,424	4.82
5	FAROOK KASSIM	23,560,811	1.21	23,041,756	1.18
6	J.B. COCOSHELL (PVT) LTD	11,161,962	0.57	1,872,580	0.10
7	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	9,499,000	0.49	9,499,000	0.49
8	AMALIYA PRIVATE LIMITED	7,716,250	0.39	-	-
9	E.W. BALASURIYA & CO. (PVT) LTD	7,591,805	0.39	7,591,805	0.39
10	MR. MOHOMED UVAISE MOHAMED ALI SABRY	6,500,000	0.33	-	-
11	MR. SHAFIK KASSIM	5,401,559	0.28	17,571,637	0.90
12	AMANA BANK PLC	4,540,098	0.23	4,540,098	0.23
13	MR. KANDANARACHCHIGE SENAKA RAVINDRANATH NISSANKA	4,500,000	0.23	-	-
14	MRS. VASUDEVAN SARASWATHI	4,036,860	0.21	325,071	0.02
15	EMPLOYEES TRUST FUND BOARD	3,486,700	0.18	3,486,700	0.18
16	HALLSVILLE TRADING GROUP INC.	3,000,000	0.15	3,000,000	0.15
17	MR. MOHAMED HAJI OMAR	2,898,660	0.15	2,178,660	0.11
18	MR. DICKOWITA KANKANAMGE ATHULA KITHSIRI WEERATHUNGA	2,000,000	0.10	-	-
19	MR. AMARAKOON MUDIYANSELAGE WEERASINGHE	1,956,966	0.10	-	-
20	MR. MOHAMAD NAZMI HAMEED	1,829,000	0.09	-	-

NOTICE OF MEETING

Notice is hereby given that the fourteenth Annual General Meeting of Expolanka Holdings PLC will be held at the Bouganvillea, Galadari Hotel, No. 64, Lotus Road, Colombo 01 on Monday, 05th August 2019 at 4.00 p.m

AGENDA

1. To consider and adopt the Annual Report of the Board of Directors on the Affairs of the Company and the Statements of Accounts for the financial year ended 31st March 2019 with the Report of the Auditors thereon.
2. To re-elect Mr. Sanjay Sumanthri Kulatunga, who in terms of Article 86 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.
3. To re-elect Mr. Shiran Harsha Amarasekera, who in terms of Article 86 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.
4. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors and authorize the Directors to determine their remuneration.
5. To authorize the Directors to determine contributions to charities for the financial year ending 31st March, 2020.

By order of the Board of Expolanka Holdings PLC

S S P Corporate Services (Private) Limited
Secretaries

No.101, Inner Flower Road, Colombo 03
12th July 2019

Note:
A member is entitled to appoint a proxy to attend and vote instead of himself/herself and a Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office of the Secretaries, No.101, Inner Flower Road, Colombo 03.

Security Check:
We shall be obliged if the shareholders/proxies attending the Annual General Meeting produce their National Identity Card to the security personnel stationed at the entrance.

NOTES

FORM OF PROXY

I/We ..... of

.....

being a member /members of Expolanka Holdings PLC hereby appoint (i). .....

..... of

..... failing him/her

(ii). Naosuke Kawasaki, Chairman of Expolanka Holdings PLC or failing him any one of the Directors of the Company as *my/our proxy to vote as indicated hereunder for *me/us and on *my/our behalf at the Annual General Meeting of the Company to be held on Monday, 05th August 2019 at the Bouganvillea, Galadari Hotel, No 64, Lotus Road, Colombo 01 at 4.00 p.m and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

		FOR	AGAINST
1.	To consider and adopt the Annual Report of the Board of Directors on the Affairs of the Company and the Statements of Accounts for the financial year ended 31st March 2019 with the Report of the Auditors thereon.		
2.	To re-elect Mr. Sanjay Sumanthri Kulatunga, who in terms of Article 86 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.		
3.	To re-elect Mr. Shiran Harsha Amarasekera, who in terms of Article 86 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.		
5.	To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors and authorize the Directors to determine their remuneration.		
6.	To authorize the Directors to determine contributions to charities for the financial year ending 31st March, 2020.		

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

Signature: .....

Note:

(a) *Please delete the inappropriate words.

(b) Instructions are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by filling in legibly your full name and address, your instruction as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Secretaries at No.101, Inner Flower Road, Colombo 03 at least 48 hours before the time appointed for the holding of the Meeting.
4. If the form of proxy is signed by an attorney, the relative power of attorney should accompany the form of proxy for registration, if such power of attorney has not already been registered with the Company

Note:
If the shareholder is a Company or body corporate, Section 138 of Companies Act No.7 of 2007 applies to Corporate Shareholders of Expolanka Holdings PLC. Section 138 provides for representation of Companies at meetings of Companies. A Corporation, whether a Company within the meaning of this act or not, may-where it is a member of another Corporation, being a Company within the meaning of this Act, by resolution of its Directors or other governing body authorized as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represent as that Corporation could exercise if it were an individual shareholder.

CORPORATE INFORMATION

[GRI 102-1, 102-3, 102-5]

Name of Company
Expolanka Holdings PLC

Legal Form
The Company is a Public Limited Liability Company. Incorporated in Sri Lanka on 05th March 2003 as a Private Limited Liability Company under the Companies Act No. 17 of 1982 and re-registered on 11th November 2008 as a Public Limited Liability Company under the Companies Act No 07 of 2007. Currently ordinary shares have been listed on the Colombo Stock Exchange.

Company Registration Number
P B 744

Board of Directors
Naosuke Kawasaki - Chairman
Hanif Yusoof - Chief Executive Officer
Harsha Amarasekera
Sanjay Kulatunga
Motonori Matsuzono
Yoshifumi Matsubara

Registered office of the Company
10, Milepost Avenue,
Colombo 03, Sri Lanka.

Audit Committee
Sanjay Kulatunga - Chairman
Harsha Amarasekera

Related Party Transaction Review Committee
Sanjay Kulatunga - Chairman
Harsha Amarasekera

Remuneration Committee
Harsha Amarasekera - Chairman
Sanjay Kulatunga

Contact Details
P. O. Box 1162
10, Milepost Avenue
Colombo 03, Sri Lanka
Telephone : +94 11 4659500
Facsimile : +94 11 4659565
Internet : www.expolanka.com

Contact for Media
Marketing and Corporate Communications
Expolanka Holdings PLC
15 A, Clifford Avenue
Colombo 03, Sri Lanka
Telephone : +94 11 4659500
Facsimile : +94 11 4659565
Web : www.expolanka.com

Investor Relations
Expolanka Holdings PLC
15 A, Clifford Avenue
Colombo 03, Sri Lanka
Telephone : +94 11 4659500
Facsimile : +94 11 4659565
Web : www.expolanka.com
E mail : investor@expolanka.com

Bankers
Amana Bank
Bank of Ceylon
Commercial Bank
Habib Bank
Hatton National Bank
Hong Kong and Shanghai Banking Corporation
ICICI Bank Limited
National Development Bank
Nations Trust Bank
Pan Asia Bank Corporation
Peoples Bank
People's Leasing Finance PLC
Sampath Bank
Seylan Bank
Standard Chartered Bank

Company Secretaries
SSP Corporate Services (Private) Limited
P V 931
101, Inner Flower Road
Colombo 03, Sri Lanka
Telephone : +94 11 2573894, +94 11 2576871
Facsimile : +94 11 2573609

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

Concept & Designed by
Copyline a great equation
Printed by Printel (Pvt) Ltd