CENTERED

EXPOLANKA HOLDINGS PLC
ANNUAL REPORT 2016/17

Business Beyond Borders

WE FOCUS ON MAKING OUR PRODUCTS WORK BETTER FOR YOU

LEAN AND DYNAMIC MEANS SPEED AND EFFICIENCY

A GOOD STRATEGY IS GREAT, BUT ACTION MAKES AN IMPACT

Selecting priorities isn't always the easiest aspects of a business. How does one place value over others in a dynamic market that claims to offer everything at once? For us, it hasn't been so difficult and we have identified an integral component that shapes what we consider as the most important values in our business; expertise. Recognising our strengths has enabled us to focus on underlying aspects of the company and create a more holistic experience for our shareholders and our customers. In the year under review, we placed some undeniable values above all else in ensuring excellence and remaining centered on what we do best.

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ABOUT THIS REPORT

G4-15,18,28-33

G4 INTEGRATED

Scope and Boundary

Expolanka Holdings PLC applies a progressive approach to integrated thinking and integrated reporting, which we recognise as interconnected aspects in our value creation journey. The leadership of the group develops and directs the strategy and manages the business in an integrated way, taking cognisance of the capital resources required and the interests of all our stakeholders. Given the integrated basis upon which we manage our business, the interests and concerns of our key stakeholders and how we respond to them is demonstrated throughout this annual integrated report for the year ended 31 March 2017. Date of most recent report was for the year 2015/16.

In doing so, the report covers the Group's core business verticals and key support functions. With respect to comparability, all significant items are reported on a like-for-like basis.

Determining Materiality

Our annual integrated report aims to provide a balanced, accurate and accessible assessment of our strategy, performance and prospects in relation to 31 key material financial, economic, social, environmental and governance issues. The material focus areas relevant to our business are shown on page 33 of this report and have been derived through the robust stakeholder engagement mechanism outlined on page 36 of this report.

Reporting Frameworks

Our annual integrated report conforms to the requirements of local and international statutory and reporting frameworks, including the CSE listing rules and the Code of Best Practice for Corporate Governance jointly issued by the Institute of Chartered Accountants (CA), Sri Lanka and the Securities and Exchange Commission.

Meanwhile, having adopted the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC), the information contained herein is disseminated in accordance with the IIRC's Six Capital Framework. The report also references the Global Reporting Initiatives (GRI), "In accordance-Core" reporting guidelines, which provides a quantitative assessment of our progress on key sustainability indicators. We have strived to ensure that our Annual Report provides a clear, concise and integrated overview of how we leverage resources to create sustainable value for stakeholders.

In reading and understanding the information captured in the report, it is important to note that the information contained herein reflects the Group's Management Approach that determines all material inputs or resources that go onto enhance each of the Six Capitals.

		Management Approach	Progress for 2016/17
	Financial Capital	Effective management of funds to ensure continuous improvement in ROA and ROE	Page 42
	Manufactured Capital	As a service organisation, the Group's Asset-light policy underpins investments in business infrastructure	Page 43
	Intellectual Capital	Strengthening brand equity and enhancing knowledge-based resources through strategic partnerships and investments in IT	Page 44
	Human Capital	Creating a valued and engaged workforce, with due consideration to workplace safety and employee well-being	Page 46
	Natural Capital	Mitigate the direct impact on the environment caused by the Group's core business; logistics	Page 56
	Social and Relationship Capital	Develop working relationships with all stakeholders in order to work towards greater social progress	Page 61

ABOUT THIS REPORT

We also use the Global Reporting Initiative (GRI) G4 guidelines to report on our progress on sustainable development and to facilitate comparability with the reports of other organisations. In doing so, we aim to improve the quality and relevance of information available to our stakeholders to foster better appreciation and informed decision-making.

Forward Looking Statements

The Report includes forward-looking statements, which relate to the possible future financial position and results of the Group's operations. These statements by their nature involve an element of risk and uncertainty, as they relate to events and depend on circumstances that may or may not occur in the future. However, the Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise.

Assurance

All information, data and statistics contained herein have been thoroughly reviewed by the Management and the Board of Directors of Expolanka Holdings PLC, to confirm the accuracy and completeness of information and verify the adherence to Group policies.

The internal audit function, overseen by the Audit Committee, assesses the effectiveness of the Group's system of internal control and risk management. The Audit Committee ensures a coordinated approach to all assurance activities and addresses all significant risks faced by the company. The committee also monitors the relationship between the external service providers and the company.

Further, we have also obtained an independent assurance from Ernst & Young, to validate the transparency of our reporting process. This assurance also serves to enhance the credibility of this integrated report for 2016/17.

Feedback

We value feedback and welcome questions and comments on our reporting. To obtain further information, feedback and queries, please contact;

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Director – Group Finance
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15A Clifford Avenue,
Colombo 03.
investor@expolanka.com

SPOTLIGHT

MILESTONES/MENTIONS

G4-13

Classic and EFL awarded Great Place to Work 2016 – Logistics & Leisure – July 2016 – SL

EFL and Classic Travel two flagship companies of Expolanka Group were rated among the top 25 companies at the Great Place to Work (GPTW) Sri Lanka awards 2016 with Classic also securing the Bronze in the Small Size Enterprise award category.

This was the second time that Classic Travel has been recognised at the GPTW awards. Previously, at the 2014 GPTW awards, Classic Travel was placed on the top 15 list and won a special award in the Work-Life balance category.

Expolanka Holdings Divests Stake in Norfolk Foods for $ 2.5 M – July 2016 – Investments Sector - SL

Expolanka Holdings PLC divested its 50% stake in Norfolk Foods Ltd in July 2016 to Thailand-based Asia Pacific food conglomerate CPF for a consideration of $ 2.5 million.

Expolanka acquired controlling stake in Norfolk in December 2011 for Rs. 300 million, with the investment being clustered under the International Trading and Manufacturing sector of Expolanka Holdings PLC.

Expo Freight (EFL) awarded international certifications in Quality Management, Environmental Management and Occupational Health & Safety Management – July 2016 – SL

EFL's Warehousing and Transportation clusters in Sri Lanka received the prestigious International Management Systems certifications in three core areas from SGS United Kingdom and SGS Switzerland. The certifications are; ISO 9001:2008 - Quality Management Systems, ISO 14001:2004- Environmental Management Systems and OHSAS 18001:2007 - Occupational Health & Safety Management Systems.

ISO 9001:2008 - Quality Management Systems certification is based on eight quality management principles namely, Customer focus, Leadership, Involvement of people, Process approach, System approach, Continual improvement, Fact-based decision making, and Mutually beneficial supplier relationships.

ISO 14001:2004 Environmental Management Systems support Companies fulfill a range of essential criteria to become sustainable and environmental conscious entities. The main areas include managing environmental aspects effectively, improved compliance with environmental legislation, prevention of pollution, minimising energy and resource usage reducing operating costs, continual improvement in environmental performance, reducing the risk of penalties and avoiding litigation, increased stakeholder confidence and opening new business opportunities with environmentally aware customers.

OHSAS 18001:2007 - Occupational Health & Safety Management Systems ensure maximum safety standards for employees by addressing several key areas. The key areas include, hazard identification, risk assessment and determining controls, legal and other requirements, objectives and OHS programmes, resources, roles, responsibility, accountability and authority, competence, training and awareness, communication, participation and consultation, operational control, emergency preparedness and response, performance measuring, monitoring and improvement.

EFL warehousing facility is accredited as Sri Lanka's first LEED Gold certified warehouse – SL – September 2016

EFL received top honours for its sustainable warehousing design with accreditation as Sri Lanka's first LEED

Gold warehousing facility. With a vision for long term sustainability, the state-of-the-art warehouse in Colombo is designed in compliance with LEED Gold standards and received the nod from the accrediting body recently.

The 100,000 square foot warehousing facility is energy efficient and sustainable with minimal impact on its surroundings. The building handles over 400CBM of goods a day and manages a turnaround of 25 trucks on average to support the exports of some of the country's largest apparel manufacturers.

During the certification process the facility was awarded 73 points in the USGBC LEED rating system, thus fulfilling the requirement for a Gold certification. The building scored high on all the categories under consideration including Sustainable Sites, Water Efficiency, Energy and Atmosphere, Materials and Resources, Indoor Environmental Quality, and Innovation in Design and received a special commendation in the Energy and Water categories on account of the highly efficient VRV cooling system and a lighting system that maximises the utilisation of natural light. Equipped with a solar PV installation on the roof of the building, the biggest of its kind in Colombo city, the building was awarded maximum points for energy efficiency as it saves more than 50% energy in comparison to the energy use of a conventional building. The solar panels supply almost the entire energy requirement of the building.

LEED, more formally known as Leadership in Energy and Environmental Design, is the leading benchmark in green building that recognises best-in-class building strategies and practices. LEED-certified buildings are recognisable by their resource efficiency alongside minimal usage of water and energy. They also reduce greenhouse gas emissions and as an added benefit, minimise cost.

Classic enters partnership with Funtime – September 2016 – Leisure Sector - SL

The travel and leisure industry and the event management business saw the birth of a new phenomenon, when Classic Travel partnered with Showbiz veteran Imran Saibo of Funtime to launch Classic Funtime.

The brainchild of Classic Travel, Managing Director Saif Yusoof, who recognised the opportunity of combining the two power houses to offer new experiences in both business and leisure travel along with entertainment and conference options in one total solution.

Classic Funtime was launched at a glittering evening held at the Hilton Colombo ballroom, amidst a distinguished gathering of corporate and travel heads, Government dignitaries and the well-known artists of Sri Lanka's showbiz industry.

Funtime Ltd., an event management company, has been a pioneer in all things related to events and showbiz, and since its inception built up a reputation for its professionalism and creativity setting industry benchmarks for events in the country. Among the few Sri Lankan event companies to boast of an international client portfolio, Funtime has embraced and introduced technological trends ranging from video mapping at iconic landmarks to coordinating large scale conferences on par with global events in terms of concept and management.

EFL India and Mauritius Complete 20 years – October 2016

The year 2016 marks the 20th anniversary of EFL's operations in India and Mauritius. Over the past two decades both these operations have grown tremendously, paving the way for EFL to venture into other territories in the region.

EFL makes history by transporting cargo from India to Bangladesh via the BBIN Motor Vehicle Agreement – October 2016 - ISC

EFL became the first freight forwarder to facilitate the safe passage of cargo from Bangladesh to India, under the terms of the BBIN Motor Vehicles Assessment, a multi-country agreement signed in

MILESTONES/MENTIONS

June 2015 between India, Bangladesh, Bhutan and Nepal to ensure smooth cross border passage for cargo and passenger vehicles.

The new simplified process is a boon for apparel-centric economies, making the region more competitive not just to global brands but also to the emerging domestic sector looking at regional growth. Industry experts predicted the agreement will effectively reduce transit time for cargo trucks by approximately three days, and overall logistics costs by up to 20%. Moreover, transforming what are traditionally perceived as transport corridors into economic corridors could potentially increase intraregional trade within South Asia by almost 60% and with the rest of the world by over 30%.

Marking the historic event, a truck carrying cargo was allowed to cross over to India from Bangladesh without adhering to the customary process where the consignment is unloaded and transferred to another truck at the border. As per the terms of the agreement trucks now follow a new Customs inspection and verification procedure using the E-Seal, which was affixed to the EFL truck in Bangladesh. The trucks can be monitored via GPS, enabling customers to track the much faster movement of their cargo. This streamlined solution will continue to offer complete visibility to global customers sourcing from the region.

Expolanka Holdings Honoured at the ACCA Sustainability Reporting Awards - January 2017

Expolanka Holdings emerged runners up at the ACCA Sustainability Awards in the Diversified Conglomerate Category. This award was presented by the Association of Chartered Certified Accountants. Expolanka won this award for the second time, having received the same recognition at the 2014 Awards ceremony.

The report reviewed by independent auditors, offer a clear image of the company's economic, environmental and social impact to its internal and external stakeholders. Thus far, the report showcased Expolanka's sustainability activities in accordance to the 'Core' option under GRI guidelines.

EFL Celebrates 35 – March 2017 – SL – Logistics sector

To mark its milestone 35th anniversary, EFL reaffirmed the commitment to its core mission and values, with a strengthened focus on Asia's flourishing fast fashion market.

Since 1982, Expolanka Freight (EFL) has set itself on par with global peers through focused delivery of flexible and customised solutions to support complex and time-constrained logistical needs. Over the years EFL has made a name as a specialised freight service provider for the apparel industry, including a number of leading global fashion labels.

EFL's expertise in fashion logistics will drive the company's core business to cater to the thriving fast fashion markets in Asia. Major fashion brands are entering high-value retail markets in China, Hong Kong and India-countries in which EFL already has a presence. The global fashion industry's biggest names are EFL clients, faithful to the company's on time deliveries and direct to store forwarding capabilities enriched by the expertise of resident fashion retail specialists and a host of value addition facilities.

MEMBERSHIPS AND CERTIFICATIONS

G4-16

Memberships

Expolanka Freight Ltd

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

Classic Travel (Pvt) Ltd

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

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

Certifications

Expolanka Freight Ltd

- US Customs and Border Protection
- 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

Expolanka (Pvt) Ltd

- JAS (Japanese Agricultural Standards)
- EU (European Agricultural Standards)
- USDA (United States Agricultural Standards)
- GMP - Sri Lanka Standard Institute
- Kocher Certificate

GROUP STRATEGY

Central to the Expo Group strategy is a single set of priorities that underpins the Group's growth-centered approach and articulates the Group's vision to secure market-leading positions in the two main sectors; logistics and leisure. Towards this end, all ongoing efforts focus on building resilience and enhancing the robustness and agility of two business models in order to overcome macro-economic challenges and fuel growth in each sector, in tandem with the overall strategic aspirations of the Group.

- Consistency in strategy and approach
- Drive growth
- Continuously evolve with the times
- Stay true to the "Dare to do spirit"
- Shareholder first

EXPO STRATEGIC COMMITMENTS

LOGISTICS

- Focus to grow in larger markets
- Expand US trade lanes
- Increase drive in Asia
- Strengthen Africa operation
- Optimise technology focus to improve operational efficiencies
- Consolidate end-to-end solution through innovation, adaptability, mobility and flexibility
- Continue growth in operations through the asset-light operating model

LEISURE

- Continue expansion (and Investments) in the Outbound and Corporate Travel Market to drive growth, profitability and operational efficiencies.
- Enhance service portfolio reorienting towards end-to-end solutions
- Restructure Inbound DMC operations with focus towards driving efficiencies and profits
- Continue developments on Technology platform with the aim of improving efficiencies and service excellence
- Focus on Innovations to drive higher yielding product solutions

FINANCIAL HIGHLIGHTS

G4-9

13% ↑
63,492 Mn
Revenue

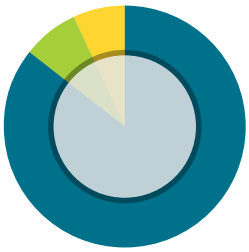
2% ↓
2,096 Mn
EBIT

15% ↓
1,229
PAT

8% ↑
11,199 Mn
Gross Profit

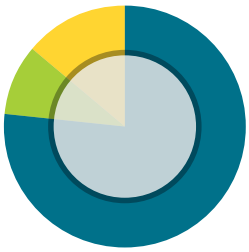
17% ↓
1,692 Mn
PBT

Revenue



Logistics	85.77%
Leisure	7.35%
Investment	6.88%

EBIT



Logistics	106%
Leisure	13%
Investment	-19%

GROUP FINANCIAL SUMMARY

Description	2016/17 Rs. Mn.	2015/16 Rs. Mn.	Change	Comments
Revenue	63,492	56,015	13%	Logistics sector recorded a growth in revenue by 15% driven by volume growth both in Air and Ocean and in US & Europe Trade lanes. Leisure sector recorded a revenue of Rs 4.7 billion. Both Inbound and Outbound operations performed well, posting a high level of growth. Investment sector drop in revenue by 4% mainly due to divestment of Norfolk Foods (Pvt) Ltd.
Cost of Sales	(52,293)	(45,656)	15%	Higher freight buying rates due to market capacities and increase in cargo freight impacted the Logistics sector cost of sales to increase by 16%.
Gross Profit	11,199	10,359	8%	Increase in volumes supported the growth in Gross Profit and penetrative low pricing in US trade lane in logistics sector affected the overall margins
Other Income	324	380	-15%	Strengthening of currencies resulted in drop in Exchange gains comparative to last year causing a drop in other income which was negated to some extent by unrealised Fair Value gains of LKR 123m on acquisition of balance 50% stake in Expo Global Distribution Centre.
Overhead	(9,449)	(8,637)	9%	Revenue growth, additional resources to support growth and inflationary impact contributed for the overhead cost to rise.
Share of profit of an associate and Joint venture	22	37	-41%	Drop in profits in Joint Ventures in Bangladesh reduced the Share of profits.
EBIT	2,096	2,139	-2%	Drop in Other income and increase overhead resulted a 2% drop in EBIT.
Finance Charges	(403)	(92)	341%	Fall in value of Available for Sale financial assets of LKR 239 Mn and additional borrowings fueled by revenue growth coupled with a significant increase in borrowing rates resulted in increased finance charges.
Profit Before Tax	1,692	2,047	-17%	Lower gross profit margin and fall in value of available for sale financial assets and increased overhead were the key drivers for the drop in profit before tax.
Income Tax Expense	(464)	(601)	-23%	Better tax management and comparative lower profit resulted a reduction in tax provision.
Profit for the year	1,229	1,446	-15%	Lower gross profit margins and fall in value of available for sale financial assets and increased overhead were the key drivers for the drop in profit after tax.
ROCE	10.34%	10.31%		Lower net profit in comparison to the equity base resulted drop in ROCE and ROE.
ROE	9.19%	11.02%		

CHAIRMAN'S MESSAGE

G4-1

Led by strong topline growth in both Logistics and Leisure sectors, Group Revenue topped Rs. 63,492 Million, for the year ending 31st March 2017, up by 13% compared to the previous year.

Dear Stakeholder

I would like to start by informing you that the Chairman of your group company, Mr. Nobuaki Kondo has stepped down and I am taking over his position and responsibility. Serving as the first chairman representing SG Holdings for the period of over 3 years, Mr. Kondo guided the Group on the right track towards progressive growth, cascading a plan to action that has continually grown the boundaries of commercial achievement balanced by ethical governance in a globally challenging market place. As the fellow director of the board I have witnessed his excellent leadership and visionary stewardship during his tenure.

During his term as a chairman the Group has continued to better its own record year after year. Led by strong topline growth in both Logistics and Leisure sectors, Group Revenue topped Rs. 63,492 Million, for the year ending 31st March 2017, up by 13% compared to the previous year. Mr. Kondo mentioned to me that which was most gratifying for him, even more than the results; is seeing the evolution of EFL – the Group's iconic logistics brand. The past few years have been marked by transformation and growth, where EFL has evolved from a localised player to become a formidable giant in integrated logistics in the Indian Subcontinent. Today, EFL continues to leverage its competitive advantages as a leading logistics brand to expand in all key markets backed by sound strategies that focus on identifying, influencing and harnessing opportunities in the operating environment.

Group Strategy

During the year the Group continued it's strategic realignment plan, a process that began following the strategic tie up with SG Holdings in 2014. As per the plan outlined at the time, the Expo Group has since then continued to exit from non-core operations, with the divestment of the Group's stake in Norfolk Foods in July 2016 marking the final phase. At the same time, we continued to work on shedding passive investments that have been affecting our performance. This leaves the Group to focus only on core areas where our strengths lie; in Logistics and Leisure. The result being, a simpler and more centered structure that we can leverage on, to accelerate our growth trajectory.

To sharpen our focus in the Logistics sector, we made strategic investments to expand, mainly in key markets that have shown tremendous year-on-year growth over the past three years. I am confident that, these investments will give EFL a firmer footing from which to strengthen these markets. Meanwhile, from a serviceability perspective while staying true to the asset-light operating model, we continued to build capacity to solidify our position as an end-to-end Logistics service provider in Sri Lanka.

With regard to the Leisure sector, I am pleased to see that the "Classic" brand continues to grow from strength to strength, with its leadership position in the corporate travel segment intact. To further build on this momentum, in the year under review, we extend the Classic's corporate travel proposition, in particular to broaden our offerings in the inbound corporate travel and the MICE segments.

Growing Sustainably

While growth is a given for any business, growing sustainably has become even more important in the modern context. It is why at Expo, we have adopted a long-

CHAIRMAN'S MESSAGE

term and holistic management approach towards sustainability. Spearheading the Group's transition into a more sustainable business paradigm is; VIVA – our logistics-centered sustainability reporting initiative that was launched in 2016. Focusing on four material sector-specific sustainability issues; Environment, Community, Labour / HR and Safety, the main purpose of VIVA is to embed stricter monitoring and control mechanisms to address these material sustainability aspects and also to support greater transparency in reporting of relevant sustainability indicators.
In a notable achievement, which I fully credit to VIVA, EFL's – Sri Lanka operation became the first organisation in the country to achieve the ISO14064 standard for the tracking of Green House Gas (GHG) emissions.

Integrated Reporting

Thanks to our robust operational strategies and holistic sustainability management approach, the Expo Group continues to create value on multiple dimensions. This is what we strive to illustrate through our Integrated Report, which explicitly highlights how different resources are incorporated to build financial, manufactured, intellectual, human, social, and natural capitals in order to deliver value outcomes for our stakeholders. Reporting on our efforts in this manner, quite simply increases transparency and I am convinced that long-term investors will welcome this forward-looking integrated reporting approach.

Awards and Accolades

The Group has continued to excel in many spheres as evidenced by the countless awards and accolades accumulated over the years. This year was no different. However, among the many accolades received during the year, what I find most rewarding is the increasing recognition the Group is receiving for its commitment to create sustainable value for stakeholders.

Testifying to this, EFL- Sri Lanka and Classic were both recognised as Great Places to Work; EFL Sri Lanka was ranked 9th among the top 25 employers, in the 2016 GPTW (Great Places to Work) survey conducted by the GPTW Institute in Sri Lanka, while Classic Travel received the Bronze award in small-scale enterprise category at the 2016 GPTW awards.

Meanwhile, EFL's Gold award at the National Business Excellence Awards (NBEA) in recognition of the contribution to leadership, corporate governance, capacity building, CSR, environmental sustainability and performance management, further validates the relevance of the VIVA strategy.

Moving Forward

While there could be many unforeseen reasons why the future may be even more challenging and demanding than what we have experience thus far, reflecting on the broad-ranging changes we have introduced over the last three years, I remain confident that as a Group, Expo is well positioned to benefit from being more efficient, effective and competitive in the long term.

At the same time, reaching sector-specific growth objectives would call for renewed focus on strengthening core competencies. In the Logistics sector, this means strategically we need to grow beyond the market and be present in the markets where growth is taking place. While our captive markets will continue to play an important role, expanding our business focus in all high-growth and emerging markets remains the key to catalysing our long-term growth objectives.

In the Leisure sector too we will need to build our portfolio to position ourselves as the only fully-fledged end-to-end service provider in Sri Lanka.

Appreciations

As this reporting period ends, we are proud to mark another exciting phase of growth. Over nearly four decades, Expolanka has been ably steered towards phenomenal growth by a Board of Directors and an Executive Management team that has had the vision for global business. Since the partnership with SG Holdings began, we have been focusing on synergies and leveraging on our combined expertise as we expand globally.

I firmly believe that we are a competitive force for change and that centered approach will open new horizons as our international logistics sector opens up to a broader marketplace.

Let me assure you, that Expolanka will continue to not only deliver value but also to enlarge that value over the next few years.

Lastly but not the least I would like to express my sincere appreciations to Mr. Nobuaki Kondo for doing a great job as a chairman for the last 3 years I am honoured to take the reins from him, and in doing so assure you of my best intentions to deliver on the vision and mission of your Group.

Naosuke Kawasaki
Chairman

GROUP CEO'S REVIEW

Being a diversified Group, our interests in a broad range of sectors meant having multiple, and sometimes competing priorities. We found that this was not only weighing us down, but also diverting our attention from what is important and urgent – growth in core sectors.

At Expolanka Holdings PLC, the one true measure of our success is our ability to grow sustainably for the benefit of all our stakeholders. Over the years we have focused on becoming more agile, meeting strategic milestones and continuously improving operational structures of each of our businesses, all of which has enabled the Group to consistently outperform its previous best efforts. Moreover, our overall achievements in recent years are also due to clear management strategies aimed at leveraging on opportunities and overcoming challenges in the macro environment.

Before I present the numbers for the year, it is therefore important to consider the macro economic factors that had a bearing on our performance.

Global Economy

Stalling global trade, weak investment, and heightened policy uncertainty led to depressed world economic activity, with global growth estimated to have fallen to 2.3% in 2016. Growth across major advanced economies decelerated in 2016 as growth in the United States slowed, dampened by soft exports, a continued draw-down in inventories, and a deceleration in private sector investments. However, in the run-up to the U.S. elections and its immediate aftermath, notably improved market sentiments led to higher trading activity from about September 2016, which augured well for EFL's North American operations in the latter half of the financial year.

In the Euro too, growth remained slow as both domestic demand and exports lost momentum. Growth in China is estimated to have slightly decelerated in 2016, as part of ongoing economic rebalancing, with growth driven primarily in services, while industrial production stabilised at moderate levels.

Business Strategy

In the context of an increasingly volatile and unpredictable macro-economic environment, we revisited each of our business structures. By and large, in the industries in which we operate, we compete against a formidable peer group and our main goal was above all, to stay focused on what we are good at. To be a sustainably profitable organisation in this operating context, we realised that we need to be absolutely clear on what our strategic aspirations are and how they translate into an achievable near- to medium-term strategy.

Being a diversified Group, our interests in a broad range of sectors meant having multiple, and sometimes competing priorities. We found that this was not only weighing us down, but also diverting our attention from what is important and urgent – growth in core sectors. Having already begun the process of exiting non-core business in 2015, we continued with the trend in this year too. The divestment of the Group's 50% stake in Norfolk Foods Ltd for USD 2.5 million was part of strategy to focus only on core sectors.

To further clarify our strategic objectives, we then embarked on a "centered" approach, to stay firmly anchored to the sectors where we have secured a leadership position in the market. This prompted strategic shift towards our core growth sectors of logistics and leisure, where we established a set of priorities to build equity for our two core brands "EFL" in logistics and "Classic" in leisure, which we hope would improve business scalability and drive our longer-term strategic deliverables in both sectors. In this context, we took leverage on our strengths to grow organically, while also exploring potentially feasible inorganic growth structures, in an effort to sharpen our brand profiles and position both "EFL" and "Classic" as premier end-to-end solutions providers in their respective business space.

GROUP CEO'S REVIEW

In the logistics sector - the mainstay of the Expo Group's operations, the strategy centered on strengthening EFL's presence in key high growth markets, prompting the Group to increase its stake in EFL's USA operation. Having already established a presence in the USA, a strategic decision was made to acquire the remaining 30% minority holding from the US partners. During the year, EFL completed a landmark deal to gain 100% control of the USA operation, which will pave the way to strengthen the network, improve connectivity and fuel growth from across the our largest volume driver - the North American Trade lane.

Another key development was the decision to increase EFL's stake in China by acquiring the remaining 25% from the local partner and gaining EFL 100% controlling interest in the China operation. I believe that strengthening EFL's position as a regional player in this manner gives us the necessary thrust to grow our reach across the Intra-Asia trade lane.

The Group also secured 100% controlling interest of EGDC (Expo Global Distribution Center) Sri Lanka, as part of the Group's new "centered" approach to consolidate the logistics cluster in Sri Lanka. And with our priorities, firmly in place we added Mr. Peter Larsen as COO of EFL HQ. I am confident that Mr. Larsen whose vast experience in global logistics would play a critical role in executing strategy and steering the sector towards achieving its long-term growth objectives in the years to come.

Further, as part of the growth strategy for Sri Lanka, the warehousing and transportation operations were also strengthened bearing in mind the Group's asset-light business philosophy.

Meanwhile, to reorient towards becoming end-to-end service provider in the highly competitive and fast-paced leisure industry, we took a closer look at the business model and overall brand strategy of the leisure sector. To further improve the robustness of the leisure sector offerings, in September 2016 we partnered with Fun-Time, an event planning and management company. Steps were also taken to further enhance our value-added travel proposition; Exporail, where given inherent challenges that come with the rail business, we looked to broaden the scope and position the offering to complement the "Classic" brand.

As part of the ongoing restructuring process, we also clustered our trading, organic food manufacturing operations and other new ventures under the Investments segment. Setting up of I T X 360 in September 2016 was also part of this strategy. Marking the first phase of the venture, I T X 360 commenced operations as a specialist IT solutions provider for the logistics industry.

Key Performance Highlights

The Group Revenue for the year under review was Rs. 63,492 Million, up by 13% compared to the Rs. 56,015 Million tabled for the previous year.

The logistics sector Revenue for 2016/17 increased by 15% to Rs. 54,457 Million from to Rs. 47,290 Million in 2015/16.

Both air and ocean freight recorded strong volume growth in the current financial year, driven by healthy volumes from the US trade lane and strong results from the Group's core markets in Sri Lanka, India and Bangladesh. Far east markets mainly Indonesia, Vietnam and Hong Kong also performed well and contributing positively to the overall sector growth. In addition, thanks to effective yield management, ongoing cost rationalisation and streamlining of global procurement the sector's year-on-year bottom line also witnessed strong year-on-year growth.

The Leisure sector tabled Revenue of Rs. 4,670 Million up by 12% compared to the Rs. 4,160 Million recorded for the previous financial year. The sector performance for 2016/17 was underpinned by the strong positive results reported by the outbound B2B operations, which remains the largest contributor to the sector's performance.

The Investments sector recorded Revenue of Rs. 4,365 Million for the year ending 31st March 2017, 4% lower than the Rs. 4,565 Million reported for the previous financial year. This drop is mainly on account of divestment of Norfolk Foods.

Led by its growth-centered shift towards logistics and leisure and also the divestment of non-core operations, the Group's gross profit increased 8% to Rs. 11,199 Million in 2016/17. However, EBIT declined marginally from Rs. 2,139 Million in 2015/16 to Rs. 2,096 Million in 2016/17, being the result of a drop in Other Income and higher overheads to support volume growth in both logistics and leisure sectors.

Looking at our operational and financial performance, I hope our stakeholders will share our sense of achievement, given that these results were delivered notwithstanding challenges in the operating environment.

Sustainability Focus

With the Group's strategic focus shifting towards high-growth sectors, we revisited our commitment to sustainability. Moving towards greater integration, we looked to sharpen the realignment between our sustainability strategy and our business goals, so that we may then create meaningful economic, social and environmental progress. Starting with the logistics sector, in 2016 we rolled out a sustainability strategy entitled VIVA, through which we seek to deliver value across four key pillars; Environment, Community, Labour / HR and Safety, thereby enhancing the long-term sustainability of all stakeholders.

Under the environment pillar, our goal is to achieve a 5% reduction in GHG emissions from our global transportation operations. Further reinforcing our commitment to these initiatives, we began monitoring our

progress in line with globally accepted best practices, including the ISO 14064 certification for EFL Sri Lanka. We also started tracking point-to-point emissions based on the guidelines issued by DEFRA (Department for Food and Rural Affairs), UK.

From a community perspective, although we remain committed to offer assistance in times of need, we shifted away from a purely philanthropic approach and instead began using EFL's global positioning to address critical social issues that are relevant to our times. In this context, our projects in Sri Lanka, India and Bangladesh focus mainly on uplifting the standard of education among rural communities in these countries. I must also reiterate that as part of our commitment to society, we have continued to provide assistance to our fellow citizens at times of disaster. In fact in the wake of the massive flood that devastated the country in May 2016, we were among the first to offer logistics support to the communities in distress.

With regard to Labour / HR our goal is to create a progressive workplace where our people feel valued and can pursue both personal and professional growth by becoming active participants in the success of the business. At the same time, safety of our employees is of paramount importance to us. Given the nature of the business, our warehousing and transportation divisions in Sri Lanka are subject to safety hazards. As such, through our VIVA initiative, we are looking to become more pre-emptive rather than reactive in addressing issues relating to workplace safety. Our goal is to maintain zero injuries and fatalities, for which we have put in place safety mechanisms that include strict controls, regular monitoring and reporting to ensure safety systems are in alignment with global standards.

Future Plans

While we expect global economic conditions to improve in the forthcoming year, we do however remain conscious that unforeseen events are likely to bring fresh challenges for the Group. In this context, the next steps would be to build resilience and strengthen the Groups' DNA in both logistics and leisure sectors.

In the logistics sector, the main priority would be to position EFL as the first global logistics brand originating from the sub-continent. To drive this, we expect to pursue a two-pronged approach; grow the freight business and expand the logistics operations globally.

In the freight business, this would mean deepening the penetration in both the North American and Intra-Asia trade lanes, with an equal emphasis on growing air and ocean freight volumes. At the same time, EFL would look to make inroads into untapped territory, mainly the transpacific trade lane where ocean freight traffic has been on the rise in recent years. Growing ocean freight volumes amidst the current overcapacity scenario however calls for some caution and requires EFL to hone its procurement programme and further refine pricing strategies to secure a competitive advantage.

At the same time, sharpening EFL's profile as an end-to-end logistics service provider calls for renewed efforts to expand the warehouse and distribution management model globally. To support these goals, the Group would continue to invest in growing the warehousing inventory and also in technology-driven service platforms. I can categorically state that the Group's asset-light model would continue to underpin all our endavours in this regard.

We also have ambitious plans for our newest venture – I T X 360, where we hope to build on the expertise gained as a IT specialist for the logistics industry to service the IT needs of other high-growth sectors in the economy.

In the leisure sector the main priority would be to strengthen existing verticals and build brand equity. Meanwhile, expanding into new verticals to create greater visibility would reinforce "Classic" as the only truly integrated leisure solutions provider in the Sri Lanka. Doing so however, would mean identifying suitable strategic partners who not only possess the required expertise but are also the right fit for the brand.

As we move forward with these plans, we are convinced that that the next few years would herald a new era of unprecedented growth that would bring prosperity for all stakeholders of the Expo Group.

Acknowledgments

In closing, I would like to thank the Chairman and Board of Directors of Expolanka Holdings PLC for the strategic oversight and direction that has made the Group what it is today. I take this opportunity to thank the outgoing Chairman, Mr. Nobuaki Kondo for his guidance and steadfast support over the past three years.

I also wish to express my sincere thanks to the Executive Management and the Expolanka global team, for their admirable efforts grow the business in a challenging environment.

My sincere gratitude also to our valued customers, investors, bankers, suppliers and business associates for their ongoing support.

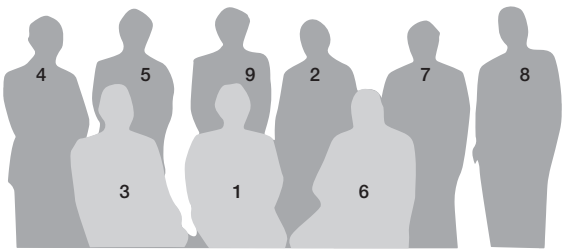
And finally, to our shareholders who have supported us over the years, I wish to thank each and every one of you or the trust and confidence in the Group. And as Expolanka Holdings PLC enters a new era of growth, I seek your continued patronage in the years ahead.

Hanif Yusoof
Group CEO

BOARD OF DIRECTORS

G4-LA 12

1. **Mr. Naosuke Kawasaki**
   Chairman
2. **Mr. Hanif Yusoof**
   Executive Director and Group CEO
3. **Mr. Tomoki Sano**
   Non-Executive, Non-Independent Director
4. **Mr. Motonori Matsuzono**
   Non-Executive, Independent Director
5. **Mr. Yoshifumi Matsubara**
   Non-Executive, Independent Director
6. **Mr. Osman Kassim**
   Non-Executive Director
7. **Mr. Sanjay Kulatunga**
   Non-Executive, Independent Director
8. **Mr. Harsha Amarasekera P.C.**
   Non-Executive, Independent Director
9. **Mr. Toji Shiho**
   Non-Executive, Independent Director



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 Bank of Tokyo-Mitsubishi UFJ). In a career spanning over 40 years, he has held several senior management positions and directorships in financials 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. Tomoki Sano
Non-Executive, Non-Independent Director
Mr. Tomoki Sano is currently the President and Regional Head of SG Holdings Global Pte. Ltd., Singapore; a position he has held since March 2016. He is also the Director in charge of overseas business of SG Holdings Co., Ltd. in Japan and the President of SGH Global Japan Co., Ltd.

He started his career with Kyoto Sagawa Express Co., Ltd. in 1985 and has over 30 years of experience in the logistics business and has held several executive positions and directorships at SG Holdings Group.

Mr. Motonori Matsuzono
Non-Executive, 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 27 years.

Mr. Yoshifumi Matsubara
Non-Executive, 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, Viet Nam and Thailand.

Mr. Osman Kassim
Non-Executive Director
Mr. Osman Kassim is a recipient of an Honorary Doctorate from the Staffordshire University in recognition of his achievements as both a global entrepreneur and visionary educationalist. The Founding Chairman of Expolanka Group, is an entrepreneur with vast experience in the fields of management and strategy, and is renowned for his expertise in Islamic Banking and Insurance. He has over 35 years of senior management experience.

Mr. Kassim is currently the Chairman of Amana Bank and Vidullanka PLC and holds directorships in Pak-Kuwait Takaful Company Ltd - Pakistan, Crescent rating (Private) Limited - Singapore and Amana Takaful Maldives Limited - Maldives. He is also Chairman of the Asia Pacific Institute of Information Technology (APIIT) in Sri Lanka.

Mr. Sanjay Kulatunga
Non-Executive, Independent Director
Mr. Sanjay Kulatunga is an Associate member of the Chartered Institute of Management Accountants (ACMA) as well as a Chartered Financial Analyst (CFA). He also holds an MBA from the University of Chicago 'Booth School of Business'. Mr. Kulatunga has an established track record as the founder and an Executive Director in a diverse array of industries ranging from Finance, Export manufacturing and Import substitution. He holds a series of non - Executive Directorships in listed as well as unlisted companies and served on the Financial Sector Stability Consultative Committee of the Central Bank of Sri Lanka.

BOARD OF DIRECTORS

Mr. Harsha Amarasekera P.C.
Non-Executive, Independent Director
Mr. Amarasekera, President Counsel is a leading Lawyer in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts, specialising in Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law.

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

Mr. Toji Shiho
Non-Executive, Independent Director
Mr. Toji Shiho graduated from the Department of Law at Kyoto University in 1977 and has a MBA from the Graduate School of Finance, Accounting and Law, Waseda University. He started his career at Nissan Motor Co., Ltd. in Japan, which spanned 36 years. While at Nissan he was involved in various corporate projects for business development, business restructuring as well as mergers and acquisitions (M&A). After retiring he started his own consultancy on M&A, providing advice and support pertaining to companies both in Japan and abroad. In addition, he lectures on M&A and Corporate Governance at the Accounting School of Chuo University of Japan.

MANAGEMENT TEAM

Mushtaq Ahamed
Director – Group Finance, Expolanka Holdings PLC

Thamesh Fernando
Chief Financial Officer, Expolanka Holdings PLC

Shiraz Imamudeen
Head – Strategic Planning & Business Development, Expolanka Holdings PLC

Ahmed Javed
Head – Marketing & Communications, EFL HQ & Expolanka Holdings PLC

Peter Larsen
COO, EFL HQ

Imdadh Marikar
Director/ CEO – Expolanka (Pvt) Limited & Tropical Green (Pvt) Limited

Suresh Mendis
CEO – Classic Travel

Shantanu Nagpal
Director – Strategic Planning and Business Development, Expolanka Holdings PLC

Jagath Pathirane
Director / CEO – Expo Freight

MANAGEMENT TEAM

Senthilnathan Shanmugam
CEO, EFL HQ

Kanishka Wijesinghe
Director – Expolanka Airline Division

Saif Yusoof
Managing Director – Expolanka Freight, Classic Travel & I T X 360

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 19 years professional experience in finance.

Thamesh Fernando

Chief Financial Officer, Expolanka Holdings PLC

Mr. Thamesh Fernando is an Associate Member of Chartered Institute of Management Accountants (ACMA) UK, the Chartered Management Accountants of Sri Lanka and member of the Association of Chartered certified Accountants, UK. He also holds Bachelor of Science Honors degree in Accounting & Financial Management from University of Sri Jayewardenepura and an MBA from Postgraduate Institute of Management, MFE. He has over 14 years professional experience in finance.

Shiraz Imamudeen

Head of Strategic Planning & Business Development, Expolanka Holdings PLC

Mr. Shiraz Immamudeen is an Associate member of the Chartered Institute of Management Accountants (ACMA), UK and holds an MBA from New Bucks University – UK. He has over 15 years professional experience.

Ahmed Javed

Head – Marketing & Communications, EFL HQ & Expolanka Holdings PLC

Mr. Ahmed Javed holds a BA in Business Administration from Staffordshire University (U.K) along with a MSc in International Business Management specialising in International Marketing from Manchester Metropolitan University (U.K). He has over 10 years of industry experience in Branding, Marketing and Strategy.

Peter Larsen

COO, EFL HQ

Mr. Peter Larsen has over 40 years of experience in the logistics industry globally including at DSV for over two decades with time at Scan Cargo and Dan Transport among others. Peter brings with him considerable level of senior management expertise from global logistics companies, knowledge on air procurement and building relationships with fortune 500 customers.

Imdadh Marikar

Director/ CEO – Expolanka (Pvt) Limited & Tropical Green (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 over 14 years experience in Food Processing & International Trade.

He also represents the Company as the Vice President to the Lanka Fruit & Vegetable Producers, Processors and Exporters Association, whilst also representing the Company at the very influential Export Association of Sri Lanka.

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 the IATA.

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 21 years of professional experience.

Jagath Pathirane
Director / CEO – Expo Freight
Mr. Jagath Pathirane has over 23 years experience in Freight & Logistics. He is currently the Vice Chairman of the Sri Lanka Freight Forwarders Association and will be the Chairman from June 2017. He is also the former secretary of both the Association of Container Depot Operators and the Association of container transporters, Member of the European Chamber of Commerce of Sri Lanka, Member of Sri Lanka Institute of Directors, Member of Millennium Toastmasters club and mentor at the Moratuwa University mentoring programme.

Senthilnathan Shanmugam
CEO, EFL HQ
Mr. Senthil Shanmugam has over 15 years of professional experience and founded EFL India in 1996. As CEO of EFL HQ, he has been part of the core team that transformed EFL from its humble beginnings to its present status as one of the leading forwarders in the region, Senthil's plans for EFL are ambitious. Steering business and strategic engagement across the globe, he firmly believes that EFL's presence in the global arena will grow vastly in the years to come. A native of Kandy, Sri Lanka, Senthil has also lived and worked in Bangladesh, the USA & India and is a proud alumni of Trinity College.

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 34 years experience in the airline industry and has been a former President of the Sri Lanka Airline Cargo Association (SLACA) consisting of all on line and off line Airline representation memberships.

Saif Yusoof
Managing Director – Expolanka Freight, Classic Travel & I T X 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.

GROUP PERFORMANCE

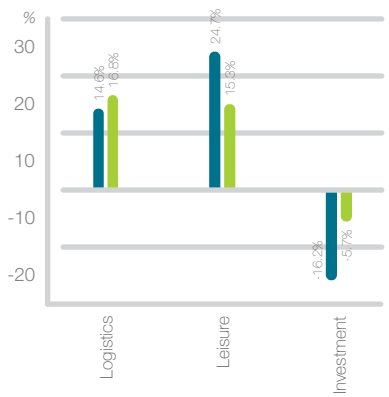
Group Performance

	2016/17 Rs. Mn	2015/16 Rs. Mn	Change %
Turnover	63,492	56,015	13.3%
Earnings Before Interest & Taxes (EBIT)	2,096	2,139	-2.0%
Finance Cost	403	92	340.7%
Profit Before Tax	1,692	2,047	-17.3%
Profit After Tax	1,229	1,446	-15.0%
Total Assets	23,342	22,675	2.9%
Total Equity	13,377	13,120	2.0%
Total Debt	2,402	1,793	34.0%
Capital Employed	15,779	14,913	5.8%
ROE	9.19%	11.02%	-16.6%
ROCE	10.34%	10.31%	0.3%

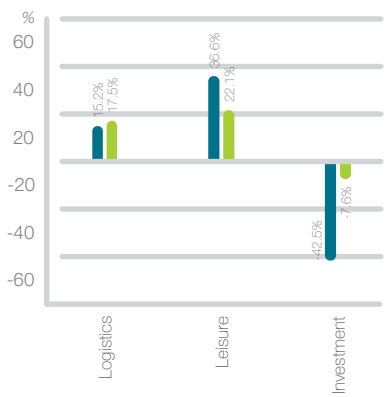
Contribution to the Group

	Turnover	EBIT	Capital Employed	Equity
Logistics	85.77%	106.27%	77.58%	83.93%
Leisure	7.35%	12.86%	6.51%	4.14%
Investment	6.88%	-19.13%	15.91%	11.93%
	100.00%	100.00%	100.00%	100.00%

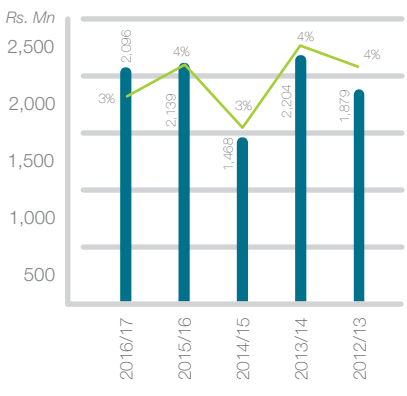
Industry Group ROCE Comparison



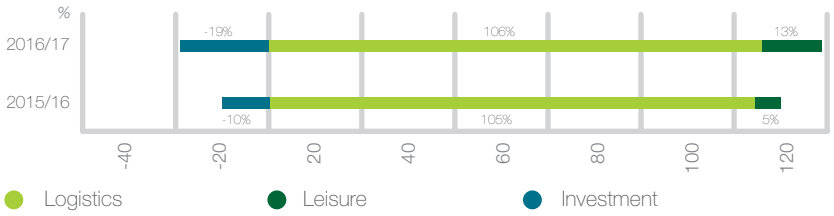
Industry Group ROE Comparison



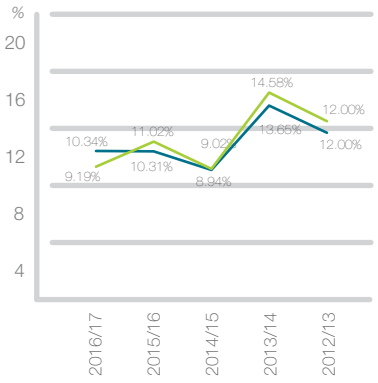
EBIT & EBIT Margin



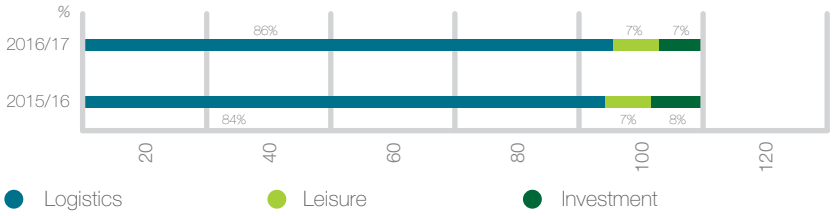
EBIT Composition



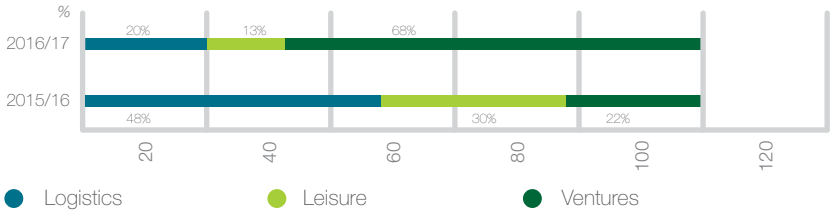
ROE vs ROCE



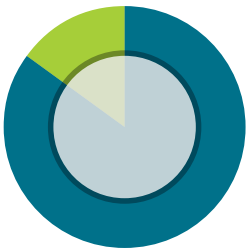
Revenue Composition



Finance Cost Composition

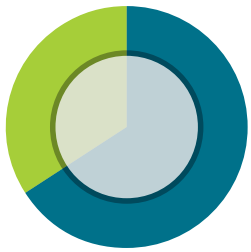


Revenue



International	85%
Local	15%

NPAT



International	66%
Local	34%

SUSTAINABILITY STRATEGY

Stemming from the Materiality Assessment Process outlined, we determine our strategic sustainability imperatives in cognisance with the Group's sustainability vision "to be a leader in enhancing the long term sustainability of all stakeholders". Having embraced the concept of transformative sustainability, our approach is based on a holistic view, where sustainability is integrated into all business decisions, strategies and processes to help us create value for all our stakeholders.

As part of our ongoing efforts to sharpen our sustainability performance, in the year under review we introduced VIVA, a sector-specific sustainability strategy for the Logistics sector, where the goal is to position EFL as a sustainability leader in the global freight industry. VIVA, which is also in line with the Group's new centered approach, focuses on four material sector-specific sustainability issues; Environment, Community, Labour / HR and Safety. The main purpose of VIVA is to ensure stricter monitoring and control mechanisms to address these material sustainability aspects and also to support greater transparency in reporting of relevant sustainability indicators.

We are also in the process of developing a similar strategy for the Group's Leisure sector, which would address sector-specific sustainability issues, for example; offsetting the negative impacts of mass tourism and coastal protection.

Sustainability Governance

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 a Sustainability and CSR unit 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, the unit is also tasked with maintaining a transparent reporting framework that provides stakeholders with information regarding the progress made in achieving sustainability goals.

Furthermore, the Group sustainability vision is carried out across all business sectors via a team of CSR champions at each group company, led by a CSR representative who reports to the group-level Sustainability and CSR unit.

MATERIALITY ASSESSMENT

G4-18-21

Stemming from the growing socio-economic challenges at the local, regional and global levels, we realise the importance of integrating the sustainability concept into all levels of business operations.

As a first step towards achieving this, we conducted a Materiality Assessment in order to prioritise the most material economic, environmental and social sustainability aspects. In the year under review, we strengthened our materiality assessment process to better identify and categorise the sustainability topics that are most relevant to each of our sectors and the stakeholders of the respective sector.

Indicators by Aspect	Materiality	Aspect Boundary	
		Internal	External
Economic			
Economic Performance	✓	✓	
Market Presence	✓	✓	
Indirect Economic Impact			
Procurement Practices			
Environmental			
Materials	✓	✓	
Energy			
Water			
Biodiversity			
Emissions	✓		✓
Effluents and Waste	✓		✓
Products and Services			
Compliance	✓	✓	
Transport	✓		✓
Overall	✓	✓	✓
Supplier Environment Assessment	✓	✓	✓
Environment Grievance Mechanisms	✓		✓
Social: Labour Practices and Decent Work			
Employment	✓	✓	
Labour/Management Relations			
Occupational Health and Safety	✓	✓	
Training and Education	✓	✓	
Diversity and Equal Opportunity	✓	✓	
Equal Remuneration for Women and Men	✓	✓	
Supplier Assessment for Labour Practices			
Labour Practices Grievance Mechanisms	✓	✓	

MATERIALITY ASSESSMENT

Indicators by Aspect	Materiality	Aspect Boundary	
		Internal	External
Social: Human Rights			
Investment			
Non-Discrimination	✓	✓	
Freedom of Association and Collective Bargaining			
Child Labour	✓	✓	
Forced labour or compulsory Labour	✓	✓	
Security Practices			
Indigenous Rights			
Assessment	✓	✓	
Supplier Human Rights Assessment			
Human Rights Grievance Mechanisms	✓	✓	
Social: Society			
Local Communities	✓		✓
Anti-corruption	✓	✓	
Public Policy			
Anti-Competitive Behaviour	✓		✓
Compliance	✓	✓	
Supplier Assessment for impacts on Society			
Grievance Mechanisms for Impacts on Society	✓		✓
Social: Product Responsibility			
Customer Health and Safety	✓		✓
Product and Service Labelling	✓		✓
Marketing Communications	✓		✓
Customer Privacy	✓		✓
Compliance	✓		✓

✓ Aspect boundary is internal or external
✓ Aspect boundary is Material or Not Material

SUPPLY CHAIN ANALYSIS

G4-12

Our Supply Chain

As a diversified conglomerate, Expolanka has a vast number of suppliers across its various sectors. The Group recognises the importance of entrenching sustainability across its value chain towards promoting responsible businesses. In addition, we look at reducing risk to ensure quality, efficiency and effectiveness, whilst confirming that the social, economic and environmental impacts we create are neutral or positive.

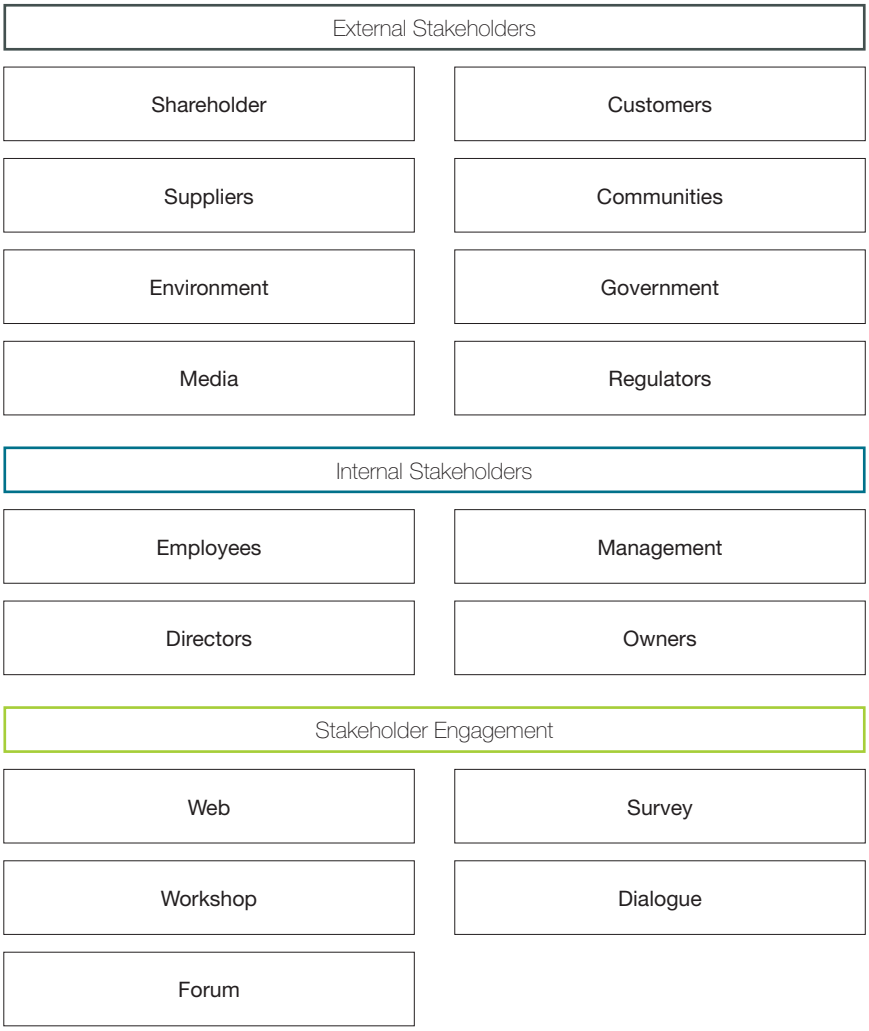
The below table depicts the significant supplier for each sector:

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

STAKEHOLDER ENGAGEMENT

G4-24,25

Being responsive to the concerns of our stakeholders, and advancing their interests is integral to our ability to effectively allocate resources and manage the relationships necessary to operate sustainably and achieve our strategic aspirations. We continue to deepen our stakeholder focus and have implemented a coordinated and constructive engagement approach, which informs strategic decision-making at the highest levels of the Group.



G4-26,27

Stakeholder	Sustainable Business Objectives	Method of Engagement	Key topics/concerns/ issues	Response
Investors	⊙ To meet the confidence of the current & potential investors and maintain a balance between profits and the ability to sustain a long term, stable stream of earnings.	⊙ Annual General Meeting ⊙ Investor Feedback Form ⊙ Investor Relations Team ⊙ Group website ⊙ Email access to management team	⊙ Better interaction ⊙ Enhance financial returns & investor wealth creation	⊙ Presentations to potential and current investors periodically ⊙ Improved interactive website ⊙ Regular email feedback of performance to investors who request same ⊙ Implement best management practices to improve returns
Customers	⊙ To play the role of partner in the business success of customers. ⊙ To always serve customers with passion and dedication.	⊙ Customer relationship management ⊙ Meetings with Senior Management ⊙ Daily interactions at operational level ⊙ Social events	⊙ To enhance customer business outcomes through the offer of synergies drawn through business solutions. ⊙ Responsive interaction	⊙ Dedicated customer response/account management teams ⊙ Establishment of the Expo Global Distribution Centre ⊙ Customer-specific service adaptations and customisations ⊙ Hi-tech Transport Management System ⊙ Overseas offices in 18 countries to enhance customer response ⊙ International JV's and Strategic partnerships to offer greater value

STAKEHOLDER ENGAGEMENT

Stakeholder	Sustainable Business Objectives	Method of Engagement	Key topics/concerns/ issues	Response
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 ⊙ Round Table discussions ⊙ Cross functional committees ⊙ Video conferencing ⊙ Performance Reviews ⊙ Online training modules & systems ⊙ Grievance handling procedure ⊙ Online systems for HR & Training, Measurement & management of Key Performance Indicators ⊙ Brainstorming ⊙ Innovation driving tools ⊙ Employee suggestion schemes	⊙ Getting the balance right – work life balance ⊙ Creating greater interaction amongst employees of all sectors – hence Group affinity ⊙ Cross functional aptitude across sectors ⊙ Inspiring Employees to innovate	⊙ Organising activities outside of the work roles, ⊙ Group social events that involve the families ⊙ Events that bring together all employees together ⊙ Group-wide committee that have representation from all sectors ⊙ Programmes for employee suggestions, new thinking and employee involvement in system and process innovation
Suppliers	⊙ To balance cost considerations with sustainable procurement practices.	⊙ Supplier surveys for ongoing relationship management ⊙ Feedback evaluations ⊙ Registration of Suppliers ⊙ Procurement committees ⊙ Committees to address supplier appeals and grievances	⊙ System for handling appeals and other grievances ⊙ Support micro suppliers	⊙ Appointment of committees to address supplier issues ⊙ New supplier registration criteria to support small time operators

Stakeholder	Sustainable Business Objectives	Method of Engagement	Key topics/concerns/ issues	Response
Community	⊙ To uplift communities around our workplace.	⊙ Community based projects ⊙ Employee involvement and volunteerism in community projects ⊙ Continuous dialogue through sector CSR champions	⊙ Needs that emerged through constant dialogue with the community ⊙ Natural Disasters	⊙ CSR projects - - Meethotamulla school project - Disaster relief - Health camp
Environment	⊙ To promote environmental conservation at the work place, integrating environmentally friendly practices into daily operations whilst also giving due consideration to responsible environmental behaviour outside of the workplace.	⊙ Awareness programmes ⊙ Meetings and Consultancy ⊙ Audits	⊙ Climate change	⊙ Eco friendly practices including 3R & 5R implementation ⊙ GHG calculation ⊙ Earth Hour ⊙ World Environmental Day

CAPITAL MANAGEMENT REPORT

VALUE CREATION G4-14

CREATING VALUE FOR OUR STAKEHOLDERS

Capital Inputs		Capital Outcomes
⊙ Equity Capital - Rs. 13,377 Mn ⊙ Debt Capital - Rs. 2,402 Mn ⊙ Cost Efficiency	Financial Capital	⊙ Revenue - Rs. 63,492 Mn ⊙ Revenue Growth - 13% ⊙ Gross Profit Margin - 8%
⊙ EFL's Global Reach ⊙ Increase in EFL's International Holding Stake ⊙ Investment in I T X 360	Manufactured Capital	⊙ A Dynamic Range of New Integrated Logistics Solutions ⊙ Increase in Freight Volumes ⊙ Diverse Avenues in Revenue
⊙ EFL & Classic Brand Strength ⊙ Improvements to IT Infrastructure ⊙ Investment in Strategic Partnerships	Intellectual Capital	⊙ End to End Freight and Leisure Solutions ⊙ Roll-out of Tier 1 HighJump Platform ⊙ Launch of Verchaska Enterprise Travel Platform ⊙ Appointed as Oracle Gold Partner in Partnership with Microsoft
⊙ Employee Strength - 2,727 ⊙ Hours of Training - 3,198 Hours ⊙ Training Programs - 122 ⊙ Best Practices Adoption - Pledge	Human Capital	
⊙ Greenhouse Gas Emission Assessment ⊙ Materials Consumed (Kg's) ⊙ Research on Bio-diversity Credit Accruals	Natural Capital	⊙ Trees Planted - 2,250 ⊙ Paper Recycled - 13,065 Kg's ⊙ GHG Emission - 5,468.33 tCO2e
⊙ Commitment to address National Issues, Livelihood Development, Community Capacity Building and Disaster Relief	Social Capital	⊙ Total Number of Initiatives - 10 ⊙ Key Projects (Beneficiaries): - Expo Medix - 21,002 patients - Sustainable Community - 400 families - Micro Finance - 125 Entrepreneurs

Sector	Average Turnover Ratio	Average Training Hours
Logistics	19%	0.77
Leisure	18%	6.05
Investment	19%	0.37

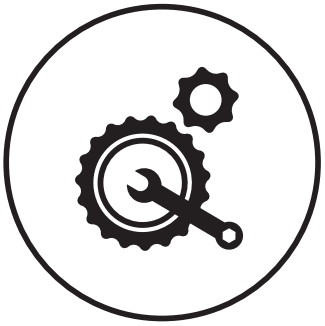
CAPITAL MANAGEMENT REPORT

G4-EC 1

FINANCIAL CAPITAL

Economic Value Statement for 2016/17							
For the year ended 31st March	Group Total 2016/17		Logistics	Leisure	Investment	Group Total	Eliminations / Adjustments
	Rs. Mn.	%	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Direct economic value generated							
Revenue	63,492	99.5%	54,508	4,671	4,469	63,648	(156)
Dividend income	20	0.0%	833	1	128	961	(941)
Other operating income	304	0.5%	386	22	160	568	(264)
Share of profit of an associate and Joint Venture	22	0.0%	15	1	-	16	5
Total value added	63,838	100%	55,742	4,695	4,757	65,193	(1,356)
Economic value distributed							
Operating costs	55,448	86.9%	47,396	3,918	4,538	55,851	(403)
Employee wages & benefits	5,829	9.1%	4,897	537	395	5,829	-
Payments to providers of funds	457	0.7%	1,339	60	334	1,733	(1,276)
Payments to government	772	1.2%	677	15	65	757	15
Total distributed	62,506	97.9%	54,309	4,530	5,331	64,170	(1,664)
Economic value retained							
Depreciation & Amortisation	396	0.6%	333	15	49	396	-
Profit after dividends	935	1.5%	1,100	150	(623)	627	309
Retained for reinvestment/growth	1,332	2.1%	1,433	165	(574)	1,023	309

MANUFACTURED CAPITAL



As a service organisation, the Group's Asset-light policy underpins investments in business infrastructure.

The Group manufactured capital consists mainly of the land and buildings that houses the Group's workforce along with any additional facilities such as warehouses to support business operations. This include a mix of both and owned and leased properties in Sri Lanka and abroad in line with the asset-light model adopted by the group.

In addition, the only significant investments made in the current financial year, was the acquisition of the remaining minority stake in EFL's offices in USA and China.

	EFL - USA		EFL - China	
	2016/17	2015/16	2016/17	2015/16
Expo Group Stake	100%	70%	100%	75%

The Freight Sector Manufactured Capital also includes the fleet of trucks that support the sectors' transport operation. Here too, in adherence to the asset-light philosophy, over 90% of the operational fleet comprises of hired vehicles.

In addition, the Group's Leisure sector has its own Manufactured Capital, which consists of the land and buildings that house the Classic Travel Head Office and Administrative offices, Classic Vacations office, Classic Visa office, all in Colombo in addition to the Classic Travel branch offices in key cities around the country.

The Investments sector Manufactured Capital consists of the manufacturing plant, warehousing and storage facilities that support the Organic Food Processing operation.

CAPITAL MANAGEMENT REPORT

INTELLECTUAL CAPITAL

G4-14

Strengthening brand equity and enhancing knowledge-based resources through strategic partnerships and investments in IT.

EFL's brand value remains the single largest component of the Group's Intellectual Capital. Registered in over 10 countries worldwide, EFL continues to gain ground as a globally recognised logistics brand. The resulting brand equity gives EFL a competitive advantage that has in recent years become a key business driver. Strengthening the EFL brand equity is therefore a critical priority for the Group.

The Group's leisure brand "Classic" also commands a substantial equity in Sri Lanka's travel industry, which has prompted ongoing investments to build brand value as a key growth lever for the future.

Ongoing intellectual capital inputs aim to strengthen these two core brands through investments in technology, and strategic partnerships that enhances each core brand proposition. At the same time investments are also made to expand the Group's shared services model as a commercial proposition.

Investments in Technology and Software

- The roll out of the Tier 1 HighJump platform, for all warehouses located in Colombo; The EFL Campus, Expolanka Freight – Nuge road and EGDC

Recognised globally as the Gold standard in Warehouse Management Solutions, Highjump is a fully fledged 360 Warehouse Management Solution, that provides multiple benefits for both the warehouse as well as the customer through better management of space, Yard utilisation, labour optimisation, efficient billing management, customised Progress Dashboards etc.

As the first logistics service provider in the subcontinent to successfully complete the roll out of this dynamic platform, gives first mover advantage in the market.

The EFL Campus Warehouse operation, being the pilot site commenced operations on the Tier 1 HighJump platform in June 2016. Clients who use the EFL Campus Warehouse facilities now have access to the multitude of benefits derived from the HighJump platform.

- Launch of Verchaska Enterprise (VEE), travel platform for Classic Travels (Pvt) Ltd

An ongoing project since October 2014, VEE was officially launched in September 2016, following the completion of multiple phases of development and deployment to integrate complex modules such as;

- Air Ticketing: include Amadeus GDS (Global Distribution Systems) integration for real time ticketing, booking, issuing, void, re-issue and refund etc.
- Hotels: connects with on line GDS such as GTA, TBO and Hotel Beds etc. This also consists functionalities for booking, schedule change, re-issue, cancellations etc.
- Miscellaneous: This consist feature for manual or offline issuing of Air, Hotel vouchers and handling other Value Added Services (VAS) of Classic travel such as VISA processes.

Moreover, with the ability to support the full gamut of on line e-commerce channels, including; B2C, B2B and B2E, this robust travel platform provides the leverage to provide value-added services and also to expand into new, more lucrative business models under the

"Classic" umbrella, while continuously reorienting with market trends to secure a competitive edge over peers.

Oracle Cloud BI module

Following the launch of the Oracle Cloud BI module for the Transport Division in Colombo in March 2017, EFL became the first logistics service provider in Sri Lanka to deploy the Oracle Cloud Business Intelligence (OCBI). In addition to facilitating effective route management, the software platform comprises of multiple dashboards that track the progress of transport operations covering both operational performance as well as the financial performance.

Strategic Partnerships

Appointed Representative for Tier 1 HighJump Software

Leveraging on the success achieved in Sri Lanka, EFL's warehousing and transport unit was officially appointed the implementation partner for Tier 1 HighJump in Sri Lanka and the subcontinent. This gives the unit the authority to provide consultancy services to assist other logistics company's to implement Tier 1 HighJump supply chain solutions for their business. While adding brand value, the move further reinforces EFL's position as one of the few fully-fledged logistics experts in the region.

Appointment as Oracle Gold Partner in partnership with Microsoft

The Expo Group was appointed as the official partner for Oracle hardware, appliances. This coupled with the internal technical and consultancy expertise gives the Group the ability to strengthen its competencies in other areas, which would likely pave the way potential business opportunities in the future.

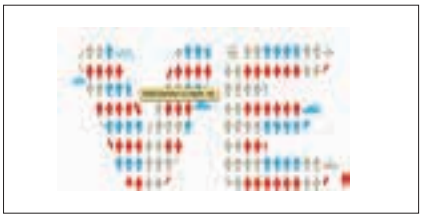
Shared Services

IT resources have always been a shared service across the Group. As such, the transformation of the Expo IT department into a specialised technology Company marks a key strategic milestone for the Group. More importantly, the move signifies the Groups' intention to create yet another brand that would spearhead the Expo's entry into market as a specialised software solutions provider.

The result was the setting up of I T X 360 in 2016. Resourced by a well-balanced, competent and agile team, I T X 360 will leverage on expertise gained through in-house software development and deployment to service clients to deliver client-specific end-to-end IT solutions. As part of the first phase of its operations, I T X 360 would initially focus on servicing the IT needs of Companies in the logistics sector, with plans to expand to other sectors.

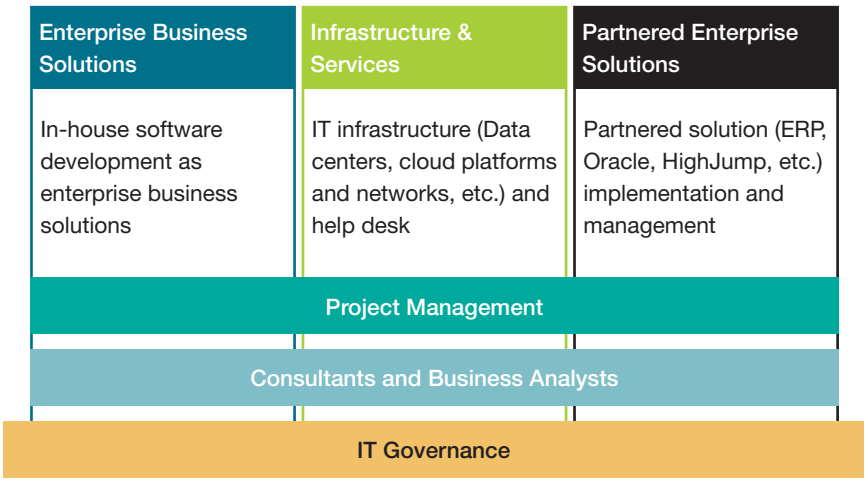
HighJump WMS

Oracle Cloud BI



Verchaska Enterprise (VEE)

I T X 360 service profile



- Three core service segments

- Two shared service segments

CAPITAL MANAGEMENT REPORT

HUMAN CAPITAL

Creating a valued and engaged workforce, with due consideration to workplace safety and employee well-being.

The people aspect of our Group is the driving force behind our continued success, which is why we consider our Human Capital as one of our greatest assets.

Strengthening our Human Capital is therefore a key priority for the Expo Group. While our HR strategies continue to evolve in response to the challenges and opportunities that may arise from time to time, the Group's core HR principles are the same. These principles are cascaded down into the day-to-day operations of business units, through our Human Capital Framework where standardised human resources processes seek to imbue the Expo Group culture and work ethic among our people across all countries in which the Group operates. The key driver in this regard is "Pledge", the Expo Group Code of Conduct, a comprehensive document that offers guidance on Conduct in the workplace, covering such matters 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.

Expo Group Human Capital Framework

Creating a Valued and Engaged Workforce

For many businesses in the Expo Group the operating environment is both challenging and competitive; and securing a market leadership would critically depend on a valued and engaged workforce.

Hence our goal is to create a progressive workplace and follow a systematic approach that enables a "Partnership for Prosperity" by promoting and retaining talent and encouraging personal and professional growth, making them active participants in the success of their respective business units.

Remuneration G4-EC5,LA13

We believe that our people should be paid fairly for what they do. While remuneration is linked to performance, we make sure that our benefits structure remains competitive and reflects the values of promoting fair and consistent compensation for all employees, based on merit.

We regularly review our remuneration and benefit structures in order to stay relevant vis-à-vis the employee's job scope and responsibilities.

More recently we have also introduced a performance-linked remuneration scheme that sets the level of bonuses for a particular financial year, based on the result tabled by the respective SBU in the preceding year, with due consideration of the employee's contribution towards this performance.

Expolanka abides by the National Minimum wage of Workers Act No. 03 of 2016.

Defined Benefits G4-EC3

We are committed and consistent in meeting our defined benefit obligations. We contribute as per the stipulated norms, 12% of the basic salary to Employee Provident Fund (EPF) and 3% to Employee Trust Fund (ETF). As at the reporting period, the Group incurred a cost of Rs. 268,436,306 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. 486,240,988.

Employee Benefits and Facilities G4-LA2

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
All employees are entitled for a vehicle allowance along with a fuel entitlement based on the employees category for 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 the stipulated working hours will be paid OT.

Forced Labour G4-HR6

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.

Discrimination G4-HR3

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 “Pledge” on dealing with such incidents if and when they occur. No discrimination cases have been recorded for this financial year.

Child Labour G4-HR5

At Expolanka, we strictly enforce the policy of the minimum age of employment - 18 years and above. We categorically shun child labour and we have never employed minors in any of 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.

Maternity Leave G4-LA3

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 is as follows:

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

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

Performance Evaluation and Management G4-LA11

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

CAPITAL MANAGEMENT REPORT

HUMAN CAPITAL

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 done 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.

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

Implementation of "Pledge" G4-56

"Pledge" is a document that provides insight into the standards of integrity that Expolanka requires its employees to maintain. The "Pledge" comprises of common standards that is applicable across the Group enabling it to function as one united family. These common rules were already in place, but as the Group grew in size, it was time for a re-launch of these rules and regulations with a face-lift; hence giving way to the introduction of the "Pledge"

This document was re-introduced to all stations within the Expo Group, locally and internationally and was translated into 6 languages including Sinhalese and Tamil for the ease of reference, and was launched digitally as well as through hard copies.

Training and Development G4-LA10

The training and development opportunities provided to employees are done in a manner that would enable them to enhance the skills needed to perform their job roles and also provide the necessary leverage to pursue their long term career goals.

Our aim is therefore to provide employees with learning opportunities throughout their employment life cycle and all employees are obliged to participate in the specific training activities identified for their role and needs, through classroom training, coaching, mentoring, e- learning and on-the-job training.

Career Mobility

As a strict policy, the Group promotes career mobility within the Group, in recognition of high performers who have exceeded performance expectations. Employees earmarked for development have access to additional training, career guidance and leadership development initiatives that enhance their capacity to advance their career in tandem with the Group's future growth. In this regard, development programs/ workshops are geared to create an attitudinal orientation towards certain competencies, aspects of work or organisational dynamics, followed by learning tools and techniques to prepare candidates to enable them to move up the management hierarchy.

Career mobility is therefore a key facilitator of the Group's efforts to strengthen its leadership pipeline.

Employee Relations

Given the Group's global presence, achieving a competitive advantage depends largely on our ability to optimise Human Capital resources. It is why we have always prioritised our relationships with our employees. We have opened up both formal and informal channels to connect with employees across all our operations around the world. Depending on the specific business, our interactions could be daily, weekly or monthly. These interactions serve as a conduit for new ideas that could directly benefit the business.

Proactive engagement with our employees has enabled the Group to sustain a skilled resource pool and prevent employee migration.

Launch of Yammer

In May 2016, we launched "Yammer" a interactive social networking platform dedicated to improving communication and collaboration among all Logistic sector employees.

The idea on a broader perspective seeks to bring together all employees and create a Global community enabling the sharing of knowledge and ideas that would promote greater collaboration between diverse teams.

Yammer is also used to create awareness regarding the EFL's social and environmental commitments, through which we hope to inspire employee volunteerism and encourage greater participation in the Group's community

Workplace Safety

The Group places great importance on the safety of our employees. Guided by the Health, Safety and Environmental Policy, the Group remains committed to provide a safe and pleasant work environment for all employees.

The Group's Warehousing and transportation divisions in particular are subject to safety hazards, given the nature of their business. As such, we strive to be more preemptive rather than reactive and have structured our Health, Safety and Environmental management systems to focus on identification and prevention of health hazards arising as a result of day-to-day business operations.

Our goal is to maintain zero injuries and fatalities and have put in place safety mechanisms that include strict controls, regular monitoring and reporting to ensure safety systems are in alignment with global standards. Our key commitments in this regard are;

- To ensure compliance all Warehousing and Transportation processes are in line with the Group's Health Safety and Environmental Policy
- Ensure safety of employees and all on-site personnel in accordance with internationally accepted safety benchmarks, namely Occupational Health and Safety Standards (OHSAS 18001:2007)
- Carry out regular internal audits to ensure continuous improvement
- Providing Safety training to employees to create awareness regarding the proper safety procedures to be followed

Benchmarking Global Best Practices

We are committed to developing procedures and processes that help us measure our Human Capital Management practices with our peers, while at the same time striving to benchmark global best practices that will enhance quality of the workplace and position the Group as a world-class employer.

Our Scorecard

Goal	Commitments	Progress made in 2016/17
Meet ILO standards and complying with all applicable labour laws in the countries in which the Group operates	Continuous monitoring in order to minimise violations of labour laws	No reported violations of labour laws
		No reported incidents of child labour
		No reported incidents of forced or compulsory labour
Promote inclusivity by being a non-discriminatory employer	Implement strategies to increase the gender ratio and recruit more differently-abled individuals in all geographies where the Group has a presence	Gender ratio (Male : Female) Sri Lanka – 83%:17% Global – 81% : 19%

CAPITAL MANAGEMENT REPORT

HUMAN CAPITAL

Goal	Commitments	Progress made in 2016/17
Ensure employment is at the free will of the employee and that no individual is forced to remain employed against their wishes	Conduct regular Group-wide surveys to rate employee satisfaction levels	EFL Sri Lanka was ranked 9th among the top 25 employers, in the 2016 GPTW (Great Places to Work) survey conducted by the GPTW Institute in Sri Lanka.
		Classic Travel received the Bronze award in small-scale enterprise category at the 2016 GPTW awards. This was the third consecutive year in which Classic Travel has secured a GPTW award. Classic Travel also won the Bronze award for HR excellence, at the IPM (Institute of Personal Management Sri Lanka) awards 2016
Comply with mandatory safety regulations and other Globally accepted Occupational Safety Standards	OHSAS 18001: 2007, standards for the Warehousing and Transport businesses	No reported injuries or fatalities

Well-being at work

Grievance Handling G4-LA16,HR12

As a large Global organisation, we believe it is important to be sensitive and understanding towards the issues that may affect our employees from time to time. Our aim is to ensure that our people have access to a formal channel through which they are able to direct their grievances and as a policy the Group is obligated to respond to all grievances within a stipulated period of time. Meanwhile, in the interest of greater transparency, we keep the respective employee updated on the progress of the investigation. At the same time we provide assistance to ensure that the employee who filed the grievance can continue to work during the time grievances are being investigated.

Health and Wellbeing of Employees

As part of our effort to create an enabling environment where each and every employee can play an active role in the Group's progress, we continue to emphasise the importance of employee wellbeing. As such we encourage business units around the world to implement activities to enhance the wellbeing of their employees and their families.

Key Wellbeing Initiatives for 2016/17;

		Company
Wellbeing activities	Health Camp	Classic Travel
	Feed the Families	Classic Travel
	Annual Health Camp	Expolanka Holdings PLC
	Health Camp	EFL Campus
Recreational Activities	Brain Tease	Expolanka Holdings PLC
	Employee Trip- Jetwing Yala	Expolanka Holdings PLC
	Summer Holiday Outing	EFL Vietnam
	Pool Opening & BBQ Potluck	EFL Campus
	Cricket Tournament	EFL - Bangladesh
	Team Timeout Weekend	EFL - HQ
	Movie Night	EFL - Indonesia
	Warehouse Cluster Annual Day Outing	EFL Campus
Festivals and celebrations	Year End get-together	EFL - Campus
	Year End get-together	Expolanka Holdings PLC
	Women's Day Celebrations	EFL - Campus
	Women's Day Celebrations	EFL - Bangladesh
	Traditional New Year - Pohela Boishakh	EFL - Bangladesh
	Kartini Day	EFL - Indonesia
	Bangladesh Fruit Festival	EFL - Bangladesh
	Poson Lantern Competition & Ice Cream Dansela	EFL - Campus
	Hilsha Festival Celebration	EFL - Bangladesh
	Year End Party	EFL - Campus
	Year End Get-Together	EFL - HQ
	Welcoming the ' Year Of The Rooster'	EFL - HK

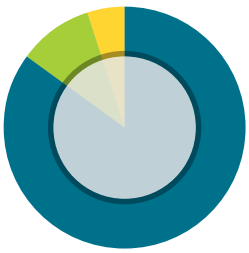
Key Indicators for Human Capital G4-9,10,LA12

	Total Carder	Gender Distribution		Age Analysis				Service Year Analysis				Category Distribution			
Sectors	Total Carder as at 31st March 2017	Males	Females	18-25 years	26-35 years	36-45 years	46 years & above	0-5 years	6-10 years	11-20 years	21 years & above	Heads & Above	Managers	Executives	Non Executives
Logistics	2319	1936	383	406	979	666	268	1540	436	296	47	136	378	815	990
Leisure	272	193	79	76	113	61	22	210	33	27	2	7	34	109	122
Investment	136	114	22	30	56	36	14	87	30	18	1	9	34	55	38
Total Carder	2727	2243	484	512	1148	763	304	1837	499	341	50	152	446	979	1150

CAPITAL MANAGEMENT REPORT

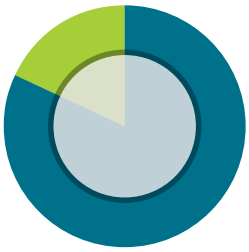
HUMAN CAPITAL

Total Cadre - Sector Wise



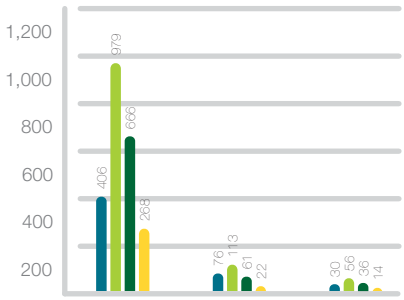
- Logistics 85%
- Leisure 10%
- Investment 5%

Total Cadre - Gender Wise



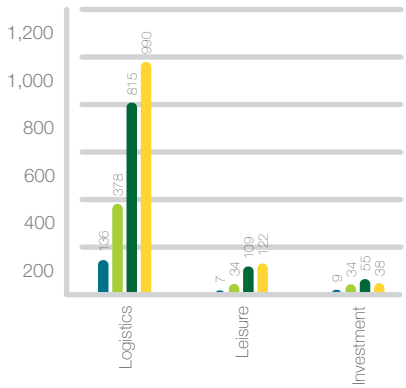
- Male 82%
- Female 18%

Age Analysis - Sector Wise



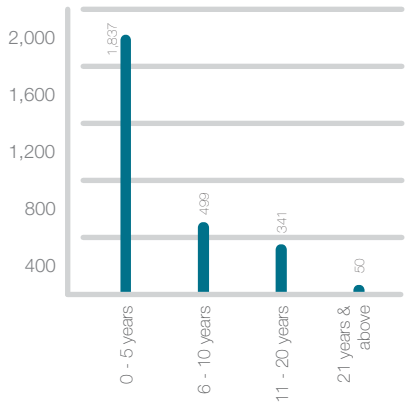
- 18 - 25 years
- 26 - 35 years
- 36 - 45 years
- 46 years & above

Category Distribution - Sector Staff Wise

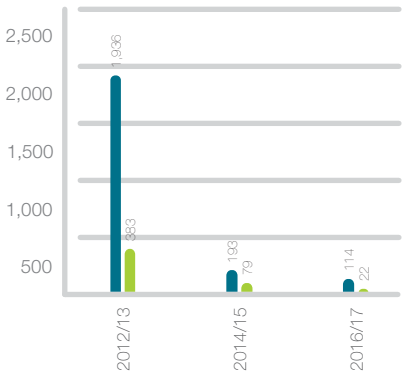


- Heads & Above
- Managers
- Executives
- Non Executives

Total Cadre - Service Year Analysis

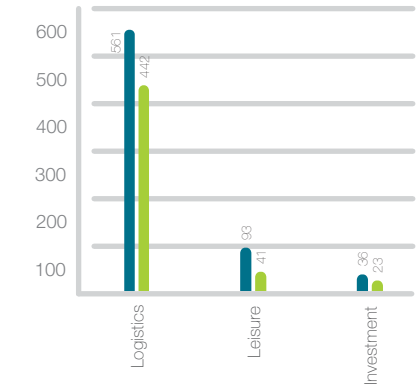


Gender Distribution - Sector Wise



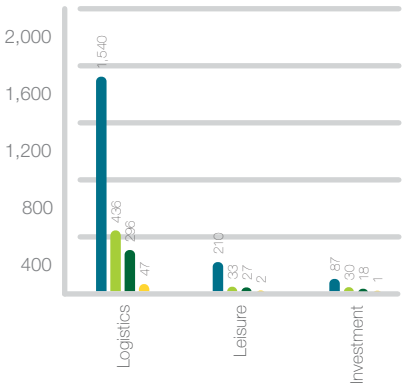
- Males
- Females

Recruitment vs Resignations - Sector Wise



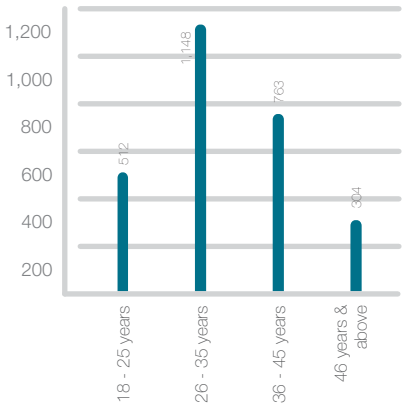
- Recruitments
- Resignations

Service Year Analysis - Sector Wise

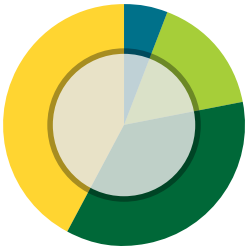


- 0 - 5 years
- 6 - 10 years
- 11 - 20 years
- 21 years & above

Total Cadre - Age Analysis

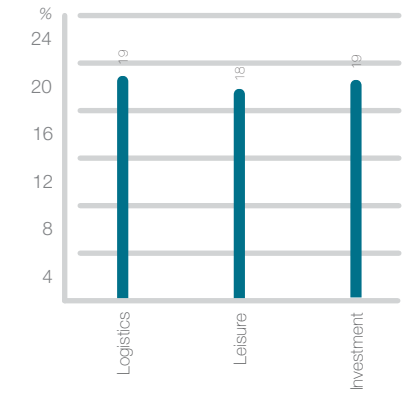


Total Cadre - Category Wise

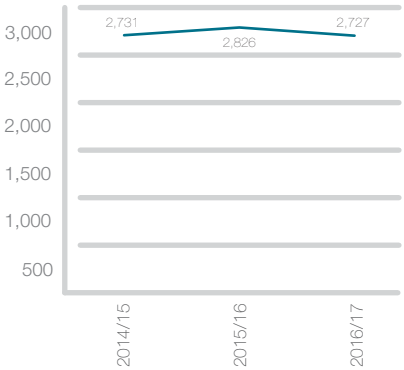


Heads & Above	6%
Managers	16%
Executives	36%
Non-Executive	42%

Turnover Ratio - Sector Wise G4-LA1



Staff Growth



CAPITAL MANAGEMENT REPORT

HUMAN CAPITAL

Geographic Representation - International Offices

	Country	Total Carder as at 31st March 2017
1	Bangladesh	176
2	China	39
3	Hong Kong	24
4	India	629
5	Indonesia	114
6	Kenya	22
7	Madagascar	10
8	Mauritius	15
9	Pakistan	62
10	Philippines	1
11	South Africa	17
12	Sri Lanka	1442
13	UAE	77
14	USA	42
15	Vietnam	57
	Total Cadre	2,727

Employment Category by Gender and Age

	Heads & above		Assistant Manager and above		Executives		Non Executives	
	Male	Female	Male	Female	Male	Female	Male	Female
18-25 years	1	0	2	1	60	29	285	72
26-35 years	20	0	112	27	443	128	377	71
36-45 years	62	11	179	43	210	43	205	33
46 years & above	56	2	71	11	59	7	101	6

Recruitments vs Resignations by Sector G4-LA1

Sectors	Recruitments		Resignations	
	Male	Female	Male	Female
Logistics	464	97	366	76
Leisure	64	29	28	13
Investments	33	3	18	5
Total Carder	561	129	412	94

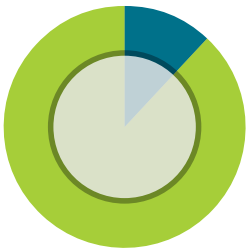
Key Indicators of Human Capital - Training and Development G4-LA9

Sectors	Internal vs External Training Programs			Category wise				
	Internal Programs	External Programs	Training Hours	Assistant Managers & Above	Executives	Non Executives	Investment (SLRS)	Average Training Hours
Logistics	4	71	1,774	108	60	37	3,016,970.30	0.77
Leisure	7	33	1,379	10	78	82	728,402.00	6.05
Investments	4	3	45	7	0	0	47,500.00	0.37
Total	15	107	3,198	125	138	119	3,792,872.30	7.19

Career Advancement

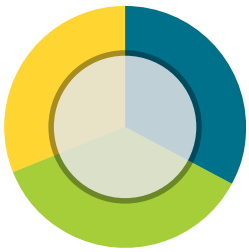
	14/15	15/16	16/17
No of employees promoted (Local)	5%	15%	14%

Training Programmes



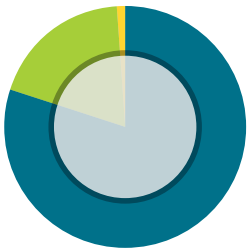
- Internal 12%
- External 88%

No. of Employees Trained



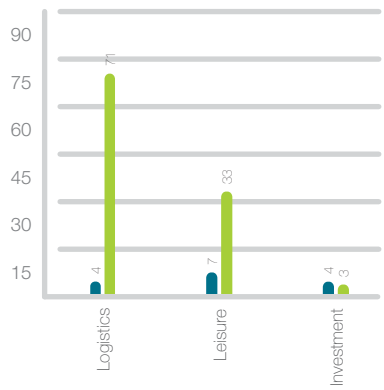
- Assistant Managers & Above 33%
- Executives 36%
- Non Executives 31%

Training Investment (SLRS)



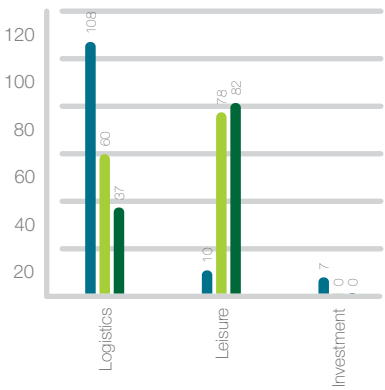
- Logistics 80%
- Leisure 19%
- Investment 1%

Training Programs - Sector Wise



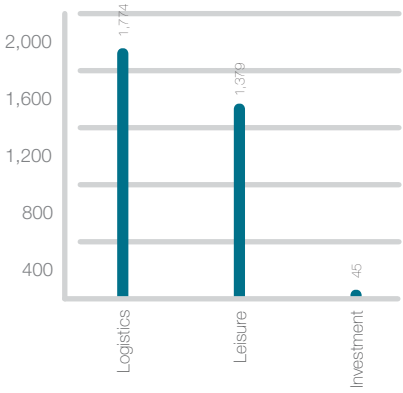
- Internal Programs
- External Programs

No. of Employees Trained - Sector Wise



- Assistant Managers & Above
- Executives
- Non Executives

Training Hours



CAPITAL MANAGEMENT REPORT

NATURAL CAPITAL

G4-14,22,EN1

Mitigate the direct impact on the environment caused by the Group's core business; logistics

The Expolanka Group strives to minimise and mitigate the impact of its operations on the environment in a sensible, innovative and legally compliant manner. The approach followed is built on a number of key pillars; Green House Gases (GHG) mitigation, Waste management, and Biodiversity upliftment.

While internal business drivers like resource efficiency, waste management and pollution mitigation have been the primary levers of the Group's environmental focus for many years now, we have come to realise that in order to make a real impact at a larger, systemic level, we can no longer ignore the externalised costs of ecological damage. This is why we have begun to taken a proactive approach to natural capital stewardship, where we seek to create awareness regarding issues that are contributing to the larger global problem of Global Warming.

Expo Group Natural Capital Commitments G4-22,EN15-17

Green House Gases (GHG) Mitigation

Identified as a material aspect in our business operations, our goal is to achieve a 5% year-on-year reduction in GHG emissions across the Group. Ongoing efforts to realise this goal have prompted the Group to benchmark global best practices for the measurement, monitoring and reporting of GHG emissions.

Key Initiatives;

- LEED Certification of the EFL Campus

Obtaining the LEED Certification, awarded by the US Green Building council, for the EFL campus marks a key milestone in the journey towards achieving a 5% year-on-year reduction in GHG emissions across the Group. In July 2016 , the EFL Campus, a complex located in Orugodawatta, Colombo, Sri Lanka was awarded the Gold rating for attaining the 50% LEED threshold across all categories of certification; Sustainable sites, Water efficiency, Energy and Atmosphere, Materials and Resources, Indoor Environmental Quality and Innovation in design. The Gold rating is the second highest achievable standard, next to the LEED Platinum status, which requires a 60% compliance threshold.

- ISO 14064 Certification to map GHG Emissions

For the first phase of the certification process GHG emission measurements were carried out for the nine locations in Sri Lanka only, with the assessment boundary for Expolanka Freight (Sri Lanka) set as per the financial control parameters as at 31st March 2016. All measurements were conducted for the period 01st April 2015 – 31st March 2016, which has been set as the base year for all future targets. Having officially received the certification on 27 July 2016 the total GHG emission was 5,468.33 t CO2e.

Scope	GHG Emission (t CO2e)
Scope 1	655.23
Scope 2	871.97
Scope 3	3,941.13

Monitoring and measurement remains an ongoing commitment as per the requirements of the certification for the

LEED Certification of the EFL Campus

Receiving ISO 14064 Certification

year 2017. Tracking emissions in this way has helped to inbuilt lean resource management principles and bring about greater efficiencies across the business, in particular the integrated logistics segment. The results of the study are also being used to determine areas where the use of renewable energy can bring more sustained benefits for the long term.

⊙ Tracking point-to-point emissions

As a first step to measure GHG emissions for EFL's global operations, the Group began the process of computing point-to-point emissions to calculate the per-unit emissions for each shipment separately. The calculation methodology used for this purpose is based on the guidelines issued by DEFRA (Department for Food and Rural Affairs), UK. The DEFRA methodology as it is commonly known, provides an approximate conversion ratio to estimate GHG emissions generated during the airfreight of goods through short, medium and long haul traffic.

Resource Management G4-EN23

Being a logistics service provider, paper waste remains among the largest waste material generated by the operations. Given the large volumes of paper used across all global operations on a daily basis.

Based on IATA recommendations, the project was first introduced to EFL Sri Lanka's airfreight operation in 2014, in partnership with four key airlines where Master Airway Bills were replaced with e-airway bills, resulting in a 15% reduction the usage of paper in Sri Lanka. The project remains in progress and continues to be rolled out in phases across EFL locations around the world.

Saving & Contribution to the Environment Expolanka Group – Sri Lanka (Total Recycle - 13,065 Kg)			
Resources	Unit	2016/17	2015/16
Waste Papers	Kg	13,065	-
Trees	Number	233	158
Water	Liters	415,206	294,887
Electricity	KWH	52,260	37,116
Oil	Liters	22,929	16,285
Land Fill	Cubic Meters	39	28
Green House Gas Emission	Kg	13,065	9,279

Source: Neptune Papers

Compliance G4-EN29

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 were recorded during financial year.

Transport G4-EN30

Other than for the emissions resulting from the Freight and Logistics sectors, the impacts of which are discussed above, there are no material direct environmental impacts that are generated as a result of transport of manufactured products, procured goods and materials or the transport of the workforce.

CAPITAL MANAGEMENT REPORT

G4-EN31-32

NATURAL CAPITAL

Hinuduma Tree Planting Initiative

Bio-Diversity Credits Generation

Bulb for Bulb – Campaign

Earth Hour 2017

Bio-diversity Upliftment

As a service organisation, EFL's operations have no direct material impact on any bio-diversity hotspots at any of the Group's global locations. However, the Group has chosen bio-diversity upliftment as a voluntary cause to preserve and protect the natural eco-systems that are threatened by globalisation. Currently a pilot undertaking, all ongoing projects are centered around Sri Lanka, with learnings from the efforts expected to drive similar projects in other parts of the world where the Group has a presence.

Key Initiatives;

- Hinuduma Tree Planting Initiative – Sri Lanka

To commemorate World Environment Day 2016, EFL joined the Hinudma Tree Planting Initiative. Initially established in 2013 jointly between the Carbon Consulting Company (CCC) and the Rainforest Alliance, the project aims to preserve endangered rainforests in the country by;

- Setting up a biodiversity corridor to connect the two of the largest remaining undisturbed rainforest patches in the Sinharaja and Kanneliya forest reserves.
- Establishing buffer zones around the forest edges using the "Analog Forestry" model

The Groups' involvement in the project extends beyond environmental conservation and strives to bring socio-economic progress to communities in the area. In this regard, the project aspires to augment the livelihoods of traditional communities living in close proximity to these natural forests, where biodiversity is high, but under imminent threat. Subsequent to identifying and approaching farmers in the forest-edge communities along the Kanneliya Reserve buffer zone, the Group continues to encourage these communities to collaborate to take ownership of this unique project. In the long term the project would adopt a 'payments for Ecosystem Services' model where participating farmers will compensated in return for nurturing parts of the forest. Participants would be paid a monthly amount for every tree that they continue to preserve throughout the 20 –year duration of the project.

- Bio-Diversity Credits Generation

EFL Sri Lanka collaborated with Bio-Diversity Sri Lanka and IUCN to formulate a credit accrual system for Sri Lanka in the Kanneliya Conservation Forest, an area that had been completely degraded due to human activity. Further, the site supports very low species diversity (43 animal species and 34 plant species when compared to 85 and 154 species recorded in the adjacent forest), fewer endemic species (6 endemic animal species and 3 endemic plant species when compared to 41 and 81 species recorded in the adjacent forest) and fewer or no threatened species (0 threatened animal species and 1 threatened plant species when compared to 24 and 41 species recorded in the adjacent forest). Accordingly, the restoration programme is structured using the ecological restoration model, where forest restoration is carried out in a manner that the ecological balance, soil structure, biodiversity functions and processes of the restored forest will match, as closely as possible, to that of a site-specific original forest.

Classic Wavez - 10 Km Beach Cleanups

Classic Wavez - Planting of Mangroves

Classic Wavez - Schools Awareness

Classic Wavez - Turtle Release

Awareness Building

Extending its role as a model corporate citizen, EFL engages in initiatives to build awareness among stakeholders through targeted projects that focus specific topics of relevance vis-à-vis global warming and climate change.

Key Initiatives;

- Bulb for Bulb – Campaign for World Environment Day

An ongoing effort to celebrate World Environment Day, EFL, Sri Lanka gave away free LED bulbs to employees and the communities surrounding the EFL Campus in Orugodawatta, in exchange for incandescent bulbs. Conducted consecutively for the past two years, the campaign has resulted in the distribution of a total of 4,000 LED bulbs to date. All incandescent bulbs received are disposed of responsibly. In addition, the campaign sought to induce participants to explore other energy saving methods such as rainwater harvesting, recycling etc.

- Earth Hour 2017

EFL has since 2010 been at the forefront as the national partner for the Earth Hour Campaign in Sri Lanka. In 2015, EFL extended its corporate Earth Hour porgramme to all EFL global sites, under the theme “I Will, if you Will”. The programme for 2017 was a tremendous success with members of the global EFL team creating awareness in Earth Hour celebrations conducted throughout the month of March 2017.

- Classic Wavez - a programme by Classic Travel to create awareness for coast conservation.

Classic Wavez, a CSR project initiated by Classic Travel to conserve, promote, and enhance the present and future availability of coastal resources for the benefit and enjoyment of the general public.

The first phase of the project kicked off on 25th January 2017 with beach cleanups in Dehiwala, Negombo and Hikkaduwa, for a stretch of 10Km along the coastal line.

The second phase, being the planting of Mangroves, took place on 4th February 2017 at Norochcholai. Conducted in collaboration with the Regional Small Fisheries Federation, more than 1250 Mangroves plants were restored as part of this effort.

The third phase of the project was also successfully completed, culminating in the school awareness programmes conducted at Sumangala College, Panadura, based on the topic of ‘Coastal Conservation and impacts of Tourism to Sri Lankan Economy’.

The project concluded on March 2017, with the release of over 50 Turtles from the Induruwa sea turtle conservation center.

CAPITAL MANAGEMENT REPORT

NATURAL CAPITAL

Supplier Assessment for Environmental Impacts G4-EN32

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 part and parcel of procurement agenda.

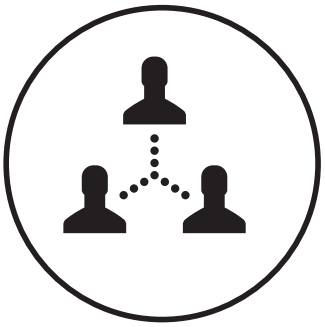
3R Approach

The Group adopts a 3R policy – Recycle, Reuse, Reduce - towards all tangible resources. The 3R policy has been embraced by the Group's employees and has had considerable impact on behaviour towards resource utilisation. Our Environment Policy strongly advocates efficient utilisation of resources which underpins our operational success as well as our efforts towards creating a sustainable environment in a world where resources are fast depleting, in the face of rising materialism. The 3Rs in waste prevention - reduce, reuse and recycle are the most effective measures we could cost effectively adopt to manage and conserve our resources be it paper, energy, water or other resources and thereby make a difference in the battle against greenhouse gases and climate change. Key policy initiatives in 3R stewardship

Electronic Documents & Filing system	⊙ Microsoft Sharepoint implemented for effective electronic documentation ⊙ Migration to xdocs for e-documents in the decision making process ⊙ Document scanning system to transfer paper documents to electronic records ⊙ Secure and shareable electronic document library
Electronic Communication	⊙ Yammer for internal communication ⊙ Email integration ⊙ E memo integration for reporting & approval
Interactive website	⊙ For interaction with stakeholders ⊙ Online business transaction processing
Recycle Paper	⊙ Systemic storage for used paper ⊙ Paper recycling ⊙ Use of recycled paper products
Print policy	⊙ Stipulates print of only essential documents ⊙ Double sided printing ⊙ Used paper for confidentiality ⊙ Print policy communicated across organisation ⊙ Email alerts on print policy

SOCIAL AND RELATIONSHIP CAPITAL

G4-SO1



With our largest sector being Logistics we are outlining strategy to build social and relationship capital in this sector before moving on to others.

The Expo Group recognises that engagement forms the basis for developing respect, trust and understanding between all stakeholders.

With our largest sector being Logistics we are outlining strategy to build social and relationship capital in this sector before moving on to others.

The relationships we build with each of these stakeholder categories help us understand how we can work towards creating mutually beneficial outcomes and thereby improve the sustainability of our operations in the long-term.

Customer Engagement Model

At the heart of the customer engagement model is the Key Account Manager who is of EFL tasked with ensuring proper communication channels are maintained with the customer at all times.

In addition, the corporate cross-functional team, comprising of the Head of Marketing and Communication, Manager of Corporate Strategy and Manager for Corporate Sustainability, directly engage with the Customer's sustainability team to share knowledge and learning's as well as sharpen sustainability alignment between the customer and EFL.

Carrier Engagement Model

As an asset-light logistics service provider, the sustainability of EFL's operations are heavily dependent on continuity of airlines and shipping lines. Hence the HOD of the ocean and airfreight segments conduct ongoing discussions with business partners to ensure EFL's sustainability goals are in line with the strategies of each carrier.

The introduction of the e-airway bill programme to the Sri Lanka freight operation, is one example of how the relationships between EFL airfreight carriers have led to a considerable reduction in the use of paper.

Community Engagement Model

Having clearly understood that partnerships are the key driver of success, we have always sought to foster strong relationships with all community stakeholders. In doing so, we have learnt to focus on areas where we can make a positive difference by leveraging on our ties to the community.

Our strategy on community development is based therefore on four main aspects; health, education, capacity building, and helping those in distress.

Community Health Care

The Group works on the belief that health is wealth. Based on this, the Group engages in targeted community Health care activities, which seek to address critical issues that impact the lives of modern-day communities.

Ongoing Projects;

- Eyes of Hope

An ongoing initiative by the Group, the 'Eyes of Hope' project was initiated in 2014, to address the issue of premature blindness caused by uncorrected refractive errors and cataracts. Under the 2016 programme, a series of free healthcare clinics were conducted in collaboration with HelpAge Sri Lanka, to commemorate "World Sight Day" and create awareness regarding the importance of early detection of ophthalmic issues. Over 300 senior citizens were screened in at four clinics conducted in Maskeliya, Sedawatta, Homagama and Wattala, where free spectacles were distributed to the participants.

From the participants at the clinics, a total of 30 patients were identified as needing cataract surgery and the cost of the surgeries were fully sponsored by Expolanka Holdings PLC, bringing the number of patients the Group has supported to 100, since the commencement of the project.

Social Upilftment through Education

It has always been our belief that education plays a crucial role in societal progress. Our efforts target mainly underprivileged communities,

CAPITAL MANAGEMENT REPORT

SOCIAL AND RELATIONSHIP CAPITAL

Eyes of Hope

"AlorPothe" School Project

Thiruvallur Ethical Education Service

Meethotamulla School Project

where our work focuses mainly on strengthening youth leadership capacity and inculcating ethics and values among school children.

Ongoing Projects;

- "AlorPothe" School Project – EFL Bangladesh

"AlorPothe", i.e. "Towards the light", a ongoing project conducted by EFL Bangladesh in partnership with a local NGO aimed at improving basic literacy and strengthening youth leadership through life skills and co-curricular activities as well as creating awareness regarding general hygiene, reproductive health etc.

With an annual commitment of approximately USD 6,000/-, the project is now in its third consecutive year and has been extended to all students of the schools across rural Bangladesh.

- Thiruvallur Ethical Education Service – EFL India

Thiruvallur Ethical Education Service, is a project aimed at providing ethics-based education to underprivileged children in Tamil Nadu.

An ongoing effort, where EFL – India has undertaken to sponsor the education of 75 students by providing educational materials as well as meals and other upkeep needs. The total cost of the undertaking is approximately USD 1,100/- per month.

- School infrastructure support initiative – EFL India

An ongoing project, to support the operational upkeep of a rural school in the coastal town of Karaikal. The school, which was affected by the 2004 Tsunami, was also entirely rebuilt by EFL - India.

- Meethotamulla School Project – EFL Sri Lanka

An ongoing project to support the communities in the Meethotamulla area, located in close proximity to the EFL Campus in Orugodawatta.

Phase 1: Development of Rahula Vidyalaya, Meethotamulla (Ongoing)
Phase 2: Support for students and their families
Phase 3: Community capacity building to benefit the communities living in the area.

Community Capacity Building

Driven by a deeper understanding of the impediments that limit the progress of society, the Expo Group's Community Capacity building efforts aim to facilitate a level of societal development that translates into tangible results for the future. It is hoped that by providing the necessary resources that prevent communities from social exclusion, we will also be able to minimise societal inequalities and trigger long-term progress for the underprivileged communities.

Ongoing Projects;

- "EXPO-MEDIX"

The Group's flagship CSR programme 'Expo Medix', strives to provide lower-income communities with an affordable solution without compromising on quality and efficiency of health services.

The initiative, which started as a simple clinic in Mattakkuliya in 2010, has since then grown rapidly and as at March-2017 consisted of 7 clinics, which treat on

"EXPO-MEDIX"

Rathugala Sustainable Community

Disaster Relief

Extreme Winter

average 200 patients a week. Expo Medix is a fully-fledged chain of medical clinics served by qualified doctors and nurses. The clinics are fully functional in providing medical consultation, diagnostics services and operations for minor surgery requirements. They also provide medicines and drugs at a subsidised cost.

Going froward the group will be looking at specific projects related to the sectors and would not continue this project.

Clinics	Total Patients
Mattakkuliya	4,607
Slave Island	5,711
Grandpass	4,208
Kalutara	2,245
Panadura	2,043
Hunupitiya	1,559
Heiyanthuduwa	629
	21,002

⊙ Rathugala Sustainable Community
The project is an ongoing effort by the Group targeting the social upliftment of Rathugala indigenous community consisting of approximately 150 families. At the commencement of the project in 2014, it was found that the families did not have sufficient water for basic sanitation. The first phase of the project saw water lines being installed to provide running water for all households in the entire community and also the community school and temple.

As part of this ongoing effort, in February 2017, the company decided to convert the Rathugala community area into a tourist destination by building a cultural centre and museum with artifacts passed down for generations and kept within the families. The objective is to facilitate a steady source of income for those families as well as for other potential businesses by attracting tourists into the area, thereby creating a sustainable community through steady income generation.

Disaster Relief
The EFL – Sri Lanka has been a member of the Asia Pacific Alliance for Disaster Management (A-PAD) since 2013, through which we receive information regarding critical support needed in the event of natural disasters across the region. We are thus able to extend support where it is needed most.

Recent Efforts;
Sri Lanka Floods 2016 – EFL Sri Lanka contributed approximately USD 40,000/-, which were distributed among employees who were affected by the flood in May 2016. In addition, to the financial contributions, EFL Sri Lanka also donated food, clothing and other essential to flood victims.

Extreme winter (Bangladesh) 2016 – As part of the "AlorPothe" initiative undertaken by EFL Bangladesh, winter clothing and other essential were distributed among school children and their families in December 2016 .

Micro Finance
Taking forward last year's project of funding 250 entrepreneurs, which proved to be an immense success with a recovery rate of 100%, the same form of funding has been used to empower another 125 entrepreneurs.

CAPITAL MANAGEMENT REPORT

SOCIAL AND RELATIONSHIP CAPITAL

Product Responsibility: Conformity to Global Standards and Service Delivery Criteria G4-LA6

Overview of Social Sustainability Performance	
Compliance	Monetary value of significant fines and total number of non monetary sanctions for non-compliance with laws and regulations;
	None
	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations;
	None
	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services;
	None
Occupational Health & Safety	The Group communicates an OH&S policy organisation-wide. In 2016/2017, there were zero reportable incidents concerning injuries or incidents of occupational diseases.
Non-discrimination	Total number of incidents of discrimination and actions taken;
	None
Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Each of the Group's operations determines customer satisfaction via customer response and feedback mechanisms. Based on periodic reviews, customer interaction processes are refined/ re-engineered. Social media is used actively to interact on a one on one basis with customers and potential customers. Of these Facebook and Twitter dominate whilst the Group's website is also a core base for interaction. SMS is used extensively to interact on a regular basis. To enhance quality assurance at the Group's sector SBU's practice 5S Good Housekeeping, Kaizen Quality Management techniques and various productivity enhancement techniques.
Marketing Communications	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship;
	None
	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data;
	None

Product and Service Labelling G4-PR3

All products or services offered at Expolanka are covered by and assessed for compliance with such procedures.

	YES	NO
The sourcing of components of the product or service	✓	
Content, particularly with regard to substances that might produce an environmental or social impact	✓	
Safe use of the product or service	✓	
Disposal of the product and environmental/social impacts	✓	

G4 INDEX IN ACCORDANCE WITH "CORE"

G4-32

General Standard Disclosures

	Description	Page Number / Direct Response	External Assurance
Strategy and Analysis			
G4-1	Statement from the Chairman	19-20	Yes
Organisation Profile			
G4-3	Name of the organisation.	Inner Back Cover	Yes
G4-4	Primary brands, products, and services.	73, 82, 86	Yes
G4-5	Location of the organisation's headquarters.	Inner Back Cover	Yes
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the Report.	74-75, 86, 88	Yes
G4-7	Nature of ownership and legal form.	Inner Back Cover	Yes
G4-8	Markets served.	74-75, 86, 88	Yes
G4-9	Scale of the reporting organisation.	17, 51	Yes
G4-10	Total number of employees by employment type, employment contract and region, broken down by gender.	51	Yes
G4-11	Percentage of total employees covered by collective bargaining agreements.	None	Yes
G4-12	Organisation's supply chain.	35	Yes
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain.	12	Yes
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	41, 44, 56	Yes
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	09	Yes
G4-16	Memberships of associations and national or international advocacy organisations.	15	Yes
Identified Material Aspects and Boundaries			
G4-17	Organisation's entities covered by the Report and entities not covered by the Report.	153	Yes
G4-18	Process for defining the Report content and the Aspect Boundaries.	9, 33	Yes
G4-19	Material Aspects identified in the process for defining Report content.	33-34	Yes
G4-20	Material Aspect, report the Aspect Boundary within the organisation.	33-34	Yes
G4-21	Material Aspect, report the Aspect Boundary outside the organisation,	33-34	Yes
G4-22	Explanation of the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	56	Yes
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	None	Yes

G4 INDEX IN ACCORDANCE WITH "CORE"

	Description	Page Number / Direct Response	External Assurance
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organisation.	36	Yes
G4-25	Basis for identification and selection of stakeholders with whom to engage.	36	Yes
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	37-39	Yes
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to them.	37-39	Yes
Report Profile			
G4-28	Reporting period.	09	Yes
G4-29	Date of most recent previous Report.	09	Yes
G4-30	Reporting cycle.	09	Yes
G4-31	Contact point for questions regarding the Report or its contents.	09	Yes
G4-32	Compliance with GRI G4 Guidelines, GRI Content Index and the External Assurance Report.	09, 65-69	Yes
G4-33	Policy and current practice with regard to seeking external assurance for the Report.	09, 70-71	Yes
Governance			
G4-34	Governance structure of the organisation, including committees of the highest governance body responsible for decision-making on economic, environmental and social impacts.	92	Yes
Ethics and Integrity			
G4-56	Values, principles, standards and norms of behaviour.	48	Yes

Specific Standard Disclosures

DMA and Indicators	Material Aspects	Page Number / Direct Response	External Assurance
Category : Economic			
MATERIAL ASPECTS : Economic Performance			
G4-EC1	Direct economic value generated and distributed and retained.	42	Yes
G4-EC3	Coverage of the organisation's defined benefit plan obligations.	46, 145	Yes
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	46 (Partially)	Yes
Category : Environment			
MATERIAL ASPECTS : Materials			
G4-EN1	Materials used by weight or volume	56 (Partially)	Yes

DMA and Indicators	Material Aspects	Page Number / Direct Response	External Assurance
MATERIAL ASPECTS : Environment Emissions			
G4-EN15	Direct greenhouse gas emissions (Scope 1).	56	Yes
G4-EN16	Energy indirect greenhouse gas emissions (Scope 2).	56	Yes
G4-EN17	Other indirect greenhouse gas emissions (scope 3).	56	Yes
MATERIAL ASPECTS : Environment Effluents and Waste			
G4-EN23	Total weight of waste by type and disposal method.	57	Yes
MATERIAL ASPECTS : Environment Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	57 / None	Yes
MATERIAL ASPECTS : Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce.	57	Yes
MATERIAL ASPECTS : Environment Overall			
G4-EN31	Total environmental protection expenditures and investments by type.	58 (Partially)	Yes
G4-EN32	Percentage of new supplier that were screened using environmental criteria	60 (Partially)	
Environmental Grievance Mechanisms			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	None	Yes
Category: Social			
SUB-CATEGORY: Labour Practices and Decent Work			
MATERIAL ASPECTS : Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group.	53-54 (Partially)	Yes
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation.	47	Yes
G4-LA3	Return to work and retention rates after parental leave, by gender.	47 (Partially)	Yes
MATERIAL ASPECTS : Occupational Health and Safety			
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities, by region and by gender.	64	Yes
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	None	Yes
MATERIAL ASPECTS : Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	54 (Partially)	Yes

G4 INDEX IN ACCORDANCE WITH "CORE"

DMA and Indicators	Material Aspects	Page Number / Direct Response	External Assurance
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	48 (Partially)	Yes
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	47	Yes
MATERIAL ASPECTS : Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	51, 24-29	Yes
MATERIAL ASPECTS : Equal Remuneration for Women and Men			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	46 (Partially)	Yes
MATERIAL ASPECTS : Labour Practices and Grievance Mechanisms			
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	50 / None	Yes
MATERIAL ASPECTS : Non Discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	47 / None	Yes
MATERIAL ASPECTS : Child Labour			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	47 / None	Yes
MATERIAL ASPECTS : Forced or Compulsory Labour			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	47 / None	Yes
MATERIAL ASPECTS : Indigenous Rights			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	None	Yes
MATERIAL ASPECTS : Assessments			
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	None	Yes
MATERIAL ASPECTS : Human Rights Grievance Mechanisms			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	50 / None	Yes
SUB CATEGORY : Society			
MATERIAL ASPECTS : Local Communities			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	61-63	Yes

DMA and Indicators	Material Aspects	Page Number / Direct Response	External Assurance
MATERIAL ASPECTS : Anti-Corruption			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	None	Yes
G4-SO5	Confirmed incidents of corruption and actions taken.	None	Yes
MATERIAL ASPECTS : Anti-Competitive Behaviour			
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	None	Yes
MATERIAL ASPECTS : Compliance			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	None	Yes
MATERIAL ASPECTS : Grievance Mechanisms for Impacts on Society			
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	None	Yes
SUB - CATEGORY : Product Responsibility			
MATERIAL ASPECTS : Product Responsibility			
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	None	Yes
MATERIAL ASPECTS : Product and Service Labeling			
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	64	Yes
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	None	Yes
MATERIAL ASPECTS : Marketing Communications			
G4-PR6	Sale of banned or disputed products.	None	Yes
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	None	Yes
MATERIAL ASPECTS : Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	None	Yes
MATERIAL ASPECTS : COMPLIANCE			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	None	Yes

INDEPENDENT ASSURANCE REPORT

G4-33

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Independent Assurance Report to Expolanka Holdings PLC on the Sustainability Reporting Criteria Presented in the Annual Report- 2016/17

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 indicators in the annual report- 2016/17 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 42 of the Report.
- Limited assurance on other information presented in the Report (General Standard Disclosures and Specific Standard Disclosures of the GRI Index page 65 to page 69), prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines.

Basis of Our Work and Level of Assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("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 G4 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

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

Management of the Company's Responsibility for the Report

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

Ernst & Young's Responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 25 April 2017. 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.

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 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

In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key Assurance Procedures

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

- Interviewing relevant the Company's personnel to understand the process for collection, analysis, aggregation and presentation 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 2017.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative G4 'In accordance' - Core guidelines.

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

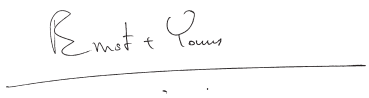
Limitations and Considerations

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

Conclusion

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

- The information on financial performance as specified on page 42 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2017.
- 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 Bank's sustainability practices and policies some of which are derived from GRI-G4-'In accordance' Core Sustainability Reporting Guidelines.



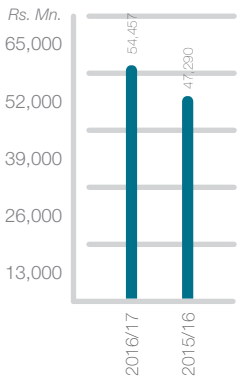
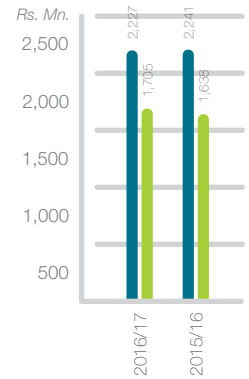
Chartered Accountants
28 June 2017
Colombo

OPERATIONAL REVIEW

OPERATIONAL REVIEW

SECTORS | LOGISTICS SECTOR

Sector Snapshot G4-4

Segment	Product Mix	Highlights 2016/17	Revenue	Profits	Strategy
Logistics	⊙ Air Freight ⊙ Sea Freight ⊙ Logistics ⊙ Warehousing ⊙ Transportation ⊙ GSA	⊙ Strong Volume growth in Air Freight and Ocean freight 16% and 18% respectively. ⊙ Healthy performance from Indian Sub-Continent and Vietnam, Hong Kong and Indonesia. ⊙ Growth through acquisition of new customers as well as existing customers. ⊙ Increase focus on solution based services to customers.	***Revenue***  	***EBIT & NP***  EBIT Profit for the Year	⊙ Profitable above market growth through new customers acquisition and servicing of existing customer. ⊙ Growth in US Trade Lane through new customers and expansion of product offerings. ⊙ Value added services Margin improvement through operational efficiencies. ⊙ Adapt environment friendly sustainable practices across business.

OPERATIONAL REVIEW

SECTORS | LOGISTICS SECTOR

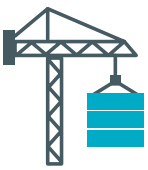
Our Footprint G4-6,8

India
Chennai | Ahmedabad
Bangalore | Cochin | Coimbatore
Hyderabad | Kandla | Karur
Kolkata | Ludhiana | Moradabad
Mumbai | Nashik | New Delhi
Pune | Tirupur | Tuticorin
Vizag
China
Guangzhou
Shanghai
Shenzhen
Xi'an
Bangladesh
Dhaka (HQ)
Chittagong
UAE
Abu Dhabi
Dubai
Jebel Ali
Pakistan
Karachi
Lahore
Sialkot
Hong Kong
Hong Kong
Myanmar
Yangon
Philippines
Manila
Cambodia
Phnom Penh
Vietnam
Hanoi
Ho Chi Minh
Maldives
Male
Sri Lanka
Avissawella
Biyagama
Colombo
Galle
Hambantota
Katunayaka
Koggala
Orugodawatta
Seeduwa
Kenya
Mombasa
Nairobi
Indonesia
Jakarta
Semarang
Surabaya
Mauritius
Port Louis
Madagascar
Antananarivo
South Africa
Johannesburg

OPERATIONAL REVIEW

SECTORS | LOGISTICS SECTOR

EFL's total airfreight volumes grew by 18% year-on-year, much faster than its own 3-year CAGR of 15%. Both air imports and air exports demonstrated year-on-year growth of 20% and 17% respectively compared to the previous year.



Freight Operations (EFL) – Global

The core sector of Logistics is the Group's flagship brand EFL operating in over 55 cities across 18 countries globally. Specialising in air and ocean freight, EFL is ranked among the top freight forwarders in the Asian sub-continent.

Global Freight Industry

Despite continued talk on protectionism in USA and Europe signs of increased trade between USA-Asia and Europe-Asia were evident in 2016. Consequently, the global airfreight industry, where volume growth measured in freight tonnes increased by 3.8% in 2016 compared to 2015. This was nearly double the industry's average growth rate of 2.0% over the last five years.

Meanwhile, marred by rate fluctuations and overcapacity the global ocean freight industry experienced a turbulent year. The ocean freight industry suffered a further shock, as freight rates between Asia and North America shot up in the immediate aftermath of the Hanjin Shipping line bankruptcy. Numerous other consolidations between shipping lines only served to heighten the tension in the ocean freight industry, adding to the volatility seen for much of 2016.

EFL's Performance

Given the operating environment, we stayed firmly centered on growing the core business, a strategy that delivered good results leading to improved market share driven by consistent volume growth in both air and ocean freight. EFL's total airfreight volumes grew by 18% year-on-year, much faster than its own 3-year CAGR of 15%. Both air imports and air exports demonstrated year-on-year growth of 20% and 17% respectively compared to the previous year.

EFL did leverage on the overcapacity situation in the ocean freight industry to its advantage, by sharpening its procurement processes to facilitate a more competitive pricing strategy. Consequently, total ocean freight volumes for 2016/17 increased by a 16% compared to the previous year, bolstered by a robust 23% increase in ocean export, and a 6% growth in ocean imports.

EFL's Trade Lane-wise Performance

From a regional perspective, EFL's volumes from the North American trade lane continued to grow consistently, maintaining its 3-year Compound Average Growth Rate (CAGR) at 9%. Positive market sentiments and increased consumer spending in the US led to higher volumes to-and-from the North American trade route. Consequently, the North American trade lane once again accounted for a majority, 42% share of EFL's total volumes for 2016/17. The Europe trade lane, with a CAGR of 9%, accounted for 22% of total volumes for the year under review.

Growing at a notably faster pace, (3-year CAGR of 17%), the Intra-Asia trade lane came in third, accounting for 19% of EFL's total volumes for 2016/17. Much of the growth Intra-Asia trade lane was driven by higher cargo uptake from the Far East (Vietnam and Hong Kong), which in turn helped to offset weaker performances in Middle Eastern & African markets.

EFL's Acquisition into USA and China

Expansion in the USA and China was seen as a key strategy that would put EFL on an accelerated growth path in the next few years. Having previously established collaborative partnerships in both countries, EFL increased its stake in its USA operations through a direct acquisition of the remaining minority holding, giving EFL 100% control of the USA operation. Having controlling interest in EFL's USA operation is deemed critical in strengthening the network, improving connectivity and catalysing growth from the critical North American Trade lane.

With the Intra-Asia trade lane also identified as a key growth pivot, the company acquired the remaining 25% of the shares to obtain full stake, enabling EFL to further consolidate its position in the region and to improve scalability for the future.

EFL Global Sustainability Update

In 2016, EFL took its first steps towards implementing an integrated sustainability strategy for the global freight operation. Launched as VIVA, EFL's new sustainability strategy is commonly applicable to all EFL operations worldwide, the ultimate objective is to enhance the long-term sustainability of all stakeholders vis-à-vis four key pillars; Environmental Sustainability, Safety, Labour/HR and Community. The key objectives under each pillar are; Building awareness regarding sustainability among key stakeholders and having in place mechanisms to track EFL's progress on key sustainability indicators; Working towards minimising environmental impact through the reduction of EFL's carbon footprint; Inculcating globally accepted sustainability practices throughout the supply chain and operations; Improving the lives of the people in the communities impacted by EFL's operations. Details of progress made for 2016/17 are captured in the Natural Capital Report (Page 56), the Human Capital Report (Page 46) and the Social and Relationship Capital Report (Page 61).

Outlook and Strategy

The main agenda for the immediate future would be to create a framework that would put EFL on a path for exponential growth, where the key focus would be to get a firmer footing in high-growth regions, by leveraging on the solid foundations and positive market conditions. The near term strategy would be to optimise airfreight growth on the intra-Asia trade lane, while at the same time making inroads into untapped territory, in particular the Transpacific trade lane.

Meanwhile, with the overcapacity situation in the global ocean freight industry likely to continue for the foreseeable future, proactive yield management strategies would be imperative. In the short term, this calls for an extensive focus on growing ocean freight volumes in all trade lanes, with equal emphasis on both import and export. However on the flip side, overcapacity would also facilitate more efficient procurement that would enable competitive pricing to help grow the ocean freight business in the long term.

The long term prospects for EFL based on achieving the right customer mix, which would require EFL worldwide to grow across all industrial verticals, while further strengthening the brand as the premier specialist in end-to-end logistics.

SECTORS | LOGISTICS SECTOR

Warehousing Operations – Sri Lanka

With over 550,000 sq.ft. of warehousing space across Sri Lanka, together with a complete range of added value services, including storage, case-level picking and packing and strong national distribution network, have helped position EFL as the premier integrated logistics service provider in the country and possibly even the region.

Summary of Performance

Having successfully reoriented operations to introduced diversified business models to augment revenue generation capacity, the Warehousing operations registered a complete turnaround in performance compared to the previous financial year.

Revenues for the year reached Rs. 512 Million, up by a phenomenal 87%, compared to the Rs. 274 Million reported in the previous financial year. The Warehousing operation tabled a profit of Rs. 21 Million, a complete turnaround from the loss of Rs. 27 Million recorded a year ago.

Operational Focus

Continued focus on building a sustainable revenue pipeline remained the overarching emphasis for the year. As a priority, this meant reorienting internal systems and processes in order to sharpen the alignment with different customer demand cycles. Systems and control processes across five locations were completely revamped, with a standardised KPI dashboard being introduced to monitor weekly performance at each location. Further, with manpower being critical to the demand management process, a dedicated unit was set up at each warehouse unit to map manpower requirements cognisant to the specific needs of the customers' business cycle. Strategies to strengthen relationships with manpower suppliers were also initiated in an effort to improve the alignment between the manpower pipeline and the cyclical demands of key customers.

Providing value added services to support and enhance the value chain of the customer, continued to be a key area of focus for EFL, prompting ongoing investments in software and technology in order to build capacity to better serve this key vertical. The roll out of the tier 1, High-jump software was fully completed in the current financial year, culminating a three-year journey to introduce the state-of-the-art Warehouse Advantage solution that would provide the opportunity to deliver complex warehouse management solutions to keep pace with the evolving needs of customers in the apparel industry.

Another customer-driven initiative was the investment in GT Nexus, a global cloud-based supply chain platform that enables seamless integration of logistics function along with the customers' global partner networks. A consistent, up-to-date information source that supports multiple supply chain functions, the GT Nexus platform gives the customer greater visibility and better control over the end-to-end processes.

Leveraging on the greater visibility afforded by the GT Nexus platform, steps were taken to diversify into other verticals.

Meanwhile, the decision to venture into last-mile delivery signals the next focus area of the business. As part of the initial effort, an EXPRESS courier unit was set up in the year under review, to service the emerging needs of the e-commerce business in Sri Lanka. As part of this strategy the ground transport fleet was strengthened.

Outlook and Strategy

Moving forward the focus would be to further enhance the integrated logistics value proposition and position EFL as a specialised integrated logistics service provider for all high-growth sectors of the economy. As a first step, this will require renewed efforts to expand the warehouse management model by tapping into new verticals. While increasing the warehousing inventory will remain a priority, doing so vis-à-vis an asset-light model is considered equally important as it would support greater efficiencies and resource optimisation in the long term. Meanwhile, investments in technology-driven service platforms will provide added market leverage in the integrated logistics sphere.

The continued growth of e-commerce and corresponding expansions in last-mile deliveries will drive future growth agenda.

Here too strengthening the ground transport network is seen as critical, as it will facilitate the capacity needed to provide on-demand delivery and position EFL as the preferred on-boarding partner for last mile delivery in the years ahead.

Freeport Operations – Sri Lanka

The Expo Global Distribution Center (EGDC) was set up to facilitate global

trade and transshipment activities in the Indian sub-continent. As Sri Lanka's first free port operation, EGDC offers the full gamut services for all offshore supply chain requirements.

In the year under review, the Expo Group acquired full control of the EGDC free port operation, as part of the "centered" approach aimed at consolidating the Group's logistics operations. The move also underpins the Group's broader long term plans to transform EGDC into a fully-fledged transshipment hub operation, with the capacity to provide origin based value added services for the region.

Marine Services – Sri Lanka

The Group's marine services arm, Pulsar Shipping offers complete operations and management services and ship supply services for Oil Majors, Offshore operators, ship managers, operators and Owners around the world.

Summary of Performance

Leveraging on the growing volume number of vessels traversing the Intra-Asia trade route, the Company recorded satisfactory results for the year under review, reaching Revenue and profit targets set for 2016/17.

Operational Focus

Aside from strengthening the core business, the Company looked at several strategies during the year to reposition itself as an integrated marine services solutions provider in the subcontinent. As a priority, this meant expanding the scope of the business to tap into emerging opportunities in the marine services sector.

Cognisant to this, the Company began offering marine survey services in the region. However, the country's limited port infrastructure proved to be a deterrent for many vessels, with many found to be bypassing Sri Lanka and heading to other more equipped ports in the region, a fact that has been consistently affecting the Company's expansion plans.

Capacity building was seen as one way to mitigate some of these challenges, prompting the Company to sharpen its alignment with the Group's key thrust areas. At the same time, ongoing investments in new technology and processes to keep pace with changing business dynamics and benchmark global operational standards in the marine servicing industry, were seen as key business imperatives that would secure an edge in the highly competitive marine services market.

Outlook and Strategy

Moving forward, the Company will focus building capabilities in the offshore support vessels segment by pursuing all feasible opportunities in the region and beyond. This may include strategic partnerships with global operators to strengthen the Company's position as the "offshore services provider of choice" in Asia. However, in carrying out these expansion plans, the Company remains mindful of maintaining an asset light strategy advocated by the Group. Moreover, all expansion plans would be accompanied by widespread initiatives to streamline operations and deploy suitable cost controls that would auger well for the long-term prospects of the business.

While the group does operate mid sized freight forwarding company such as GLS and UCL the focus is on building brand EFL.

Airline GSA Operations – Global

In business since 1994, Expolanka's GSA segment currently manages a network of 16 airlines across 9 countries. The cargo GSA for some of the world largest legacy carriers, as well a number of newer airlines, ACR is the only local airline services management company to have ventured beyond the shores of Sri Lanka.

Summary of Performance

The Company's multi-country GSA business recorded strong growth for the current financial year, with all KPI's tabling a healthy increase over the previous year.

From a regional perspective, Asia registered the strongest growth, as the Company capitalised on economic growth activities in both China and India to capture a larger share of the volumes on the Intra-Asia route. Moreover, with a fair share of the cargo traffic on the Intra-Asia trade route originating from Bangladesh and Pakistan, the Company leveraged on its strong network presence in the region to grow volumes from these origin counties. Sri Lanka's contribution to the volume mix also improved in the current financial year, thanks to synergies derived through EFL's dominance in the Intra-Asia trade lane.

Recording a year-on-year growth in volumes, Africa too performed well in the current financial year, considering it that it is still an emerging market for the Company.

SECTORS | LOGISTICS SECTOR

Effective yield management strategies that were deployed to rationalise the portfolio and optimise returns from key high-growth markets, allowed the Company to end the year with strong topline growth translating into better bottom line results compared to the previous year.

Operational Focus

Having witnessed the exponential growth in cargo traffic on the Intra-Asia trade lane, the key operational strategy for the year was to focus on further expanding the multi-country GSA model in the Asian subcontinent.

With international airlines are seeking GSA partnerships with experienced providers instead of setting up their own ground operations in each country, the Company looked to tie up with key airlines to make inroads into existing as well as emerging markets in the region. The underlying strategy was to develop a robust GSA management model that would enable the Company to manage multiple GSA's in a multiple countries.

Also having found that airlines are increasingly moving towards establishing partnerships with end-to-end service providers, the GSA arm looked to position itself as the leading integrated airline service management Company in the region. Backed by EFL's presence in the region along with Group synergies in the logistics, the Company sought to enhance its credentials and increase its value proposition. Moving away from commodity-driven and price-driven strategies adopted in the past, the key thrust was therefore to migrate to a more customer-centric business model that would surpass the traditional norms of the airline GSA business.

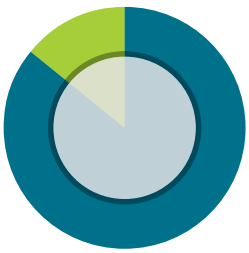
Going hand-in-hand with the focus on the Asian subcontinent and the commitment to become a fully-fledged service provider, the core administrative functions of the business were also relocated back to Colombo in the current financial year. Tying in with the Expolanka Group's overall asset-light strategy, the new centralised service architecture is designed as a shared support service for GSA's held by the Company across all geographies. The move is further aimed at consolidating core competencies in readiness for the next big growth phase as a full service business partner for the airline industry.

Outlook and Strategy

With changes taking place in the global airline industry, the Company remains committed to take proactive action to capitalise on these opportunities in the coming years. Further, it is hoped that the strategic agenda mapped out for 2016/17 would improve the scalability of the business, enabling the Company to pursue diverse growth opportunities that will complement the Company's multi-country GSA model in the future.

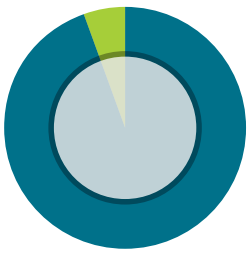
Logistics	2016/17 Rs. Mn.	2015/16 Rs. Mn.	Change %
Revenue	54,457	47,290	15%
Earnings Before Interest & Taxes (EBIT)	2,227	2,241	-1%
Finance Cost	80	44	82%
Profit Before Tax	2,147	2,197	-2%
Profit After Tax	1,705	1,638	4%
Total Assets	18,973	17,139	11%
Total Equity	11,227	9,341	20%
Total Debt	1,015	669	52%
Capital Employed	12,242	10,010	22%
Return on Equity	15.2%	17.5%	-13%
Return on Capital Employed	14.6%	16.8%	-13%

Turnover



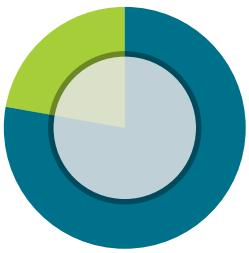
Turnover 86%

EBIT



EBIT 106%

Capital Employed

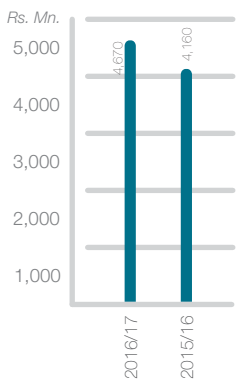
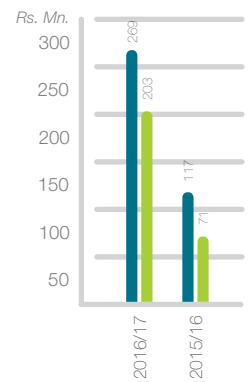


Capital Employed 78%

OPERATIONAL REVIEW

SECTORS | LEISURE SECTOR

Sector Snapshot G4-4

Segment	Product Mix	Highlights 2016/17	Revenue	Profits	Strategy
Leisure	⊙ Outbound Leisure & Corporate Travel ⊙ Destination Management ⊙ Expo Rail	⊙ Innovation and broad basing service portfolio along with competitive pricing enabled to drive growth and sustain market leadership ⊙ Re strategised DMC operation with exit form Akqasun and set up Classic Destination ⊙ Classic Travels branch out into other travel segments through innovative offerings	***Revenue*** 	***EBIT & NP***  EBIT Profit for the Year	⊙ Focus efforts to grow the outbound travel segment in the region ⊙ Seek synergies between the sector companies to grow market share ⊙ Cross sell and leverage on economies of Scale ⊙ Explore new geographies with high outbound markets intra-Asia. ⊙ Concentrate on yield management and efficient working capital management ⊙ Focus on branding and product development

Revenues grew by a 12%, from Rs. 4,160 Million in the previous year to Rs. 4,670 Million in the current year, while profits grew by a robust 186% year-on-year.

Classic Travel – Sri Lanka

The Group's leisure businesses coming under the "Classic" umbrella, is among the largest corporate leisure and travel brand in Sri Lanka. Positioned at the high-end of the market, "Classic" is the Expo Group's flagship travel brand and is synonymous with innovation, cutting-edge technology and best in-class service standards in Sri Lanka's highly competitive travel industry.

Summary of Performance

Leveraging on its substantial Brand equity and commanding position in the market, the leisure sector tabled exceptional results for the year ending 31st March 2017. Revenues grew by a 12%, from Rs. 4,160 Million in the previous year to Rs. 4,670 Million in the current year, while profits grew by a robust 186% year-on-year.

The core outbound travel business, specialising mainly in Corporate and outbound MICE segments recorded strongest growth, thanks to an integrated approach to revenue and demand management. The underlying strategy was to widen the destination outreach, which saw a significant increase in the number of passenger opting for newer high-yielding destinations in Europe and the Americas.

If it continues, this trend would likely auger well for the future of the outbound travel business as it signals a shift in customer's preferences away from the traditional Southeast Asian destinations. Towards more high-end destinations. Meanwhile, the removal of Visa requirements to Indonesia also proved beneficial, leading to a notable increase in passenger numbers to that destination as well.

SECTORS | LEISURE SECTOR

In general, while the partial closure of the BIA in January 2017, did cause some uncertainty in the travel community.

Operational Focus

In line with the overall Expo Group focus to migrate to integrated business models, the main strategic thrust for the ”Classic” brand for 2016/17 was to diversify into other verticals in the leisure sector. Using the “Classic” brand, as the key lever, the goal was to change status quo and move away from the perception of being only a travel agent and reposition the brand as the only truly integrated travel service provider in Sri Lanka. As s priority, this meant investing in other complementary verticals across the leisure value chain.

Spearheading the move to other verticals was the joint venture with a leading event promotion Company – Fun Time, which led to the launch of “Classic Fun Time” in September 2016. The move is specifically aimed at tapping into the huge potential in the global MICE market, an area, which has continued to evolve rapidly over the past few years, and is now a billion dollar global industry.

The collaboration between Classic, with its strong corporate client base and Fun Time with its experience in corporate entertainment was seen as an ideal fit to break into this promising market. Moreover, going beyond the boundaries of traditional DMC (Destination Management Company), Classic Fun Time is expected to be the catalyst in putting Sri Lanka on the map as a sophisticated entertainment hub in the South Asian region.

At the same time, with the focus centered on strengthening the core brand, the sector divested its entire stake in Akquasun, the destination management company.

Meanwhile, to replicate some of the success achieved in the Sri Lanka, the sector took over the management of Classic Bangladesh, where the goal is to develop a suitable leisure proposition to explore the large untapped potential in this market.

To bring in renewed attention expo rail the prominent luxury train service was also added to the leisure sector this synergy will allow for more streamlined transportation options to be offered to both local and foreign travelers.

Also sector went through some restructuring, especially the support services, which were realigned to facilitate the migration towards becoming an integrated travel solutions provider. All support services were relocated to a dedicated office at Clifford Avenue, while refurbishments commenced on the original building on Galle Road to upgrade the facility as a fully-fledged passenger service center, which will underpin the sector’s transformation into an integrated leisure services provider.

Outlook and Strategy

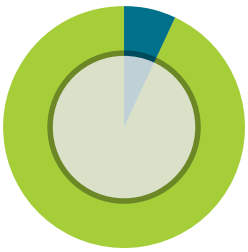
With the exponential growth in the demand for leisure offerings, the future for the Group’s leisure sector looks promising. And with the key service architecture now in place, the focus for the future would be cater to the customer demands for a premium value proposition, consistent quality and exceptional customer service.

At the same time, continuous expansion into other proven verticals and also securing first-mover advantage in new and emerging markets like experiential tourism, would be critical in building visibility and reinforcing the “Classic” USP as the only truly integrated leisure solution in the country and perhaps even the sub continent.

Our Footprint G4-6,8

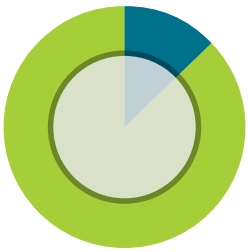
Leisure	2016/17 Rs. Mn.	2015/16 Rs. Mn.	Change %
Revenue	4,670	4,160	12%
Earnings Before Interest & Taxes (EBIT)	269	117	130%
Finance Cost	51	28	82%
Profit Before Tax	218	89	145%
Profit After Tax	203	71	186%
Total Assets	1,440	1,560	-8%
Total Equity	554	323	72%
Total Debt	473	324	46%
Capital Employed	1,027	647	59%
Return on Equity	36.6%	22.1%	65%
Return on Capital Employed	24.7%	15.3%	61%

Turnover



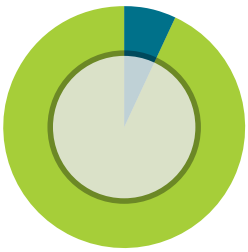
Turnover 7%

EBIT



EBIT 13%

Capital Employed

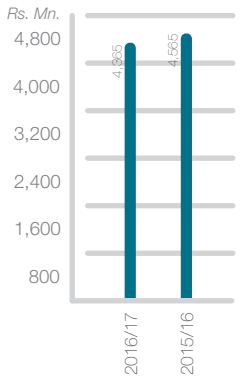
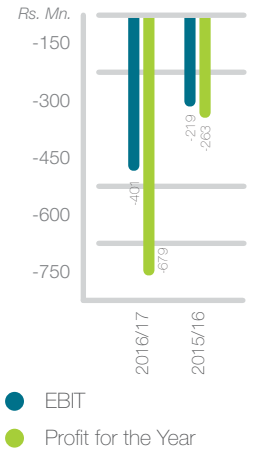


Capital Employed 7%

OPERATIONAL REVIEW

SECTORS | INVESTMENTS

Sector Snapshot G4-4

Segment	Product Mix	Highlights 2016/17	Revenue	Profits	Strategy
Investments	⊙ Export of Fresh & Desiccated Coconuts ⊙ Export of Fruit & Vegetables ⊙ Processed King coconut exports	⊙ Restructured efforts enables a lean structure. ⊙ Export of fresh fruits and vegetables turnaround to record healthy results	***Revenue*** 	***EBIT & NP*** 	⊙ Focus on core business to improve profitability ⊙ Volume growth to generate economics of scale ⊙ Expand into other coconut based exports.

Buoyed by greater stability in the global perishable commodities markets, the Trading arm witnessed good growth in the first half of the year, with all products seeing steady increase in trading volumes. The third quarter however brought a series of challenges that put a squeeze on margins in the second half of the year.

The International Trading arm of the Expolanka Group is widely regarded as one of the leading exporters of food products from Sri Lanka. In business for nearly 40 years, the segment specialises in the export of Fresh Coconut, Desiccated Coconut and Fresh Fruits & Vegetables and more recently organic food products including Organic Dried Fruit, Organic Fruit Pulps, Organic Coconut Water, Organic Virgin Coconut Oil etc.

Performance Recap

Buoyed by greater stability in the global perishable commodities markets, the Trading arm witnessed good growth in the first half of the year, with all products seeing steady increase in trading volumes. The third quarter however brought a series of challenges that put a squeeze on margins in the second half of the year.

With regard to the Export of Fresh Coconut, demand remained strong throughout the year, although negative headwinds brought pressure on the business in the latter part of the financial year. For instance the additional levy of Rs. 10/- per nut imposed by the Sri Lankan government proved to be a severe blow, making it difficult for Sri Lankan products to compete in the Global market on price alone. The added cost burden also meant slimmer margins in this line of business. However, in response to these challenges and reduce the dependence on the Sri Lanka, the Trading unit plans to capitalise through a multi-origin trading model to expand the procurement network by exporting out of Indonesia, Malaysia and India.

In the Fresh fruits business too, the first and the second quarters of the financial years produced good results, marked by strong volume growth and stable margins. However challenged by unfavourable weather conditions, outputs dropped

OPERATIONAL REVIEW

SECTORS | INVESTMENTS

drastically in the third and fourth quarters, making it increasingly difficult to meet the global demand from key markets in the Middle East.

Meanwhile, bolstered by strong demand from captive markets, Sri Lankan Desiccated Coconut (DC), trading volumes registered a year-on-year improvement. Here too the multi-origin trading model contributed to the growth in volume for the year. However with global market prices in 2016/17 lower than in the year before, Revenue generated through DC Trading dropped slightly in the year under review.

Being a niche market offering, the global demand for Organic products stayed strong throughout the year, enabling the Trading unit to meet expected performance targets set for the current financial year. Meanwhile, leveraging on the global movement towards Organic food, the Trading unit was able to expand its reach to a number of new markets in Europe and the Americas.

Key Operational Highlights

Having predominantly focused on trading activities in the past, the next step for the Trading unit was to gain more control over the supply chain, which prompted the move towards manufacturing. Already operating a small-scale plant for the processing of King coconut Water in Biyagama, the decision was made to invest in a fully-fledged manufacturing facility that would have the downstream capacity to produce more value added products aimed at specific B2B markets around the world. The move signifies a shift in the traditional generic trading business model towards an integrated value chain concept that ties in with the Expolanka Group's strategy to build cohesive business synergies in order to create a scalable platform for growth of each business vertical.

In addition to the benefits from a non-disruptive supply chain and effective control over the manufacturing process, the new plant would also facilitate greater transparency, enabling the Trading unit to benchmark globally accepted best practices that would be the key competitive lever in the global market, particular in the value-added and organic product range.

As part of the first phase of the project, the groundwork was completed and construction started on a high-capacity UHT aseptic plant in Seeduwa, to commence production of certain fast-moving Coconut products.

Future Outlook

The strategy going forward would be to expand the value-added product range to capture a broader spectrum of the global B2B market. This would be coupled with efforts to break into the global B2C market by securing first-mover advantage in emerging B2C markets. This would require substantial investment in R & D as well as aggressive branding in order to create a lifestyle brand and secure the correct global market positioning. The focus would therefore be to create a differentiation based on quality and compliance, rather than on price alone.

At the same time, the core trading business will also be expanded to offer a wider range of options to the B2B market. Doing so would mean further strengthening the multi-origin trading model to gain access to newer sources within the region in the years ahead.

Software Development – Sri Lanka

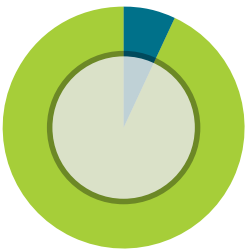
I T X 360 is an extension of the Group's dedicated software solutions unit, which serves the requirements of the core businesses in freight and logistics. The newest addition to the Group's portfolio, setting up of I T X 360 forms part of the natural progression of the Group's inorganic growth strategy to expand other business verticals.

As an independent SBU, the Company, while continuing to serve the Group's requirements while pursue external revenue generating opportunities through the provision of specialised services ranging from consultancy services, software development and managed IT solutions that are geared for the logistics industry.

Our Footprint G4-6,8

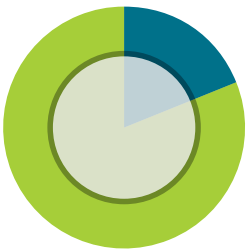
Investment	2016/17 Rs. Mn.	2015/16 Rs. Mn.	Change %
Revenue	4,365	4,565	-4%
Earnings Before Interest & Taxes (EBIT)	(401)	(219)	83%
Finance Cost	273	20	1265%
Profit Before Tax	(673)	(239)	182%
Profit After Tax	(679)	(263)	158%
Total Assets	2,929	3,976	-26%
Total Equity	1,596	3,457	-54%
Total Debt	914	800	14%
Capital Employed	2,510	4,256	-41%
Return on Equity	-42.5%	-7.6%	459%
Return on Capital Employed	-16.2%	-5.7%	184%

Turnover



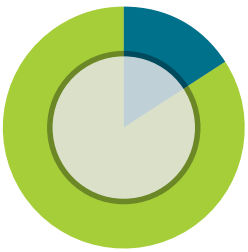
Turnover 7%

EBIT



EBIT -19%

Capital Employed



Capital Employed 16%

COMPLIANCE REPORTS

CORPORATE GOVERNANCE REPORT

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE REPORT

Expolanka Holdings PLC is committed to maintain a high standard of Corporate Governance practices within the Group and devotes considerable efforts to identify and apply global best practices that ensure smooth, effective and transparent operations while enhancing ability to attract investments, protect rights and maintain shareholder value.

This reports sets out the Group's approach to Corporate Governance practices, which 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.

The Group has in place an internal governance structure with clearly demarcated duties and responsibilities through which the Board balances its role of providing oversight and guidance to the management on strategy implementation, risk management and meeting stakeholder expectations. The Group believes that the governance principles of trusteeship, transparency, accountability, control and ethical corporate citizenship are fundamental in maintaining competitiveness, growth and sustainability and that the practice of each of these principles create the right corporate culture that fulfills 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.

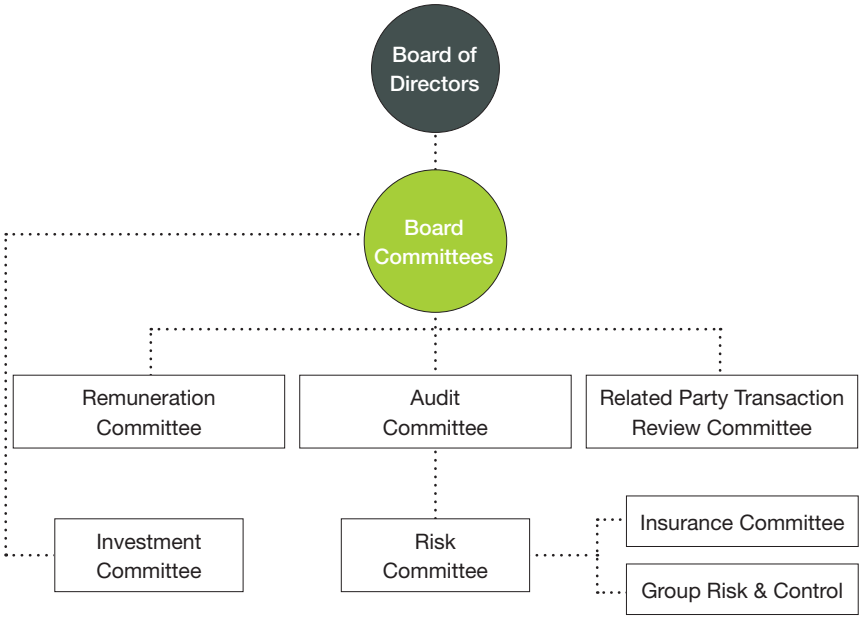
Expolanka is committed to conduct its business in a manner that exemplifies good corporate citizenship and growth in shareholder value. The Board operates on the firm belief that sound governance practices are essential to earn stakeholder confidence, which is fundamental for sustaining performance and enriching shareholder value. As such, the Group's Corporate Governance framework ensures a favourable balance between performance and conformance with the emphasis on the need for full transparency and accountability in all its transactions, in order to protect the interests of its stakeholders. Moreover, with the objective of increasing the global footprint and becoming globally competitive in its business, Expolanka believes in adopting the best practices that are followed in the area of Corporate Governance across various geographies, which is essential to attain long-term sustainable growth.

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 joined the Board on the 1st of May 2014.

Naosuke Kawasaki
Chairman

CORPORATE GOVERNANCE REPORT

Governance Framework G4-34



The Board of Directors

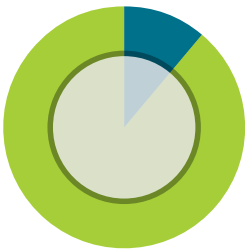
The Governance framework shown above comprises of the Board of Directors, Board Committees and the Senior Management Committees. The Primary role of the board is to protect and enhance the long-term shareholder value. Management ensures in maintaining the governance within the group. The ultimate responsibility of increasing the shareholder value lies with the Chairman and the Board of Directors. The Board of Directors ensures the highest standard of compliance to Corporate Governance for the Group.

Board Meeting and Attendance

	Name of the Director	25/05/2016	03/08/2016	11/11/2016	31/01/2017
1	Mr. Nobuaki Kondo (Chairman)	✓	✓	✓	✓
2	Mr. Osman Kassim	✓	✓	✓	✓
3	Mr. Hanif Yusoof	✓	✓	✓	✓
4	Mr. Harsha Amarasekera	✓	-	-	✓
5	Mr. Sanjay Kulatunga	✓	✓	✓	✓
6	Mr. Naosuke Kawasaki	✓	✓	✓	✓
7	Mr. Motonori Matsuzono	✓	✓	✓	✓
8	Mr. Yoshifumi Matsubara	✓	✓	✓	✓
9	Mr. Toji Shiho	✓	✓	✓	✓

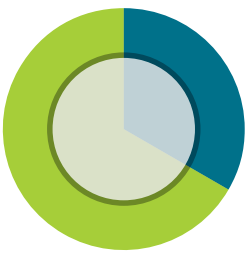
Board Composition

Directorship Status



- Executive Directors 1
- Non-Executive Directors 8

Independence



- Independent Directors 3
- Non-Independent Directors 6

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 issued jointly by the Institute of Chartered Accountants of Sri Lanka.

Section 1 – The Company

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
Directors			
A.1. The Board The Code prescribes the Board to effectively direct and control the affairs of the company. Expolanka is led by a professional, multi-disciplined and experienced Board of Management comprising of the Chairman, Chief Executive Officer (CEO) and Executive and Non-Executive Directors including three Independent Non-Executive Directors as at the 31st March 2017. 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 Audit and Remuneration, Related Party Transaction 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 accountancy standards including convergence towards the new Sri Lanka Financial Reporting Standards (SLFRS).

CORPORATE GOVERNANCE REPORT

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.1.3	Compliance with laws and seek independent professional advice	Compliant	Board is collectively and individually committed to ensure compliance with all applicable laws and regulations and adheres to best governance practices. The Directors obtain independent professional advice if required for decision making. Professional advice was not sought by any of the Directors during the year under review.
A.1.4	Company Secretary	Compliant	SSP (Pvt) Ltd is appointed as the Group's Company Secretary to ensure that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed. All Directors have access to the advice and services of the Company Secretary.
A.1.5	Independent judgment of the Directors	Compliant	All Directors exercise independent judgment and opinions on issues that are discussed and considered at the Board.
A.1.6	Dedicate adequate time and effort by the Directors	Compliant	Board Meetings are held on a periodic basis. The Chairman and the Board Directors dedicate adequate time for the affairs of the Group by attending Board and Sub Committee meetings assiduously. In addition, the Board Directors meet and discuss with the senior management on operational and strategic issues as and when required.
A.1.7	Training for new and existing Directors	Compliant	The Board recognises the need for continuous training. Adequate knowledge sharing opportunities are provided to acquire requisite skills and exposure to effectively discharge their duties.
A.2. Chairman and CEO The Code prescribes to clearly differentiate the roles between the Chairman and the CEO to ensure balance of authority and good governance. The Chairman of the Group is responsible to effectively lead and guide the Board whilst the CEO is responsible to lead the senior management to ensure effective functioning of day to day operations of the Group, in consultation and guidance of the Chairman and the Board.			
A.2.1	Segregated roles and responsibilities of the Chairman and CEO	Complaint	The position of the Chairman and CEO are separated in order to prevent unfettered powers of decision making to a sole individual.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.3. Chairman As prescribed by the Code, the Chairman of the Group with his integrity and experience in corporate governance is responsible to lead the strategic direction of the Board. The Chairman guides the Board in all decisions and presides and maintains order at Board meetings.			
A.3.1	Role of the Chairman	Compliant	The Chairman is responsible for the efficient conduct of Board meetings and to ensure, inter alia: ⊙ Ensure effective participation of both Executive and Non-Executive Directors, ⊙ Effective contribution of all Directors to decision making ⊙ Ensure a balance of power between Executive and Non-Executive Directors ⊙ Ascertain views of Directors on issues under consideration ⊙ Ensure the Board is in complete control of the company's alert to its obligations to all shareholders and other stakeholders
A.4. Financial Acumen As per the Code, the Board is to be represented by some members with financial acumen and knowledge to advice on matters related to finance.			
A.4	Availability of sufficient financial acumen and knowledge	Compliant	The Board is made up of knowledgeable and experienced individuals for guidance on matters of Finance and Management. One of the Directors is an Associate Member of Chartered Institute of Management Accounting as well as a Chartered Financial Analyst and chairs the Audit Committee.
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 nine Directors in the Board, eight 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, three are Independent Non-Executive Directors complying with the requirement to have the higher of two, or one third of Non-Executive Directors, as Independent Non- Executive Directors.
A.5.3	Independence of Non-Executive Directors	Compliant	There are three Independent Non-Executive Directors out of the eight 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.

CORPORATE GOVERNANCE REPORT

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
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.
A.5.10	Recording of concerns in the Board Minutes	Compliant	All concerns that are not unanimously resolved are /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 re-election after their first appointment and have been re-elected at intervals of no more than three years.
A.10 Disclosure of Information in Respect of Directors The Code specifies disclosure of relevant details regarding Directors to all shareholders through the Annual Report.			
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.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.11 Appraisal of CEO The Board is required to carry out an appraisal on the CEO's performance in relation to the Company's performance and set annual targets.			
A.11.1 & A.11.2	Setting annual targets and appraisal of the performance of the CEO by the Board	Compliant	The Board appraises the performance of the CEO against a prior set of agreed financial and non-financial, short to medium and long term objectives and targets. The Board carried out the CEO evaluation at the end of reporting financial year.
B. Directors' Remuneration			
B.1 Procedure The Code specifies that a Remuneration Committee to be established formerly and transparently to independently determine the Remuneration Policy and the Remuneration of the Directors.			
B.1.1	Establishment of a Remuneration Committee	Compliant	A Remuneration Committee is appointed to assist the Board in establishing remuneration policy and guidelines for the remuneration of directors. As per the policy, no Director or employee should get involved in deciding his/her own remuneration.
B.1.2	Composition of the Remuneration Committee	Compliant	Both members of the Remuneration Committee are Independent Non-Executive Directors. Board appoints the Chairman of the Remuneration Committee.
B.1.3	Chairman and the members of the Remuneration Committee	Compliant	The Remuneration Committee composition is listed out in the Remuneration Committee report 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	Executive Directors' remuneration package	Compliant	The Remuneration Committee reviews industry and market practices and norms when setting the remuneration of Executive Directors.
B.2.2	Comparison of remuneration with other companies	Compliant	The Remuneration Committee compares the remuneration levels of the Company with comparable industry norms.

CORPORATE GOVERNANCE REPORT

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
B.2.3	Comparisons of remuneration with other companies in the Group	Compliant	The Remuneration Committee reviews and compares executive remuneration across the Group companies.
B.2.4	Performance related elements of remuneration of Executive Directors	Complian9t	The Remuneration Committee reviews CEO's performance aligned to the pre agreed targets and goals in the best interest of the Company and the stakeholders. There are no performance related elements of remuneration for the Non-Executive Directors.
B.2.5	Executive share Options	Not Applicable	Presently the Group does not have Executive share option schemes.
B.2.6	Executive Directors' Remuneration	Compliant	The Company does not have any long term incentive share option schemes. Non-Executive Directors are not eligible for performance based remuneration. A Report from the Remuneration Committee is given in this Annual Report.
B.2.7 & B.2.8	Early termination of Executive Directors	Compliant	There are no terminal compensation commitments other than gratuity in the company's contracts of service.
B.2.9	Remuneration for Non-Executive Directors	Compliant	Non-Executive Directors are remunerated in line with market practices and norms.
B.3 Disclosure of Remuneration As per the Code, the Company has to contain a statement of the Remunerations Policy and details of Remuneration of the Directors as a whole in the Annual Report.			
B.3.1	Disclosure of Remuneration	Compliant	A statement on Company's remuneration policy is set out in the Remuneration Committee Report 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	Use of proxy votes	Compliant	A Form of Proxy accompanies the Annual Report, when they are dispatched to the shareholders. The Company has a mechanism to record all proxy votes and proxy votes lodged on each resolution.
C.1.2	Separate resolution for all separate issues at the AGM	Compliant	Each substantial issue is proposed as a separate resolution. The adoption of the Annual Report of the Board of Directors, along with the Financial Statements, is also proposed as a separate resolution.
C1.3	Board Sub-Committee Chairman to be present at the AGM	Compliant	The Chairman of the Board ensures that the Chairman of Board Sub Committees are present at the AGM to respond to any queries posed by the shareholders.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
C.1.4	Adequate notice of the AGM	Compliant	The notice of meeting and related documents are dispatched to the shareholders 15 working days prior to the AGM, as per Section 135 of the Companies Act No. 07 of 2007.
C.1.5	Procedures of voting at the AGM	Compliant	The proxy form including a summary of the procedures governing voting at the AGM is circulated to all shareholders.
C.2 Communication with Shareholders The Code stipulates that the Board should implement effective communication with Shareholders			
C.2.1	Dissemination of timely information	Compliant	All information with regard to the Annual Report and Quarterly Reports are disseminated through Corporate Communications and all changes through the company secretary – SSP Corporate Services (Pvt) Ltd.
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 welcomed to direct their suggestions / inquiries to the Group CEO and Board Secretary.
C.2.3	Implementation of Policy and Method of communication	Compliant	Multiple channels of communication are available. The Feedback form in the Annual Report / the Group websites contact us link, the contact person details in the Annual Report are the main methods of communication. However interaction through investor meetings & Investor events also serve as engaging forms of interaction.
C.2.4	Disclosure of Contact Person	Compliant	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.
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.

CORPORATE GOVERNANCE REPORT

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D. Accountability and Audit			
D.1 Financial Reporting The Code requires a fair and a balance report on the organisation's financial position, performance and prospect.			
D.1.1	Board's responsibility for statutory and regulatory reporting	Compliant	The Company's Interim and Annual Financial Statements are prepared in accordance to the Sri Lanka Accounting Standards and the Company's Act No 7 of 2007 and duly audited. The Interim and Annual Financial statements were published on time during the reporting period. All Regulatory Reports were filed by the due dates. Price sensitive information was disclosed to the Colombo Stock Exchange (CSE) on a timely basis during the financial year 2016/17.
D.1.2	Directors' Report in the Annual Report	Compliant	The Annual Report of the Board of Directors on the affairs of the Company containing the subject declarations is given in this Annual Report.
D.1.3	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 2016/17 is given on page under Independent Auditors Report
D.1.4	Management Discussion and Analysis		Management Discussion and Analysis is presented on the Company together with the subsidiaries as separate sections in this Annual Report.
D.1.5	Declaration by the Board on the business as a going concern	Compliant	The relevant information is set out in the Report of the Board of Directors on the Affairs of the company Report in this Annual Report.
D.1.6	Summon an Extra Ordinary General Meeting (EGM) to notify serious loss of capital	Compliant	EGMs are held for companies complying with the requirements However there was no requirement for the EGMs to be held in the FY 2016-2017
D.1.7	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.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D.2 Internal Control The Board is required to maintain a comprehensive system of Internal Controls and Risk Management to safeguard the shareholder's wealth and Company's sustainability.			
D.2.1	Review the effectiveness of internal controls	Compliant	The Board has the overall responsibility for the system of internal controls covering financial, operational, compliance and risk management. The Board has delegated these responsibilities to the Audit Committee. Systems have been designed to provide the Directors with the reasonable assurance that assets are safeguarded; transactions are authorised and recorded properly whilst material errors and irregularities are prevented, detected and rectified effectively.
D.2.2	Internal Audit function	Compliant	Internal Audit Function is available in the Organisation.
D.2.3	Review the process of Internal Control and Risk Management	Compliant	Internal audit function has been outsourced to Messrs. PricewaterhouseCoopers Advisory Services (Pvt) Ltd. Group's Risk & Control Department coordinates and ensures that recommendations are implemented conscientiously apart from carrying out various other audits and special assignments across the group. The effectiveness and the scope of the Internal Audit Function is assessed periodically.
D.2.4	Director's responsibility on maintaining a system of Internal Control and Contents of the Statement of Internal Control	Compliant	Audit Committee statement on Internal Controls and contents of the Statement of Internal Controls is highlighted in the Annual Report under the report from the Audit Committee Report
D.3 Audit Committee The Board is responsible to appoint an Audit Committee to establish a formal and transparent process to select Accounting Policies, Financial Reporting and Internal Controls and to maintain a good Relationship with the Auditors.			
D.3.1	Composition of the Audit Committee		The Audit Committee comprises of three Independent Non-Executive Directors. Please refer the Audit Committee Report in this Annual Report.
D.3.2	Duties of the Audit Committee		Please refer the Audit Committee Report as specified in D.3.1
D.3.3	Terms of Reference of the Audit Committee		The Audit Committee operates on a clearly defined Terms of Reference which focuses on the purpose of the Committee, its duties and responsibilities including the scope and functions of the Committee.
D.3.4	Disclosures of the Audit Committee		The Audit Committee Report highlights the names of the members, determination of independence of auditors and other relevant information.

CORPORATE GOVERNANCE REPORT

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D.4 Code of Business Conduct and Ethics The Code stipulates the Company may adopt a Code of Business Conduct and Ethics Directors and key Management Personnel and to declare any material violations.			
D.4.1	Disclosure of Code of Business Conduct and Ethics	Compliant	The Company has adopted and is in compliance to the Code of Business Conduct and Ethics applicable to Directors and all employees across the Group. Any violation of the Code is taken for consideration.
D.4.2	Affirmation of the Code of Business Conduct and Ethics	Compliant	Please refer the Chairman's Statement on Corporate Governance and the Annual Report of the Board of Directors which affirm that there are no material violations of the Company's Code of Business Conduct and Ethics during the reporting period.
D.5 Corporate Governance Disclosures The Code requires the Company to disclose the extent to which the Company adheres to established practices and principles good Corporate Governance.			
D.5.1	Disclosure of Corporate Governance	Compliant	The Corporate Governance Report herein sets out the manner in and the extent to which the Company has complied with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC.

Section 2 – Shareholders

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
E. Institutional Investors			
E.1 Shareholder Voting The Code specifies the Company to engage the institutional shareholders and encourage them to exercise their voting rights in key decision making.			
E.1.1	Communication with shareholders	Compliant	The AGM provides an ideal forum for shareholders to express their views and vote for key decisions. The Chairman ensures that any view expressed by investors at the AGM is discussed at the Board level. Shareholders are provided with Quarterly Financial Statements and the Annual Report including the operational and financial performance of the reporting year. These reports are also made available on the Group's official website and are provided to the Colombo Stock Exchange.
E.2 Evaluation of Governance Disclosures The Code specifies obtaining a feedback from institutional investors on the governance structure, composition and practices.			
E.2.1	Due weight by institutional Investors	Compliant	The Corporate Governance Report contains the Company's governance arrangements. Institutional investors are encouraged to give a feedback on the governance arrangements.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
F. Other Investors			
F.1	Individual Shareholders	Compliant	The Annual Report contains sufficient information 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 2016/17 and the way forward: ⊙ Chairman's Review ⊙ CEO's Review ⊙ Management Discussion and Analysis ⊙ Annual Financial Statements
F.2	Shareholder voting	Compliant	All shareholders are encouraged to participate at the AGM and cast their votes or exercise their proxy for decision making.
G. Sustainability Reporting			
G.1 Principles of Sustainability Reporting			
G.1.1	Economic Sustainability	Compliant	Please refer Financial Capital on page 42.
G.1.2	The Environment	Compliant	Please refer Natural Capital section on page 56.
G.1.3	Labour Practice	Compliant	Labour practices has been discussed in the Human Capital Section on page 46.
G.1.4	Society	Compliant	Engagement with the society has been discussed in the Social Capital action on page 61.
G.1.5	Product responsibility	Compliant	Refer Report on Product responsibility on page 61.
G.1.6	Stakeholder Identification, Engagement and Effective Communication	Compliant	Stakeholder Identification & Engagement is discussed on page 36 under Stakeholder Engagement.
G.1.7	Sustainability Reporting and Disclosure	Compliant	Please refer the Report Approach section on page 9.

CORPORATE GOVERNANCE REPORT

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:

- Non-Executive Directors
- Independent Directors
- Disclosures relating to Directors
- Remuneration Committee
- 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 eight Non-Executive Directors out of the total of nine Directors.
7.10.2 (a) & (b)	Independent Non-Executive Directors	Two or one third of Non-Executive Directors, whichever is higher, shall be independent. Declaration of Independence by Non-Executive Directors	Compliant	The Board comprises of three independent Non-Executive Directors. Non-Executive directors have submitted declaration of Independence
7.10.3(a)	Disclosure relating to Directors	The names of all Independent Directors shall be disclosed in the Annual Report.	Compliant	Please refer 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.

CSE Rule No.	Subject	Requirement	Compliance	Details
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.
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 three Independent Non-Executive Directors ⊙ Mr. Sanjay Kulatunga (Independent Non-Executive Director) acts as the ⊙ The Chairman is an Associate Member of the Chartered Institute of Management Accountants ⊙ The Group CEO and CFO attend meetings by invitation

CORPORATE GOVERNANCE REPORT

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.6(b)	Functions of the Audit Committee	The Audit Committee shall oversee the following functions. ⊙ Preparation, presentation and disclosure of the financial statements and ensure they are in line with 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 Report in the Annual Report.
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 and the Directors' Disclosures on Directors Profiles.

RISK MANAGEMENT REPORT

"Expolanka is committed to the continuous improvement of the risk management framework, capabilities, and culture across the group to ensure long-term growth and sustainability of our business."

Risk is defined as uncertainty where outcomes or future events can be either positive or negative. A negative risk is anything which prevents an organisation from achieving its stated goals and objectives. To ensure that the goals and objectives of the organisation are achieved, risks must be identified and managed. To avoid all risks is to miss opportunities for gains thus risk management includes identifying opportunities for growth and expansion of the organisation.

The objective of risk management is to create and protect value for all stakeholders, improve decision-making and contribute to retaining and building Groups' position in terms of performance, reputation/brand and market share. The role of the risk management function is to assist in identification, quantification and assessment of risks and recommend options for managing them to protect the organisations' interests and increase the likelihood of achieving its stated goals and objectives.

As a conglomerate with significant global footprint Expolanka is exposed to a wide range of internal and external developments and events that could significantly impact the achievement of financial and non-financial objectives. Hence continuous identification and evaluation of opportunities and risks by observing macroeconomic, industry-specific and regional and local developments is paramount to ensure business sustainability.

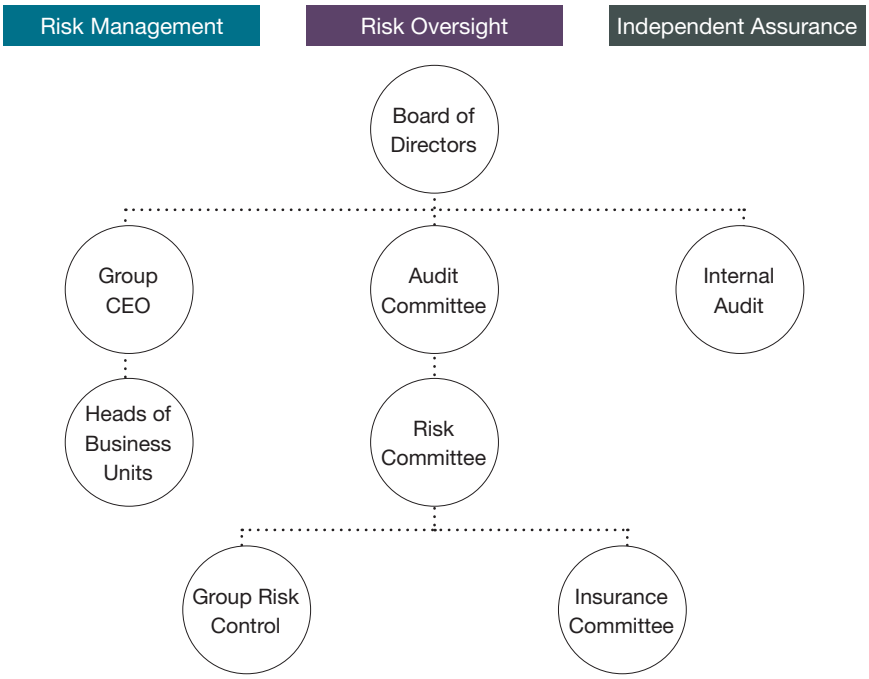
Risk Governance

Objectives

Risk management is an important part of the group's strategic management and is the system whereby the risks associated with group activities are addressed to achieve sustained benefit. Risk management is designed to increase the probability of success, and reduce both potential failure and uncertainty associated with achieving the group's overall objectives. Specific objectives of the group risk management focus are to:

- avoid or reduce adverse threats to business objectives to an acceptable level and exploit beneficial opportunities to add sustained value to all group activities in line with group risk appetite and threshold levels;
- reduce future operational performance uncertainty by minimising surprises and associated costs and losses;
- maintain a best practice group risk management system that is owned and championed at all levels of the organisation;
- monitor and report on risks and outcomes and ensure appropriate reporting to Risk Committee and Audit Committee;
- ensure risk management forms an integral part of normal business practice and engenders a culture of 'risk awareness' throughout the group.

Risk Governance Structure



RISK MANAGEMENT REPORT

Risk Governance Framework

Expolanka promotes a culture of risk management, combined with a risk framework that effectively supports appropriate risk awareness, behaviours and risk-based decision making. Risk framework adopted recognises that effective risk management include three distinct lines of defence made up of business owners, standard setters and assurance providers where Business Units own and manage risk as a first line of defence, Audit & Risk Committee provide independent oversight and challenge as a second line of defence and Internal Audit provide independent assurance on the effective management of risks.

Role	Responsibility	Line of Defence	Scope
Risk Management	Group CEO, Business Unit Heads & Individuals	1st Line of Defence	Responsible for identifying and assessing key risks in their areas of responsibility, making effective risk management decisions, establishing risk mitigation strategies as well as promoting a risk-intelligent culture Carry out risk management activities and reporting in their day-to-day operations and ensure that risk management processes and mitigation plans follow good practices and guidelines established by the Group
Risk Oversight	Board Oversight - Audit Committee	2nd Line of Defence	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		Ensure all risks from Operational, Economic to Strategic identified across the group through risk reviews, internal audits, external audits and other sources are mitigated through implementation of policies, processes and controls to ensure a robust Risk, Compliance & Governance framework in order to assist the Audit Committee in fulfilling its oversight responsibilities towards the Board with regard to the Risk Management with periodic update to the Audit Committee. Risk Committee is duly supported by the Group Risk & Control and Insurance Committee by ensuring objectives of the Risk Committee are met through implementation and improvement to the existing processes with regard to risk reporting and escalation.
Independent Assurance	Internal Audit	3rd Line of Defence	Provide oversight on risk-management content/ processes followed by second line of defence and provide assurance on the adequacy and effectiveness of the risk management processes in place to manage risks of the company.

Risk Management Process

The Groups' risk management practices include:

Risk Identification, Analysis and Evaluation

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.

Risk Treatment

Risk treatment is the process of selecting and implementing measures to alleviate the impact of identified risks.

- **Avoid:** A decision to nullify the risk by refraining from the activities that cause it
- **Transfer:** A decision to transfer the specific risk to another entity
- **Reduce:** A decision to reduce the level of risk through targeted mitigation, if not to completely nullify it
- **Accept:** A decision to allow the risk to remain as it is, irrespective of its severity

Risk Mitigation and Monitoring

Mitigation plans are finalised, owners are identified and the progress of mitigation actions are monitored and reviewed periodically. The Risk Committee reviews the mitigation plans and monitors progress periodically.

Risk Reporting

Top risks of the group are analysed for exposure and discussed at the Risk Committee meeting, minutes of which is shared at the Audit Committee along with periodic updates on mitigation actions and progress on management of the risk reported.

Risk Factors

Expolankas' risk appetite represents the nature and extent of the risks the Group is willing to undertake in pursuit of its strategic and business objectives. In line with objectives set and expectations of our stakeholders, group focuses on maintaining a medium-low and predictable profile for all its risks.

The dynamic business environment, technological advancement, changing regulatory and compliance requirement continue to test the processes of identification, assessment, management and control of risks. In this context, management of the various risks has been evolving and positive when compared to the performance over the years.

Expolanka take reasonable risks that;

- Fit our strategy and capability,
- Can be understood and managed, and
- Do not expose the Group to material financial loss, breach of external regulations, damage to the reputation and brand name impacting financial viability and strategy execution of the Group.

The below table highlights the main risk factors known to Expolanka in order of Expolankas' current view of expected significance which could affect the achievement of strategic and business objectives. Group 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.

RISK MANAGEMENT REPORT

Risk Factors	Risk Exposure	Key Controls & Mitigating Actions	Risk Grading 14/15	Risk Grading 15/16	Risk Grading 16/17
Business Partner Risk	Loss of principals/business 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	Medium	Medium	Medium
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 ⊙ Venture into new markets with existing products for growth opportunities post in-depth review ⊙ Enhanced overall supply chain management to provide a comprehensive value added solutions to the customer	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	Medium	Medium	Medium
Investment Risk	The future profitability of the group is affected by the degree of realisation 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	Medium	Medium	Medium
Legal & Compliance Risk	Changes to regulations or new regulations imposed could bring adverse effect on our businesses.	⊙ Monthly Report on Statutory Compliance ⊙ Legal Policies and Procedures ⊙ Legal Audit	Low	Medium	Medium
Human Capital Risk	Risk arising as a result of failure to attract, develop and retain a skilled workforce	⊙ HR Leadership Development Programmes ⊙ Enhanced sources of recruitment ⊙ Reward and recognise hard work, innovation and excellence ⊙ Health camps	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 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.	Medium	Medium	High

Risk Factors	Risk Exposure	Key Controls & Mitigating Actions	Risk Grading 14/15	Risk Grading 15/16	Risk Grading 16/17
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 ⊙ Convert or Hold foreign currency strategy based on exchange rate movement	Low	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	Medium	Medium	Medium
Country Risk	Risk of operating in new markets, political risks	⊙ Analysing PEST factors and developing appropriate strategies ⊙ Monitoring of country specific legal & regulatory requirements	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	Medium	Medium	Medium

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.

Risk Management Highlights

Our risk management practices during the last financial year were primarily focused on the below;

- ⊙ Initiatives to reduce customer concentration risk to reduce dependency
- ⊙ Improvement of monitoring and oversight on statutory compliance
- ⊙ Strengthening internal controls to detect fraudulent activity
- ⊙ Strengthening of preparedness to address any incidents that may cause business disruptions to our physical and technological infrastructure

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 written 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 and to prevent Directors, Key Management Personnel or substantial shareholders taking advantage of their positions.

Composition

The Related Party Transactions Review Committee is appointed by the Board of Directors of the Company and comprised of below Independent Non-Executive Directors as at 31st March 2017 which is in compliance with the provisions of the Code regarding the composition of the Related Party Transaction Review Committee.

	Membership
Mr. Sanjay Kulatunga	Chairman
Mr. Harsha Amarasekera	Member
Mr. Toji Shio	Member

Brief profiles of the members are given on pages 25 to 26 of the Annual Report.

Scope of the Committee

Scope of the Committee include the following:

- Formulate and recommend a policy for adoption of related party transactions for the company which is consistent with the provisions of the Code and the Rules.
- Review in advance all proposed related Party Transactions of the company other than those transactions explicitly exempted which are in conformity with the Listing Rules.
- Determine whether Related Party Transactions that are to be entered into by the company require the approval of the Board or shareholders of the company
- Ensure that no Director of the company shall participate in any discussion of a proposed related party transaction for which he or she 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.
- Make immediate market disclosures on applicable related party transactions as required by the Continuing Listing Requirements of the CSE.
- Include appropriate disclosures on related party transactions in the annual report as required by the Continuing Listing Requirements of the CSE.

Meetings

The Committee met during the financial year to review the proposed Related Party Policy and Related Party Transaction Review Committee Charter which were tabled among the members for discussion. The Code of Best Practices on Related Party Transactions was also tabled at the Committee for review and key provisions of the code were discussed.

The Committee noted that as a practice, a Board sub-committee was formed to review significant related party transactions with independent opinion from external auditors in the past.

The Committee noted that no transactions have been carried out either meeting or exceeding the threshold limits adopted by the company complying with the code with regard to non-recurrent transactions.

The Group CEO, CEO – Freight & Logistics Sector, COO – Freight & Logistics Sector, Group Finance Director, Group CFO, Group Risk & Control and Senior Management also attended by invitation. The Company Secretary functions as the Secretary to the Related Party Transactions Review Committee.

The minutes of the meetings are communicated to the Board of Directors.

Declaration

A declaration by the Board of Directors in the annual report to the effect that no related party transaction falling within the provisions of the Listing Rules was entered into by the company during the year under review, is given in the annual report of the Board of Directors on page 25 to 26.

On behalf of the Related Party Transaction Review Committee

Sanjay Kulatunga
Chairman - Related Party Transactions Review Committee

REMUNERATION COMMITTEE REPORT

Composition

The Remuneration Committee appointed by and responsible for the Board of Directors comprised of two Independent Non-Executive Directors during the year under review. 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 25 to 26 of the Annual Report.

Scope of the Committee

The scope and the responsibility of the Remuneration Committee include;

- To recommend to the Board a competitive remuneration and reward structure which is linked to performance
- To decide on the remuneration packages of Group CEO, Executive Directors and Key Management Personnel
- To formulate guidelines, transparent policies and parameters for the compensation structures for Group CEO, Executive Directors and Key Management Personnel taking into consideration industry norms.
- To evaluate the performance of Group CEO against pre-determined targets and goals, management development plans and succession planning
- To approve annual salary increments, bonuses and changes in incentives.

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 endeavour to maintain remuneration levels that are sufficient to attract and retain Executive Directors, CEO's and the members of the senior management team.

Meetings

	25th April 2016	30th Jan 2017
Mr. Harsha Amarasekera	●	●
Mr. Sanjay Kulatunga	●	●

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

The Remuneration Committee approved a restructure proposal tabled during the year to align the company with the changes that had taken place in the group and to optimise the resource utilisation.

The Committee discussed the Compensation Guidelines to ensure fair and equitable remuneration package to ensure corporate objectives are met whilst maintaining the ethical and corporate governance standards of the Group. Improvements to the existing criteria set for the evaluation of compensation and increment of CEO's of overseas stations was also discussed during the meeting.

The Group CEO and the Group Finance Director attended the meeting by invitation. The proceedings of the meetings are reported to the Board of Directors.

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

Mr. Harsha Amarasekera
Chairman – Remuneration Committee

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

The Directors have pleasure in presenting the Annual Report on the State of Affairs, together with the Audited Financial Statements for the year ended 31st March 2017 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 28 June 2017.

Covenant and Core Values

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

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

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

Principal Activities

Expolanka Holdings PLC, the Group's holding Company manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the Expolanka Group, and provides numerous function based services to its Group Companies. The Companies within the Group and its holding percentages are described on page 132 of this Annual Report. The principal activities of the Group are categorised into four sectors namely, Logistics, Leisure and Investment.

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 126 to 173 .

Auditor's Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 125.

Accounting Policies

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

Revenue

Revenue generated by the Company amounted to Rs. 107,199,877 (2016 – Rs. 121,107,876) whilst Group revenue amounted to Rs. 63,492,150,920 (2016-Rs. 56,014,968,958). Contribution to the group revenue from the different business segments is provided in page 168.

Results and Appropriations

The profit/(loss) after tax of the holding Company was Rs. (463,159,597) (2016 - Rs. (256,058,813)) whilst the Group profit attributable to equity holders of the parent for the year was Rs. 954,506,657 (2016 - Rs. 1,113,390,922). 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. (293,237,239) at Rs.0.15 cents per share for the financial year 2016/17. 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 (2016 -Rs.0) and Rs. 7,981,988 (2016 - Rs. 6,374,104) respectively. The amounts do not include contributions on account of Corporate Social Responsibility (CSR) initiatives. The CSR initiatives, including completed and on-going projects, are detailed in the sustainability report of the annual report.

Property, Plant and Equipment

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 47,781,400 (2016- Rs. 30,183,952) and Rs. 3,632,375,490 (2016 - Rs. 3,422,884,974) for the Company and the Group respectively. Capital expenditure for the Company and the Group amounted to Rs. 60,012,535 (2016 - Rs. 6,748,809] and Rs. 581,679,121 (2016-Rs. 573,240,997) respectively. Details of Property, Plant and Equipment and their movements are given in note 3 to the financial statements.

Investments

Investments of the Company in subsidiaries, associates, joint ventures and other external equity investments amounted to Rs.5,067,537,183 (2016 - Rs. 4,487,116,367) respectively. Detailed description of the short and long term investments held as at the balance sheet date, are given in pages 153 to 158 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 2016	4,097,985,000
Movements during the year	-
As at 31 March 2017	4,097,985,000

Board of Directors

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

- Mr. Nabuaki Kondo - Chairman
- Mr. Hanif Yusoof - CEO / Executive Director
- Mr. Naosuke Kawasaki - Non-Executive Director
- Mr. Motonori Matzusono - Non-Executive Director
- Mr. Yushifumi Matsubara - Non-Executive Director
- Mr. Osman Kassim - Non-Executive Director
- Mr. Toji Shiho - Non-Executive Independent Director
- Mr. Sanjay Kulatunga - Non-Executive Independent Director
- Mr. 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 2017.

Directors Remuneration

Directors' remuneration, in respect of the Company for the financial year 2016/17 is Rs. 39,938,525. Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2016/17 is Rs. 443,070,886

Audit Committee

The following Directors serve the Audit committee;

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

The Company's transactions with Related Parties, given in note 24 to the financial statements, have complied with Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities Exchange Commission Directive issued under Section 13(c) of the Securities Exchange Commission Act.

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

Related Party Transaction Review Committee

The following Directors serve the Related Party Transaction Review Committee;

- Mr. Harsha Amarasekara - Chairman
- Mr. Sanjay Kulatunga - 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 2017.

Name of Director	No. of Shares
Mr. Nabuaki Kondo	Nil
Mr. Hanif Yusoof	147,021,464
Mr. Osman Kassim	Nil
Mr. Naosuke Kawasaki	Nil
Mr. Motonori Matzusono	Nil
Mr. Yushifumi Matsubara	Nil
Mr. Toji Shiho	Nil
Mr. Sanjay Kulatunga	Nil
Mr. Harsha Amarasekara	Nil

Equitable Treatment of 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 2017		31st March 2016	
		No. of Shares	%	No. of Shares	%
1	S G Holdings Global (Pte.) Ltd	1,319,165,681	67.48	1,319,165,681	67.48
2	Hanif Yusoof	147,021,464	7.52	147,021,464	7.52
4	Caceis Bank Luxenbourg S/A Barca Global Master Fund LP	117,362,974	6.00	-	-
5	Farook Kassim	83,310,450	4.26	110,553,865	5.65
6	HSBC INTL NOM LTD-BBH-Matthews Emerging Asia Fund	72,280,137	3.70	10,496,963	0.54
7	Shafik Kassim	44,591,641	2.28	100,150,129	5.55
8	Janashakthi General Insurance Limited	10,038,263	0.51	10,038,263	0.51
9	Mas Capital (Private) Limited	7,716,250	0.39	-	-
10	E.w. Balasuriya & Co. (Pvt) Ltd	7,591,805	0.39	-	-
11	Guardian Capital Partners PLC	6,845,150	0.35	6,845,150	0.35
12	Peoples Bank	6,000,000	0.31	6,000,000	0.31
13	Amana Bank PLC	4,530,098	0.23	580,050	0.03
14	Rubber Investment Trust Limited A/C # 01	4,373,348	0.22	-	-
15	Janashakthi Insurance PLC (Policy Holders)	3,780,100	0.19	3,780,100	0.19
16	Employees Trust Fund Board	3,486,700	0.18	3,486,700	0.18
17	Hallsville Trading Group Inc.	3,000,000	0.15	-	-
18	Deutsche Bank AG AS Trustee to Candor Growth Fund	2,750,000	0.14	-	-
19	Gusrdisn Fund Management Limited/The Aitken Spence and Associated Companies Executive Staff Providen	2,535,549	0.13	-	-
20	Sri Lanka Insurance Corporation Ltd- Life Fund	2,500,000	0.13	-	-

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 106 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 authorised to determine their remuneration will be submitted at the Annual General Meeting. Details of audit fees are set out in note 20 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 2,727 (2016– 2,826). The details of the Group's employment, human resources initiatives and employees are included under the group Human Resources section of the Annual Report. There have been no material issues pertaining to the employees and employee relations of the Company and its Subsidiaries.

Statutory Payments

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

Risk Management and Internal Control

The Board confirms that there is an established process in place for identifying, evaluating and managing any significant risks faced by the group. Risk assessment and evaluation for each business unit takes place as an integral part of the annual strategic planning cycle and the 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

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

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 65 to 71(GRI Index).

Annual Report

The Board of Directors has approved the Company and the Consolidated Financial Statements on 28 June 2017 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 3rd August 2017 at 04.30 pm.

By Order of the Board

Hanif Yusoof
Director

Osman Kassim
Director

SSP Corporate Services (Pvt) Ltd
Secretaries

28 June 2017

THE STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The financial statements comprise of;

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

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

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

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

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

The External Auditors, Messrs Ernst & Young, reappointed in terms of Section 158 of the Companies Act were provided with every opportunity to take whatever steps and undertake whatever inspections that they considered being appropriate to enable them to give their audit opinion on the financial statements. The Report of the Auditors, shown on page 125 sets out their responsibilities in relation to the financial statements.

As required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test and have obtained certificates from the auditors, prior to declaring the first interim dividend of Rs. 0.12 per share declared on 02nd July 2013 and second interim dividend of Rs. 0.21 per share declared on 20th January 2014.

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

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payment, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the balance sheet date have been paid or where relevant provided for, except as specified in note 27 to the financial statements covering contingent liabilities.

Naosuke Kawasaki
Chairman

Hanif Yusoof
Director

28 June 2017

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 primary role of the Audit Committee is to assists the Board of Directors in fulfilling its oversight responsibilities relating to:

- The quality and integrity of the Company's financial statements
- The adequacy and effectiveness of the Company's internal controls and procedures
- The effectiveness of management's enterprise risk management process
- The selection and performance of the Company's independent Internal and External auditors

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 comprised of three (3) 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.

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

Meetings

Audit Committee convened 4 meetings during the financial year ended 31st March 2017 and the attendance of the members of the Audit Committee was as follows:

	26th May 2016	3rd Aug 2016	4th Nov 2016	31st Jan 2017
Mr. Sanjay Kulatunga	●	●	●	●
Mr. Harsha Amarasekera	●	●	●	●
Mr. Toji Shio	●	●	●	●

● Present ● Excused

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

The minutes of the Audit Committee are tabled at the Board meetings and the Board is apprised of the significant issues deliberated and considers and adopts, if thought fit, the recommendations of the Audit Committee.

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

Meeting Date	Key Points of Discussion
26th May 2016	● Review of Quarterly Financials for the period ending 31st March 2016 ● Review and approval of Consolidated Financial Statements for the year ending 31st March 16 ● Review with EY Partner on areas highlighted in the Management Letter and the discussion with management on the actions taken/ to be taken with each point highlighted in the report ● Review of Income Tax Assessments and contingent liabilities for the companies within the group ● Review of Debtors across the group pertaining to Outstanding, Aging and Provisions ● Tabling and review of Risk Committee minutes

Meeting Date	Key Points of Discussion
3rd August 2016	⊙ Review of Financial Statements for the quarter ending 30th June 2016. ⊙ Sector wise review of 1st quarter financials ⊙ Follow up review of actions taken on the findings reported in the Management Letter issued by External Auditors for 15/16 ⊙ Follow up review of Debtors across the group pertaining to Outstanding, Aging and Provisions and the progress made on the agreed actions ⊙ Review of break-up of Other Receivable Balance reported in the Balance Sheet ⊙ Discussion of internal audit plan for overseas stations arising from Risk Committee minute
4th November 2016	⊙ Review of Financial Statements for the quarter ending 30th September 2016. ⊙ Sector wise review of 2nd quarter financials ⊙ In depth review of items in the Balance Sheet with significant movements ⊙ Follow up review of actions taken on the findings reported in the Management Letter issued by External Auditors for 15/16 which are pending closure ⊙ Review of IT systems of the group ⊙ Discussion on the status update of internal audits performed for overseas stations
31st January 2017	⊙ Review of Financial Statements for the quarter ending 31st December 2016. ⊙ Sector wise review of 3rd quarter financials. ⊙ Discussion on the status update of internal audits performed for overseas stations ⊙ Review of Income Tax Assessments and contingent liabilities for the companies within the group ⊙ In depth review of Trade Receivables

Financial Reporting

The Committee oversees the Company's financial reporting on behalf of the Board of Directors as part of its responsibility and review the Quarterly and Annual Financial Statements and recommends them to the Board for its deliberations prior to their issuance. 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.

Internal Audit, Internal Controls and Risk Management

The Audit Committee exercises oversight over the Internal Audit function. The Committee reviewed the adequacy of internal audit coverage and the risk based plan for the group with the management and independent internal auditors, Messrs. Price Waterhouse Coopers for 16/17 cycle. The internal audit plans are approved by the Audit Committee and the committee reviews internal audit findings, recommendations and action plans with the management and the internal auditors.

The frequency of Internal Audits are decided based on the risk profile of each company, higher risk areas being audited on a shorter audit cycle. Follow up reviews were part of the scope to ascertain that audit recommendations are being acted upon.

Comprehensive internal audits were carried out for 17 companies within the group for 16/17 cycle to independently review the internal controls established by the management, its adequacy and to determine the extent of adherence to the controls and to recommend corrective action where necessary. The findings have been discussed with the management and a status update is provided at the Audit Committee meetings.

The Committee has reviewed the ongoing effectiveness of the company's risk management processes as a part of its wider review of the effectiveness of internal controls. Review of risks and internal controls encompassed periodic

AUDIT COMMITTEE REPORT

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 effectiveness of the Company's internal controls and risk management processes are assessed mainly by the reports submitted by the internal and external auditors. Directors' statement on internal controls is given on page 116.

The Committee reviewed the processes for identification, evaluation, recording and management of significant risks. Required assurances were obtained from the Management on the mitigating actions taken in respect of the identified risks in order to maintain the effectiveness of internal control procedures. The Key risks associated with the business are given in the Risk Management Report on pages 107 to 111.

External Audit

In fulfilling its oversight responsibilities, the Committee has reviewed and discussed with management and Messrs. Ernst & Young External Auditors the Company's audited financial statements, including 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 over financial reporting.

The interim financial statements of the Company have been reviewed by the Audit Committee Members at Audit Committee Meetings, prior to release of same to the Regulatory Authorities and to the shareholders.

The Committee also reviewed the Management Letter issued by the External Auditor and the management responses thereto and action plans of the management to resolve the points in the letter.

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 Audit Committee having evaluated the performance of the external auditors, has decided to recommend to the Board of Directors the re-appointment of Messrs. Ernst & Young, Chartered Accountants, as Lead/ Consolidation Auditors for the financial year ending 31st March 2018, subject to the approval of the shareholders at the Annual General Meeting.

Conclusion

The Audit Committee is satisfied that the Group's accounting policies, internal controls and risk management processes 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.

Sanjay Kulatunga
Chairman - Audit Committee

INDEPENDENT AUDITOR'S REPORT

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

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

To the Shareholders of Expolanka Holdings PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Expolanka Holdings PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 March 2017, and the 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 a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion, scope and limitations of the audit are as stated above.

b) In our opinion:

- 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,
- the financial statements of the Company give a true and fair view of its financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
- the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

Ernst & Young

28 June 2017
Colombo

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 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

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Assets					
Non-current Assets					
Property, Plant and Equipment	3	3,632,375,490	3,422,884,974	47,781,400	30,183,952
Intangible Assets	4	437,132,224	468,006,886	-	-
Investments in Subsidiaries	5	-	-	4,545,227,815	3,745,815,348
Investment in an associate and a joint venture	6	186,022,527	377,526,242	43,990,000	43,990,000
Other Financial Assets	7	186,044,074	245,139,682	162,335,847	209,793,587
Deferred Income Tax Assets	14	91,012,033	75,845,754	-	-
		4,532,586,348	4,589,403,538	4,799,335,062	4,029,782,887
Current Assets					
Inventories	8	135,200,112	182,375,113	-	-
Trade and Other Receivables	9	12,991,965,188	12,224,467,805	255,080,863	1,237,802,073
Prepayments		1,616,660,734	1,886,006,779	17,881,355	31,931,896
Other Financial Assets	7	437,045,211	610,142,949	315,983,521	487,517,432
Income Tax Recoverable		53,096,239	44,714,257	-	-
Cash and Cash Equivalents	10	3,575,872,068	3,137,502,679	204,349,710	272,679,860
		18,809,839,552	18,085,209,582	793,295,449	2,029,931,261
Total Assets		23,342,425,900	22,674,613,120	5,592,630,511	6,059,714,148
Equity and Liabilities					
Stated Capital	11	4,097,985,000	4,097,985,000	4,097,985,000	4,097,985,000
Reserves	12	476,552,970	408,515,548	-	(20,256,133)
Retained Earnings		7,675,165,267	7,347,912,590	1,024,212,992	1,786,534,392
Equity Attributable to Equity Holders of Parent		12,249,703,237	11,854,413,138	5,122,197,992	5,864,263,259
Non-controlling Interest		1,127,738,100	1,265,715,845	-	-
Total Equity		13,377,441,337	13,120,128,983	5,122,197,992	5,864,263,259
Non-current liabilities					
Financing and Lease (Ijara) Payables	13	811,725,254	183,300,244	382,878,936	93,838,822
Deferred Income Tax liabilities	14	2,303,694	29,920,646	-	-
Retirement Benefit Obligation	15	486,240,988	464,676,143	25,488,047	23,660,399
		1,300,269,936	677,897,033	408,366,983	117,499,221
Current liabilities					
Financing and Lease (Ijara) Payables	13	1,590,132,961	1,609,279,107	583,294	5,476,166
Trade and Other Payables	16	6,738,115,013	6,749,540,208	61,482,242	72,475,502
Income Tax liabilities		336,466,653	517,767,789	-	-
		8,664,714,627	8,876,587,104	62,055,536	77,951,668
Total Equity and liabilities		23,342,425,900	22,674,613,120	5,592,630,511	6,059,714,148
Net Assets per Share		6.27	6.06	2.62	3.00

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

Mushtaq Ahamed
Director - Group Finance

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

Hanif Yusoof
Director

Osman Kassim
Director

The accounting policies and notes on pages 131 through 173 form an integral part of the financial statements.

28 June 2017
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Note	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Revenue	17	63,492,150,920	56,014,968,958	107,199,877	121,107,876
Cost of Sales		(52,292,886,994)	(45,656,226,738)	-	-
Gross Profit		11,199,263,926	10,358,742,220	107,199,877	121,107,876
Other operating income and gains	18	323,732,025	380,088,596	175,022,010	176,708,929
Selling and distribution expenses		(1,087,188,542)	(1,099,905,417)	(8,541,599)	(5,004,019)
Administrative expenses		(8,361,829,754)	(7,536,862,057)	(488,440,831)	(547,510,345)
Operating profit/(loss)		2,073,977,655	2,102,063,342	(214,760,543)	(254,697,559)
Finance costs	19	(403,262,568)	(91,503,879)	(248,399,054)	(1,361,254)
Share of profit of an associate and a joint venture (net of tax)	6	21,678,987	36,624,081	-	-
Profit/(loss) before tax	20	1,692,394,074	2,047,183,543	(463,159,597)	(256,058,813)
Income tax expense	21	(463,673,810)	(601,387,733)	-	-
Profit/(loss) for the year		1,228,720,264	1,445,795,811	(463,159,597)	(256,058,813)
Attributable to:					
Equity Holders of the Parent		954,506,657	1,113,390,922		
Non-controlling Interest		274,213,607	332,404,889		
		1,228,720,264	1,445,795,811		
Basic Earnings/(Loss) Per Share	22	0.49	0.57	(0.24)	(0.13)
Dividend Per Share	22.3			0.15	0.12

The accounting policies and notes on pages 131 through 173 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Profit/(loss) for the year	1,228,720,264	1,445,795,811	(463,159,597)	(256,058,813)
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	52,013,324	409,757,462	-	-
Net gain/(loss) on available-for-sale financial assets	(51,689,775)	(11,895,024)	(47,457,740)	(7,909,624)
Reclassification adjustments for impairment on equity securities	67,713,873	-	67,713,873	
	16,024,098	(11,895,024)	20,256,133	(7,909,624)
Other comprehensive income not to be reclassified to statement of profit or loss in subsequent periods				
Actuarial gain/(loss) on defined benefit plans	12,259,857	(52,783,147)	(5,924,564)	(6,710,301)
Income tax effect	64,167	3,669,412	-	-
	12,324,025	(49,113,735)	(5,924,564)	(6,710,301)
Other comprehensive income for the year, net of tax	80,361,447	348,748,704	14,331,570	(14,619,925)
Total comprehensive income for the year, net of tax	1,309,081,712	1,794,544,514	(448,828,027)	(270,678,738)
Attributable to:				
Equity Holders of the Parent	1,034,868,105	1,462,139,626		
Non-controlling Interest	274,213,607	332,404,889		
	1,309,081,712	1,794,544,514		

The accounting policies and notes on pages 131 through 173 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Group	Stated Capital	Available for Sale Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 01 April 2015	4,097,985,000	(5,334,725)	15,987,835	6,518,225,206	10,626,863,316	990,957,260	11,617,820,576
Profit for the year	-	-	-	1,113,390,922	1,113,390,922	332,404,889	1,445,795,811
Other comprehensive income		(11,895,024)	409,757,462	(49,113,735)	348,748,704	-	348,748,704
Total comprehensive income	-	(11,895,024)	409,757,462	1,064,277,187	1,462,139,626	332,404,889	1,794,544,514
Dividend	-	-	-	(234,589,803)	(234,589,803)	(61,436,075)	(296,025,878)
Disposal of Subsidiaries	-	-	-	-	-	1,909,823	1,909,823
Amount transferred due to changes in holdings	-	-	-	-	-	1,879,948	1,879,948
As at 31 March 2016	4,097,985,000	(17,229,749)	425,745,297	7,347,912,590	11,854,413,138	1,265,715,845	13,120,128,983
Profit for the year	-	-	-	954,506,657	954,506,657	274,213,607	1,228,720,264
Other comprehensive income	-	16,024,098	52,013,324	12,324,025	80,361,447	-	80,361,447
Total comprehensive income	-	16,024,098	52,013,324	966,830,682	1,034,868,104	274,213,607	1,309,081,712
Dividend	-	-	-	(293,237,239)	(293,237,239)	(198,891,523)	(492,128,761)
Disposal of Subsidiaries	-	-	-	-	-	(164,638,915)	(164,638,915)
Amount transferred due to changes in holdings	-	-	-	(346,340,767)	(346,340,767)	(48,660,914)	(395,001,681)
As at 31 March 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

Company	Stated Capital	Available for sale Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.
As at 01 April 2015	4,097,985,000	(12,346,510)	2,283,893,309	6,369,531,799
Profit for the year	-	-	(256,058,813)	(256,058,813)
Other comprehensive income	-	(7,909,624)	(6,710,301)	(14,619,925)
Total comprehensive income	-	(7,909,624)	(262,769,114)	(270,678,738)
Dividend			(234,589,803)	(234,589,803)
As at 31 March 2016	4,097,985,000	(20,256,133)	1,786,534,392	5,864,263,258
Loss for the year	-	-	(463,159,597)	(463,159,597)
Other comprehensive income	-	20,256,133	(5,924,564)	14,331,570
Total comprehensive income	-	20,256,133	(469,084,161)	(448,828,027)
Dividend			(293,237,239)	(293,237,239)
As at 31 March 2017	4,097,985,000	-	1,024,212,992	5,122,197,992

The accounting policies and notes on pages 131 through 173 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Cash Flows From / (Used in) Operating Activities					
Profit before Income Tax Expenses		1,692,394,074	2,047,183,543	(463,159,597)	(256,058,813)
Adjustments for,					
Depreciation	3.1.2	356,789,188	346,319,641	20,638,996	19,344,728
Amortisation	5.1.2	39,544,093	27,145,002	-	-
Income from Investments		(13,724,884)	(1,408,946)	15,930	(28,457,813)
Profit on Sale of Property, Plant and Equipment		(15,958,446)	(31,801,219)	332,774	347,557
Profit / Loss on Sale of Subsidiaries		17,952,757	(13,738,853)	5,900,653	60,031,839
Finance Cost		238,740,440	91,503,879	9,151,269	1,361,254
Profit share of investment in associates	7.2	(21,678,987)	(36,624,081)	-	-
Unrealised Fair Value changes		(123,369,725)	-	-	-
Provision for falling value of investments in FVTPL		171,533,911	(36,112,402)	171,533,911	(36,112,402)
Provision for Bad and Doubtful Debtors		102,592,258	292,000,596	-	-
Impairment loss on quoted AFS equity investment		67,713,873	-	67,713,873	-
Provision for Impairment of Goodwill		-	74,612,859	-	-
Provision for Impairment of investments in subsidiaries		-	-	-	66,201,281
Provision for Defined Benefit Plans		131,965,466	75,358,285	4,483,934	4,334,830
Operating Profit / (Loss) before Working Capital Changes		2,644,494,019	2,834,438,304	(183,388,256)	(169,007,539)
(Increase) in Inventories		(34,829,838)	(20,224,134)	-	-
(Increase)/Decrease in Trade and Other Receivables		(1,408,862,824)	(963,183,952)	609,527,300	(185,238,523)
(Increase)/Decrease in Prepayments		132,293,911	29,845,246	14,050,541	(24,055,423)
Increase/ (Decrease) in Trade and Other Payables		396,412,881	(1,005,808,629)	(11,277,455)	31,645,405
Net change in working capital due to Group structure change		(395,001,681)	1,879,948	-	-
Cash Generated from Operations		1,334,506,468	876,946,783	428,912,130	(346,656,080)
Finance Cost paid		(238,740,440)	(91,503,879)	(9,151,269)	(1,361,254)
Income Tax Paid		(665,385,247)	(446,272,736)	-	-
Defined Benefit Plan Costs paid		(63,156,103)	(23,265,079)	(8,580,850)	(1,447,250)
Net Cash From / (Used in) Operating Activities		367,224,678	315,905,089	411,180,011	(349,464,584)
Cash Flows From / (Used in) Investing Activities					
Investment Income Received		13,724,884	1,408,946	(15,930)	19,479,491
Acquisition of Property, Plant and Equipment	3.1.4	(581,679,121)	(573,240,997)	(60,012,535)	(6,748,809)
Acquisition of Intangible assets		(15,025,771)	-	-	-
Proceeds from Sale of Property, Plant and Equipment		474,269,570	226,142,879	21,443,317	936,669
Net change in net other current Investments		1,538,530	(71,057,746)	-	478,224,310
Net change in net other non current investments		2,779,748	63,746,910	-	-
Net Acquisition of Subsidiaries, net of Cash Acquired		(287,721,196)	-	-	-
Dividend received from Associate & Joint Venture		32,452,426	10,744,721	-	-
Investment made in Subsidiaries		-	-	(789,965,000)	-
Proceeds from Sale of Subsidiaries		317,888,288	15,393,797	357,845,791	10,639,797
Net Cash Flows Used in Investing Activities		(41,772,641)	(337,606,210)	(470,704,357)	502,531,458
Cash Flows From / (Used in) Financing Activities					
Net Proceeds From/ (Repayment of) Financing and Lease (Ijara)		660,387,770	506,193,857	284,431,436	(346,604,088)
Dividends Paid to Minority Share holders		(198,891,523)	(61,436,075)	-	-
Dividends Paid to Parent Company Share Holders		(293,237,239)	(234,589,803)	(293,237,239)	(234,589,803)
Net Cash Flows From / (Used in) Financing Activities		168,259,009	210,167,978	(8,805,803)	(581,193,891)
Effect of Exchange Rate Changes		29,407,648	381,489,480	-	-
Net Increase / (Decrease) in Cash and Cash Equivalents		523,118,693	580,701,058	(68,330,149)	(428,127,017)
Cash and Cash Equivalents at the beginning of the year	10	2,484,130,767	1,903,429,709	272,679,859	700,806,876
Cash and Cash Equivalents at the end of the year	10	3,007,249,460	2,484,130,767	204,349,710	272,679,859

The accounting policies and notes on pages 131 through 173 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

1.1 General

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

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

The financial statements for the year ended 31 March 2017, comprises "the Company" referring to Expolanka Holdings PLC as the holding company and "the Group" referring to the companies whose accounts have been consolidated therein.

1.2 Principal Activities and Nature of Operations

Holding Company

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

Subsidiaries, Joint Ventures and Associates

The Subsidiaries, Joint Ventures and Associates of the Group were engaged in the business of Freight and Logistics, Travel and Leisure, International Trading and Manufacturing and Investments and Services.

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

1.3 Parent and Ultimate Parent Entity

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 2017 were authorised for issue by the Board of Directors on 28 June 2017.

2. Accounting Policies

2.1 Statement of Compliance

The Financial Statements which of comprises the Statements of Financial Position, Statements of Profit or Loss, Statements of Comprehensive Income, Statements of Changes in Equity, Statement of Cash Flows together with accounting policies and notes have been prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 7 of 2007.

2.2 Basis of Preparation

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (commonly referred by the term "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka.

The financial statements have been prepared on an accrual basis and historical cost convention except for derivative financial instruments, fair value through profit or loss financial assets and available-for-sale financial assets that have been measured at fair value.

2.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2017. 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,

NOTES TO THE FINANCIAL STATEMENTS

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.

The following subsidiaries have been incorporated in Sri Lanka.

Name of the Company	Direct Holding Percentage of the Parent Company	
	2017	2016
Classic Travel (Private) Limited	100%	100%
Expo Consolidators (Private) Limited	100%	100%
Expolanka (Private) Limited	100%	100%
Expolanka Freight (Private) Limited	100%	100%
Expolanka International (Private) Limited	100%	100%
Freight Care (Private) Limited	100%	100%
Globe Air (Private) Limited	100%	100%
International Airline Services (Private) Limited	100%	100%
Logistics Support Services (Private) Limited	100%	100%
Peri Logistics (Private) Limited	60%	60%
SG Logistics (Private) Limited	100%	100%
Sky Care (Private) Limited	100%	100%
UCL Logistics (Private) Limited	100%	100%
Tropical Green (Private) Limited	100%	100%
Classic Destinations (Private) Limited (Classic Vacation (Private) Limited)	100%	100%
Pulsar Shipping Agencies (Private) Limited	100%	100%
Travel Express (Private) Limited	100%	100%
Global Logistics (Private) Limited	60%	60%
Logistics Park (Private) Limited	100%	100%
Pulsar Freight (Private) Limited	100%	100%
Alpha Aviation (Private) Limited	100%	100%
Alpha Air Solutions (Private) Limited	100%	100%
Sunpower Travels (Private) Limited	100%	100%
Pulsar Marine Services (Private) Limited	100%	100%
Bongo (Private) Limited	100%	100%
Travel Bridge (Private) Limited	100%	100%
E F L Hub (Pvt) Ltd	100%	-
Expo Global Distribution Centre (Pvt) Ltd	100%	-
I T X 360 (Pvt) Ltd	100%	-
Himalayan Yeti (Pvt) Ltd	100%	-
Akquasun Lanka (Private) Limited	-	50%
Norfolk Foods (Private) Limited	-	50%

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

	Holding Percentage	
	2017	2016
Expolanka Bangladesh Limited	45%	45%
Air Sea Logistics Kenya	45%	45%
UCL Logistics Ltd (Bangladesh)	41%	41%
Classic Travels Maldives Pvt Ltd	49%	49%

The following subsidiaries have been incorporated outside Sri Lanka.

Name	Country of Incorporation	Functional Currency	Holding Percentage	
			2017	2016
Airline Cargo Resources Dubai- FZCO	Dubai	AED	100%	100%
M C L Shipping LLC (Airline Cargo Resources Dubai LLC)	Dubai	AED	100%	100%
Expo Freight India (Private) Limited	India	INR	90%	90%
Expolanka Bangladesh Limited	Bangladesh	BDT	45%	45%
Expolanka Freight (Proprietary) Limited	South Africa	ZAR	100%	100%
Expolanka Freight FZCO	Dubai	AED	100%	100%
Expolanka Freight Dubai LLC (Dubai/Jebel Ali/Abu Dhabi - United Arab Emirates)	Dubai	AED	100%	100%
Expolanka Freight Limited	Kenya	KES	100%	100%
Expolanka Freight Limited	Mauritius	MUR	100%	100%
Expolanka Madagascar SA	Madagascar	MGA	100%	100%
Union Cargo (Private) Limited	Pakistan	PKR	51%	51%
International Sky Services (India) Private Limited	India	INR	70%	70%
Expolanka Freight Vietnam	Vietnam	VND	51%	51%
PT Expo Freight Indonesia	Indonesia	USD	90%	90%
Expolanka Freight Limited	Philippines	USD	100%	100%
Classic Travels Maldives Pvt Ltd	Maldives	MVR	49%	49%
EFL Global Logistics	Singapore	USD	100%	100%
Expolanka USA LLC	USA	USD	100%	70%
Expo Freight (Hong Kong) Ltd	Hong Kong	HKD	100%	100%
Expo Freight (Shanghai) Ltd	China	CNY	100%	75%
AVS Cargo Management Services Pvt Ltd	India	INR	46%	46%
Expotrade Services Pvt Ltd	India	INR	90%	90%
UCL Logistics Pvt Ltd	India	INR	90%	90%
Airline Carrier Resource Pvt Ltd	India	INR	90%	90%

NOTES TO THE FINANCIAL STATEMENTS

Name	Country of Incorporation	Functional Currency	Holding Percentage	
			2017	2016
Air Sea Logistics	Kenya	KES	45%	45%
UCL Logistics Ltd	Bangladesh	BDT	41%	41%
EFL Container Lines LLC	USA	USD	100%	70%
EFL Transportation LLC	USA	USD	100%	70%
Expo Freight (Shenzhen) Limited	China	CNY	100%	100%
EFL International (Pte) Ltd	Singapore	USD	100%	100%
Expolanka Freight (Cambodia) Ltd	Cambodia	KHR	51%	51%
Expo Century Logistics	India	INR	90%	90%
Expolanka Agri Exports (Private)Limited	India	INR	100%	-
EFL International (Pte) Ltd	Singapore	USD	100%	-
Akquasun Holidays India pvt Ltd	India	INR	-	50%

Acquisition of Subsidiaries

In March 2017, the Group has increased its shareholdings in Expo Global Distribution Centre (Private) Limited from 50% 100% with a total investment of USD 2,000,000.

Assets	
Property Plant & Equipment	652,688,125
Inventory	-
Trade and Other Receivables	77,704,130
Cash & Bank Balance	16,378,804
	746,771,059
Liabilities	
Financing and Lease (Ijara) Payables	310,319,899
Trade and Other Payables	19,629,928
Amount Due to related party	15,543,346
Income Tax Payable	-
	345,493,173
Net Assets	401,277,886
Goodwill	206,922,113

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

2.4 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the Consolidated Financial, unless otherwise indicated.

Accounting policies of subsidiaries and equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4.1 Business Combinations and Goodwill

Business Combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition

date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with LKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS.

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

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

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

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

2.4.2 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.

NOTES TO THE FINANCIAL STATEMENTS

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	
		2017	2016
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%
Expo Global Distribution Centre (Private) Limited	Sri Lanka	-	50%

Associate of the Group is;

	Holding Percentage	
	2017	2016
Amana Takaful Maldives PLC	22.73%	22.73%

2.4.4 Foreign Currency Translations

The Group's consolidated financial statements are presented in Sri Lankan rupees, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

Group companies

The assets and liabilities of foreign operations are translated into Sri Lankan Rupee at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2.4.5 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in Statement of Other Comprehensive Income are also recognised in Statement of Other Comprehensive Income and not in the Income Statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Sales tax

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

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

part of receivables or payables in the statement of financial position.

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

2.4.6 Property, Plant and Equipment
Basis of measurement
Property, Plant and equipment are initially stated at cost and subsequently stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant accounting judgments, estimates and assumptions and Provisions for further information about the recorded decommissioning Provision.

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

Depreciation
Depreciation is calculated by using a straight-line method on the cost of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The estimated useful life of assets;

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

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

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

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

Group as a lessee
Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

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

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

2.4.8 Borrowing costs

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

2.4.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

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

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

The useful life of intangible asset is as follows;

Software	Over 4 Years

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

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

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

2.4.10 Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied.

The Group evaluates its financial assets held for trading, other than derivatives,

to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs. The Group did not have any held to maturity investments during the years ended 31 March 2017.

d) Available-for-sale financial investments

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

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

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition

A financial asset or a part of a financial asset or part of a group of similar financial assets is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) The Group has transferred substantially all the risks and rewards of the asset, or
  - (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an

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

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

ii) Impairment of financial assets
The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available-for-sale financial investments
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement;

Increases in their fair value after impairment are recognised directly in other comprehensive income.

iii) Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

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

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of LKAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

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

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

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

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

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

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

For financial instruments that do not have a quoted market price in and active market and whose fair value cannot be reliability measured are carried at cost.

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

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

b) Finished goods and work in progress:
- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

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

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

2.4.13 Provisions
Provisions are recognised 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 recognised as a finance expense.

2.4.14 Retirement Benefit Obligations

a) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations in Sri Lanka. The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

b) Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in note 15. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The gratuity liability is not funded.

2.4.15 Impairment of Non- Financial Assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset or cash-generating unit, unless the asset or cash-generating unit does not generate cash inflows that are largely independent of those from other assets or cash-generating units. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot ''exceed'' the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised

in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to Goodwill cannot be reversed in future periods.

Intangible Assets
Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level, as appropriate.

2.4.16 Statement of Profit or Loss
Revenue Recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

a) Sale of Goods
Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to buyer with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

b) Rendering of Services
Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

c) Interest Income
For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

d) Dividends
Dividend income is recognised on a cash basis (net of dividend tax) when the shareholder's right to receive payment is established'.

e) Gains and Losses
Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other non-current assets including investments are accounted for in the income statement, after deducting from proceeds on disposal, the carrying amount of the assets and related selling expenses. On the disposal of revalued Property, Plant and Equipment, the amount remaining in the Revaluation Reserve, relating to that particular asset is transferred directly to Retained Earnings.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

f) Other Income
Other income is recognised on an accrual basis.

2.4.17 Segment Reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the senior management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the senior management and board of directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

2.5 Significant Accounting Judgements, Estimates & Assumptions

The preparation of the financial statements of the group require the

management to make judgements, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period. In the process of applying the group's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Deferred Tax Assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 14.

b) Defined Benefit Plans G4-EC3
The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Details of the key assumptions used in the estimates are contained in Note 15.

c) Impairment of non-financial assets
An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

d) Transfer Pricing Regulation
Management has used its judgment on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

The Group has complied with the arm's length principles relating to transfer pricing as prescribed in the Inland Revenue Act, and has complied with the related Gazette notification issued by Ministry of Finance.

2.6 Current Versus Non-Current Classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset as current when it is:
- Expected to be realised or intended to sold or consumed in 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 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
- There is no unconditional right to defer the settlement of the liability 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.

2.7 Fair Value Measurement

The Group measures financial instruments and certain nonfinancial assets at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

Quantitative disclosures of fair value measurement hierarchy	Note 7
Investment in unquoted equity shares	Note 7
Financial instruments (including those carried at amortised cost)	Note 7.4

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly

transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1 -** Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2 -** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3 -** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.8 New Accounting Standards Issued but not Effective

4 Effect of Sri Lanka Accounting Standards Issued but not yet Effective:

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an` impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

SLFRS 9 – Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as of the reporting date.

SLFRS 16 - Leases
SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

The following amendments and improvements are not expected to have a significant impact on the Group financial statements.

LKAS 7 Disclosure Initiative – Amendments to LKAS 7
The amendments to LKAS 7 Statement of Cash Flows are part of the CA Sri Lanka's disclosure initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company.

LKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to LKAS 12
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

SLFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to SLFRS 2
CA Sri Lanka issued amendments to SLFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is assessing the potential effect of the amendments on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3. Property, Plant and Equipment

3.1 Group

	Freehold Land	Freehold Buildings	Rail Carriage	Plant and Machinery		Furniture and Fittings
				Freehold	Leasehold	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
3.1.1 Cost						
As at 01 April 2016	1,284,786,177	913,592,954	52,740,399	304,207,659	111,766,821	565,266,320
Additions	18,978,670	95,449,628	1,598,500	4,208,516	-	92,958,659
Acquisition of Subsidiary	-	187,521,703	-	-	-	57,000,329
Disposal of Subsidiaries	-	-	-	(245,036,674)	(107,478,903)	(7,565,724)
Disposals	(324,840,000)	(143,375,515)	(2,125,000)	(45,887,466)	-	(53,514,443)
Transfers from / (to) others	-	-	-	-	-	-
Exchange translation difference	1,695,227	3,524,437	-	(77,531)	6,470,316	15,586,509
As at 31 March 2017	980,620,074	1,056,713,207	52,213,899	17,414,504	10,758,234	669,731,650
3.1.2 Accumulated Depreciation						
As at 01 April 2016	-	117,978,625	50,609,987	129,606,119	31,754,608	275,198,089
Charge for the year	-	46,406,057	2,003,135	8,168,465	3,833,519	61,308,752
Acquisition of Subsidiary	-	21,902,205	-	-	-	14,602,414
Disposal of Subsidiaries	-	-	-	(127,288,434)	(27,890,076)	(3,324,951)
Disposal	-	(37,434,126)	(2,125,000)	(1,796,728)	-	(52,549,493)
Transfers from / (to) others	-	-	-	-	-	-
Exchange translation difference	-	-	-	-	-	5,919,375
As at 31 March 2017	-	148,852,761	50,488,121	8,689,423	7,698,051	301,154,187
3.1.3 Carrying Value						
As at 31 March 2017	980,620,074	907,860,447	1,725,777	8,725,081	3,060,184	368,577,463
As at 01 April 2016	1,284,786,177	795,614,329	2,130,412	174,601,540	80,012,213	290,068,231

3.1.4 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 654,211,369/- (2016 - Rs. 573,690,997/-). Cash payments amounting to Rs.581,679,121/- (2015 - Rs.573,240,997/-) 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. 377,145,074/-.

Office and Factory Equipment Rs.	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.
329,595,409	526,961,964	435,215,911	141,298,473	22,216,914	72,153,146	181,458,647	52,272,748	4,993,533,541
52,344,742	93,187,841	108,160,066	72,532,248	721,750	1,405,375	47,406,766	65,258,608	654,211,369
17,789,947	43,750,196	-	-	174,866	26,966,682	426,059,608	70,719	759,334,049
(39,963,714)	(8,170,342)	(52,894,771)	-	-	-	(42,569,586)	(550,000)	(504,229,714)
(21,333,844)	(120,127,893)	(71,787,978)	(43,502,099)	(1,086,034)	(1,796,531)	(18,230,880)	44,753,854	(802,853,828)
615,827	26,593,135	41,588,654	(41,588,654)	-	(615,827)	-	(26,593,135)	-
(1,777,281)	2,952,631	13,346,517	(20,831)	-	109,902	(74,592)	-	41,735,305
337,271,086	565,147,532	473,628,398	128,719,137	22,027,495	98,222,748	594,049,963	135,212,795	5,141,730,722
151,512,259	401,524,161	253,343,085	83,183,008	6,919,235	19,682,168	49,337,224	-	1,570,648,567
38,947,412	70,635,606	75,789,374	16,245,637	2,577,032	12,159,168	18,715,031	-	356,789,188
5,118,194	15,050,151	-	-	27,890	9,367,843	40,577,229	-	106,645,925
(24,279,354)	(1,867,677)	(24,827,015)	-	-	-	(3,002,154)	-	(212,479,661)
(20,473,376)	(114,987,626)	(71,054,017)	(14,136,926)	(353,784)	(157,198)	(13,511,958)		(328,580,232)
-	-	28,127,555	(28,127,555)	-	-	-	-	-
2,715,240	3,512,393	4,174,017	(12,255)	-	91,585	(68,910)	-	16,331,445
153,540,375	373,867,008	265,552,999	57,151,908	9,170,373	41,143,565	92,046,462	-	1,509,355,232
183,730,710	191,280,524	208,075,400	71,567,230	12,857,122	57,079,183	502,003,501	135,212,795	3,632,375,490
178,083,150	125,437,803	181,872,826	58,115,466	15,297,678	52,470,978	132,121,423	52,272,748	3,422,884,974

NOTES TO THE FINANCIAL STATEMENTS

3.2 Company

	Motor Vehicles		Office	Technological	Furniture	Computer	Leasehold	Capital	Total
	Freehold	Leasehold	Equipment	Equipment	and Fittings	and Accessories	Improvements	work in progress	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
3.2.1 Cost									
As at 01 April 2016	10,784,985	19,460,947	8,336,971	56,850,952	8,920,211	12,879,528	18,563,727	2,501,191	138,298,512
Additions	191,500	-	3,783,341	13,748,463	12,648,630	-	23,445,146	6,195,455	60,012,535
Disposals/Transfers	(70,000)	-	(6,501,152)	(34,347,177)	(11,281,219)	-	(18,458,293)	(2,501,191)	(73,159,032)
As at 31 March 2017	10,906,485	19,460,947	5,619,160	36,252,238	10,287,622	12,879,528	23,550,580	6,195,455	125,152,015
3.2.2 Accumulated Depreciation									
As at 01 April 2016	8,470,685	12,114,068	6,012,954	47,410,645	5,565,811	12,879,528	15,660,870	-	108,114,560
Charge for the year	2,160,485	3,892,189	949,337	7,169,918	1,724,997	-	4,742,069	-	20,638,996
Disposals / Transfers	(70,000)	-	(4,267,517)	(27,555,062)	(5,995,558)	-	(13,494,803)	-	(51,382,941)
As at 31 March 2017	10,561,170	16,006,258	2,694,773	27,025,501	1,295,250	12,879,528	6,908,135	-	77,370,615
3.2.3 Carrying Value									
As at 31 March 2017	345,315	3,454,689	2,924,387	9,226,737	8,992,372	-	16,642,445	6,195,455	47,781,400
As at 01 April 2016	2,314,300	7,346,879	2,324,018	9,440,307	3,354,401	-	2,902,857	2,501,191	30,183,952

3.2.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.60,012,535/- (2015- Rs. 6,748,809/-). Cash payment amounting to Rs.60,012,535/- (2015- Rs. 6,748,809/-) 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. 84,660,155/-.

4. Intangible Assets

	Computer Software Rs.	Goodwill Rs.	2017 Rs.	Computer Software Rs.	Goodwill Rs.	2016 Rs.
4.1 Group						
Cost						
As at 1 April	174,822,301	483,518,614	658,340,914	171,179,454	483,518,614	654,698,067
Additions/Transfers	15,025,771	206,922,113	221,947,884	-	-	-
Disposal of Subsidiaries	(1,325,000)	(215,496,066)	(216,821,066)	-	-	-
Exchange translation difference	2,898,002	246,270	3,144,272	3,642,847	-	3,642,847
As at 31 March	191,421,074	475,190,931	666,612,004	174,822,301	483,518,614	658,340,914
Amortisation/Impairment						
As at 1 April	89,662,888	100,671,140	190,334,028	62,124,089	26,058,281	88,182,370
Amortisation/Impairment during the year	39,544,093	-	39,544,093	27,145,002	74,612,859	101,757,861
Disposal of Subsidiaries	(1,268,750)	-	(1,268,750)	-	-	-
Exchange translation difference	870,410	-	870,410	393,797	-	393,797
As at 31 March	128,808,641	100,671,140	229,479,781	89,662,888	100,671,140	190,334,028
Carrying Value	62,612,433	374,519,791	437,132,224	85,159,413	382,847,473	468,006,886

4.1.1 Goodwill

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

	2017 Rs.	2016 Rs.
Expolanka Freight (Vietnam) Limited	33,262,114	33,262,114
EFL Global Logistics	134,335,564	134,335,565
Expo Global Distribution Centre (Pvt) Ltd	206,922,113	-
Akquasun Holidays India pvt Ltd	-	81,456,123
Norfolk Foods (Private) Limited	-	133,793,673
	374,519,790	382,847,474

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.

NOTES TO THE FINANCIAL STATEMENTS

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 0% growth rate.

4.2 Company

Computer Software	2017 Rs.	2016 Rs.
Cost		
As at 1 April	33,453,426	33,453,426
Retired/Transferred during the year	-	-
As at 31 March	33,453,426	33,453,426
Amortisation		
As at 1 April	33,453,426	33,453,426
Amortisation during the year	-	-
As at 31 March	33,453,426	33,453,426
Net Book Value	-	-

5. Investments in Subsidiaries G4-17

	2017		2016	
	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
Expolanka International (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	371,111,561
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
Logistic Support Service (Private) Limited	100	260,000	100	260,000
Tropical Green (Private) Limited	100	41,000,050	100	1,000,050
Classic Vacation (Private) Limited	100	30	100	30
Logistics Park (Private) Limited	100	1,250,000,000	100	500,000,000
EFL Global Logistics (PTE) Ltd	100	211,016,250	100	136,051,250
I T X 360 (Private) Limited	100	75,000,000	-	-
Akquasun Holidays (India) Pvt Ltd	-	-	50	120,552,533
International Airline Services (Private) Limited	100	10,027,726	100	10,027,726
Expo Consolidators (Private) Limited	100	1,173,555	100	1,173,555
Nofolk foods (Private) Limited	-	-	50	300,000,000
		4,556,429,096		3,812,016,629
Less - Provision for Impairment of Investments		(11,201,281)		(66,201,281)
Total Carrying Value of Investments in Subsidiaries		4,545,227,815		3,745,815,348

6. Investment in an Associate and a Joint Venture

6.1 Group

	Associate		Joint Ventures		Total	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Carrying Value						
Cost	44,020,000	44,020,000	258,457,113	258,457,113	302,477,113	302,477,113
Share of post acquisition Profit	44,321,799	47,947,948	(5,428,358)	1,718,933	38,893,441	49,666,881
Share of Capital Reserve	25,382,248	25,382,248	-	-	25,382,248	25,382,248
Change in ownership of JV	-	-	(180,730,275)	-	(180,730,275)	-
	113,724,047	117,350,196	72,298,479	260,176,046	186,022,526	377,526,242

NOTES TO THE FINANCIAL STATEMENTS

	Associate		Joint Ventures		Total	
	2017	2016	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Share of Balance Sheet						
Total Assets	1,020,132,986	1,088,947,199	698,499,254	1,513,519,830	1,718,632,240	2,602,467,029
Total liabilities	(543,654,794)	(583,588,562)	(556,739,962)	(1,044,540,331)	(1,100,394,756)	(1,628,128,893)
Net Assets	476,478,192	505,358,637	141,759,292	468,979,499	618,237,484	974,338,136
Share of Capital Reserve	111,692,855	111,692,855	-	-	111,692,855	111,692,855
Net Carrying Value of the Investments	588,171,047	617,051,492	141,759,292	468,979,499	729,930,340	1,086,030,991
Fair value of Goodwill	(26,774,795)	(26,774,795)	-	-	(26,774,795)	(26,774,795)
Exchange Fluctuation	(60,961,322)	(73,885,144)	2,837,666.74	51,372,592	(58,123,655)	(22,512,552)
Net Assets	500,434,931	516,391,553	144,596,959	520,352,092	645,031,890	1,036,743,644
Group carrying amount of investment	113,724,047	117,350,196	72,298,479	260,176,046	186,022,526	377,526,242
Share of the Revenue and Profit/(Loss)						
Revenue	993,314,867	882,459,251	2,145,705,355	2,473,005,805	3,139,020,222	3,355,465,056
Profit/(Loss) before Income Tax	25,632,802	66,686,777	48,078,710	73,944,747	73,711,512	140,631,524
Income Tax	(2,750,630)	(10,824,893)	(15,120,702)	(26,085,858)	(17,871,332)	(36,910,751)
Profit/(Loss) after Income Tax	22,882,172	55,861,884	32,958,008	47,858,889	55,840,180	103,720,773
Group share of profit for the year	5,199,983	12,694,636	16,479,004	23,929,444	21,678,987	36,624,081
Dividend	(8,826,132)	(5,371,141)	(23,626,295)	(5,373,581)	(32,452,426)	(10,744,721)
	(3,626,149)	7,323,496	(7,147,291)	18,555,864	(10,773,439)	25,879,360

Total assets, including cash and cash equivalents Rs. 340,381,141 (2016: Rs. 467,361,084) and prepayments Rs. 47,558,144 (2016: Rs. 57,097,472).

Total liabilities, including tax payable Rs. 152,198,628 (2016: Rs. 44,131,361) and long-term borrowings Rs. 12,029,999 (2016: Rs. 272,352,089).

Profit/(Loss) before Income tax stated after charging depreciation Rs. 29,486,355 (2016: Rs. 24,012,604) interest expense Rs. 13,218,288 (2016: Rs: 3,022,479).

6.2 Company

	2017	2016
	Rs.	Rs.
Cost	43,990,000	43,990,000
	43,990,000	43,990,000

7. Other Financial Assets

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Financial instruments at fair value through profit or loss				
Investments in Quoted Equity Securities (7.1)	315,983,521	487,563,832	315,983,521	487,517,432
	315,983,521	487,563,832	315,983,521	487,517,432
Available-for-sale investments				
Investments in Non-quoted Securities (7.2)	122,767,086	134,404,954	99,058,859	99,058,859
Investments in Quoted Equity Securities (7.3)	63,276,988	110,734,728	63,276,988	110,734,728
	186,044,074	245,139,682	162,335,847	209,793,587
Loans and receivables				
Investments in Fixed / Savings Deposits - Mudarabha	121,061,690	122,579,117	-	
	121,061,690	122,579,117	-	-
Total current	437,045,211	610,142,949	315,983,521	487,517,432
Total non-current	186,044,074	245,139,682	162,335,847	209,793,587

Available-for-sale investments

Quoted

The Group has investments in listed equity securities. The fair value of the quoted equity shares is determined by reference to published price quotations in an active market.

Non-quoted

For financial instruments that do not have a quoted market price in and active market and whose fair value cannot be reliably measured are carried at cost.

Impairment on available-for-sale investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is ' significant' or 'prolonged' requires judgement.

In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

NOTES TO THE FINANCIAL STATEMENTS

7.1 Investments in Quoted Equity Securities

	2017		2016	
	No. of Shares	Carrying Value Rs.	No. of Shares	Carrying Value Rs.
Group				
Amana Bank Limited	90,281,006	315,983,521	90,281,006	487,517,432
Bairaha Farms PLC	-	-	100	14,400
Cargills Ceylon PLC	-	-	100	15,000
Keells Foods PLC	-	-	100	17,000
Total Investments in Quoted Equity Securities		315,983,521		487,563,832
Company				
Amana Bank Limited	90,281,006	315,983,521	90,281,006	487,517,432
		315,983,521		487,517,432

7.2 Investments in Non-quoted Equity Securities

	2017 Rs.	2016 Rs.
Group		
SLFFA Cargo Services Limited	717,921	717,921
Expo Global Distribution Centre (EGDC) - Singapore	-	14,332,464
Envoy Textile Bangladesh	22,990,306	20,295,710
Asia Pacific Institution of Information Technology Lanka (Private) Limited	99,058,859	99,058,859
Total Investments in Non Quoted Equity Securities	122,767,086	134,404,954
Current	-	-
Non-current	122,767,086	134,404,954
	122,767,086	134,404,954
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

7.3 Investments in Quoted Equity Securities

	2017		2016	
Group/Company	No. of Shares	Carrying Value Rs.	No. of Shares	Carrying Value Rs.
Amana Takaful PLC	79,096,234	63,276,988	79,096,234	110,734,728
		63,276,988		110,734,728

7.4 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.

	Carrying amount		Fair value	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Financial assets				
Trade and other receivables	12,991,965,188	12,224,467,805	12,991,965,188	12,224,467,805
Other financial assets				
Financial instruments at fair value through profit or loss	315,983,521	487,563,832	315,983,521	487,563,832
Loans and other receivables	121,061,690	122,579,117	121,061,690	122,579,117
Available-for-sale investments	186,044,074	245,139,682	186,044,074	245,139,682
Cash and short-term deposits	3,575,872,068	3,137,502,679	3,575,872,068	3,137,502,679
Total	17,190,926,542	16,217,253,115	17,190,926,542	16,217,253,115

The Management assessed that the fair value of cash and short-term deposits, 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 2017, 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 2017 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets at fair value through profit or loss				
Quoted Equity	315,983,521	315,983,521	-	-
Available-for-sale financial assets				
Quoted Equity	63,276,988	63,276,988	-	-

During the reporting period ending 31 March 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

After initial recognition unquoted equity instrument that do not have a quoted market price in and active market and whose fair value cannot be reliability measured are carried at cost. Accordingly equity investments in SLFFA Cargo Services Limited, Envoy Textile - Bangladesh and Asia Pacific Institution of Information Technology Lanka (Private) Limited are carried at cost.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	As at 31 March 2016 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets at fair value through profit or loss				
Quoted Equity	487,563,832	487,563,832	-	-
Available-for-sale financial assets				
Quoted Equity	110,734,728	110,734,728	-	-

During the reporting period ending 31 March 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

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

8. Inventories

	Group	
	2017 Rs.	2016 Rs.
Raw Materials	90,424	25,645,304
Packing Materials	7,483,256	45,135,985
Work in Progress	-	970,530
Finished Goods	123,555,548	101,403,763
Consumables	136,223	6,952,836
Stationeries	3,934,661	2,266,695
	135,200,112	182,375,113

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Trade Debtors	12,697,314,241	12,115,074,484	-	-
Less: Provision for Doubtful Debts	(297,002,728)	(444,320,829)	-	-
	12,400,311,513	11,670,753,656	-	-
Other Debtors	591,653,675	553,714,150	16,970,454	9,614,953
Amounts Due from Related Parties (9.1)	-	-	238,110,409	1,228,187,120
	12,991,965,188	12,224,467,805	255,080,863	1,237,802,073

9.1 Amounts Due from Related Parties

Relationship		Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Expo Consolidators (Private) Limited	Subsidiary	-	-	51,094,324	72,138,184
Expolanka Freight (Private) Limited	Subsidiary	-	-	1,772,219	349,345,951
Expolanka (Private) Limited	Subsidiary	-	-	4,821,703	423,724,059
SG Logistics (Private) Limited	Subsidiary	-	-	1,649,088	37,118,325
Freight care (Private) Limited	Subsidiary	-	-	19,571,319	3,496,068
Classic Travel (Private) Limited	Subsidiary	-	-	13,157,895	74,165,059
Expolanka International (Private) Limited	Subsidiary	-	-	128,575	3,288,423
International Airlines (Private) Limited	Subsidiary	-	-	33,178,335	33,171,926
Akquasun Lanka (Private) Limited	Subsidiary	-	-	-	8,952,769
Tropical Green (Private) Limited	Subsidiary	-	-	17,695,753	17,694,253
Globe Air (Private) Limited	Subsidiary	-	-	13,000,000	13,000,000
Akquasun Holiday India (Private) Limited	Subsidiary	-	-	-	3,411,878
Skycare (Private) Ltd	Subsidiary	-	-	53,699,574	25,690,374
Alpha Air Solutions (Pvt) Ltd	Subsidiary	-	-	7,388,217	7,296,214
Alpha Aviation (Pvt) Ltd	Subsidiary	-	-	5,460,447	5,459,447
Logistic Park (Private) Limited	Subsidiary	-	-	119,352	150,234,190
Expo Global Distribution Center	Subsidiary	-	-	1,159	-
I T X 360 (Pvt) Ltd	Subsidiary	-	-	15,279,249	-
Classic Vacation (Pvt) Limited	Subsidiary	-	-	9,022	-
Pulsar Shipping Agencies (Pvt)	Subsidiary	-	-	53,801	-
Pulsar Freight Pvt Ltd	Subsidiary	-	-	1,000	-
Sun Power (Pvt) Ltd	Subsidiary	-	-	5,272	-
Travel Bridge (Pvt) Ltd	Subsidiary	-	-	5,272	-
Travel Express (Pvt) Ltd	Subsidiary	-	-	3,397	-
UCL Logistics (Private) Limited	Subsidiary	-	-	10,164	-
Bongo	Subsidiary	-	-	5,272	-
		-	-	238,110,409	1,228,187,120

NOTES TO THE FINANCIAL STATEMENTS

	Group Collectively impaired Rs.
At 01 April 2016	444,320,829
Charge for the year	102,592,258
Write off during the year	(249,910,359)
At 31 March 2017	297,002,728

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

	Total Rs.	Neither past due nor impaired Rs.	Past due but not impaired 0-180 days Rs.	181-360 days Rs.	> 360 days Rs.
31 March 2017	12,400,311,513	11,184,129,549	969,768,969	246,412,995	-
31 March 2016	11,670,753,656	10,609,433,935	818,487,301	229,023,425	13,808,996

10. Cash and Cash Equivalents

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Component of Cash and Cash Equivalents				
Cash at banks and on hand	3,575,872,068	3,137,502,679	204,349,710	272,679,860
Bank overdrafts	(568,622,609)	(653,371,912)	-	-
Cash and cash equivalents	3,007,249,460	2,484,130,767	204,349,710	272,679,860

11. Stated Capital

	2016/2017 Number	Rs.
Fully Paid Ordinary Shares	1,954,915,000	4,097,985,000
11.1 Fully Paid Ordinary Shares		
Balance as at 01 April	1,954,915,000	4,097,985,000
Balance as at 31 March	1,954,915,000	4,097,985,000

12. Reserves

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Available for Sale Reserve (12.1)	(1,205,652)	(17,229,750)	-	(20,256,133)
Foreign Currency Translation Reserve (12.2)	477,758,622	425,745,298	-	-
	476,552,970	408,515,548	-	(20,256,133)

12.1 Available for Sale Reserve

Balance as at 1 April	(17,229,750)	(5,334,726)	(20,256,133)	(12,346,510)
Net Gain/(Loss) for the year	(51,689,775)	(11,895,024)	(47,457,740)	(7,909,624)
Adjustment for impairment	67,713,873	-	67,713,873	-
Balance as at 31 March	(1,205,652)	(17,229,750)	-	(20,256,133)

12.2 Foreign Currency Translation Reserve

Balance as at 1 April	425,745,298	15,987,836	-	-
Currency translation difference during the year	52,013,324	409,757,462	-	-
Balance as at 31 March	477,758,622	425,745,298	-	-

13. Financing and Lease (Ijara) Payables

	2017 Rs.	2016 Rs.
13.1 Group		
Current finance cost bearing loans and borrowings		
Finance Leases - Ijara (13.1.1)	51,274,751	68,092,312
Bank Financing (13.1.2)	970,235,601	981,070,139
Bank Overdrafts (10)	568,622,609	560,116,656
	1,590,132,961	1,609,279,107
Non-current finance cost-bearing loans and borrowings		
Finance Leases - Ijara (13.1.1)	122,574,405	90,044,988
Bank Financing (13.1.2)	689,150,850	93,255,256
	811,725,254	183,300,244

13.1.1 Finance Leases (Ijara)

	As At 01.04.2016 Rs.	New Leases (Ijara) Obtained Rs.	Repayment Rs.	Disposal of Subsidiary Rs.	Exchange Difference Rs.	As At 31.03.2017 Rs.	Current As At 31.03.2017 Rs.	Non-Current As At 31.03.2017 Rs.
Net Liabilities	158,137,300	78,963,123	(30,506,651)	(38,667,553)	5,922,938	173,849,157	51,274,751	122,574,405

Security

Leased assets are pledged as security for the related finance lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

13.1.2 Bank Financing

As At 01.04.2016 Rs.	Finance Obtained Rs.	Repayment Rs.	Exchange Difference Rs.	As At 31.03.2017 Rs.	Current Rs.	Non-Current Rs.
981,070,139	896,448,953	(221,733,381)	3,600,740	1,659,386,451	970,235,601	689,150,850
981,070,139	896,448,953	(221,733,381)	3,600,740	1,659,386,451	970,235,601	689,150,850

13.2 Company

	2017 Rs.	2016 Rs.
Current finance cost bearing loans and borrowings		
Lease (Ijara) Payables (13.2.1)	583,294	5,476,166
	583,294	5,476,166
Non-current finance cost-bearing loans and borrowings		
Lease (Ijara) Payables (13.2.1)	-	583,566
	-	583,566

13.2.1 Lease (Ijara) Payables

	As at 01.04.2016 Rs.	New Leases (Ijara) Obtained Rs.	Repayments Rs.	As at 31.03.2017 Rs.	Current As at 2017 Rs.	Non-Current As at 2017 Rs.
Gross Liabilities	6,634,905	-	(6,018,348)	616,557	616,557	-
Finance Charges Allocated to future periods	(575,172)	-	541,909	(33,263)	(33,263)	-
Net Liabilities	6,059,733	-	(5,476,439)	583,294	583,294	-

14. Deferred Income Tax

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Balance as at 01 April	75,845,754	45,879,011	-	-
Income arisen during the period	15,166,279	32,306,830	-	-
Disposal of Subsidiaries	-	(2,340,087)	-	-
Balance as at 31 March	91,012,033	75,845,754	-	-

Expolanka Holdings PLC has not recognised net deferred tax asset as at 31 March 2017 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. 1,405,168,316/- (2016 - Rs.1,013,481,277/-) can be utilised.

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
14.2 Deferred Income Tax Liabilities				
Balance as at 01 April	29,920,646	29,569,268	-	-
Provision made during the period	(5,822,784)	4,020,790	-	-
Tax effect on actuarial gains on defined benefit plans	(64,167)	(3,669,412)	-	-
Disposal of Subsidiaries	(21,730,000)	-	-	-
Balance as at 31 March	2,303,694	29,920,646	-	-

15. Retirement Benefit Obligation-Gratuity

Balance as at 01 April	464,676,143	347,921,828	23,660,399	14,062,518
Service Charge for the year	114,076,543	64,267,868	2,117,894	2,928,578
Finance charge for the year	17,888,924	11,090,417	2,366,040	1,406,252
Actuarial (Gain)/ Loss	(12,259,857)	52,783,147	5,924,564	6,710,301
Payments during the year	(63,156,103)	(23,265,079)	(8,580,850)	(1,447,250)
Exchange difference	5,646,476	16,029,722	-	-
Disposal of Subsidiaries	(40,631,137)	(4,151,760)	-	-
Balance as at 31 March	486,240,988	464,676,143	25,488,047	23,660,399
Principal assumption used in determining post employment benefit obligation of local subsidiaries are shown below:				
Discount rate:	12.00%	10.00%	12.00%	10.00%
Salary Increment Rate	8%-10%	7.5%	8.0%	7.5%
Expected remaining working life (Years)	4.72 - 8.66	3.63 - 10.81	8.66	10.81

Sensitivity of assumptions used - 2017	Discount Rate		Salary Increment	
	Group	Company	Group	Company
Effect on the defined benefit obligation liability				
Increase by one percentage point	(12,293,103)	(1,491,965)	13,730,789	1,836,355
Decrease by one percentage point	13,654,765	1,704,409	(12,545,925)	(1,633,100)

Sensitivity information of the Group represent the local subsidiaries data.

16. Trade and Other Payables

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Trade Payables	5,042,398,258	5,038,062,722	10,816,994	4,732,642
Sundry Creditors including Accrued Expenses	1,695,716,755	1,711,477,486	50,665,248	67,742,861
	6,738,115,013	6,749,540,208	61,482,242	72,475,502

NOTES TO THE FINANCIAL STATEMENTS

17. Revenue

	Group		Company	
	2017	2016	2017	2016
Summary	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Sales of Goods	4,365,301,377	4,550,256,325	-	-
Rendering of Services	59,126,849,544	51,464,712,633	107,199,877	121,107,876
	63,492,150,920	56,014,968,958	107,199,877	121,107,876

18. Other Operating Income and Gains

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Other Operating Income	110,386,570	53,231,003	198,673	4,556
Bad Debts Recovery	27,436,785	10,869,786	-	-
Commission Income	-	756,941	-	-
Investment Income	13,724,884	1,408,946	-	64,457,813
Exchange Gain	-	198,487,934	-	1,757,802
Rental Income	11,319,844	31,117,477	-	-
Profit on Disposal of subsidiaries (18.1)	-	13,738,853	37,048,831	-
Profit on sale of Investments	1,606,380	-	1,605,748	-
Profit on Disposal of Property, Plant and Equipment	15,958,446	31,801,219	-	-
Change in fair value of investment	-	36,112,402	-	36,112,402
Unrealised Fair Value changes recognised in Profit or Loss	123,369,725	-	-	-
Dividend Income	19,929,391	2,564,035	136,168,758	74,376,355
	323,732,025	380,088,596	175,022,010	176,708,929

18.1 During the year under review, Expolanka Holdings PLC divested Norfolk Foods (Pvt) Ltd and Akquasun Holidays India (Pvt) Ltd for a total consideration of Rs. 388.1 Million which recorded a loss of Rs. 18 Million to the Group.

19. Finance Costs

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Finance Charges on Bank Financing	115,227,650	30,973,090	-	-
Finance Charges on Lease (Ijara) liabilities	48,787,133	60,530,789	9,151,269	1,361,254
Provision for falling value of investments	171,533,911	-	171,533,911	-
Impairment loss on quoted AFS equity investments	67,713,874	-	67,713,874	-
	403,262,568	91,503,879	248,399,054	1,361,254

20. Profit/(Loss) Before Tax

Stated after Charging	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Included in Administrative Expenses				
Employees Benefits including the following				
Defined Benefit Plan Costs - Gratuity	131,965,466	75,358,285	4,483,934	4,334,830
Defined Contribution Plan Costs - EPF and ETF	268,436,306	228,555,654	15,542,650	15,013,583
Depreciation	356,789,188	346,319,641	20,638,996	19,344,728
Directors' Emoluments	443,070,886	334,954,748	39,938,525	35,716,375
Auditors' Remuneration (Fees and Expenses)	36,751,906	31,833,363	2,675,000	2,550,000
Donations	7,981,988	6,374,104	-	-
Included in Selling and Distribution Costs				
Advertising Costs	95,983,288	109,310,229	199,811	1,265,245

21. Income Tax Expense

Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year (21.1)	464,997,957	587,046,052	-	-
Under/(Over) Provision of current taxes in respect of prior years	13,452,123	18,369,284	-	-
10 % of Withholding Tax on inter-company Dividends	6,212,793	9,333,495	-	-
Deferred Income Tax				
Deferred Taxation Charge/(Reversal)	(20,989,063)	(13,361,098)	-	-
	463,673,810	601,387,733	-	-

21.1 A reconciliation between tax expense and the product of accounting profit /(loss)

Accounting Profit before Income Tax	1,692,394,074	2,047,183,543	(463,159,597)	(256,058,813)
Profit from International Operations	(1,280,818,484)	(1,433,272,238)	-	-
Aggregate Disallowable Items	690,006,001	510,063,243	374,979,976	220,173,170
Aggregate Allowable Expenses	(252,757,972)	(418,834,750)	(27,837,403)	(13,558,616)
Aggregate Allowable Income	(431,694,625)	(199,343,837)	(174,823,337)	(112,121,614)
Tax loss utilised	(42,999,845)	(25,234,958)	-	-
Taxable Profit/(Loss)	374,129,150	480,561,003	(290,840,361)	(161,565,873)
Income Tax Expense	94,337,427	117,647,395	-	-
Income Tax on International Operations	370,660,530	469,398,657	-	-
Tax losses carried forward	(1,360,969,149)	(1,218,987,738)	(1,013,481,277)	(846,264,908)
Tax losses incurred during the year	(445,496,471)	(161,565,874)	(290,840,361)	(161,565,873)
Tax loss utilised	42,999,845	25,234,958	-	-
Tax loss readjustment	(99,286,335)	(5,650,496)	(100,846,678)	(5,650,496)
Tax losses brought forward	(1,862,752,111)	(1,360,969,149)	(1,405,168,316)	(1,013,481,277)
Statuary income tax rates - Local subsidiaries	10% - 28%	10% - 28%		

NOTES TO THE FINANCIAL STATEMENTS

22. Earnings/(Loss) per Share

22.1 Basic Earnings/(Loss) per share is calculated by dividing the Profit/(Loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

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

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Profit attributable to Ordinary Shareholders for basic Earnings Per Share	954,506,657	1,113,390,922	(463,159,597)	(256,058,813)
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 in issue applicable to basic Earnings Per Share	1,954,915,000	1,954,915,000	1,954,915,000	1,954,915,000

22.3 Dividend

	2017		2016	
Company	**Per Share**	**Amount**	**Per Share**	**Amount**
	Rs.	Rs.	Rs.	Rs.
Declared and paid during the year				
Interim Dividend	0.15	293,237,239	0.12	234,589,803

23. Segment Information

Operating Segment	Logistics		Leisure		Investment		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Property, plant and equipment	2,940,494,422	2,033,454,745	55,991,603	66,982,028	635,889,465	1,322,448,201	3,632,375,490	3,422,884,974
Other financial assets	23,708,227	35,346,095	-	-	162,335,847	209,793,587	186,044,075	245,139,682
Other non-current assets	2,016,529,740	893,350,857	12,743,820	11,861,354	4,589,217,815	3,789,805,348	6,618,491,374	4,695,017,559
Segment non-current assets	4,980,732,389	2,962,151,698	68,735,423	78,843,382	5,387,443,128	5,322,047,136	10,436,910,939	8,363,042,216
Investments in Subsidiaries							(6,476,697,242)	(4,568,389,706)
Goodwill							374,519,791	380,563,399
Eliminations / adjustments							197,852,859	414,187,630
Total non-current assets							4,532,586,347	4,589,403,538
Inventories	3,934,661	2,266,695	136,223	156,256	131,129,228	179,952,162	135,200,112	182,375,113
Trade and other receivables	14,017,790,216	12,107,561,030	1,431,543,419	1,135,338,804	1,174,005,497	2,344,996,626	16,623,339,131	15,587,896,460
Other Financial Assets	87,674,085	70,757,723	33,387,605	51,821,395	315,983,521	487,563,830	437,045,211	610,142,949
Cash and Bank Balances	3,183,907,312	2,689,785,325	32,758,646	71,934,516	359,206,110	375,782,837	3,575,872,068	3,137,502,679
Other current assets	1,528,690,688	1,544,446,471	56,511,679	327,120,900	84,554,618	59,153,667	1,669,756,985	1,930,721,038
Segment current assets	18,821,996,961	16,414,817,244	1,554,337,571	1,586,371,871	2,064,878,975	3,447,449,122	22,441,213,507	21,448,638,238
Eliminations / adjustments							(3,631,373,954)	(3,363,428,656)
Total current assets							18,809,839,553	18,085,209,582
Total assets							23,342,425,900	22,674,613,120
Financing and Lease (Ijara) Payables	423,172,597	58,570,273	-	24,250,991	388,552,657	100,478,981	811,725,254	183,300,245
Other non-current liabilities	406,668,699	366,094,372	45,059,796	37,779,135	36,816,190	90,723,283	488,544,684	494,596,789
Segment non-current liabilities	829,841,295	424,664,644	45,059,796	62,030,126	425,368,847	191,202,264	1,300,269,938	677,897,034
Eliminations / adjustments								
Total non-current liabilities							1,300,269,938	677,897,033
Financing and Lease (Ijara) Payables	591,355,012	609,941,025	473,453,877	318,129,127	525,324,072	681,208,955	1,590,132,961	1,609,279,107
Trade and Other Payables	9,476,314,192	8,108,657,061	525,958,684	964,265,249	471,697,166	1,001,367,959	10,473,970,041	10,074,290,269
Other current liabilities	311,631,371	513,676,332	24,889,161	477,702	(53,939)	3,613,753	336,466,594	517,767,787
Segment current liabilities	10,379,300,575	9,232,274,418	1,024,301,722	1,282,872,078	996,967,299	1,686,190,667	12,400,569,596	12,201,337,164
Eliminations / adjustments							(3,735,854,968)	(3,324,750,060)
Total current liabilities							8,664,714,627	8,876,587,104
Total liabilities							9,964,984,563	9,554,484,137
Total Segment asset	23,802,729,350	19,376,968,942	1,623,072,994	1,665,215,253	7,452,322,103	8,769,496,259		
Total Segment liabilities	11,209,141,870	9,656,939,062	1,069,361,517	1,344,902,204	1,422,336,146	1,877,392,931		

NOTES TO THE FINANCIAL STATEMENTS

	Logistics		Leisure		Investment		Total	
Primary Segments	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
(Business Segments)	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Revenue	54,457,206,387	47,290,135,777	4,669,643,157	4,159,764,858	4,365,301,377	4,565,068,323	63,492,150,920	56,014,968,958
Cost of Sales	(44,750,240,723)	(38,488,072,767)	(3,489,284,489)	(3,177,148,533)	(4,053,361,781)	(3,991,005,439)	(52,292,886,994)	(45,656,226,738)
Other Operation Income	285,147,149	258,607,511	21,468,332	29,610,749	17,116,544	91,870,337	323,732,025	380,088,596
Depreciation and Amortisation	(332,725,547)	(278,861,848)	(14,859,027)	(10,906,499)	(48,748,707)	(83,696,296)	(396,333,281)	(373,464,643)
Overhead	(7,447,746,139)	(6,565,333,394)	(918,598,781)	(884,277,064)	(686,340,096)	(813,692,273)	(9,052,685,016)	(8,263,302,831)
Finance Cost	(79,686,740)	(43,545,177)	(51,019,477)	(27,778,870)	(272,556,351)	(20,179,831)	(403,262,568)	(91,503,879)
Share of Profit of an Associate	15,386,653	24,181,350	1,092,351	(251,906)	5,199,983	12,694,636	21,678,987	36,624,081
Profit Before Tax	2,147,341,040	2,197,111,452	218,442,064	89,012,736	(673,389,030)	(238,940,644)	1,692,394,074	2,047,183,544
Income Tax Expense	(442,236,717)	(559,515,233)	(15,794,204)	(17,622,149)	(5,642,889)	(24,250,352)	(463,673,809)	(601,387,733)
Profit for the year	1,705,104,323	1,637,596,219	202,647,861	71,390,587	(679,031,919)	(263,190,996)	1,228,720,265	1,445,795,811

24. Related Party Disclosures

The company carried out transactions in the ordinary course of business with the following 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.

24.1 Transaction with Related Entities

	Company	
	2017	**2016**
	Rs.	**Rs.**
Subsidiaries		
Providing of services	107,199,877	121,107,876
Dividend Received	111,561,260	110,376,355
Settlements by Subsidiaries	1,293,026,453	271,073,291
Advance to Subsidiary	-	289,519,013
Settlement of advances by Subsidiaries	-	478,224,310

Included in trade and other receivables.

Terms and conditions

Outstanding balance with related parties are short term revolving balances which are un secured and interest free.

24.2 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	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Key Management Personnel Compensation				
Short-term employee benefits	443,070,886	334,954,748	39,938,525	29,975,275
	443,070,886	334,954,748	39,938,525	29,975,275

25. Assets Pledged

Assets pledged for facilities obtained is given in note 13 to the financial statements.

26. 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.

27. Commitments and Contingencies

27.1 Company

The Company's commitments and contingencies are reflected in note 27.2.1.

27.2 Group

27.2.1 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 form 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 2017 is estimated at LKR 119Mn .

27.2.2 Income Tax Assessment on SG Logistics (Pvt) Ltd for Y/A 2011/12 & 12/13

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 2017 is estimated at LKR 53Mn

27.2.3 Expo Freight India (Pvt) Ltd

The Company received an intimation from the Tax Authority on 21st December 2013 in relation to the Service Tax on certain revenue streams. The Management of the Company is of the view that International Freight Forwarding services provided by the company do not fall under the category of such service tax based on the expert legal and tax advice received. Management has sought for clarity on the above from the Tax Authority and is pending as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

27.2.4 Pulsar Shipping Agencies (PVT) LTD assessment for Y/A 13/14

The Company has received as 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 2017 is estimated at LKR 17Mn

27.2.5 Contingent liabilities

The Group has given corporate guarantees to the following parties on behalf of the group companies to obtain finance facilities and the current exposure of the corporate guarantees is as follows. Based on the information currently available, Directors do not expect a Liabilities to arise from this guarantee.

	2017 Rs.	2016 Rs.
Institution		
National Development Bank PLC	1,000,000	10,845,000
Commercial Bank of Ceylon PLC	-	-
Sampath Bank PLC	110,865,632	64,593,500
Pan Asia Banking Corporation PLC	500,000	6,647,033
Standard Chartered Bank	165,708,215	232,013,081
Bank of Ceylon	-	619,842
Others	241,000,000	408,584,185
	519,073,847	723,302,643

The shares held by Expolanka Holdings PLC in Akquasun Group has been disposed as at the financial year end 31st March 2017. Currently Akquasun Lanka (Pvt) Ltd utilise LKR 300Mn of facility which is guaranteed by Expolanka group. The Expolanka Group has a contingent Liability resulting from the above stated exposure.

27.2.6 Capital Expenditure Commitments

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

28. Financial Risk Management Objectives and Policies

The Group's financial liabilities primarily comprise of long term borrowings for project financing, short term borrowings for working capital requirements, 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. Reviews and agrees policies for managing each of these risks, which are summarised 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 Groups 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. The Group inherited a long term borrowing as a result of acquiring the balance share in a joint venture company. The said borrowing is denominated in USD.

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. 379,260,509. This is a 57.75 % decrease in comparison to the previous financial year where the market value stood at Rs. 598,298,560.

At the reporting date, the Groups exposure to non-quoted equity securities at carrying value was Rs. 122,767,086 .This is a decrease of 9.48% on the carrying value which was held in FY 2016 for Rs. 134,404,954.

NOTES TO THE FINANCIAL STATEMENTS

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. 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 planning guidelines in place to ensure that the short term and medium term liquidity is managed at acceptable levels.

The table below summarises the maturity profile of groups financial liabilities based on contractual undiscounted payments.

Year ended 31 March 2017	Less than 1 year	Above 1 year	Total
Bank Financing	970,235,601	689,150,850	1,659,386,451
Finance Leases (Ijara)	51,274,751	122,574,405	173,849,155
Trade and other payables	6,738,115,013	-	6,738,115,013

29. 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	2017	2016
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%

	2017 Rs.	2016 Rs.
Accumulated Material Non- Controlling Interest	843,054,893	710,023,479
Profit allocated to Material Non - Controlling Interest	235,144,328	244,256,373

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss

	2017	2016
Revenue	26,579,355,049	23,187,764,089
Operating Cost	(25,577,754,469)	(22,126,357,134)
Finance costs	(25,596,004)	(11,532,647)
Profit before tax	976,004,576	1,049,874,307
Income tax	(254,251,812)	(314,368,381)
Profit for the year	721,752,764	735,505,927
Total comprehensive income	2,779,748	-
Attributable to non-controlling interests	235,144,328	244,256,373
Dividends paid to non-controlling interests	(120,689,446)	(171,181,256)

Summarised statement of financial position

	2017	2016
Current Assets	5,755,286,442	5,200,419,361
Non- Current Assets	627,426,353	453,296,985
Total Assets	6,382,712,796	5,653,716,345
Current Liabilities	3,187,659,341	3,033,578,475
Non- Current Liabilities	200,753,812	83,558,907
Total Liabilities	3,388,413,153	3,117,137,382
Total equity	2,994,299,643	2,536,578,963
Attributable to:	-	-
Equity holders of parent	2,151,244,750	1,826,555,484
Non-controlling interest	843,054,893	710,023,479

Summarised cash flow information

	2017	2016
Operating	291,499,137	167,556,519
Investing	(94,923,786)	(45,676,408)
Financing	(41,102,787)	(312,493,147)
Net increase / (decrease) in cash and cash equivalents	155,472,564	(190,613,036)

The above information is based on amounts before inter-company eliminations

SUPPLEMENTARY INFORMATION

GROUP REAL ESTATE PORTFOLIO

Owning Company & Location	Buildings (in SQ.FT)	Free Hold Land (in Perches)	Net Book Value (Mar-17)
Properties in Colombo			
Expolanka Pvt Limited No. 10, Mile post Avenue, Kollupitiya , Colombo 3	4,530	23.50	109,713,750
Properties Outside Colombo			
Expolanka Freight Pvt Ltd No. 69, Ramyaweera Mawatha, Kittampahuwa, Wellampitiya	20,881	303.50	256,648,547
Expolanka Freight Pvt Ltd No. 73/2,Ramyaweera Mawatha, Kittampahuwa, Wellampitiya		30.97	15,535,000
Expolanka Pvt Limited No. 390, Avisawella Road, Orugodawatte, Wellampitiya	135,609	555.26	1,098,951,905
Pulsar Shipping Agencies (Pvt) Ltd 2/24th Portion of Bogahawatta, Galu Piyadda, Galle	1,200	15.75	5,780,300
Expo Global Distribution Centre (Private) Limited Lot No. 117, Spur Road 3, Phase 1, Export Processing Zone (EPZ), Katunayake, Sri Lanka	240,000		165,619,499
Properties Outside Sri Lanka			
Expolanka Freight Pvt Ltd No. 23 – 25, Brabazon Road, Croydon, Kempton Park 1619, Johannesburg, South Africa	22,367	41.08	50,648,058
Expo Freight Limited Diakhali, Yearpur, Ahulia, Dhaka		105.58	81,281,078
Expo Freight Limited Diakhali, Yearpur, Ahulia, Dhaka		105.58	104,302,383
			1,888,480,520

FIVE YEAR SUMMARY

31st March	2017	2016	2015	2014	2013
In Rs. Millions					
Operating Results					
Group Revenue	63,492	56,015	52,652	53,319	50,075
Share of results of associates	22	37	12	35	15
EBIT	2,096	2,139	1,468	2,204	1,897
Finance Expenses	(403)	(92)	(154)	(267)	(227)
Profit before tax	1,692	2,047	1,314	1,937	1,670
Tax expenses	(464)	(601)	(266)	(367)	(392)
Profit after tax	1,229	1,446	1,047	1,570	1,279
Attributable to:					
Non Controlling Interest	274	332	162	144	218
Equity holders of the parent	955	1,113	886	1,426	1,061
Capital Employed					
Share capital	4,098	4,098	4,098	4,098	4,098
Capital reserves	477	409	11	36	73
Revenue reserves	7,675	7,348	6,518	5,702	4,910
Minority interest	1,128	1,266	991	929	1,156
Total equity	13,377	13,120	11,618	10,765	10,237
Total debt	2,402	1,793	1,819	2,701	2,662
Capital Employed	15,779	14,913	13,437	13,466	12,899
Assets Employed					
Property plant and equipment	3,632	3,423	3,376	3,666	4,221
Other non current assets	900	1,167	1,268	1,193	1,262
Current assets	18,810	18,085	17,348	17,007	16,865
Liabilities net of debt	(7,563)	(7,762)	(8,556)	(8,401)	(9,449)
Assets Employed	15,779	14,913	13,437	13,466	12,899
CASH FLOW					
Cash flow from operating activities	367	316	320	373	1,064
Cash flow from / (used in) investing activities	(42)	(338)	399	417	(1,172)
Cash flow from / (used in) financing activities	168	210	(941)	(431)	(46)
Net increase / (decrease) in cash and cash equivalents	523	581	(268)	340	(186)
Key Indicators					
Basic earnings per share (Rs.)	0.488	0.570	0.453	0.729	0.543
Finance cost cover (no. of times)	5.2	23.4	9.5	8.3	8.4
Net assets per share (Rs.)	6.27	6.06	5.44	5.03	4.65
Debt / equity ratio (%)	18.0%	13.7%	15.7%	25.1%	26.0%
Dividend payout ratio (%)	31%	21%	0%	45%	22%
Dividend payout (Rs. Millions)	293	235	-	645	235
Current ratio (No. of times)	2.2	2.0	1.8	1.8	1.5
Market price per share (Rs.)	6.0	7.0	8.5	8.7	6.8

SHARE INFORMATION

The Share price of Expolanka Holdings PLC (Expolanka) went through a period of consolidation and closed the year at Rs. 6.00 Per Share.

Trading Summary 1st April 2016 – 31st March 2017

Number of shares in issue	1,954,915,000
Number of shares traded during the Year	299,956,345
Number of transactions for the Year	5,124
Value of Transactions for the year	1,929,337,730.50
Market Capitalisation as of 31 March 2017	11,729,490,000.00

Expo Share Performance

An analysis of the Expo Share performance over the last three years is reflected in the below table.

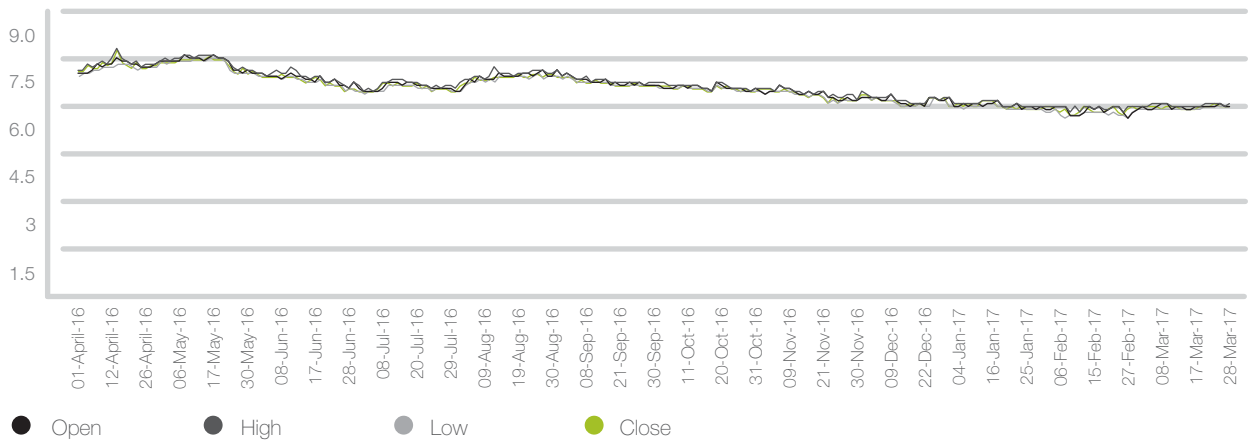
	31-Mar-2017	31-Mar-2016	31-Mar-2015
Highest (Rs.)	7.70	9.00	9.70
Lowest (Rs.)	5.60	5.90	8.50
Closing (Rs.)	6.00	7.00	8.50

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

	High	Low	Closing	Volume of shares Traded
1st Quarter	7.70	6.50	6.50	57,375,749
2nd Quarter	7.30	6.40	6.70	79,629,121
3rd Quarter	6.80	6.00	6.30	17,459,092
4th Quarter	6.30	5.60	6.00	145,492,383

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

Share Price Movement



SHARE INFORMATION

Share Valuations

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

	2016/17	2015/16	2014/15	2013/14
Net Asset Per Share	6.27	6.06	5.44	5.03
Earnings Per Share	0.49	0.57	0.45	0.74
Trailing P/E Multiple	12.24	12.28	18.89	11.91
ROE	9.19%	11.02%	9.02%	14.58%

Share Distribution

The Expo Share is owned by a base of 6,782 voting registered shareholders as at 31st March 2017. The Distribution of the Shares held by these shareholders is given below.

Range of Shareholding	No. of Shareholders	No. of Shares	% of Shareholding
1 – 1,000	3,150	2,221,510	0.11
1,001-10,000	2,821	12,254,636	0.62
10,001 – 100,000	820	28,086,055	1.44
100,001 – 1,000,000	134	40,437,249	2.07
Over 1,000,000	33	1,871,550	95.76

Analysis of Shareholding

Resident / Non Resident

	No. of Shareholders	No. of Shares	% of Shares
Resident	6,894	434,777,753	22.24
Non-Resident	64	1,520,013,247	77.76

Individuals / Institutional

	No. of Shareholders	No. of Shares	% of Shares
Individuals	6,729	346,336,468	17.71
Institutional	229	1,608,578,532	82.29

Public Holding of Shares

As of 31st March 2017, 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 31 March 2017 is 6,955.

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 2017	No. of Shares – 31st March 2016
Mr. N Kondo		
Mr. H Yusoof	147,021,464	147,021,464
Mr. N Kawasaki	-	-
Mr. Osman Kassim	-	-
Mr. Y Matsubara	-	-
Mr. M Matzusono	-	-
Mr. S Kulatunga	-	-
Mr. H Amarasekera	-	-
Mr. T Shiho	-	-
Total	147,021,464	147,021,464

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 2017

The below tables provides the details of the 20 Top Shareholders of Expolanka Holdings PLC as at 31st March 2017.

No.	Name of Shareholder	31st March 2017		31st March 2016	
		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	Hanif Yusoof	147,021,464	7.52	147,021,464	7.52
4	Caceis Bank Luxenbourg S/A Barca Global Master Fund LP	117,362,974	6.00	-	-
5	Farook Kassim	83,310,450	4.26	110,553,865	5.65
6	HSBC INTL NOM LTD-BBH-Matthews Emerging Asia Fund	72,280,137	3.70	10,496,963	0.54
7	Shafik Kassim	44,591,641	2.28	100,150,129	5.55
8	Janashakthi General Insurance Limited	10,038,263	0.51	10,038,263	0.51
9	MAS Capital (Private) Limited	7,716,250	0.39	-	-
10	E. W. Balasuriya & Co. (Pvt) Ltd	7,591,805	0.39	-	-
11	Guardian Capital Partners PLC	6,845,150	0.35	6,845,150	0.35
12	Peoples Bank	6,000,000	0.31	6,000,000	0.31
13	Amana Bank PLC	4,530,098	0.23	580,050	0.03
14	Rubber Investment Trust Limited A/C # 01	4,373,348	0.22	-	-
15	Janashakthi Insurance PLC (Policy Holders)	3,780,100	0.19	3,780,100	0.19
16	Employees Trust Fund Board	3,486,700	0.18	3,486,700	0.18
17	Hallsville Trading Group Inc.	3,000,000	0.15	-	-
18	Deutsche Bank AG As Trustee to Candor Growth Fund	2,750,000	0.14%	-	-
19	Gusrdisn Fund Management Limited/The Aitken Spence and Associated Companies Executive Staff Providen	2,535,549	0.13	-	-
20	Sri Lanka Insurance Corporation Ltd- Life Fund	2,500,000	0.13	-	-

NOTES

NOTICE OF MEETING

Notice is hereby given that the twelfth Annual General Meeting of Expolanka Holdings PLC will be held at the Bouganvillea, Galadari hotel, No. 64, Lotus road, Colombo 01 on Thursday, 03rd August 2017 at 4.30 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 2017 with the Report of the Auditors thereon.
2. To re-elect Mr. Tomoki Sano, who in terms of Article 94 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
3. To re-elect Mr. Osman Kassim, who in terms of Article 86 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.
4. 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-elect Mr.Yoshifumi Matsubara, who in terms of Article 86 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
6. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors and authorise the Directors to determine their remuneration.
7. To authorise the Directors to determine contributions to charities for the financial year ending 31st March, 2018.

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 2017

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.

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 Thursday, 3rd August 2017 at the Bouganvillea, Galadari Hotel, No 64, Lotus Road, Colombo 01 at 4.30pm 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 2017 with the Report of the Auditors thereon.		
2.	To re-elect Mr. Tomoki Sano, who in terms of Article 94 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.		
3.	To re-elect Mr. Osman Kassim, who in terms of Article 86 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.		
4.	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-elect Mr.Yoshifumi Matsubara, who in terms of Article 86 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.		
6.	To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors and authorise the Directors to determine their remuneration.		
7.	To authorise the Directors to determine contributions to charities for the financial year ending 31st March, 2018.		

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

Signature: .....

Note:
(a) *Please delete the inappropriate words.
(b) Instructions are noted on the reverse hereof.

FORM OF PROXY

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 authorised 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

G4-3,5,7

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
- Osman Kassim
- Harsha Amarasekera
- Sanjay Kulatunga
- Tomoki Sano
- Motonori Matzusono
- Yoshifumi Matsubara
- Toji Shiho

Registered office of the Company
10, Milepost Avenue,
Colombo 03
Sri Lanka

Audit Committee
- Sanjay Kulatunga – Chairman
- Harsha Amarasekera
- Toji Shiho

Remuneration Committee
- Harsha Amarasekera – Chairman
- Sanjay Kulatunga

Contact Details
P. O. Box 1162
10, Milepost Avenue
Colombo 03
Sri Lanka

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

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

Company Secretaries
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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

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

Design & Concept by : optima | Optima Designs (Pvt) Ltd.