EXPOLANKA HOLDINGS PLC
Annual Report 2017 | 2018

OUR BORDERS

BEYOND OUR BORDERS

With a dare to do spirit, anything is possible. That's how we have sustained our growth from 1978, strategically leveraging Sri Lanka's location as an emerging maritime hub to build a successful business in freight forwarding. We began expanding beyond our borders in 1992 by venturing into new and emerging markets. Today, we are a global logistics company with interests in leisure and investments.

Each of our business units is collectively driven by our desire to evolve, innovate and always remain ahead of the curve. Our impressive financial performance is a testament to our dare to do spirit and approach we take in business. We look forward to making a bigger mark globally, by enhancing our solutions, growing in emerging markets and being customer-centric in every aspect of business.

This annual report available on:

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About the Report [GRI 102-10, 102-46, 102-49,102-50, 102-51, 102-52]

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

Scope and Boundary

This is the fourth integrated report prepared by Expolanka Holdings PLC, and provides material information relating to the Group's strategy and business model, operating context, material risks, stakeholder interests, performance, prospects and governance, covering the financial year ended 31st March 2018.

This Integrated Annual Report covers business activities over which Expolanka Holdings has operational control, including those outside Sri Lanka. Entities that are not operationally controlled by the Group are not included in the scope of the Integrated Annual Report. The most recent report was for the year 2016/17

Although the Group's operations have undergone expansion during the year, the size, structure, supply chain, ownership and products and services offered are not materially different to those covered in the 2016/17 integrated annual report.

Reporting Principles [GRI 102-12]

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

1. Listing rules of the CSE
2. Code of Best practices for Corporate Governance jointly issued by the SEC and the Institute of Chartered Accountants of Sri Lanka

GRI Standards and Reporting [GRI 102-54]

The report has been prepared in accordance with the GRI Standards: Core option

Materiality

This Report focuses on those matters that we see as being most material to the Group's capacity to create value, and to deliver on its core purpose. Being a diversified Group with interests in logistics and leisure, the Group is currently in the process of establishing sector-specific materiality drivers that would enable more focused approach towards stakeholder value creation. Following an in-depth study to identify what freight customers consider as material issues their freight partner should focus on, the Group's material aspects were revised in the year under review. A snapshot of these material issues can be found on page 26 of this Report.

Assurance

The content included in this Integrated Report has been approved by the respective business heads and reviewed by the audit committee reviewed prior to submission to the Board of Directors for approval.

In addition, Messrs.' Ernst & Young, Chartered Accountants have provided an independent assurance statement that further verifies the Group's compliance with the GRI Standards.

Board Responsibility Statement

The Board acknowledges its responsibility to ensure the integrity of the annual integrated report and is of the opinion that the report addresses all material issues that it believes to have a bearing on the Company's capacity to create value over the short, medium and long term.

Forward Looking Statements

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

Feedback [GRI 102-53]

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

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

BEYOND

OUR BORDERS

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Milestones and Mentions

HR Awards Glory for EFL and Classic Travel - Sri Lanka

EFL and Classic Travel were awarded 'Great Place to Work in Sri Lanka' for the second consecutive year and third year respectively. The list evaluates the very best employers that provide teams with an environment where they can thrive and grow.

During the year, EFL also secured 2 additional accolades at the Best Employer awards winning 'Dream companies to work for' in both Asia and Sri Lanka.

EFL Wins Gold for the 4th Year - Sri Lanka

EFL continued its long-standing winning streak at the National Business Excellence Awards (NBEA), once again brought home a Gold award in the Logistics and Transport category, for the 4th consecutive year. The NBEA recognized EFL as a top corporate performer with a dynamic operation that effectively covers the areas of leadership, corporate governance, capacity building, CSR, environmental sustainability and performance management.

EFL extended its presence in China, by opening one new office in Guangzhou.

EFL India Receives ISO 9001:2015 Certification - India

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

Bigger than ever in China

EFL extended its presence in China, by opening two new offices in Guangzhou. Strategically located in close proximity to Hong Kong, and Macau, Guangzhou is a significant export hub in the region, and is one of the busiest commercial centres in the country as well as the largest metropolis in Southern China. The city has a long-standing history of being an important strategic port in China, providing quick access to India, South-East Asia, the Middle-East and Africa.

Classic Travel Opens Branch in Kandy - Sri Lanka

Classic Travel officially announced the opening of their Kandy Branch Office on 22nd of February 2018, marking the 4th Branch Office of Classic Travel in Sri Lanka.

First QR Charter to Rickenbacker - EFL - Sri Lanka

In September 2017, EFL made yet another pioneering move by partnering with Qatar Airways Cargo to facilitate the first ever freight charter to Rickenbacker Airport in Columbus, Ohio. The shipment comprised of 100 tonnes of garments and was flown on a Boeing 777 freighter on behalf of a Fortune 500 listed US fashion retailer. The story has received a wave of international media coverage, putting EFL in the international spotlight and strengthening the company's position at the forefront of the logistics industry.

A State of the Art Factory by Tropikal Life (Pvt) Ltd - Sri Lanka

Tropikal Life (Pvt) Ltd opened a state of the art dedicated coconut water processing factory on the 1st of August 2017 in Seeduwa. The 30,000 sq. Ft facility includes UHT Aseptic Processing Line to produce Green Coconut Water, King Coconut Water in 200KG Bulk Packaging. The factory is also able to produce King Coconut Water in Pasteurized/ Unpasteurized in Frozen Bulk Form. Additionally, a range of coconut water products in retail packaging are also available for international buyers. The factory is accredited ISO 22000, FSSC 22000 and AA Grade BRC Certification.

Memberships and Certifications [GRI 102-13]

Memberships

Classic Travel (Pvt) Ltd

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

Expolanka (Pvt) Ltd

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

Expolanka Freight (Private) Limited (EFL)

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

Expolanka Holdings PLC

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

Certifications

Expolanka (Pvt) Ltd

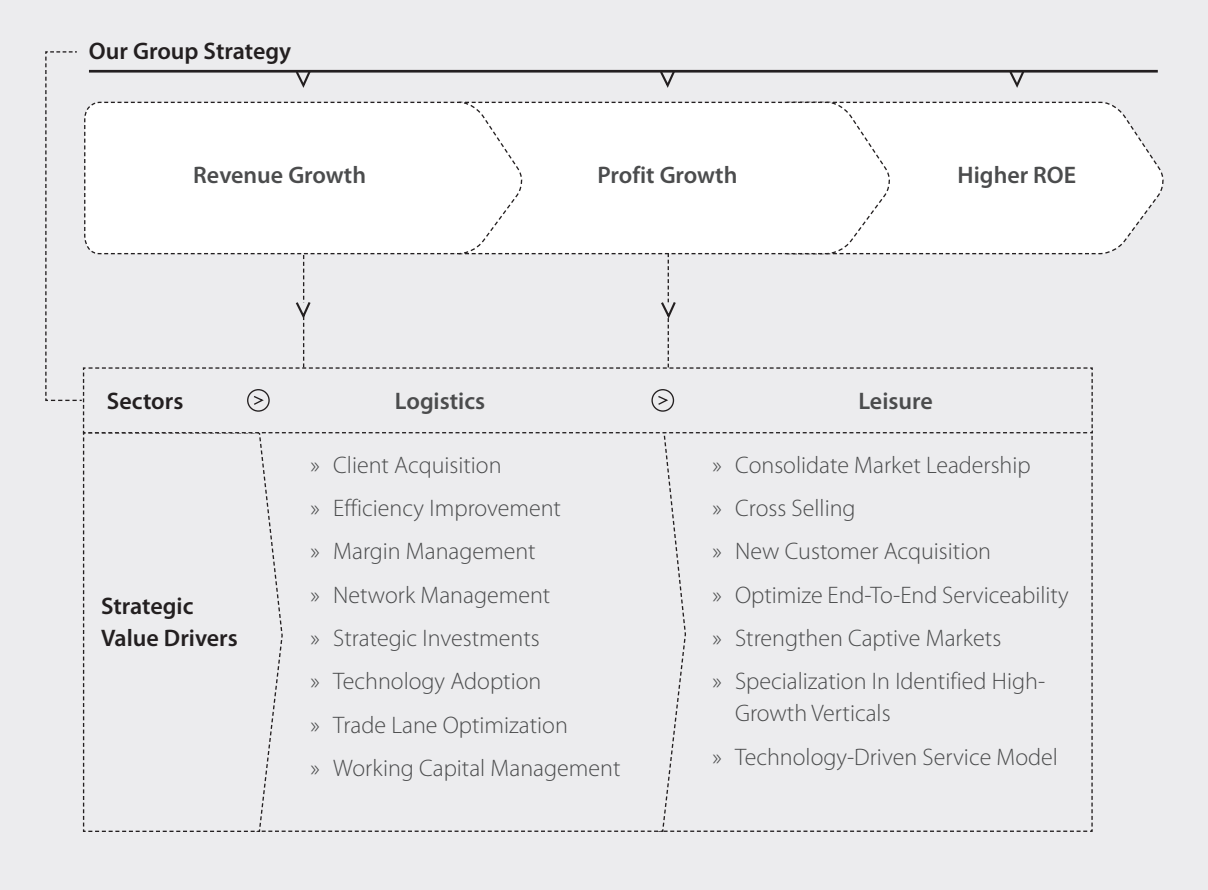
- EU (European Agricultural Standards)
- GMP - Sri Lanka Standard Institute
- JAS (Japanese Agricultural Standards)
- Kosher Certificate
- USDA (United States Agricultural Standards)

Expolanka Freight (Private) Limited (EFL)

- Certified Customs - Trade Partnership against Terrorism (C-TPAT)
- ISO 9001:2015 Quality Management Systems Certification - SGS United Kingdom (Sri Lanka & India)
- ISO 14001:2004 - Environmental Management Systems
- ISO 14064:2006 - Green House Gas Emissions Certification
- Leadership in Energy and Environmental Design (LEED) – Gold
- OHSAS 18000:2007 Occupational Health and Safety Management System

Group Strategy

Having spent the last few years refining the portfolio of businesses to arrive at the right fit, Expolanka Holdings PLC has a solid foundation from which to scale up and realize the Group's vision of achieving market-leading positions in its two main sectors; Logistics and Leisure.



Financial Highlights [GRI 102-7,103]

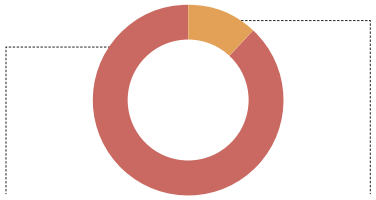
GROUP REVENUE

LKR. **77,533** Mn

GROUP PROFIT BEFORE TAX

LKR. **1,669** Mn

NPAT



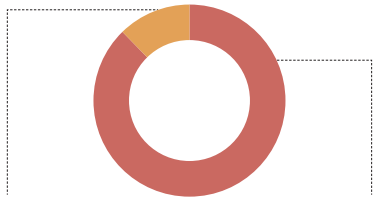
GROUP PROFIT AFTER TAX

LKR. **962** Mn

CAPITAL EMPLOYED

LKR. **18,232** Mn

REVENUE



GROUP GROSS PROFIT

LKR. **13,726** Mn

TOTAL EQUITY

LKR. **14,028** Mn

TOTAL ASSETS

LKR. **28,708** Mn

Chairman's Message [GRI 102-14]

"For EFL – the Group's global logistics brand, the overriding objective for last year was to stamp a more pronounced footprint and increase visibility in key markets."

Naosuke Kawasaki
Chairman

Dear Stakeholder

I am very much pleased to report to our valued stockholders that the company had yet another successful year, the Group maintained the tradition of generating consistent results. This was achieved despite difficult market conditions. The well prepared negotiation with the carriers and a customer-centric approach were the main drivers. The Leisure sector too tabled healthy results for the year under review. Strong performances from both sectors enabled Group revenues to cross the Rs. 70 Bn mark in the year under review, 22% higher than what was reported in the previous year.

The Right Strategy

I believe these consistent results testify to the Group's agility, strategy and drive to grow. Understandably while we do continue to make minor adjustments to sharpen the overall sector strategy to account for the changes that arise in our immediate operating environment from time to time, our underlying purpose remains the same. Having shed most of our passive investments by 2016, the Group's focus is now centered on its core sectors; logistics and leisure, where we are pursuing organic growth to increase our captive market share. We started the year with a series of strategies focused on enhancing the competitive position of both the core brands to develop a base. Our intention was to develop a base of key market strongholds that would serve as a platform for sustainable growth.

For EFL – the Group's global logistics brand the overriding objective for last year was to stamp a more pronounced footprint and increase visibility in key markets. With USA trade lane becoming a critical growth driver for the logistics sector, we broadened our focus, and made a strategic decision to increase the expansion into USA and key markets in Asia. The move also underpins our efforts to build a solid foundation from which to pivot EFL as a leading player in the global logistics sphere.

I am also happy to note that the underlying strategic thrust we have adopted for "Classic" our leisure brand, continues to yield good results. Our business proposition is strong and remains well accepted in the market, which has enabled Classic to firm up its leadership status in the outbound B2B market. In the hope of replicating the success we have achieved in this area we have set about an ambitious plan to gain traction as an integrated leisure service provider.

The Right Tools

Be it in logistics or leisure, technology and innovation plays a critical role in our ability to build capacity and resilience as well as to compete effectively and stay ahead of peers. Over the years, Expo has taken a disciplined approach to seize new opportunities to invest in right technology in order to sharpen downstream and upstream capabilities in both logistics and leisure. It is indeed pleasing to note that this approach has held the Group in good stead and paved the way for each sector to accelerate their respective growth plans.

The Right Leadership

We are aware that the environment in which we operate is fluid and as the markets become less predictable, it is crucial to continually assess the way we balance risk and opportunity. In this regard the Board remains proactive in strengthening its oversight role by demanding more information and frequent communication with management to ensure the business continues to benefit from more timely and impactful action.

Moving Forward

The global economy is still showing a strong growth. As an International group we are able to leverage on our experience and expertise and identify new avenues for growth in tough and developing markets. I am confident that the Group is well prepared to deal with this unpredictable situation and to pursue opportunities for growth even in a difficult time.

On one hand the Group will consolidate the position in existing markets to generate profits. On the other hand, we will remain open to new market expansion the synergies to bring us a competitive edge to the Group.

Naosuke Kawasaki
Chairman

Group CEO's Review

Presenting to you the annual report and financial statement for 2017/18, I am proud to announce that your Company, Expolanka Holdings PLC has produced another strong performance to conclude the financial year ended 31st March 2018 on a high note.

Global Economy

The year marked a turning point for the global economy, which after years of sluggish growth bounced back strongly in 2017. Global GDP is estimated to have expanded by a robust 3.4% in 2017 led by strong resurgence in trade throughout the year. International trade, benefiting from a cyclical recovery in global manufacturing and investment growth, is estimated to have grown by a stronger- than-expected 4.3%.

Growth acceleration was evident in all major economies. In the US, growth picked up in 2017 supported by strengthening private investment and consumption, while on the back of policy stimulus and increasing global demand, the Euro Area reported better-than-expected results.

Strategy in Motion

Reflecting back on when we first embarked on the IPO in 2011, our intention was to achieve two primary goals. Firstly, to position EFL as a leading logistics brand in the wider Asian region and secondly to confirm "Classic" as the leader in Sri Lanka's travel market.

In hindsight, I see the decision to focus on the core business, to be the turning point of our journey. Our growth strategy is now centered on building and expanding our capabilities to consolidate our position within our brands and offerings.

Envisioning a stronger global presence for EFL especially across key trade-lanes, we invested considerable resources to deepen the penetration and improve visibility in the USA. We then leveraged on this expansion to widen our reach in the Chinese market. A new station was opened in Myanmar alongside targeted strategies to engage markets in the Philippines, Vietnam and Indonesia. The South Asia strategy remains unchanged, given the fact that it has produced consistent results over the years.

The Logistics sector delivered volume growth across both Air Export and Ocean Export Products. Air Exports grew by 28.6% surpassing the trend seen over the last several years, while the renewed focus on the Ocean Export operation increased volumes by 16% year-on-year.

I am pleased to see better than expected results in Ocean Freight along with consistent performance via outbound volumes being recorded from all East-Asian markets (China, Hong Kong, Philippines, Indonesia & Vietnam).

With EFL's air and ocean export volumes hitting record numbers across all trade lanes, we took what we believe is the natural next step towards scaling up

operations and began gradually widening our client portfolio, which until now has been anchored to the apparel retail industry. Leveraging on our expertise in moving apparel cargo, a concerted effort was made to tap into other verticals. Testing out our strategies first in South Asia, we have made some notable inroads into the regions' booming homewares and technological verticals. To further support our ability to serve multiple industries, the roll out of the new state-of-the-art ERP system was expedited, with the first phase being completed across two stations in the year under review. Additional investments were also made to increase warehouse capacity in Sri Lanka and expand EFL's regional warehouse footprint through a management model in Taipei, Taiwan. The warehouse software – a Tier 1 highjump platform, rolled out in the previous year, was also fully operationalized across the entire warehouse network.

However I must admit, the global logistics market today remains incredibly competitive more so than ever, and if EFL is to reach the top and stay there, it is vital that we offer a differentiated value proposition to that being offered by our peers. In the year under review, we took several important steps, notable among them were our efforts to boost EFL's expertise in the global logistics sphere. I am proud to welcome to the EFL board Mr. Ram Menon – an icon in the modern air cargo industry, Mr. Steve Dearnly – a pioneer in the global freight and logistics and Mr. Mike Sherman – a leading logistics specialist who has worked with some of the largest retail brands in the world. The knowledge and expertise these gentlemen bring with them will be invaluable in catalyzing EFL's future growth strategy.

Meanwhile proactive efforts to reorient our focus to be as customer-centric as possible, saw EFL partner with Qatar Airways Cargo in September 2017 to facilitate the first ever freight charter to Rickenbacker Airport in Columbus, Ohio. The shipment, a landmark in the Sri Lankan freight industry, was for a Fortune 500 listed US fashion retailer, comprised 100 tonnes of garments and was flown on a Boeing 777 freighter from Colombo. The story received a wave of international media coverage, putting EFL in the international spotlight and strengthening the Group's position at the forefront of the logistics industry.

It is pleasing to see that our leisure brand – Classic continues to perform well in all markets it serves, and in particular remains number one and holds its position in the outbound segment. We continued to seize opportunities to grow market share focusing on increasing the contribution from the existing customer portfolio alongside efforts to acquire new customers. A concerted effort was made to grow the inbound business as well via with re-positioning, product development market strategy and solutions engaged to develop our capacity in experiential tourism.

The Trading and Manufacturing business tabled satisfactory results with individual business segments experiencing mixed fortunes. I am encouraged to see how well we have made the multi-origin model work to our advantage. Other notable achievements for the year include the factory commissioned during the current year is now operational and moving towards profitability. Our new factory has commenced operations during the current year and is gradually working towards profitability.

Further our decision to expand our IT operations through ITX 360 also continues to deliver good results with the Company now looking to make a name as an independent IT solutions provider specializing in turn-key projects.

Sustainability Focus

Our sustainability strategy is at present undergoing a transition, where we have begun moving away from a general group-wide sustainability policy in favour of a more business-centric approach. Marking the first phase of our journey to develop business-specific sustainability strategy for EFL, we launched VIVA in mid-2016. However seeing the need for an even more focused strategy for the entire logistics business, in 2017 we began engaging EFL's largest customers to help identify sustainability aspects they deem to most material. Stemming from this, we are now in the process of formulating a new 3 year Sustainability Roadmap that would underpin EFL's value creation agenda for the 2018 - 2021 time frame.

Future Plans

Given the strong positions achieved by EFL and "Classic", I am optimistic about the future. Our strong visibility in the USA and established presence in Asia will no doubt prove to be a considerable advantage in securing volumes across all major trade lanes. Meanwhile our logistics capabilities in the sub-continent and the wider Asian region will also likely play a pivotal role in strengthening EFL's position as a global 3PL service provider.

Classic too will need to further scale up in order to retain its competitive position in the leisure market. This would mean continuous and ongoing investments in technology, people and processes to establish a niche in the market. Another priority for "Classic" would be to strengthen the inbound business vertical.

I am confident that our sound strategies for both the logistics and leisure sectors would enable the Group to accomplish its strategic objectives to grow revenue and profits and increase ROE, in line with stakeholder expectations.

Appreciations

Before I sign off, I would like to thank the Chairman and Board of Directors of Expolanka Holdings PLC for their stewardship of the Group and the guidance and support extended to me at all times.

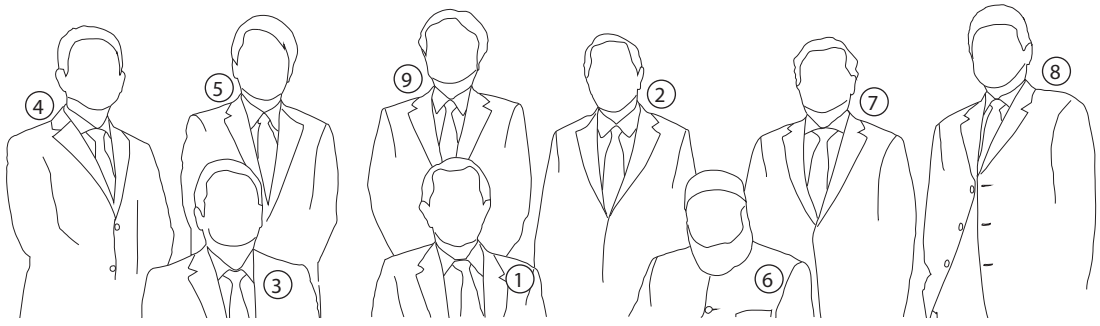
I wish also to acknowledge the untiring efforts of the Executive Management and the EFL global team – I thank you all for your contribution towards the Group's success.

My sincere gratitude 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 for the trust and confidence in the Group. I seek your continued patronage to take Expolanka Holdings PLC forward to a new growth dimension in the years ahead.

Hanif Yusoof
Group CEO

Board of Directors [GRI 405-1]



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, Non-Independent Director

5 **Mr. Yoshifumi Matsubara**
Non-Executive, Non-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

Board of Directors

Mr. Naosuke Kawasaki
Chairman

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

Mr. Hanif Yusoof
Executive Director and Group CEO

Mr. Hanif Yusoof is one of the founding members of the Group. He has been the cornerstone in building and expanding the Freight and Logistics sectors of the Group. He has served as President of the Freight Forwarders Association of Sri Lanka, in addition to being on the UN/ESCAP panel of trainers for freight forwarding. His entrepreneurship nature has led him to become a well admired industry professional and recipient of the "Asia Pacific Entrepreneurship Special Achievement Award" by Enterprise Asia 2013. His other achievements include being awarded in 2012, by the Central Bank of Sri Lanka for "Global Commerce Excellence" in light of contributions to the Sri Lankan economy. 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, Non-Independent Director

Mr. Motonori Matsuzono is a graduate of the Business Administration Department of Kobe University. He is currently the Director of SG Holdings Global PTE. LTD. Prior to joining SG Holdings Global Pte. Ltd, he has held several management positions at Nippon Sheet Glass Group and its overseas subsidiaries in the Finance and Accounting area over a span of 27 years.

Mr. Yoshifumi Matsubara
Non-Executive, Non-Independent Director

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

Mr. Osman Kassim
Non-Executive Director

Mr. Osman Kassim was the Founding Chairman of the Expolanka Group. He 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 40 years of senior management experience. Mr. Kassim is currently the Chairman of Amana Bank and Vidullanka PLC and holds directorships in Ex-Pack Corrugated Cartons (Private) Limited, Amana Takaful PLC - Sri Lanka, Amana Takaful Maldives Limited – Maldives and Crescentrating (Private) Limited – Singapore. He is also Chairman of the Asia Pacific Institute of Information Technology (APIIT) in Sri Lanka. He has an Honorary Doctorate from the Staffordshire University in recognition of his achievements as both a global entrepreneur and visionary educationalist.

Mr. Sanjay Kulatunga
Non-Executive, Independent Director

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

Mr. Harsha Amarasekera P.C.
Non-Executive, Independent Director

Mr. 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, Specializing 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), 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.

Senior Management Team

01. MUSHTAQ AHAMED

Director – Group Finance, Expolanka Holdings PLC

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

02. 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, (ACCA) UK. He also holds Bachelor of Science Honors degree in Accounting & Financial Management from University of Sri Jayewardenepura, MBA from Postgraduate Institute of Management and a Masters in Financial Economics from Colombo University. He has over 15 years of professional experience in finance.

03. SHIRAZ IMMAMUDEEN

Head of Strategic Planning and 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 16 year's professional experience

04. AHMED JAVED

Head – Marketing & Communications, EFL HQ (Pvt) Ltd. & Expolanka Holdings PLC

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

05. PETER LARSEN

COO - EFL HQ (Pvt) Ltd.

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.

06. IMDADH MARIKAR

Director/ CEO – Expolanka (Pvt) Limited

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

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

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

07. SURESH MENDIS

CEO – Classic Travel

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

08. SHANTANU NAGPAL

Director of Strategic Planning and Business Development, Expolanka Holdings PLC

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

09. JAGATH PATHIRANE

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

Mr. Jagath Pathirane has over 20 years' experience in Freight and Logistics. He is currently the Chairman of the Sri Lanka Freight Forwarders Association. He has served as 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 and mentor at the Moratuwa University mentoring programme. During the last year, He has been appointed a member of the Shippers Council and also sits in the advisory panels of National Advisory Council (NAC) and the National Export Strategy (NES) of Export Development Board (EDB) on Logistics Policy and Infrastructure Development.

Senior Management Team

10. SENTHILNATHAN SHANMUGAM

CEO - EFL HQ (Pvt) Ltd.

Mr. Senthil Shanmugam has around 35 years of 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 globally, 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. "

11. KANISHKA WIJESINGHE

Director Expolanka Airline Division

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

12. 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

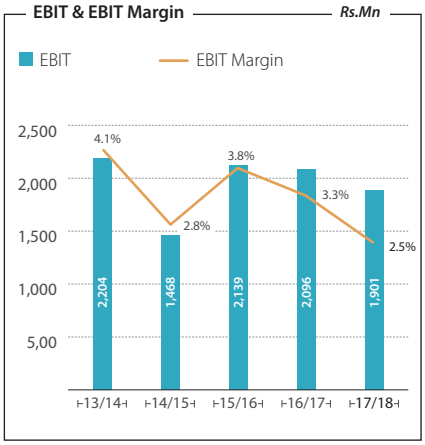
Group Performance

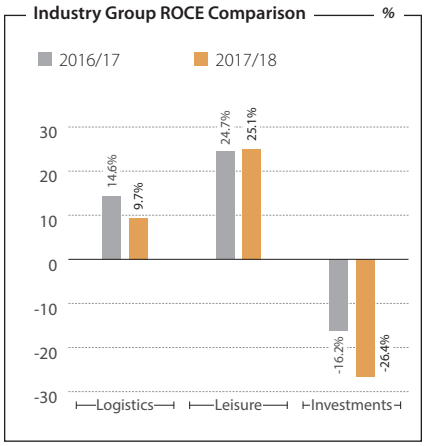
	2017/18	2016/17	Change	
	Rs. Mn	Rs. Mn	%	
Turnover	**77,533**	63,492	22.1%	Revenue growth was a result of a focused initiative undertaken by the group to grow volumes in Air Freight & Ocean Freight Products across all key trade lanes. The Logistics sector continued to be the key driver, growing at 34% YoY. The Leisure sector maintained its Revenue as anticipated contributing a Revenue of Rs. 1.2 Bn, whilst the Investment sector consolidated its revenue, recording a revenue of Rs. 3.2 Bn.
Earnings before Interest and Tax (EBIT)	**1,901**	2,096	-9.3%	Despite challenging conditions, Expo was able to consolidate its EBIT by recording an EBIT of Rs. 1.9 Bn. Challenges in procurement resulting in Margin pressure and a planned overhead increase undertaken to drive long term growth were the reasons for the slight drop in EBIT.
Finance Cost	**232**	403	-42.5%	On a recurring basis the Finance cost had increased by Rs. 40 Mn. Inspite of the tremendous growth in revenue of Rs. 14 Bn, the Finance cost increase is relatively marginal. Which was achieved due to effective cash management & efficient borrowing structures.
Profit Before Tax (PBT)	**1,669**	1,692	-1.4%	Despite Margin pressures (Both Gross Profit and EBIT), PBT is in line with the last year, recoding a PBT of Rs. 1.6 Bn.
Profit After Tax (PAT)	**962**	1,229	-21.7%	The company saw a higher than usual effective tax expense during the year, attributed to anticipated losses incurred in a few stations.
Total Assets	**28,708**	23,342	23.0%	Total Assets increased by Rs. 5.5 Bn, primarily due to the growth in Debtors resulting from the growth in Revenue.
Total Equity	**14,028**	13,377	4.9%	Resulting form the Profit attributed to the current year.
Total Debt	**4,204**	2,402	75.0%	Total Debt increased by Rs. 1.8 Bn, primarily to fund the Revenue growth at the group.
Capital Employed	**18,232**	15,779	15.5%	Growth in Capital Employed is driven by the growth in Equity and Debt.
Return on Equity (ROE)	**6.85%**	9.19%	-2.34%	Lower profitability as compared to the Capital Invested into the firm has resulted in the reduction in ROE and ROCE. The initiatives taken by the group are looking at sustaining profits in the Medium Term.
Return on Capital Employed (ROCE)	**6.55%**	10.34%	-3.79%	

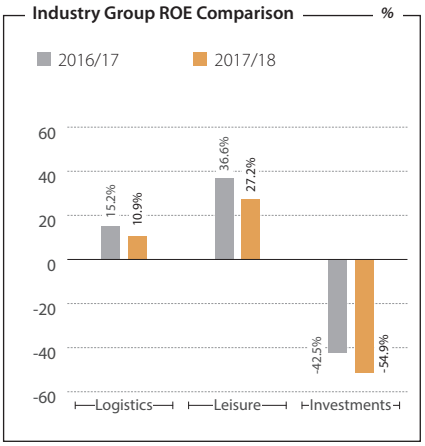
Contribution to the Group

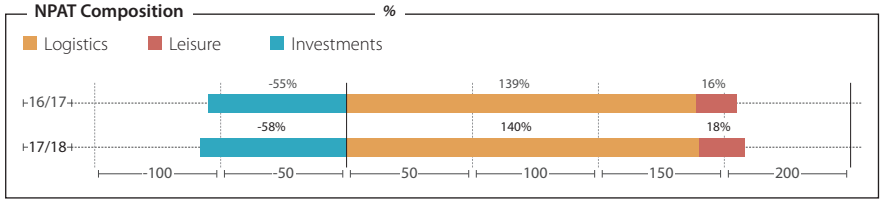
	Turnover	EBIT	Capital Employed	Equity
Logistics	94%	113%	85%	88%
Leisure	2%	13%	4%	4%
Investment	4%	-26%	11%	8%
	100%	100%	100%	100%

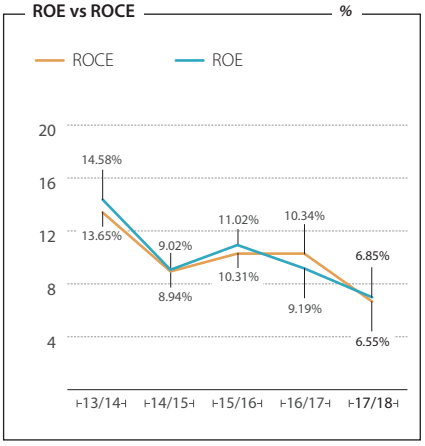
Group Performance

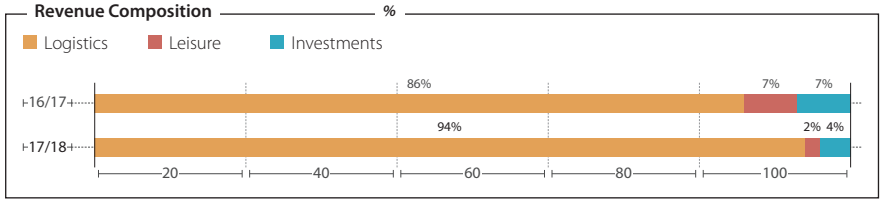


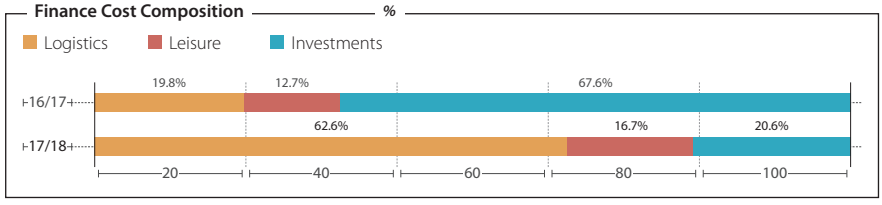


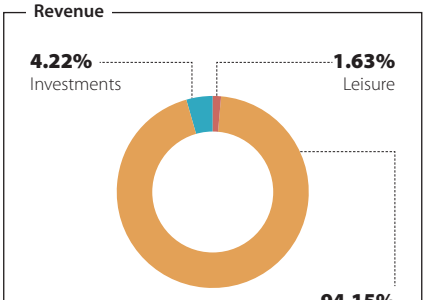


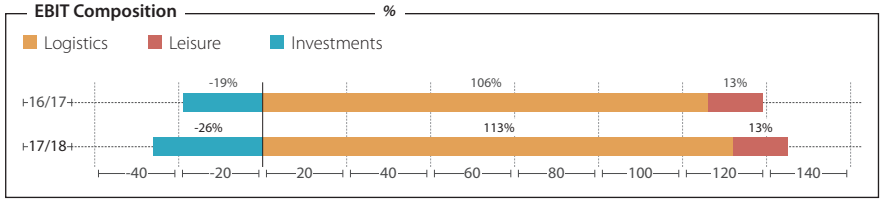












BEYOND

OUR MISSION

Integrated Management Discussion and Analysis

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Sustainability Strategy

Group Sustainability Framework

Sustainable returns and long-term value for stakeholders; are the key objectives reflected in our Sustainability vision. Stemming from this central theme, the main focus for 2017/18 was to formulate the sector-specific sustainability strategy for EFL. In this context, EFL began working with a number of its key freight customers to determine sustainability aspects that are more relevant to the logistics industry. Following an in-depth study to identify what customers consider as material sustainability issues for their freight partner, the EFL materiality map was reconstituted, with three key sustainability pillars emerging as the basis for operationalizing a new customer-driven sustainability strategy for EFL.

EFL's Sustainability Strategy

Committed to our teams and communities

- Ensure our employees are dedicated and engaged
- Ensure the health and safety of our employees
- Support employee diversity and inclusion

Delivering with the highest standards

- Delivering with the highest standards
- Protect data privacy
- Uphold social and environmental standards with our suppliers
- Uphold the highest ethical standards in the way we operate

Logistics sustainable and simplified

- Offer green solutions to our customers
- Reduce our own and freight Green House Gas Emissions

Materiality Assessment [GRI 102-47]

Defining Materiality

As outlined in the GRI guidelines, we recognize and accept the importance of materiality. This Report covers topics and indicators that reflect significant economic, environmental and social impacts and stakeholder inclusiveness.

Identifying Materiality

As a global company we have categorized and identified aspects based on their relevance and influence each aspect has on our stakeholders.

Community

- Local Development

Economic

- Economic Performance
- Market Presence

Employees

- Remuneration and Benefits
- Recruitment and Retention
- Health, Safety and Well Being
- Human Rights
- Diversity and Inclusion
- Training and Development

Environment

- Greenhouse Gas Emissions
- Effluent and Waste

Governance

- Anti Corruption
- Privacy and Data Protection

Suppliers

- Supplier Social Standards
- Anti-Competitive Behaviour

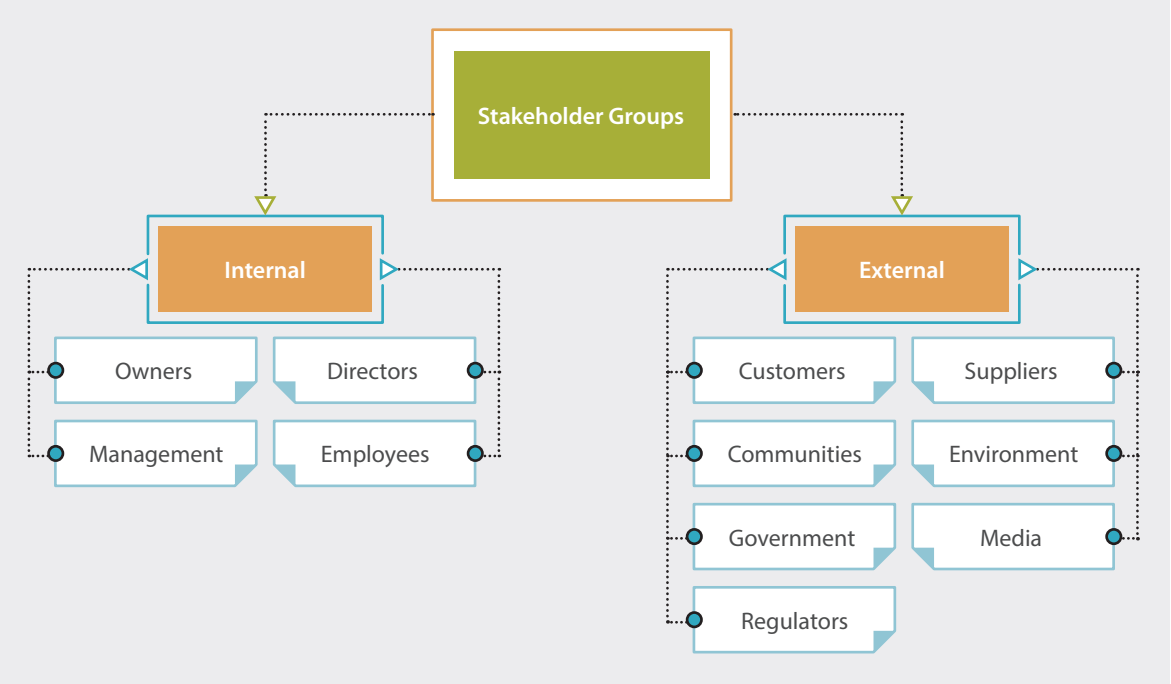
Supply Chain Analysis [GRI 102-9]

We have a vast number of suppliers across our various sectors. As part of the sustainability framework, we are actively working with all suppliers to ensure sustainability of the supply chain. This is mainly the case in the Logistics sector where we are partnering with carriers to meet the increasing requirements of customers.

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

Stakeholder Engagement

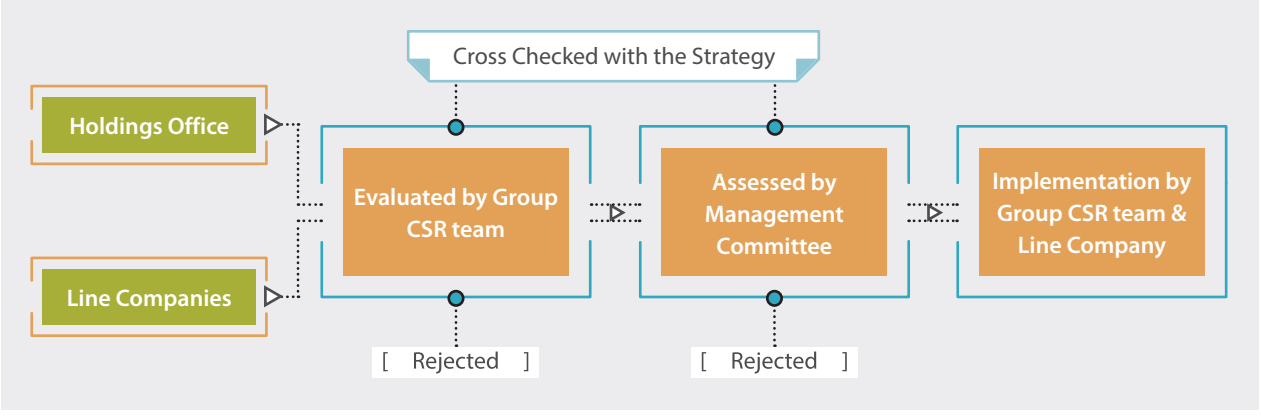
Stakeholder Groups [GRI 102-40]



Stakeholder Approach and Identification

[GRI 102-42, 102-43, 102-44, 413-1]

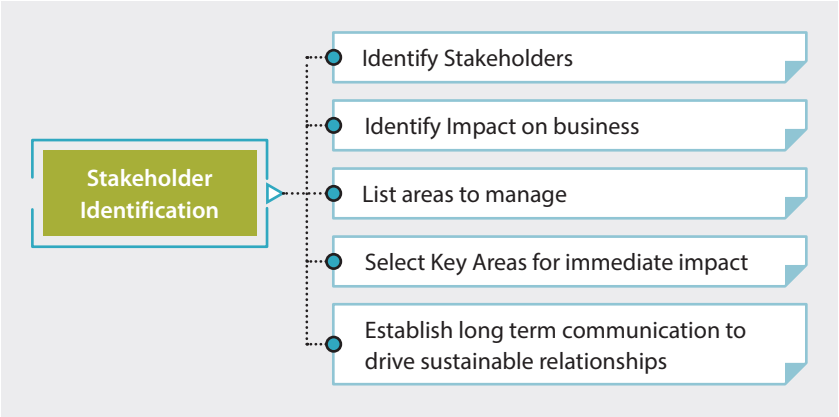
We believe that stakeholder engagement is crucial from a sustainability perspective, as it supports our understanding of emerging risks and opportunities, and facilitates the mitigation of these risks as well as the realization of opportunities. Our Stakeholder Engagement Framework is premised on the fact that it is vitally important to integrate a stakeholder engagement component into all aspects of our business. Accordingly, we have adopted a structured approach to engage and involve stakeholders that will allow us to collaborate and learn from one another in the pursuit of mutually supportive relationships.



The process for CSR begins prior to the financial year when budgets are finalized with future business plans. The team is required to present initiatives that increase employee engagement and develop society as a whole. The committee then, evaluates these projects and determines KPI's and milestones.

Stakeholder Identification

As part of the engagement process, we setup and established the following framework to identify stakeholders and their requirements.



Stakeholder Engagement

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 Relations Team » Group website » Email access to management team.	» Better interaction » Enhance financial returns and investor wealth creation.	» Presentations to potential and current investors periodically. » Improved interactive website. » Regular email feedback of performance to investors who request same. » Implement best management practices to improve returns.

Stakeholder Engagement

Stakeholder	Sustainable Business objectives	Method of Engagement	Key Topics/Concerns/Issues	Response
Customers	» To play the role of partner in the business success of customers. » To always serve customers with passion and dedication.	» Customer relationship management » Meetings with Senior Management » Daily interactions at operational level » Social events	» To enhance customer business outcomes through the offer of synergies drawn through business solutions. » Responsive interaction	» Dedicated customer response/account management teams. » Customer-specific service adaptations and customisations. » Overseas offices in 17 countries to enhance customer response. » International JV's and Strategic partnerships to offer greater value.
Employees	» To foster a diverse talent pool that delivers superior and efficient performance whilst ensuring that such efficiency is not achieved at the expense of work-life balance, ethics or corporate values.	» Open door policy for communication throughout the Group - Daily » Round Table discussions » Cross functional committees » Video conferencing » Performance Reviews » Online training modules and systems Ongoing » Grievance handling procedure » Online systems for HR and Training, Measurement and management of Key Performance Indicators » Employee suggestion schemes	» 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.	» Organizing 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.

Stakeholder	Sustainable Business objectives	Method of Engagement	Key Topics/Concerns/Issues	Response
Suppliers	» To balance cost considerations with sustainable procurement practices.	» Supplier surveys for ongoing relationship management - Annually » Feedback evaluations » Registration of Suppliers » Procurement committees - Monthly » Committees to address supplier appeals and grievances - As and when required	» System for handling appeals and other grievances » Support micro suppliers	» Appointment of committees to address supplier issues » New supplier registration criteria to support small scale operators
Community	» 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
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.	Annually » Awareness programmes » Meetings and Consultancy » Audits	» Climate change	» Eco-friendly practices including 3R and 5R implementation » GHG calculation

Stakeholder Value Creation

	Capital	Definition	Inputs	Outcomes	Contribution to SDG's
Economic Dimension	**Financial** Page 33	Economic resources to fund the business	» Equity Capital - Rs. 14,028 Mn » Debt Capital - Rs. 4,203 Mn	» Revenue - Rs. 77,533 Mn » Revenue Growth - 22% » Gross Profit Margin - 17.7%	
	Manufactured Page 34	Infrastructure that generates income	» Strengthening Our Infrastructure » Growing EFL's Global Footprint » Expanding Warehousing Capacity » Strengthening Leisure Sector Core Infrastructure	» End-to-end solutions for the customer » Improved business scale leading to higher returns for shareholders	
Social Dimension	**Intellectual** Page 36	The knowledge and intellectual property people use to gain a competitive advantage and grow the business	» Safeguarding Brand Reputation » Know-how and Competency » Investing in Systems and Processes » Strategic Partnerships » Best Practices	» Consistent long-term Returns to shareholders » Best in-class experience for customers	
	Human Page 40	The knowledge, skills, talents and experience of people that determines the capacity of an organisation to accomplish its goals	» Recruitment and Retention » Remuneration and Benefits » Defined Benefits » Diversity and Inclusion » Human Rights Compliance » Training and Development » Employee Engagement » Employee Health, Safety and Well-being	» Job Satisfaction » Higher Remuneration » Better Benefits » Opportunities for career growth » Share in the intangible benefits associated with corporate growth » Better work life balance » Ability to upgrade lifestyle	
	Social and Relationship Page 56	The value an organisation builds through engagement and information-sharing with stakeholders to achieve mutual well-being	» Customer Relationship Management » Supplier integration » Corporate Social Responsibility	» Access to the best in-class solutions (customer) » Sustainable long-term business relationships (Supplier) » Elimination of Social inequalities (Community)	
Environmental Dimension	**Natural** Page 51	The world's stocks natural ecosystems and assets, including geology, soil, air, water and all forms of life	» Energy and Fuel Management » Greenhouse Gas (GHG) Emissions » Water Management » Material Resource use and Waste	» Conservation of the environment for future generations	

Capital Management Reports

Financial Capital [GRI 201-1]

For the year ended 31st March	Group Total 2017/18		Logistics	Leisure	Investments	Group Total	Eliminations / Adjustments
	Rs. Mn.	%	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Direct economic value generated							
Revenue	77,533	99.6%	81,307	1,274	3,560	86,141	(8,608)
Dividend income	23	0.0%	920	-	107	1,027	(1,004)
Other operating and finance income	214	0.3%	689	30	14	734	(520)
Share of profit of an associate and joint venture	44	0.1%	21	3	-	23	20
Total value added	**77,813**	**100%**	**82,937**	**1,306**	**3,682**	**87,925**	**(10,112)**
Economic value distributed							
Operating costs	68,072	87.5%	73,048	692	3,440	77,180	(9,107)
Employee wages & benefits	6,948	8.9%	6,178	415	356	6,948	-
Payments to providers of funds	525	0.7%	1,255	51	341	1,647	(1,122)
Payments to government	1,178	1.5%	1,021	31	25	1,076	101
Total distributed	**76,724**	**98.6%**	**81,501**	**1,188**	**4,161**	**86,851**	**(10,127)**
Economic value retained							
Depreciation & Amortisation	421	0.5%	363	11	47	421	-
Profit after dividends	668	0.9%	1,073	107	(527)	653	15
Retained for reinvestment / growth	**1,090**	**1.4%**	**1,436**	**118**	**(480)**	**1,074**	**15**

Logistics

81,501 Rs. Mn

Value Distributed

1,436 Rs. Mn

Value Retained

Leisure

1,188 Rs. Mn

Value Distributed

118 Rs. Mn

Value Retained

Investments

4,161 Rs. Mn

Value Distributed

(480) Rs. Mn

Value Retained

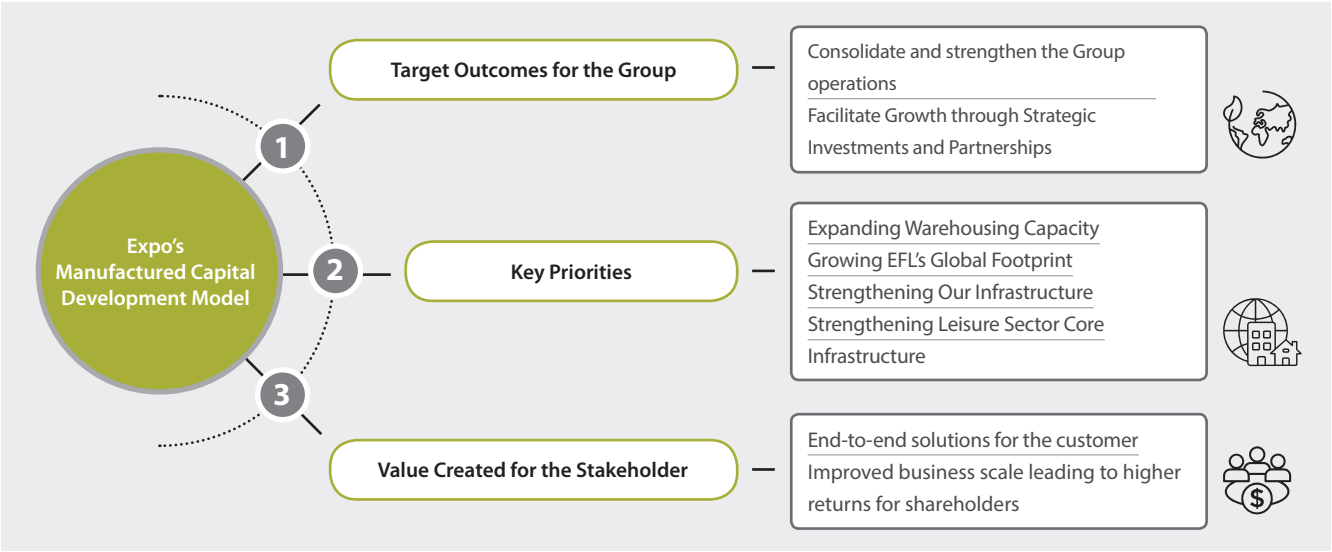
Manufactured Capital

Manufactured Capital consists of tangible assets - EFL stations around the world, land and building belonging to the Expolanka Holdings PLC, the EFL Campus and Warehouses and the Offices of Classic Travels, all vital infrastructure required for operationalizing the Group's various business models.

Management Approach

The Group has committed to building its manufactured capital mainly through an asset-lite model that would offer greater flexibility and the ability to accelerate scalability in the long term.

Expo's Manufactured Capital Development Model



Strengthening the Group's Infrastructure

Marking a significant addition the Group's Manufactured Capital, a new training auditorium was commissioned in April 2017. Situated adjacent to the state of the art EFL Campus in Orugodawatte, the new auditorium will be a dedicated training facility that forms part of a strategy to equip the next generation of logistics experts to take the industry forward over the medium-long term. Combining e-learning with concepts like game dynamics and social collaboration, the complex is equipped with a range of high tech and interactive technologies, making it an ideal venue for seminars, workshops, trainings and events.

Meanwhile in the Investments Sector, a new dedicated coconut water processing plant was commissioned at a total cost of approximately Rs. 149 Mn, including the building, plant and machinery as well as office and factory equipment. Equipped with the latest state of the art UHT aseptic technology, the plant is equipped to produce the full gamut of coconut water products, including Organic Aseptic Coconut Water, Organic Aseptic King Coconut Water and Organic Frozen King Coconut Water.

Growing EFL's Global Footprint

The Group's flagship brand EFL, operates in 60 cities across 17 countries globally through stations set up on the ground. Investments made in stations follow an asset-lite model, where the Group does not commit to the construction or development of infrastructure, but rather rents or hires to meet its requirements.

However, in the USA we took a bold step to expand this operation significantly with a similar expansion in China. As a follow-up to the China strategy, in the year under review one new station was opened in Guangzhou province in accordance to the Group's asset-lite model.

The EFL Hanoi (Vietnam) office relocated to a vibrant new office space equipped with enhanced facilities and an open office plan that is better for customer engagement.

Expanding Warehouse Capacity

Other than for the EFL Campus in Orugodawatte and the EFL CFS, which are fully owned assets of the Group, the warehousing segment too operates on an asset-lite model and any expansion of operational warehouse space is managed through a long-term rental agreement.

In line with this strategy, a capacity infusion to EFL's Ja-ela warehouse saw a further 10,000 square feet of space being added in the year under review. Meanwhile in complementing EFL's warehouse operations in Asia, a 40,000-square foot warehouse was commissioned in Taipei, Taiwan.

Strengthening Leisure Sector Core Infrastructure

The Leisure sector's Manufactured Capital is fully owned by the Group and consists of the land and buildings that house the Classic Travel Head Office and subsidiaries. This has helped centralize processes.

In the year under review, the Leisure Sector's Corporate Offices were moved from its flagship location on Galle Road to 19 Clifford Avenue, following a full refurbishment of this Group rented property.

The Classic Travel branch offices in key cities around the country are however rented, in line with the Group's commitment to the asset-lite model. In February 2018, a new Classic Travel branch office was opened in Kandy, bringing the total number of branches on the network to four.

Opening of Hanoi, new office

17 Countries

60 Cities

Our Global Footprint

The Group's flagship brand EFL, operates in 60 cities across 17 countries globally through stations set up on the ground. Investments made in stations follow an asset-lite model, where the Group does not commit to the construction or development of infrastructure, but rather rents or hires to meet its requirements.

Intellectual Capital

As a primarily service driven company, we handle large amounts of Data and Privacy and Integrity of information is a key component of the business. In addition, we deal with many regulatory authorities and bodies in the logistics and leisure industry and we aim to promote best practices.

Management Approach [GRI 103-1, 103-2, 103-3]

» Privacy and Data Protection **[GRI 418]**

» Anti-Corruption 205 **[GRI 205]**

The main aim of the Expolanka Holdings PLC Group intellectual capital strategy is to strengthen the equity and reputation of the two core brands: EFL and Classic and doing so by investing in technology, know-how and strategic partnerships that enhance each core brand proposition. With the goal to make EFL a global brand, a detailed brand manual along with a media policy has been developed that clearly identifies how the organization manages all intellectual property. At the same time, technology is a big driver across the companies and the group is actively looking to trademark any innovative applications/ mobile apps that enable ease of business.

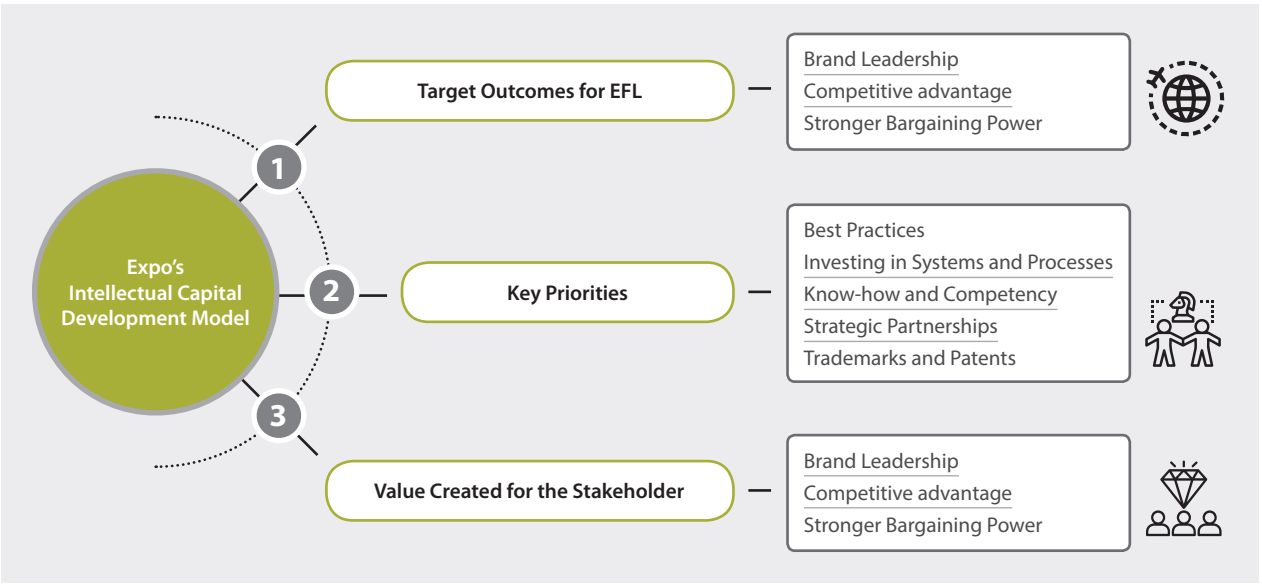
Boundary

» Offices

» Warehouses

» HQ Office

Expo's Intellectual Capital Development Model



Evaluation of Intellectual Capital

As intellectual capital is focused on the two brands, regular audits and assessments are carried out in internal and external communication to determine any deviations. The group's centralized marketing team is responsible for maintaining synchronized messages and communication across the brands and this has enabled a greater level of control.

Safeguarding Brand Reputation

The equity assigned to the EFL brand is a key source of strength in our business as a global freight forwarder. As such safeguarding the EFL brand from reputational damage is considered an absolute top priority for the Group. Formal brand guidelines are in place to standardize the application of the EFL brand throughout all Global offices covering such matters as; corporate stationery, corporate communication, staff items, publicity, signage and vehicle branding. The main goal here is to uphold the integrity of the brand and ensure our brand promise is conveyed consistently in a manner that would heighten visibility and positively reinforce the credibility of the EFL brand in the minds of the customer. Similar brand guidelines have been drawn up to protect the "Classic" brand – the flagship brand of the Group's leisure sector.

Meanwhile, going beyond the brand guidelines, a formal marketing policy was rolled out in March 2018 as part a cohesive strategy to maintain the core brand architecture across EFL's global freight operations. The main purpose of the policy is ensure that all reports and key messages published by specific EFL stations should be communicated in a positive, coherent and consistent manner in line with the Group's strategic plan and corporate marketing strategy. To ensure that all EFL stations adhere to the marketing policy, an awareness building campaign also commenced parallel to the launch of the media policy.

Know-how and Competency

The market knowledge and field expertise that the Group possesses is a key strategic resource that underpins EFL's success as a global freight forwarder. Experience in documentation and regulations of global trade remains a key component of our Intellectual Capital strategy, given the dynamic and fast-paced environment in which we operate.

Being an ongoing area of focus, in 2017/18, EFL's leadership team was strengthened with the appointment of three new directors – Mr. Ram Menen, Mr. Steve Dearnly and Mr. Mike Sherman all highly regarded for their knowledge and expertise in the field of global freight. (Refer page 18 of this report for complete personal profiles)

Investing in Systems and Processes

[GRI 418-1

The Group's governance mechanism, risk management framework as well as other operational processes are among the key levers that have enabled EFL's global freight operation and the Group's leisure Classic to secure a strong competitive positioning in their respective markets.

With regard to operational improvements, the most significant development for the year was the decision to migrate to the "CargoWise" ERP system across EFL's global freight operation, to overcome the limitations associated with EFL's legacy system. A globally accepted solution designed specifically for the logistics industry, single-platform software solution that has the capacity to support the integration of EFL's business with that of our customers and partners, thereby

EFL India - ISO Certification

increasing efficiency, visibility, and profitability of our operations. The first two phases of the CargoWise ERP roll out was completed across three stations (USA and Vietnam) in the year under review, with the entire network to be covered by mid-2019. In parallel, work also began on developing a new Business Continuity Plan (BCP) for the global freight operations as part of a dynamic new Business Continuity Management (BCM) programme covering all EFL stations worldwide.

Improvements to these areas remain an ongoing priority, prompting considerable investments each year to strengthen these aspects. The most notable development in the year under review was the investment to automate the corporate governance processes of Expolanka Holdings PLC and its subsidiaries including all EFL stations around the world. Developed in-house by ITX360, the fully-fledged Corporate Management System contains a total of six key modules - Board of Directors (BOD), Grant of Authority, Compliance Report, Share structures, Agreements and the Litigation List. As part of the first phase, the BOD and Agreements modules were launched in November 2017, with the Compliance module to be rolled out across global subsidiaries by end-July 2018. Further details on governance and risk aspects are detailed in these respective reports, which can be found on page 85 and 106 of this annual report.

EFL India received ISO 9001:2015 standards certification, following full compliance with quality, safety and supply chain protocols. Raising operational standards of the station, the certification adds a significant boost to EFL's overall position in the global logistics sphere.

The Tier 1 Highjump software, which was fully rolled out across all four EFL's warehouses in the previous year, continues to deliver good results. Being one of the most robust warehouse management platforms currently available in the market, the advanced visibility dashboards offered by the Tier 1 Highjump software has proven to be a considerable advantage for the cluster in delivering a range of value-added services to meet the increasingly complex needs of its core customer base – South Asia's apparel sector.

Ongoing emphasis on process improvement saw the groundwork being put in place to begin the roll out of a fully-fledged Business Continuity Plan (BCP) to counteract or minimize interruptions to EFL's key business activities at EFL HQ, EFL Campus and the Transport Division. Once fully rolled out in 2019, the BCP would effectively minimize the impact to people, process, technology and infrastructure by ensuring continued availability of services, legal and regulatory compliance and revenue continuity of EFL.

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

New process improvements in the leisure sector, included the launch of the Travel Portal and VISA System in June 2017 and December 2017 respectively.

The Classic Visa system is a web based visa platform geared to meet the end-to-end visa processing requirements at the Classic Visa department, covering such aspects as; Document Management, Interview Management, Communication with passengers along with value addition features such as Payment Gateway, SMS alerts, E- mail alerts, Tracking facilities for passengers and sales and operational staff etc. Being a dedicated programme, the Classic Visa system has the ability to support the full gamut of on line e-commerce channels, including; B2C, B2B and B2E, that gives "Classic" a competitive edge over peers.

Strategic Partnerships

Strategic partnerships bring multiple benefits by giving Expo the opportunity to access resources and expertise in order to deliver on our standards for service excellence. We seek out strategic partnerships that complement our business goals and in doing so look for experts who are leaders in their respective fields.

Cisco Systems, Inc. is an American multinational technology conglomerate headquartered in San Jose, California, in the centre of Silicon Valley, that develops, manufactures and sells networking hardware, telecommunications equipment and other high-technology services and products. Through its numerous acquired subsidiaries, such as OpenDNS, WebEx, Jabber and Jasper, Cisco specializes into specific tech markets, such as Internet of Things (IoT), domain security and energy management.

INFOR is a multi-national privately held United States-based enterprise software company. Headquartered in New York City, INFOR focuses on business applications for organizations and delivered via cloud computing as a service

Under the INFOR Partner Network Channel Partner program, ITX360 has been appointed as the authorized reseller for INFOR in South Asia and under the agreement is authorized to market, sell, install, service; managing the entire maturation cycle for a customer. Accordingly, ITX 360 would help to serve the needs of Infor customers across a wide expanse of industries and micro-verticals to advice them .

Juniper Networks, Inc. is an American multinational corporation headquartered in Sunnyvale, California that develops and markets networking products. Its products include routers, switches, network management software, network security products and software-defined networking technology.

Cisco Meraki is a cloud managed IT company headquartered in San Francisco, California. Their solutions include wireless, switching, security, EMM, communications, and security cameras, all centrally managed from the web.

Best Practices

At EFL, we are committed to achieving our business goals with integrity, with ethical standards and in strict compliance with the law. The Group complies with all international, national, and local legislation affecting its worldwide operations. We demand that all Business Segments, Employees, and Directors perform their duties to the highest standards as detailed in our Code of Conduct and in compliance with all relevant legal principles.

The Group's commitment also extends to providing the highest quality services to customers and other stakeholders in order to meet and exceed their expectations. Our uncompromising attitude to quality is ingrained in our culture and shapes everything we do. Accordingly, we endeavour to continuously and proactively manage and improve our processes in line with globally accepted best practices as well as other specific standards related to our industry.

Emphasizing the commitment to continuous improvement we have established measurable quality objectives, and all employees expected to take ownership to identify and evaluate challenges and to initiate, recommendations for improvement.

Expolanka Toastmasters Club

L to R (Standing); Gazzaly Moulana, Hisham Yasir, Thiwanka Prematthilaka, Usman Jauffer
L to R (Sitting); Kavya Palagolla, Sharon Rodrigo, Safiya Ismail

To enhance the presentation skills and speaking abilities of all staff, the Expolanka Toastmasters Club organized events and initiatives to achieve success and recognition throughout the year.

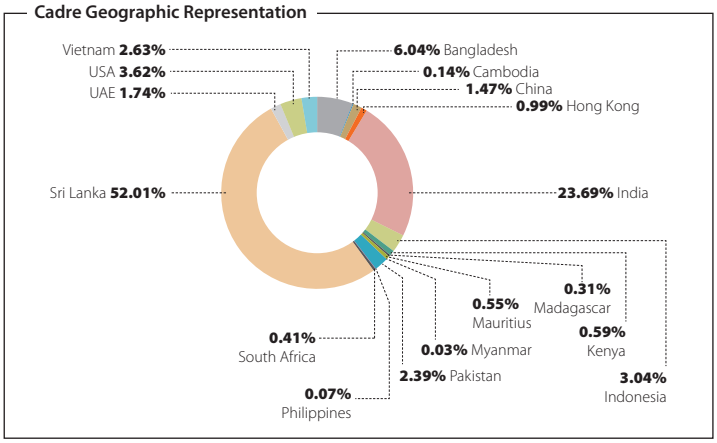
Established in 2012, the club has come a long way from its initial days and works closely with the district towards meeting mutual goals and objectives. Some of the notable achievements include:

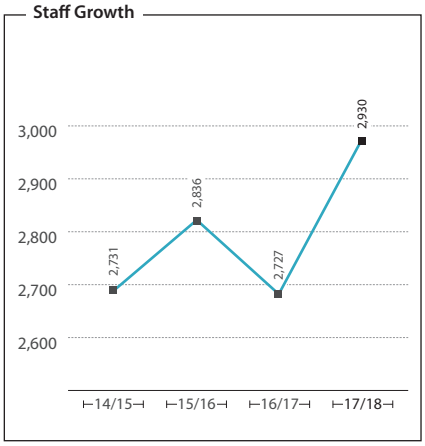
1. Achieved the 'presidents distinguished club award' from Toastmasters International® for the year 2017/18 for achieving 10/10 goals. This is the highest recognition a club can achieve from Toastmasters International, USA.
2. Achieved the 'Golden Gavel award' from District 82® for the year 2017/18 for achieving requisites pertaining to overall club goals. 'District 82' comprises of clubs presiding in Sri Lanka and Tamil Nadu, India. This is the highest recognition given by District 82 for clubs in Sri Lanka and Tamil Nadu.
3. Achieved the 'Club quality award' from District 82® for the year 2017/18 for achieving requisites pertaining to educational and membership goals.

Human Capital

Human Capital is the knowledge, skills, talent, experience, judgment and wisdom of people that gives us a competitive advantage and determines the capacity to accomplish the Group's mission.

[GRI 102-7]	Total Cadre	Gender Distribution		Age Analysis			
Sectors	Total Cadre as at 31st March 2018	Male	Female	18-25 years	26-35 years	36-45 years	46 years & above
Logistics	2,417	1,979	438	389	980	739	309
Leisure	278	186	92	86	106	55	31
Investments	235	195	40	59	114	47	15
Total Cadre	2,930	2,360	570	534	1,200	841	355





Management Approach

[GRI 103-1, 103-2, 103-3]

- Recruitment and Retention [GRI 401]
- Remuneration and Benefits [GRI 401]
- Diversity and Inclusion [GRI 405,406]
- Human Rights [GRI 408,109,412]
- Training and Development [GRI 404]
- Health, Safety and Wellbeing [GRI 403]

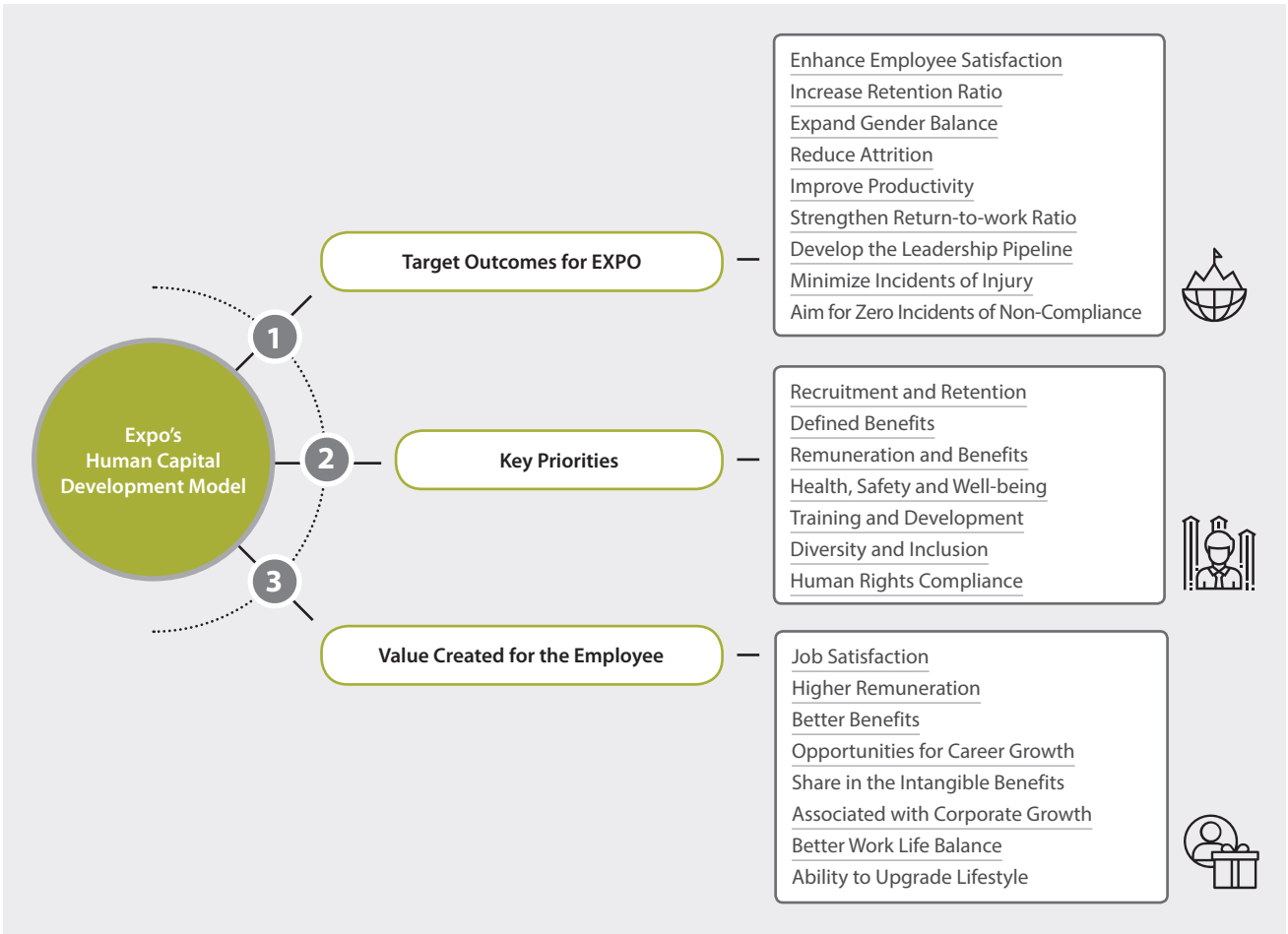
While the Group's HR strategies have evolved in response to the challenges and opportunities that arise from time to time, the core underpinning-principles remain the same. These principles are cascaded down into the day-to-day operations of business units, through the Group Human Capital Framework where standardized human resources processes seek to imbue our culture and work ethic among people across all countries in which the Group operates. The Group also leverages on its global vision and progressive, growth-centric culture to strengthen employer branding and position Expo as an employer of choice. As a centralized team, all performance evaluations and disputes/grievances are also managed at Group level.

Boundary

- Offices
- Warehouses
- HQ Office

	Service Year Analysis				Category Distribution			
	0-5 years	6-10 years	11-20 years	21 years & above	Heads & Above	Managers	Executives	Non Executives
	1,526	497	329	65	149	399	912	957
	201	39	35	3	7	31	114	126
	165	38	29	3	14	47	106	68
	1,892	574	393	71	170	477	1,132	1,151

Expo's Human Capital Development Model



Capital Management Reports

Evaluation of Human Capital

A strong team of close to 3000 staff globally means that the group has developed multiple initiatives to determine the working conditions and motivations of the staff. As part of the annual evaluation process, we conduct reviews to determine work/life balance and participate in the external ratings such as Great Place to work Survey for EFL and Classic Travel.

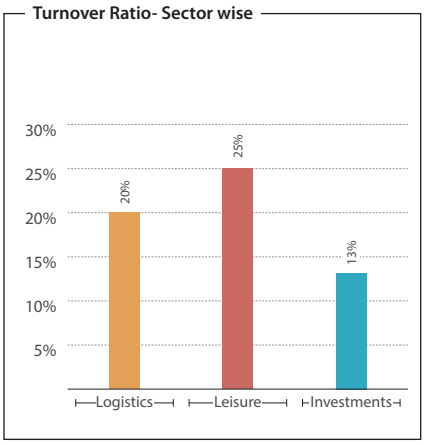
Recruitment and Retention [GRI 102-8,401-1]

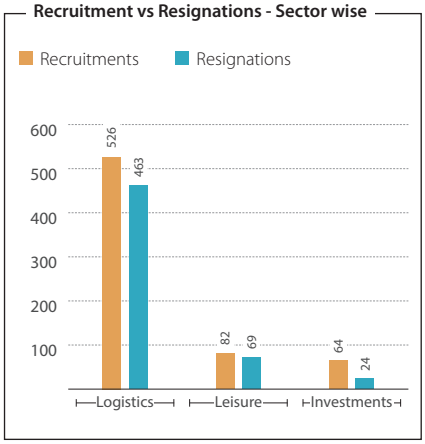
We view our employees as a major contributor to the creation of value in the long-term, by promoting business growth and bringing benefits to the society as a whole. Our goal therefore is to recruit and retain people who have the necessary credentials, readily identify with our core values and are a good cultural fit for our work ethic. As such, we look to attract professionals who demonstrate the competencies required for the achievement of our objectives by committing to improve customer satisfaction and have the drive to become future leaders within the Group. There are no part-time employees across the organization.

	Recruitments		Resignations	
Sectors	Male	Female	Male	Female
Logistics	382	144	343	120
Leisure	55	27	59	10
Investments	43	21	14	10
Total Cadre	480	192	416	140

	Recruitments				Resignations			
Sectors	Heads & Above	Managers	Executives	Non Executives	Heads & Above	Managers	Executives	Non Executives
Logistics	25	79	194	228	23	71	179	190
Leisure	0	3	23	56	0	5	21	43
Investments	1	6	29	28	1	6	8	9
Total Cadre	26	88	246	312	24	82	208	242

Sectors	Turnover Ratio %	No. of staff at the beginning of year (April 2017)	No. of staff at the end of year (March 2018)	Avg.	No. of resignations
Logistics	20%	2,319	2,417	2,368	463
Leisure	25%	272	278	275	69
Investments	13%	136	235	186	24
Total	20%	2,727	2,930	2,829	556





We believe that sound diversity practices contribute to positive results across the Group and as such remain committed to build an inclusive and engaging culture for all our employees by promoting diversity across all our operations.

Remuneration and Benefits [GRI 401-2, 401-3]

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

Being a global Group, we strive to benchmark our remuneration structures against industry standards in the countries in which we operate. Further abiding by all applicable local labour laws in the respective countries where we operate, we ensure our employees have full access to all benefits mandated by law including leave entitlements, provident fund contributions, gratuity payments etc. All female employees across the group are entitled to a standard leave for maternity. The total number of female employees in local operations who have obtained maternity leave during the year under review was thirteen.

Defined Benefits [GRI 201-3, 202-1]

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. 290 Mn 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 recognized as at the balance sheet date is Rs. 635 Mn.

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

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

Diversity and Inclusion [GRI 405-1]

We believe that sound diversity practices contribute to positive results across the Group and as such remain committed to build an inclusive and engaging culture for all our employees by promoting diversity across all our operations. By building an inclusive culture for our employees, we seek to develop empowered, motivated and customer focused employees, who are inspired to innovate and collaborate in order to create the best possible solutions for our customers, our shareholders and the society in which we operate.

In line with globally accepted human rights principles including the ILO convention and the UNGC compact, we are committed to providing a work environment that is free from discrimination. In keeping with this commitment, the Group strictly practices a policy of equal opportunity employment at

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

Employee communication and engagement is an important part of the Group's inclusion strategy. We communicate regularly with our employees through the intranet, emails, quarterly newsletters etc. to ensure they are kept abreast on such matters as the Group's strategic intent and growth plans, proposed operational / structural changes within the Group, successes achieved by business units etc. At the same time, it is crucial for us to be able to receive feedback from our employees as it highlights areas where we are doing well and points to aspects that need to be improved, and also gives employees an opportunity to contribute to future plans for the Group through innovative ideas and solutions. In this context we practice an open-door policy to promote ongoing employee dialogue, while collaboration tools such as Yammer provide employees with the opportunity to participate in the Group sustainability and CSR efforts.

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

	Heads & above		Asst. Manager and above		Executives		Non Executives	
	Male	Female	Male	Female	Male	Female	Male	Female
18 - 25 years	0	0	0	0	129	39	296	70
26 - 35 years	14	1	123	34	429	159	362	78
36 - 45 years	58	9	191	57	243	48	205	30
46 years & above	80	8	61	11	75	10	94	16
Total	**152**	**18**	**375**	**102**	**876**	**256**	**957**	**194**

Country	Company	Event	Held on (1st April 2017-31st Jan 2018)	Type of Activity
Bangladesh	EFL - Bangladesh	Ifthar Celebrations	June, 2017	Festivals and Celebrations
Bangladesh	EFL - Bangladesh	Bengali New Year Celebrations	April, 2017	Festivals and Celebrations
Bangladesh	EFL Bangladesh	Annual Trip		Recreational Activities
Indonesia	EFL - Indonesia	Kartini Day Event	April, 2017	Festivals and Celebrations
Indonesia	EFL - Indonesia	Ifthar Celebrations	June, 2017	Festivals and Celebrations
Indonesia	EFL - Indonesia	New Year Celebrations	January, 2018	Festivals and Celebrations
Sri Lanka	Classic Travel	International Women's day	May, 2017	Festivals and Celebrations
Sri Lanka	Classic Travel	Flood Relief Volunteering	May, 2017	Welfare Activities
Sri Lanka	Classic Travel	Ifthar Celebrations	June, 2017	Festivals and Celebrations
Sri Lanka	Classic Travel	Ron Kaufman Training	July, 2017	Training Program
Sri Lanka	Classic Travel	GPW Awards	June, 2017	Award Ceremony
Sri Lanka	Classic Travel	Dhammika Kalapuge - Office Assistant Training	August, 2017	Training Program
Sri Lanka	Classic Travel	TTSC Bowling	May, 2017	Recreational Activities
Sri Lanka	Classic Travel	TTSC Pool Championship	July, 2017	Recreational Activities
Sri Lanka	Classic Travel	TTSC Tag Rugby	November, 2017	Recreational Activities

Country	Company	Event	Held on (1st April 2017-31st Jan 2018)	Type of Activity
Sri Lanka	Classic Travel	Annual Get Together	January, 2018	Recreational Activities
Sri Lanka	EFL - HQ	Year End Party 2017	December, 2017	Festivals and Celebrations
Sri Lanka	EFL - HQ	Halloween Movie Night	October, 2017	Festivals and Celebrations
Sri Lanka	EFL - HQ	Sinhala and Tamil New Year Celebrations	April, 2017	Festivals and Celebrations
Sri Lanka	EFL - Sri Lanka	New year Celebrations	January, 2018	Festivals and Celebrations
Sri Lanka	EFL - Sri Lanka	Vesak Lantern Competition	May, 2017	Festivals and Celebrations
Sri Lanka	EFL - Sri Lanka	Ifthar Celebrations	June, 2017	Festivals and Celebrations
Sri Lanka	EFL - Sri Lanka	Diwali Celebrations	October, 2017	Festivals and Celebrations
Sri Lanka	EFL - Sri Lanka	Potluck BBQ Competition 2017	October, 2017	Employee Engagement Activities
Sri Lanka	EFL - Sri Lanka	Year End Party 2017	December, 2017	Employee Engagement Activities
Sri Lanka	EFL - Sri Lanka	GPW Awards	June, 2017	Award Ceremony
Sri Lanka	Expolanka Holdings PLC	Brain Tease 2017	July, 2017	Recreational Activities
Sri Lanka	Expolanka Holdings PLC	Year End get-together	December, 2017	Festivals and Celebrations
Sri Lanka	Expolanka Holdings PLC	Expo Got Talent - 2017	October, 2017	Recreational Activities
Sri Lanka	Expolanka Holdings PLC	Ifthar Celebrations	June, 2017	Festivals and Celebrations
Sri Lanka	Expolanka Holdings PLC	Sinhala and Tamil New Year Celebrations	April, 2017	Festivals and Celebrations
Sri Lanka	Expolanka Holdings PLC	New year Celebrations	January, 2018	Festivals and Celebrations
Sri Lanka	Expolanka Holdings PLC	Thai Pongal Celebrations	October, 2017	Festivals and Celebrations
USA	EFL - USA	New York Halloween Party	October, 2017	Festivals and Celebrations
USA	EFL - USA	Thanksgiving Celebrations	November, 2017	Festivals and Celebrations
USA	EFL - USA	Year End get-together	December, 2017	Recreational Activities
UAE	EFL - UAE	Annual Trip		Recreational Activities
Vietnam	EFL - Vietnam	Staff outing and OBT	October, 2017	Recreational Activities
Vietnam	EFL - Vietnam	Year End get-together	December, 2017	Recreational Activities

Kartini Day – EFL Indonesia

In keeping with tradition, the team at EFL Indonesia celebrated the Kartini's day in April 2017 as it marks a significant event in the history of the country - the birth in 1879 of Raden Ajeng Kartini, one of the country's national heroes and a pioneer in the emancipation of Indonesian women.

Kartini Day

Group Events in Sri Lanka

'Expo Got Talent' and 'Brain Tease' were among the top events organized during the year for all employees of the group. Both events featured large numbers of participants individually and in teams aiming to secure top honors and cash prizes. In addition, a separate Bowling Tournament was organized by the Expo Sports Committee as part of the annual sporting activities for the year.

Expo Got Talent - 2017

Brain Tease - 2017

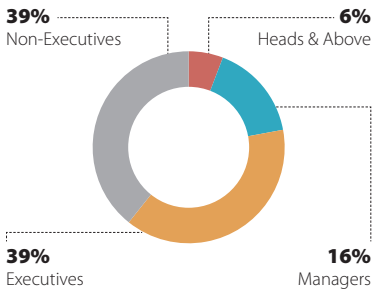
Significant Outcomes for 2017/18:

[GRI 102-8]

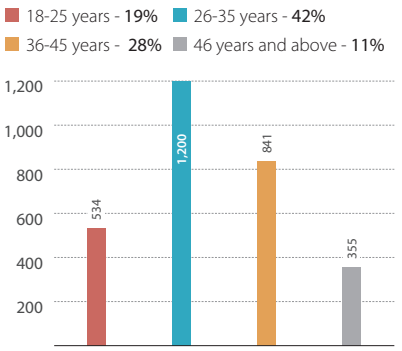
	Permanent	Contract
Male	2087	273
Female	468	102

Sectors	Permanent	Contract
Logistics	2082	335
Leisure	267	11
Investments	206	29
Total Cadre	2555	375

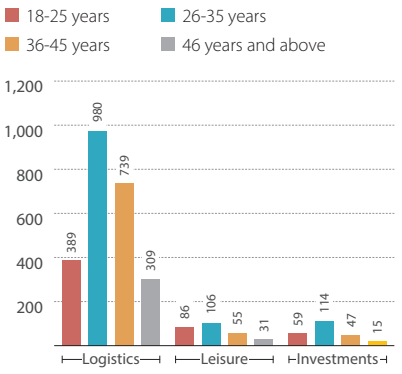
Total Cadre - Category wise



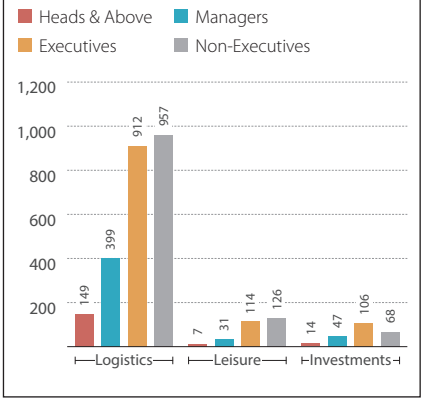
Total Cadre - Age analysis



Age Analysis - Sector wise



Category Distribution - Sector wise



EFL and Classic Travel was named among the 'Great Place to Work in Sri Lanka' index. The list evaluates leading companies and ranks those who offer commendable work life balance.

EFL

Classic

During the year, EFL also secured 2 additional accolades at the Best Employer awards winning 'Dream companies to work for' in both Asia and Sri Lanka.

Best Employer Awards

Human Rights Compliance [GRI 408-1,412-1]

Our group-wide Human Capital as at 31st March 2018 comprised of 2,930 employees in 17 countries. At the core, our aim is to ensure that each and every one of these employees are treated fairly, and with dignity and respect. In doing so, we seek to comply with globally accepted best practices for human rights practices such as those set out under the United Nations Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work (ILO Declaration). Given our global reach, we support the United Nations Guiding Principles on Business and Human Rights (UNGC Principles), which includes among other things, the prevention of Child Labour and forced / compulsory labour and this practice is also extended to suppliers.

There were no operations that have been subject to Human Rights reviews or human rights impact assessment.

Our commitment to respect human rights in the workplace is manifested in the Group Code of Conduct and cascaded down to an operational level through HR Capital that is consistently applied on a day-to-day basis.

A formal grievance procedure is also in place to enable employees to report to the relevant authorities, any matters of discontent. Further, we advice all our employees to use this channel to raise any concerns regarding ethics, discrimination or harassment matters, and also to report suspected violations of applicable laws, regulations and policies.

Significant Outcomes for 2017/18:

[GRI 406-1, 409-1]

There were no reported incidents on discrimination, forced or compulsory labour or any other violations of Human Rights, by any of our business units or operations, during the reporting period.

Regular due diligence is carried out to check adherence, review reported incidents, if any and determine areas for further improvement.

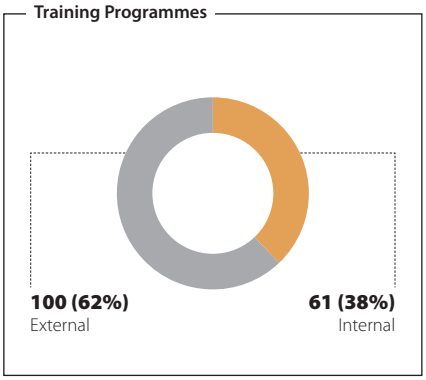
Training and Development [GRI 404-1]

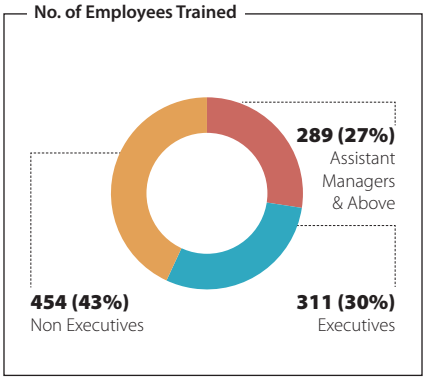
Through consistent and ongoing investment we promote ongoing learning and development of our employees, teams and leaders at all levels of operation. Based on the results of our performance management mechanism (outlined above), we give our employees access to training programmes both local as well as overseas, that are best suited for their job role and support their personal development goals. To ensure more impactful learning we follow a (70:20:10) blended learning approach to sharpen the skill set needed for the current business needs together with future skills to better align with our long-term vision. Accordingly, 70% of each learning intervention is done on the Job, 20% from informal activities such as coaching and mentoring and the remaining 10% delivered via e-Learning and classroom training.

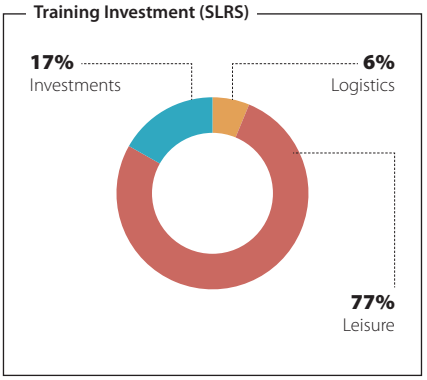
At the same time, in order to ensure the sustainability of our business, we run programs to develop future leaders and also enroll identified high performers on rotational programmes or assignments within the Group to create exposure to different business operations and functions, or within the region to develop expertise on global operations and best practices.

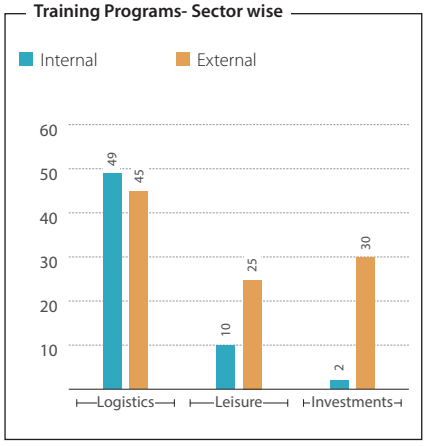
Beyond work related training, we also focus on personal development of our employees and conduct special soft skills training programmes from time-to-time, targeting all employees across the Group.

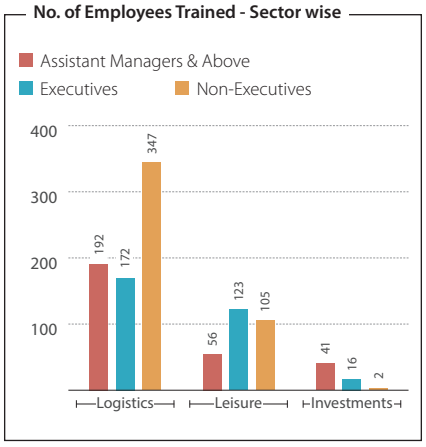
Significant Outcomes for 2017/18:

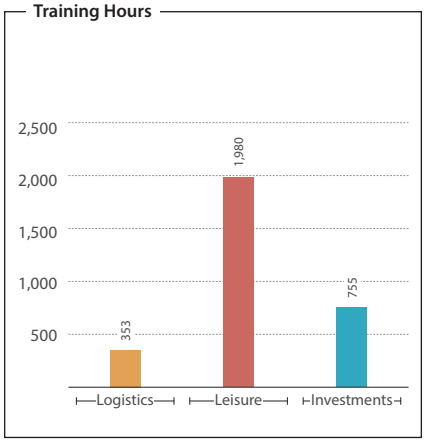












Training Hours [GRI 404-1]

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	49	45	353	192	172	347	7,459,191	0.15
Leisure	10	25	1,980	56	123	105	6,219,931	7.12
Investments	2	30	755	41	16	2	1,358,551	3.21
Total	61	100	3,088	289	311	454	13,817,673	

Health, Safety and Well Being

[GRI 403-1,403-3,416-2]

The Group is fully committed to providing a safe and healthy working environment for all employees and in doing so strictly complies with applicable laws and safety regulations in the countries that we are present. With due consideration of their operating context, separate health and safety management policies have been drawn up to operationalize relevant safety procedures at each of the operational sites in the respective sectors.

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

As part of OSHAS Compliance, a number of joint committees representing both the management and workers have been established to regularly meet and discuss health and safety issues and prevention strategies.

In addition, during the reporting period, there were no reported Incidents of non-compliance concerning the health and safety impacts of products and services.

To support and guide employees to be ambitious and successful at work without having to compromise on other aspects such as personal health, family time and leisure, an interactive and educational programme was carried out by expert psychologist Ms. Rehka Aththidiye. The programme was a huge success with positive feedback received from the audience.

Award-winning motivational and leadership keynote speaker and customer service consultant, Ron Kaufman provided a comprehensive training session for the EFL Colombo team in July 2017. Ron is the Founder and Chairman of 'Your Service' has helped companies on every continent build a culture of uplifting service that delivers outstanding business results.

Ron Kaufman Workshop

Group Level Sporting activities to foster the competitive spirit among staff and build brand recognition within the corporate sector are strongly encouraged and spearheaded by the Expo Sports Committee. This team is responsible for driving sporting activities across the group and creating a platform for talented individuals to represent the company. Some of the notable achievements during the year include

» Runners up - D Division at 40 over League Tournament 2018

Cricket

» 2nd Runner up - A Division at Mercantile League Tournament

Netball

Capital Management Reports

Diversity and Inclusion

Short- Term Actions	Long-Term Actions
1. **Monitoring :** Expand Monitoring of gender balance in governance bodies 2. **Diversity Plan :** Define a diversity plan that could include training, diversity and inclusion networks, mentorships programs, whistle blowing channels and/or auditing	1. **Senior Leadership:** Increase the opportunities for women to obtain senior leadership positions through execution of Diversity plan. 2. **Dialogue Forums:** Create internal forums and other opportunities for female employees to share insights and participate in regional and international forums on diversity and inclusion to gain corporate visibility.

Employee Engagement

Short- Term Actions	Long-Term Actions
1. **Employee engagement rate:** Expand Great Place to Work Survey to global operations or complete another employee engagement survey covering all operations. Based on employee engagement results in year 1, set target for improvement and develop specific actions plans. 2. **Monitoring :** Expand monitoring of share of employees that receive training and that receive performance appraisals and the average hours of training per employee per year	1. Long-term actions will be defined based on the employee engagement survey results.

Health and Safety

Short- Term Actions	Long-Term Actions
1. **Monitoring:** Increase scope of health and safety monitoring to cover 100% of employees by the end of 2018.	1. **HSE MS:** Expand scope of HSE management system to cover 100% of employees, including HSE policy, roles and responsibilities, communication, training and auditing by the end of 2019. 2. **Programs:** Develop programs for specific hazards such as road safety or office well-being.

Business Ethics

Short- Term Actions	Long-Term Actions
1. **Risk Assessment:** Complete an Anti-corruption Risk Assessment 2. **Pledge Document:** Based on risks identified, strengthen the pledge document language around bribery and corruption, or develop a global anti-corruption policy, which details gift policy and conduct to adapt. Require that employees sign the document annually. 3. **Risk Mitigation Plan:** Develop risk mitigation plan that includes training, and auditing.	1. **Implement:** Mainstream Risk Mitigation Plan including implementing an anti-corruption training program. 2. **Collaboration and Organizations:** Participate in international organizations (e.g. Maritime Anti –Corruption Network, Transparency International, community programs) and activities that help build ethical business practices across the greater industry and within the communities operated.

Natural Capital

Natural Capital consists of natural resources used in the normal course of business to support value creation processes. The electricity, fuel, water, paper etc. used in the day-to-day operations are all generated using natural resources.

Management Approach [GRI 103-1,103-2,103-3]

» Green House Gas Emissions **[GRI 305]**

» Material Resource Use & Waste **[GRI 306]**

» Environmental Compliance **[GRI 307]**

We strive to minimize and mitigate the impact of its operations on the environment in a sensible, innovative and legally compliant manner. And in doing so takes proactive action to mitigate the direct impact resulting from the business alongside broader efforts to tackle the issue of climate change. The Environmental Policy outlined in 2013 is effective across the group and under LEED guidelines for the warehousing cluster, several initiatives are carried out to ensure green policies are applied to cleaning and maintenance.

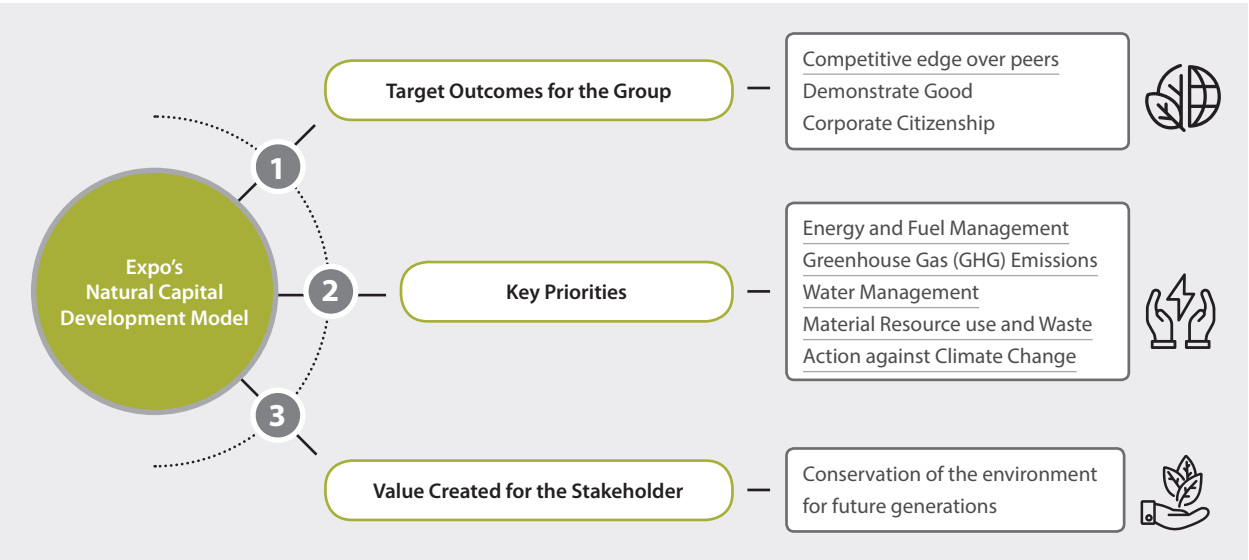
Boundary

» Offices

» Warehouses

» HQ Office

Expo's Natural Capital Development Model



Evaluation of Natural Capital

The annual audits carried out under ISO guidelines help determine the emissions of the Sri Lankan logistic sector operations. In addition, the usage of materials is also captured and compared to the increase in operations and number of staff as the group is primarily involved in service related businesses.

Energy and Fuel Management

With core business interests in logistics and leisure, the Group's activities are primarily service-oriented and as such have no significant direct impact on the environment. However, having understood that the energy used at the various corporate offices and EFL stations across the globe as well as the fuel consumed in the cargo transport business do have a bearing on the environment. We have begun working towards minimizing even this slight impact and are currently in the process of drawing up a broad-based Energy Management Strategy (EMS), aimed at maximizing the Group's energy performance. Applicable to all business units across the Group, the EMS will seek to support our energy and fuel management targets through the adoption of globally accepted best practices for energy management along with continuous improvement driven by training and investment in new energy-efficient technology.

The Group's decision to migrate to renewable energy sources, which in 2016 prompted the investment in a solar energy system at the EFL campus in Orugodawatte, has also proven to be an effective solution in controlling the Group's high-energy requirements.

Greenhouse Gas (GHG) Emissions

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

The GHG emissions attributed to the Logistics sector are a direct result of the energy and fuel consumed as part of their day-to-day operations. Controlling GHG emissions is therefore inextricably linked to the Group's energy and fuel management strategy. Identified as a material aspect in the Group's business operations, the goal is to achieve a 5% year-on-year reduction in GHG emissions across the Group. Ongoing efforts to realize this goal have prompted EFL to benchmark global best practices for the measurement, monitoring and reporting of GHG emissions.

In line with the commitment to align with globally accepted best practices the Group adopted the ISO 14064 standards Certification process in 2016 to track GHG emissions, and has since been measuring both electricity consumption and fuel usage in the warehousing operations in Sri Lanka. While the emissions resulting from electricity consumption can be easily computed as per the definitions of the GHG protocol, the process to determine fuel usage is somewhat more complicated and involves tracking point-to-point emissions based on the guidelines issued by DEFRA (Department for Food and Rural Affairs) UK, to establish an approximate conversion ratio to estimate GHG emissions generated during the airfreight of goods through short, medium and long haul traffic.

The second year audit conducted as part of the ISO 14064 standards re-certification process revealed that in total, EFL recorded GHG emissions of 7314.63 tCO2e across all its 10 operational locations in Sri Lanka for year ended March 2017. Primary contributors to this were Hired Vehicles, Company Owned Vehicles, and Leased Vehicles for Cargo Warehousing and Trucking Purposes, which were 72.3%, 5.5% and 2.3% of the total emissions respectively. In total, this accounts for 80.1% of the total GHG emissions of the company.

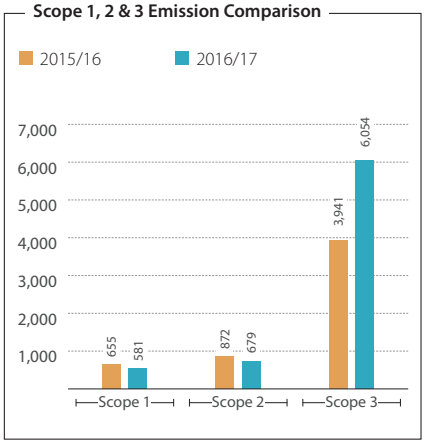
Location
Description
Scope 1
On-Site Energy
Stand by Generator- Diesel
Fugitive Emissions
Air Conditioning Refrigerant
Fire Extinguishers - CO_2
Company owned vehicles
Diesel
Petrol
Leased Vehicles
Diesel
Petrol
Sub Total Scope 1
Scope 2
Purchased Electricity
Purchased Electricity
Sub Total Scope 2
Scope 3
Electricity - Transmission & Distribution losses
Hired Vehicles
Diesel
Petrol
Third-Party Deliveries
Local
Inbound- local supply - Three-wheeler
Inbound- local supply - Lorry
Inbound- foreign supply - foreign airport to local airport
-Long haul
-Medium haul
Sub Total Scope 3

	LC	ACV	CFS & TD	NW	JW	SDO	BO	KO	SO
	GHG Emission (t CO_2e)	GHG Emission (t CO_2e)	GHG Emission (t CO_2e)	GHG Emission (t CO_2e)	GHG Emission (t CO_2e)	GHG Emission (t CO_2e)	GHG Emission (t CO_2e)	GHG Emission (t CO_2e)	GHG Emission (t CO_2e)
	4.86		0.49	6.36	0.37	0.53			
	0.02			0.00	0.01				
	0.00		389.97						
	10.21		0.00						
	0.00		148.79						
	0.00		19.59						
	15.09	**0.00**	**558.84**	**6.36**	**0.39**	**0.54**	**0.00**	**0.00**	**0.00**
	432.22	22.78	52.87	138.98	8.25	20.18	2.21	0.93	0.93
	432.22	**22.78**	**52.87**	**138.98**	**8.25**	**20.18**	**2.21**	**0.93**	**0.93**
	49.45	2.61	6.05	15.90	0.94	2.31	0.25	0.11	0.11
			5250.77						
			37.21						
	0.01								
	0.07	0.17	0.17			0.03	0.02		0.01
	0.21								
	0.30								
	50.04	**2.78**	**5288.15**	**15.90**	**0.94**	**2.34**	**0.27**	**0.11**	**0.12**

Reduction of GHG Emission

[GRI 305-5]

The results also showed a reduction in Scope 1 emissions by 73.03 tCO2e while emissions generated from purchased electricity reduced by 192.60 tCO2e thanks to the Group's investment into solar power at the EFL campus.



Environmental Compliance

[GRI 307-1]

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

Water Management

Being a service organization, water is used mainly for sanitation and hygiene requirements of employees and hence the Group's water footprint is minimal compared to that of a manufacturing company. Nonetheless, the Group has committed to adopt an integrated approach to manage its water footprint and has implemented sound water management systems and practices, together with a proactive incident management framework aimed at promoting continuous improvement at all levels.

Capital Management Reports

Material Resource Use and Waste [GRI 306-2]

The Group's core businesses are highly paper-intensive and as such generate large volumes of paper waste on a daily basis. Emphasizing the commitment towards responsible disposal of paper waste EFL Sri Lanka has a long-standing partnership with Neptune Recyclers (Pvt) Ltd, enabling a total of 4,060.50 Kg of paper waste to be sent for recycling in the year under review.

However in recent times, the Group has been reporting a steadily decline in the volume of paper waste, thanks to a strict policy on paper use alongside a focused effort to invest in process digitalization.

Expolanka Group of Companies- Report for the year 2017/2018						
Company	Collection (kg)	Environmental savings				
		Trees (Nos)	Oil (Ltrs)	Electricity (kWh)	Water (Ltrs)	Landfill (M^3)
Classic Travel (Pvt) Limited	454.00	8	797	1,816	14,428	1
Expolanka Freight (Pvt) Ltd.	2,876.50	49	5,048	11,506	91,415	9
Expolanka Holdings PLC	610.00	10	1,017	2,440	19, 386	2
Expolanka Holdings Ltd. (Sundry)	120.00	2	211	480	3,814	-
Total	4,060.50	69	7,127	16,242	129,043	12

Action against Climate Change

EFL commits to plant over 50,000 trees in 5 years. Here is an attempt to give our children a little luxury which we have been blessed to live through. This way EFL is contributing towards the sustainability of this one and only planet by full filling UN SDG of Climate Action.

An ongoing effort to celebrate the 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. This was conducted consecutively during the past 03 years and the campaign has resulted in the distribution of 6,000 LED bulbs in total to date.

Environment Policy

We, at Expolanka Holdings, recognize that protecting the global environment is a priority for humankind and as such make the following pledge:

1. We are committed to protect the environment and to take steps in minimizing the impact on it by our corporate activities.
2. We will create Awareness and Consciousness on the overall environmental considerations among our employees and other stakeholders.
3. We will promote environmentally friendly business practices which will improve the Environmental footprint of our group.
4. We will comply with environment regulations, legal legislations and agreements, and will work to protect the environment by establishing voluntary management targets.

With the active participation of all employees, who are individually and collectively responsible for our performance, and through the commitment of continual improvement of the environmental performance it will be made an intrinsic part of our business strategy with the hope for a better tomorrow.

GROUP CEO

Reduce GHG Emissions

Short- Term Actions	Long-Term Actions
1. **Tracking:** Integrate P3 and have the capability to track all GHG emissions from outsourced transport 2. **Renewables:** Review energy procurement strategy, looking for ways to incorporate renewable energy into operations. 3. **Efficiency:** Improve own fleet fuel efficiency and increase efficiency of buildings (map hot spots and identify priorities)	1. **Fleet:** Purchase electric/ fuel efficient trucks. 2. **RE100:** Source 100% of electricity from renewables. 3. **Collaborate:** Work with key industry stakeholders (CCWG, GLEC, IATA and Smart Freight Centre) to improve methodologies for transport carbon foot printing.

Social and Relationship Capital

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

Management Approach **[GRI 103-1, 103-2, 103-3]**

» Local Development **[GRI 413]**

» Supplier Social Standards **[GRI 414]**

» Anti-Competitive Behaviour **[GRI 206]**

Recognizing that engagement forms the basis for developing respect, trust and understanding between all stakeholders, the Group strives to build strong ties with all stakeholder categories to enable the creation of mutually beneficial outcomes and thereby improve the sustainability of business operations in the long-term. The code of conduct of Expolanka covers the policies on dealing with the environment and other business partners and having successfully enhanced that in the last financial year, the company conducted multiple trainings and workshops to reaffirm the values. For all CSR related projects, outcomes are outlined at the start of the year and it is the responsibility of the project team to ensure all goals are met.

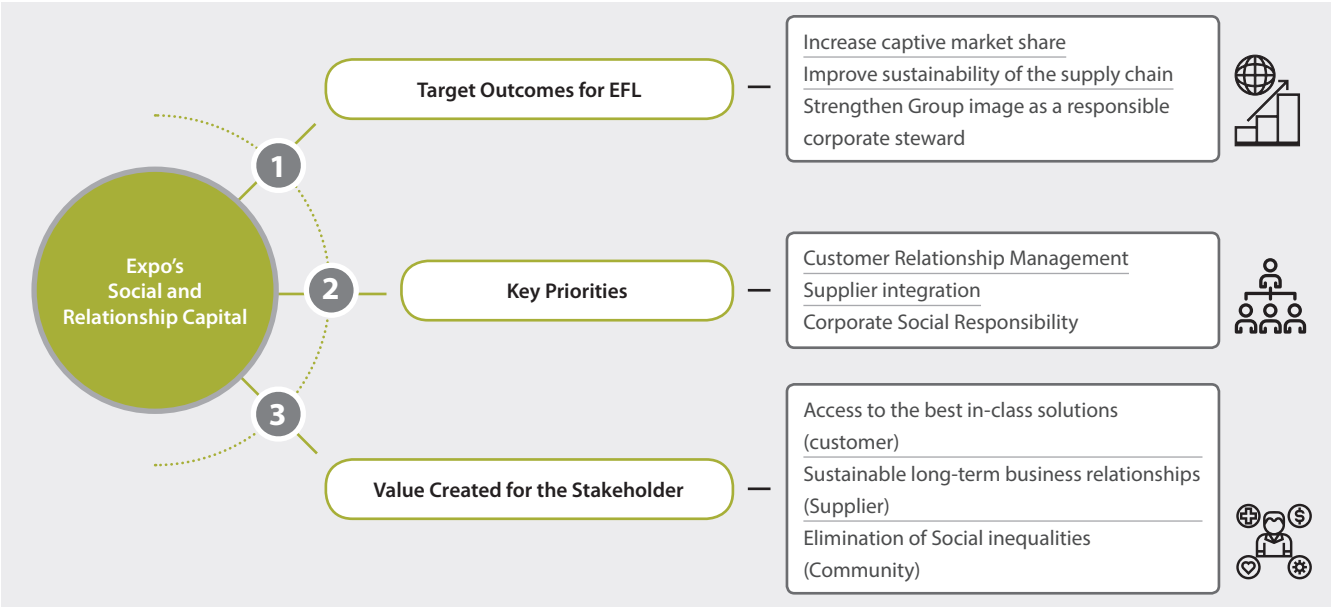
Boundary

» Offices

» Warehouses

» HQ Office

Expo's Social and Relationship Capital Development Model



Evaluation of Social and Relationship Capital

During the year, a number of reviews and checks are carried out to determine violations to the Code of Conduct and deviations to ensure that all aspects of social and relationship capital are met by all employees and business partners. In addition, suppliers and customers are recognized for their business ethics and practices and learnings are shared across the group.

Customer Relationship Management

Customer Relationship Management (CRM) is the single-most important principle that underpins all business activities of the Group. While each sector has their own unique CRM strategies, the overarching goal in each case is to provide fit-for-purpose customer solutions enabling the business to secure first-mover advantage in their immediate competitive space.

In a notable development that demonstrates the commitment to CRM, EFL pioneered a series of charter flights to fast track the movement of cargo on behalf of key clients in the USA. An inaugural shipment consisting of 93 tonnes of apparel went directly from Mumbai, India to Kingston, Jamaica, while in September 2017 EFL partnered with Qatar Airways Cargo to facilitate the first ever freight charter to Rickenbacker Airport in Columbus, Ohio. The shipment, for a Fortune 500 listed US fashion retailer, comprised 100 tonnes of garments and was flown on a Boeing 777 freighter from Colombo. In November 2017, the Vietnam team joined hands with Cargolux to facilitate the first direct charter while in October, the EFL team facilitated yet another direct charter in partnership with Singapore Airlines Cargo, from Ho Chi Minh City to Columbus, Ohio.

Cargolux - Vietnam Charter

A liability insurance cover was also launched with effect from June 2017, to indemnify customers against losses incurred for any damages caused during the transport of goods from the point of origin to the final destination.

Signaling the commitment to strengthen their CRM model, the Leisure sector set up a VIP customer service center at the BIA to offer a highly personalized service to Classic's outbound MICE travellers.

Supplier Integration

As global supply chains become more complex, ensuring supply chain security has become a critical priority, with all businesses across the Group proactively seeking stronger integration of the supply chain into the day-to-day business operations. In this context, the freight business looks to establish long-term partnerships through the negotiation of block space agreements with leading global cargo carriers in order to facilitate the smooth movement of cargo particularly during peak periods.

Further being C-TPAT (Customs-Trade Partnership Against Terrorism) certified, EFL is required to comply with the guidelines in identifying security gaps and implement specific security measures and best practices for supply chain security. C-TPAT is a voluntary public-private sector partnership with the U.S. Customs and Border Protection to protect supply chains from terrorism.

Meanwhile as part of the Group's internal supply chain security framework, all potential service providers are required to go through a pre-qualification process to confirm their ability and willingness to comply with the Group's rigorous social and environmental standards. The performance of each contracted service provider is measured on a regular basis pre-agreed performance metric, a process that is often followed up with site visits for physical verification.

Corporate Social Responsibility

We recognize the importance of integrating business values with our social responsibilities and in doing so seeks to fulfil its Corporate Social Responsibility (CSR) commitments by acting in a manner which promotes community engagement and delivers broader socio-economic benefits for under-served communities in the countries where the Group has a presence.

To ensure greater transparency and ensure strict compliance with the annual allocated CSR budget, the administration and the execution of identified CSR projects are carried out under the supervision of the Group CSR and Sustainability team set up specifically for the purpose.

During the year in review, the group continued to support the long-term projects in Sri Lanka, India and Bangladesh namely in the education area. The school projects were reviewed and assessed to identify any upcoming challenges and how the group could help mitigate them ensuring long term sustainability of the projects and the institutions.

In Bangladesh, the overall impact of the project which has been running since 2013 resulted in

1. 20 children will appear on Primary School Certificate Exam.
2. 25 Children will complete Grade-IV
3. 60 children will receive all educational support as books, stationary and clothing.
4. 60 children trained on life skills on communication and problem solving.
5. 60 children will be given Primary health check-ups and personal hygiene support.

Expolanka Group Initiative – ROOM TO READ

Due to the recent floods many schools have been devastated and libraries were also ruined. Expo Group Care initiated a book collection programme from the group staff in order to restore libraries in affected schools.

Disaster Relief - 2017

Expo Microfinance for emerging Entrepreneurs

Expolanka has provided Rs. 1 Mn for the micro financing project through the revolving funds pumped in 2016. So far 250 beneficiaries benefited and developed as entrepreneurs through trainings.

250 Community Groups

Putting a Smile on the EFL Neighborhood

The "EFL Cares" team distributed Gifts to 350 houses targeting the children around the EFL campus area during the Christmas Season to bring the spirit of Christmas in the neighborhood and this was conducted for the second consecutive year.

Gifts for 350 Households

Customer Relationship Management

Short- Term Actions	Long-Term Actions
1. **Tracking:** Complete P3 system installation 2018 (incorporating emissions factors per trade lane). 2. **Train:** Developing training for EFL account managers on solutions and begin training key account managers. 3. **Market:** Include existing offerings on website.	1. **Expand Products:** Develop customer solutions like optimizing customers supply chain and carbon reports, and offer carbon reporting to all customers in 2019. 2. **Expand Marketing and Sales Efforts:** Train all account managers on offerings and leverage account managers existing dashboard to include CO2 figures. Also engage customers on optimizing their supply chain's GHG's.

Supplier Integration

Short- Term Actions	Long-Term Actions
1. **Tracking:** Integrate P3 and have the capability to track all GHG emissions from outsourced transport 2. **Renewable:** Review energy procurement strategy, looking for ways to incorporate renewable energy into operations. 3. **Efficiency:** Improve own fleet fuel efficiency and increase efficiency of buildings (map hot spots and identify priorities)	1. **Fleet:** Purchase electric/ fuel efficient trucks. 2. **RE100:** Source 100% of electricity from renewables. 3. **Collaborate:** Work with key industry stakeholders (CCWG, GLEC, IATA and Smart Freight Centre) to improve methodologies for transport carbon foot printing.

GRI Index in Accordance with "CORE" [GRI 102-55]

GRI No.	Description	Page Number
102-1	Name of the organization	Inner Back Cover
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102-3	Location of headquarters	Inner Back Cover
102-4	Location of operations	66
102-5	Ownership and legal form	187, Inner Back Cover
102-6	Markets served	68
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102-8	Information on employees and other workers	42,46
102-9	Supply chain	27, 130*
102-10	Significant changes to the organization and its supply chain	2
102-11	Precautionary Principle or approach	106
102-12	External initiatives	2
102-13	Membership of associations	7
102-14	Statement from senior decision maker	10
102-16	Values, principles, standards, and norms of behaviour	85
102-18	Governance structure	86
102-40	List of stakeholder groups	28
102-41	Collective bargaining agreements	None
102-42	Identifying and selecting stakeholders	28
102-43	Approach to stakeholder engagement	28
102-44	Key topics and concerns raised	28
102-45	Entities included in the consolidated financial statements	135
102-46	Defining report content and topic boundaries	2
102-47	List of material topics	26
102-48	Restatements of information	None
102-49	Changes in reporting	2
102-50	Reporting period	2
102-51	Date of most recent report	2
102-52	Reporting cycle	2
102-53	Contact point for questions regarding the report	2
102-54	Claims of reporting in accordance with the GRI Standards	2
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102-56	External assurance	61
103-1	Explanation of the material topic and its Boundary	36,40,51,56
103-2	The management approach and its components	36,40,51,56
103-3	Evaluation of the management approach	36,40,51,56
201-1	Direct economic value generated and distributed	33

GRI Index in Accordance with "CORE"

GRI No.	Description	Page Number
201-3	Defined benefit plan obligations and other retirement plans	43
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	43
205-3	Confirmed incidents of corruption and actions taken	None
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	None
305-1	Direct (Scope 1) GHG emissions	52
305-2	Energy indirect (Scope 2) GHG emissions	52
305-3	Other indirect (Scope 3) GHG emissions	52
305-5	Reduction of GHG emissions	53
306-2	Waste by type and disposal method	54
307-1	Non-compliance with environmental laws and regulations	53
401-1	New employee hires and employee turnover	42
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	43
401-3	Parental leave	43*
403-1	Workers representation in formal joint management–worker health and safety committees	49
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	None
403-3	Workers with high incidence or high risk of diseases related to their occupation	49
404-1	Average hours of training per year per employee	47
405-1	Diversity of governance bodies and employees	15, 43
406-1	Incidents of discrimination and corrective actions taken	47
408-1	Operations and suppliers at significant risk for incidents of child labour	47
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	47
412-1	Operations that have been subject to human rights reviews or impact assessments	47
413-1	Operations with local community engagement, impact assessments, and development programs	28
414-1	New suppliers that were screened using social criteria	None
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	49
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	37
419-1	Non-compliance with laws and regulations in the social and economic area	None

* Partial Assurance

Independent Assurance Report [GRI 102-56]

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Independent Assurance Report to Expolanka Holdings PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2017/18

Introduction and scope of the engagement

The management of Expolanka Holdings PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report- 2017/18 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 126 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' - Comprehensive 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 ("CASL").

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

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

Management of the Company's responsibility for the Report

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

Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Comprehensive guidelines. This report is made solely to the Company in accordance with our engagement letter dated 16 March 2018. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key assurance procedures

We planned and performed our procedures to obtain the information and explanations

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

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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 2018.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: In accordance' - Comprehensive 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 33 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2018.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards- 'In accordance' Comprehensive.

Ernst & Young
Chartered Accountants
30th May 2018
Colombo

BEYOND

OUR CAPABILITIES

Operational Review

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Organizational Structure

Logistics

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

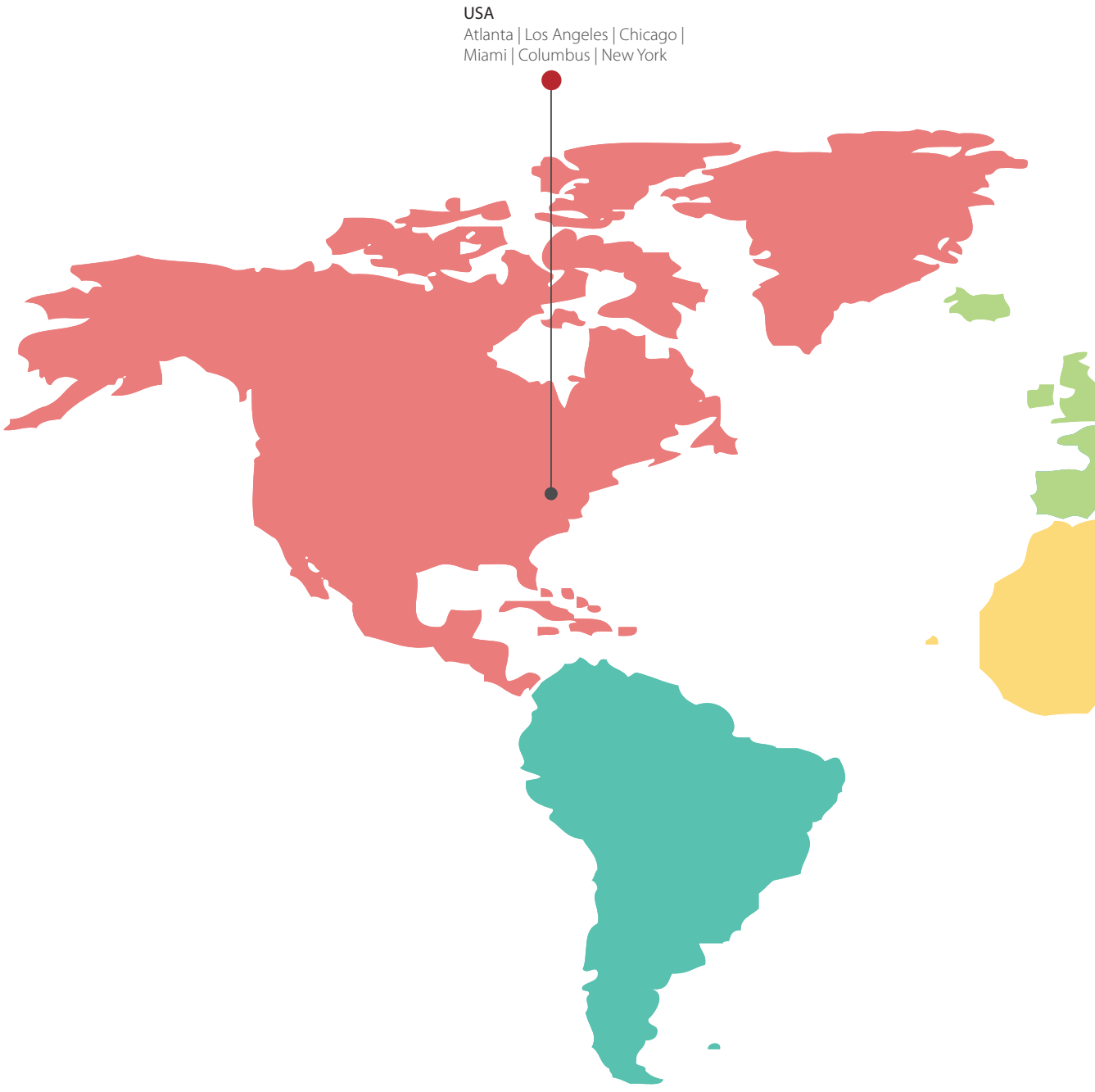
Leisure

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

Investments

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

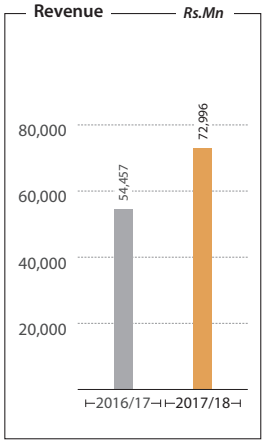
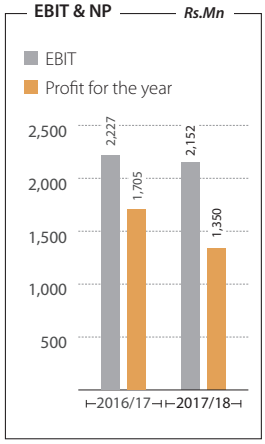
Our Footprint [GRI 102-4,103]



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

Business Report [GRI 102-6]

Sector Snapshot ⓢ Logistics

Segment	Product Mix [GRI 102-2]	Highlights 2017/18	Revenue	Profits	Strategy
Logistics	1. Air Freight 2. Sea Freight 3. Logistics 4. Warehousing 5. Transportation 6. GSA	1. Strong Growth in volume across all key products » Air Freight - 30% » Ocean Freight - 15% 2. Consolidating Operations in all trade lanes whilst strengthening Transpacific trade line 3. Enhancing product solutions whilst expanding portfolio 4. Gradual turnaround in warehouse operations			1. Focus growth on key products through customer relationships and Network Infrastructure. 2. Optimize trade lane performance across to drive profitability 3. Enhance procurement strategy to maintain margins 4. Deploy ERP platform across the network 5. Focus on operating efficiency to consolidate logistics operations

Air Exports

28.6 %

Volume Growth

38.2 %

GP Growth

Ocean Exports

16 %

Volume Growth

5.3 %

GP Growth

Total Exports

22.3 %

Volume Growth

27.4 %

GP Growth

Sector ⓢ Logistics

LOGISTICS SECTOR

As the South-Asian region's powerhouse to provide simplified logistics solutions via air,sea and land, EFL operates from 60 offices in 17 countries. With a growing workforce of over 2000 employees, we ensure that our global network caters to specific needs arising from US, Europe, Asia, Africa and the Middle-Eastern regions.

EFL's strategic positioning in global sourcing markets has enabled us to provide efficient services from the point of origin to the end- destination with minimal lead times and helps us prove ourselves to be one of the top global players in the logistics industry.

Sector ⓢ Logistics

EFL Global

Operating Context

The year in review was a year where EFL was able to grow and consolidate its operations and performance inspite of a challenging global operating environment, primarily driven by capacity constraints in Air Freight and rising Air Freight Rates. This is well reflected as per the data released by IATA (International Air Transport Association), the demand for global airfreight grew by 9.0% in 2017, more than double the 3.6% annual growth recorded in 2016. Interestingly at 9%, the demand for airfreight grew at a faster pace than the expansion in world trade (4.3%), as global supply chain companies rushed to restock their inventories amidst a robust demand for manufacturing exports.

However, available airfreight capacity failed to match up to the sharp increase in demand, growing by only 3.0% in 2017, the slowest annual capacity growth seen since 2012. The demand and supply mismatch and the resulting supply side pressures pushed up in freight rates, further intensifying the level of competition in the already competitive global freight forwarding industry.

The ocean freight industry meanwhile, recovered from the struggles of 2016 and reached a measure of stability with freight rates holding steady for the most part. However, in contrast to the airfreight industry, the ocean freight industry continues to be straddled with overcapacity, prompting a wave of prominent mergers between ocean carriers. The trend, which first began in 2016 gathered further momentum in 2017, as bigger companies gobbled up smaller ones, while others banded together to form alliances in order to consolidate their position and sustain their operations in the longer term. A few of the notable partnerships for 2017 were - the alliance consisting of CMA CGM - OOCL - Cosco - Evergreen and the alliance between Hapag - Lloyd - MOL - K Line - NYK - Yang Ming.

The catalyst of growth was Air freight which recorded a volume of 132 Mn. Kg (Air Exports) and 56 Mn. Kg (Air Imports), a growth of 29% and 33% respectively.

EFL's Performance

The Logistics sector had a stand out year by recording a revenue of Rs. 73 Bn, a growth of 34%, largely driven by EFL.

During the year, EFL embarked on a strategic plan aimed on focusing on driving topline with incremental volumes. The performance of the year reflected the results of the strategy that was pursued by the company.

The catalyst of growth was Air freight which recorded a volume of 132 Million Kg (Air Exports) and 56 Million Kg (Air Imports), a growth of 29% and 33% respectively.

Ocean Freight performed above the expectation during the current year recording a volume of 108k TEU's (Exports) and 58k TEU's (Imports), a growth of 16% and 12% respectively.

The growth was a result of focused customer centric initiatives undertaken by the management.

The EFL network presence (presently in 17 countries globally), local know-how, flexible, innovative and nimble solution along with increased visibility and transparency on services across the supply chain are important factors which has enabled EFL to drive it's expansion initiative in a positive manner.

EFL's Trade Lane-wise performance

All major trade lanes registered strong volume growth in the year under review. The focus of the year was to grow the Exports to North American Trade Lane, which contributed 50.2% towards EFL's exports GP, a growth of 29.4% from the last year. The North American Trade lane has always been a key driver of the EFL performance and this was further enhanced this year with the growth witnessed during the year.

Concentrated efforts in enhancing Air Export volumes across the Europe operations, EFL was able to see a Volume growth of 37.3% in the trade lane which resulted in a 38.7% growth in GP from the Trade lane.

One of the key objectives for the year was for EFL to grow the Far East operations, with a focus on growing China, Hong Kong, Indonesia and Vietnam. These stations contributed 37.4% of Air Freight Export volume contributing an overall GP of 33.8% during the period under review. the growth in GP from the above stations amounted to 48.1%

Meanwhile, leveraging EFL's growing presence in the US, the Company continued to strengthen South American trade lane by moving small volumes of apparel exports from the region.
In recognition of the strong trade lane-wise performance, EFL was recognized by multiple airlines in various markets. Operations in Sri Lanka and Indonesia received special recognition by Cathay Pacific, while Singapore Airlines recognized efforts by the Indonesian team and Eva Airlines for EFL Vietnam.

Cathay Pacific Award

Eva Air Award

Operations in Sri Lanka and Indonesia received special recognition by Cathay Pacific, while Singapore Airlines recognized efforts by the Indonesian team and Eva Airlines for EFL Vietnam.

Strategy and Focus

EFL's main strategic focus for the year was to grow its volume across its 4 key products and strengthen core operations across all key trade lanes in order to create fit-for-purpose operational stations that would in turn improve scalability of freight operations in their respective geographies. Apart from growing volumes, Yield Management and Operational efficiencies formed the core nucleus for EFL during the current year. The company also looked at vertical expansions to improve the client portfolio mix.

Developing the North American trade lane remains a key priority and building on our expertise in servicing the apparel vertical has yielded positive results during the year, from a volume growth perspective.

Continuing on the previous year's strategy to consolidate EFL's presence in the North American trade lane, the company undertook an expansion initiative within the North America Trade lane with the primary aim of further growing volume and building scale in this key market.

The Company further turned its attention towards expanding its far east operation which it identified as a key growth initiative and continued to leverage on the strong presence on its North America Trade lane.

Country-specific strategies were deployed in other East Asian origin markets where EFL already has a presence, namely the Philippines, Vietnam and Indonesia. In these countries, the main strategic thrust was to increase wallet-share from existing customers.

Groundwork also began to add a few more stations as part of the overall footprint expansion in East Asia, a move aimed at Further consolidating its overall growth in the region.

The strategy for EFL's stronghold South Asian operation remained unchanged, where the focus was to strengthen core capabilities and enhance the Company's profile in the integrated logistics sphere. It is hoped that these efforts would enable EFL to make inroads into other fast-growing verticals, including IT, pharmaceuticals and retail e-commerce.

With regard to improving scalability of the global operations, the Company expedited the roll out of the new ERP system based on the premise that modern IT systems are vital to gaining operational efficiencies, and building the resilience needed to evolve in tandem with the market and respond to the new developments as they arise. Offering a wide array of services, high level of data integrity and strong in-built best practices, the new state of the art ERP system would facilitate better internal financial visibility and risk control across all operations, giving EFL a credible edge in the global market. Moreover, the scale advantage derived through the ERP would be a critical component in catalyzing EFL's ambition to become a global integrated logistic provider capable of serving a

Sector ⓢ Logistics

multitude of industries. The first phase of the ERP roll out was completed across two stations (USA and Vietnam) in the year under review, with the entire network to be covered by mid-2019.

International Board

As part of its ongoing efforts to add international expertise to the senior team, Ram Menen, Stephen Dearnley and Mike Sherman joined as independent directors during the year 2017/18. All three directors carry with them a wealth of experience having led and grown international brands for over three decades.

Steve Dearnley

As one of the most respected and leading personalities in the Asian region, Steve Dearnley carries more than 35 years of experience in the freight and logistics. Prior to retiring in 2011, he was the CEO for DB Schenker Asia Pacific.

Ram Menen

Ram Menen is among the few icons in the modern air cargo industry. Widely recognised and admired, he was the cornerstone of building Emirates as the world's largest cargo carrier during three decades at the airline. He retired in 2013 with his last role as Divisional Senior Vice President - Cargo.

With over 40 years of experience, Mike Sherman has worked with some of the largest retail brands such as Limited Brands, Abercrombie & Fitch and Sony. He has held leadership positions in both financial management and supply chain operations and last served as VP Transportation and Trade Compliance at Abercrombie & Fitch.

Mike Sherman

Sustainability Update

Having taken its first steps towards integrating the sustainability paradigm into its operations with the launch of VIVA in mid-2016, EFL once again revisited its Sustainability Strategy, this time working with customers to focus on identifying and integrating sustainability aspects that are more relevant to the logistics industry. Following a deep dive to determine material stakeholder issues, the groundwork began on formulating a new Sustainability Roadmap to articulate the drivers and establish the KPI's that would underpin EFL's value creation agenda.

Outlook and Prospects

With the necessary infrastructure and strong footing in all major trade lanes, as its stands now, EFL is well equipped to grow steadily in the years ahead. The focus moving forward would be to expand the prospects in all key trade lanes mainly by tapping into opportunities in the apparel vertical to grow organically. At the same time the Company will pursue expansion opportunities to growth through a cohesive strategy to facilitate the diversification into other more complex supply chain verticals including modern technology and retail. In the medium term, this would mean optimizing the existing geographical coverage to drive the strategy for each trade lane, while in the long term EFL would look to tactically expand its coverage in prospective high-growth geographies.

In time to come, EFL would expect to leverage on productivity improvements and cost efficiencies derived through the new ERP system to make its mark as a fully-fledged integrated logistics service provider able to compete on par with leading global players in the industry.

Warehousing

Performance Summary

Having re-engineered the business to deliver a complete turnaround in results in the previous financial year, EFL's warehousing cluster delivered strong performance in the year under review. Throughout the year, an impressive occupancy level, averaging between 65% to 70% across all warehousing units was maintained.

Strategy and Focus

The main strategic focus for EFL's warehousing cluster was to cement its position among the top 3PL (Third Party Logistics) providers in Sri Lanka stemming from this, several important steps were taken during the year to transform core infrastructure and improve efficiencies, all intended to enhance customer deliverables.

Capacity expansion being a key item on the agenda for the year, a further 10,000 square feet was added to the existing facility in Ja-ela, along with additional investments in people and processes.

Capacity expansion being a key item on the agenda for the year, a further 10,000 square feet was added to the existing facility in Ja-ela, along with additional investments in people and processes. While no other major capacity expansions were done in to expand EFL's warehousing capacity in Sri Lanka during the year, of a 40,000-square foot warehouse was set up in line with the light asset model in Taipei, Taiwan bringing cluster-wide warehouse space to 610,000 square feet by the end of the current financial year.

Hand-in-hand with these infrastructure investments were the ongoing measures to improve efficiency through greater automation, and strengthen operational control mechanisms to enhance the ability to reorient to different customer cycles.

The Tier 1 Highjump software and warehouse management which was fully rolled out across all five facilities on the network in the previous year, continues to be the key accelerator of the cluster's efficiency improvement programme. Being one of the most robust warehouse management platforms currently available in the market, the advanced visibility dashboards offered by the Tier 1 Highjump software has proven to be a considerable advantage for the cluster in delivering a range of value-added services to meet the increasingly complex needs of its core customer base – South Asia's apparel sector.

With structural support system in place, the focus then shifted towards developing the clusters' revenue pipeline. Anchored to the Sub-continent, EFL's warehousing operation in Sri Lanka and India has thus far focused primarily on servicing the fast-growing apparel sector in the region. In fact, much of the growth seen over the years has been organic in nature, generated through increased exposure to existing customers. However amidst stiff competitive pressures, renewed emphasis was put into pursuing inorganic growth vis-à-vis diversification into multiple verticals. The strategy, while seeking to reduce the risk associated with the over dependence on the apparel vertical, more importantly aims to create a scalable platform to strengthen EFL's credentials as a fully-fledged 3PL service provider in time to come.

Efforts also continued towards reorienting the EGDC (Expo Global Distribution Center) the country's first free port operation to focus on attracting the right client mix. In this context, the team has been working with the relevant authorities to improve the framework towards making Sri Lanka a logistics hub.

Outlook and Prospects

The medium to long-term prospects for EFL's warehouse cluster remains optimistic. Moving forward, the main thrust would be to strengthen EFL's position as the premier 3PL service provider in the region. In this context, the key commitments for the cluster would be to achieve the targeted 1 million square foot capacity in Sri Lanka by 2020 and to do so in line with EFL's asset-lite model.

At the same time, the cluster will remain open to explore the possibly of expanding in East Asia mainly by leveraging on group synergies derived through EFL's strong freight presence in the region.

In terms of the service portfolio, while organic growth in the apparel sector will be the predominant focus for the foreseeable future, the cluster will seek to grow inorganically as well by tapping into opportunities to widen its reach in other fast-growing sectors of the economy.

Airline GSA

Performance Summary

The Airline GSA segment ended the current financial year on a strong positive note, bolstered by a robust increase in volumes seen across most geographies. Sri Lanka witnessed a significant increase in volumes, following the decision by legacy carriers such as KLM and Saudi Air Cargo to increase the frequencies to Colombo, while similar decisions by Air France to increase the frequency to Maldives and Etihad Cargo to increase their frequencies to India and Pakistan, all resulted in higher volumes in each of these regions.

In addition, Sri Lanka further benefited from an unexpected surge in transshipment volumes in the third quarter of the year, as cargo originating from Bangladesh was re-routed through Sri Lanka due to heightened security concerns in the region.

Led by the strong increase in regional volumes, the Airline GSA business reported a 24.4% year-on-year growth in Revenues. Moreover with efforts to right size the GSA operation in South Asia gaining traction and leading to significant cost efficiencies, the bottom line grew by 365% year-on-year.

Sector ⓢ Logistics

Strategy and Focus

Having worked consistently for the past two years to optimize the multi-country GSA model, the Airline GSA operation completed its restructuring process in 2017/18 by exiting from the Middle-East operations.

At the same time, several important steps were also taken to consolidate existing partnerships in key markets, namely Sri Lanka, Pakistan, Bangladesh, the Maldives and India. Among the new developments for the year was the ability to secure the agency for Singapore Airlines Cargo in India, which adds a considerable boost to the service capacity in that country. In less active markets such as Vietnam, Myanmar and Kenya too, targeted strategies were deployed to create visibility and broaden the prospects of the GSA operations in these countries.

Meanwhile, leveraging on its proven track record in a managing multi-country GSA model, negotiations also began with a number of leading global carriers to gain a foothold into UK and Europe.

The focus on achieving operational efficiency and cost control continued to be a key priority for the year under review, prompting strict scrutiny of existing cost structures in an effort to trim unnecessary spending at all levels of the business.

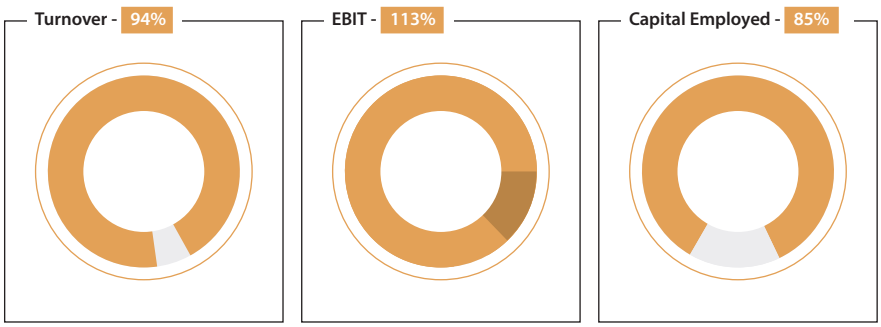
Outlook and Prospects

With the business right-sizing strategy fully completed, the focus moving forward would be to improve the scalability of the operations by systematically growing the captive customer base in South Asia by strengthening existing partnerships, while at the same time expanding the global footprint in partnership with reputed carriers who are increasingly seeking GSA partners with a proven track record. These efforts would be coupled with smart-selling strategies that would pave the way for consistent returns and spearhead the targeted increase in the bottom line by 2020.

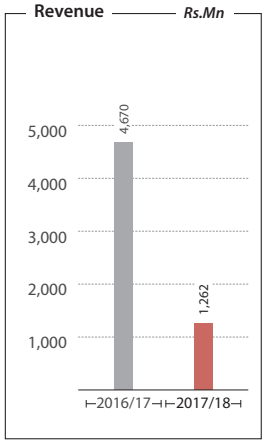
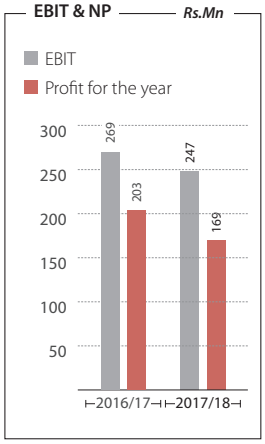
Key Indicators

Logistics			
(Rs. Mn)	2017/18	2016/17	% Change
Revenue	72,996	54,457	34%
Earnings Before Interest & Taxes (EBIT)	2,152	2,227	-3%
Finance Cost	145	80	82%
Profit Before Tax	2,007	2,147	-7%
Profit After Tax	1,350	1,705	-21%
Total Assets	24,650	18,973	30%
Total Equity	12,394	11,227	10%
Total Debt	3,087	1,015	204%
Capital Employed	15,481	12,242	26%
Return on Equity	10.9%	15.2%	-4.3%
Return on Capital Employed	9.7%	14.6%	-4.9%

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



Sector Snapshot ⓢ Leisure

Segment	Product Mix [GRI 102-2]	Highlights 2017/18	Revenue	Profits	Strategy
Leisure	1. Outbound Leisure and Corporate Travel 2. Destination Management 3. Corporate Travel 4. Outbound Leisure 5. Destination Management	1. Strengthen core corporate travel business 2. Enhanced service portfolio driving towards a "one stop travel company" 3. Strengthen ancillary services by dedicating operations for VISA and leisure services 4. Exit from non-scalable operations			1. Focus on corporate travel business with the aim of expanding the segment. 2. Strengthen Inbound operations. 3. Explore market expansion initiatives to scale up business. 4. Optimize service portfolio to increase cross selling opportunities. 5. Improve working capital management.

Sector ⓢ Leisure

Leisure Sector

With the inception in 1994, Classic Travel has transformed into a successful organization in the travel and leisure industry. Our focus is to provide holistic end-to-end solutions specifically for the corporate sector, with the emphasis of generating organic growth. In addition, we have transitioned from leisure and business travel to new target segments including the MICE travel sector to offer a range of services in project management, logistics, accommodation, and event management.

Performance Summary

The leisure sector represented by the flagship "Classic" brand continues to hold leadership position in the travel sector in Sri Lanka. The sector tabled good results in the year under review overcoming a challenging market environment brought on by certain policy decisions by the national carrier, which put pressure on the sector's conventional business model. Nonetheless, to boost the corporate travel business, focused attention to optimize the existing portfolio, along with improved operational efficiencies and better procurement enabled the sector to grow.

Strategy and Focus

With the outbound segment accounting for more than 90% of the business, the endeavour to reinforce "Classic" as the country's leading fully-fledged outbound travel service provider continued to be the main strategic theme for 2017/18 as well. Steps taken to consolidate the market leadership in the outbound corporate travel market included aggressive customer on-boarding strategies to acquire new customers and a renewed emphasis growing the share of business from existing customers. To further complement these efforts, the value added service model was also strengthened to differentiate the "Classic" product from peer offerings. The major development in this regard was the commissioning of a VIP customer service center at the BIA to offer a highly personalized service to Classic's outbound travellers.

Several important steps were taken to further strengthen the inbound travel operation as well, where the focus was on developing competencies in the ever-evolving niche travel format. The year under review saw additional resources being engaged with the intention of developing innovative and highly customized solutions to cater to the niche market for experiential tourism. These efforts were coupled with increased technology adoption to drive operational efficiencies and build scale as part of a broader effort to improve overall service standards in the inbound travel operation. Efforts for the year included the roll out of a dedicated online booking engine to directly promote "Classic" branded offerings, as part of a long-term strategy to create a more sustainable platform for growing business volumes and strengthening Classic's leadership position in the market.

Outlook and Prospects

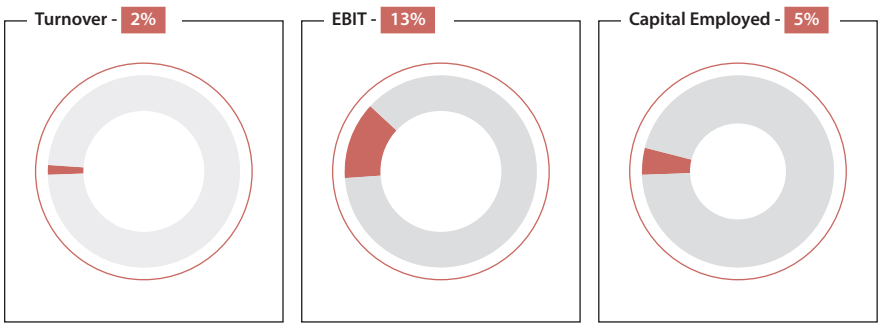
Operating in one of the most dynamic global industries, going forward, Classic will aim to improve scalability of all verticals in the inbound and outbound segments. Proactive efforts to address changing operating environment and stay ahead of competition may require detailed review of non-scalable businesses that generate long term business growth. At the same time, investments in technology will also likely play a pivotal role in defining the sector's competitive advantage in the years ahead.

Meanwhile as the business continues to evolve impacted by consumer trends and technological advancements, staying competitive may also mean expanding the geographical footprint. However in undertaking such plans, the overarching goal is the same - to ensure the integrity of the "Classic" brand is reflected across all business verticals at all times.

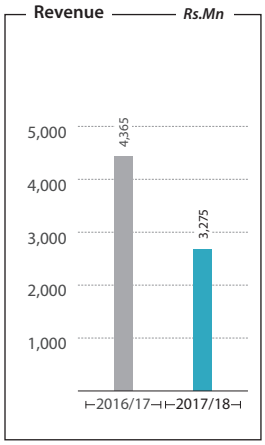
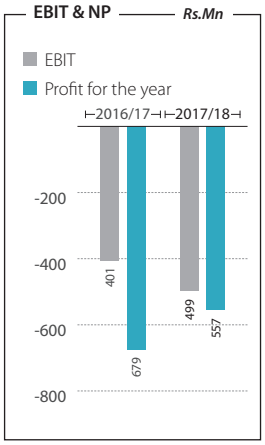
Key Indicators

Leisure			
(Rs. Mn)	2017/18	2016/17	% Change
Revenue	1,262	4,670	-73%
Earnings Before Interest & Taxes (EBIT)	247	269	-8%
Finance Cost	39	51	-24%
Profit Before Tax	209	218	-5%
Profit After Tax	169	203	-17%
Total Assets	1,557	1,440	8%
Total Equity	620	554	12%
Total Debt	205	473	-57%
Capital Employed	825	1,027	-20%
Return on Equity	27.2%	36.6%	-9.4%
Return on Capital Employed	25.1%	24.7%	0.4%

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



Sector Snapshot ⓢ Investments

Segment	Product Mix [GRI 102-2]	Highlights 2017/18	Revenue	Profits	Strategy
Investment	1. Export of; » Desiccated coconut - Selected fruits and vegetables » Value added processing 2. IT Solutions	1. Consolidate desiccated coconut operations whilst enhancing the business models. 2. Restructure operation with the aim of mitigating risk profile of fruits and vegetables operations. 3. Operation for value added processing. 4. Establish IT solution segment to optimize internal competencies.			1. Optimize desiccated coconut operation with an enhanced business model. 2. Consolidate value added processing operation. 3. Confine restructure of non-core investments.

Tropikal Life branded organic dried fruits in Europe and USA

***3.8** Mnkg*

Organic Coconut based products including Virgin Coconut Oil, Coconut Milk and Cream

***5.7** Mnkg*

Consulting, Managed IT Services and Software Development

***5** new external customer acquisitions*

Sector ⓢ Investments

Investments

Flexibility and quick initiative enabled the export operation to sustain its performance during the year despite facing external pressure on sourcing. Further more the Group undertook several steps to streamline the operational process within the sector.

Sector ⓢ Investments

Performance Summary

The export business showed a satisfactory performance for the year under review. Stable revenue with a profit growth over the previous year was achieved.

The business of exporting of Fresh Coconut and Desiccated Coconut (DC) came under pressure during the period due to the prolonged drought which resulted in a drop in the coconut production in the country. The company undertook a multi-origin sourcing model and was able to leverage on the model, to increase the volume of DC exported from Indonesia, a move that helped to stabilize the results for the year.

The Organic coconut export segment reported a satisfactory performance. The segment, which exports mainly 'Organic' coconut-based products including Virgin Coconut Oil, Coconut Milk, Cream etc. continued to benefit from the premium prices attached to the niche market for Organic products.

The fresh fruits, vegetable and organic dried fruits divisions, where a strong global demand for certain key products helped the segment to table outstanding results, with revenues and profits reaching record highs in the year under review.

Strategy and Focus

With the trading operation coming under pressure due to the low availability of raw material in Sri Lanka, the main strategic thrust for the year was to expand the multi-origin trading model. In the fresh coconut export business, the focus shifted towards sourcing from India and for DC from Indonesia. Given the success of the initial effort, steps were taken to further refine the modalities of both these operations in order to set up purpose-built operating models that would generate sustainable returns in the long term.

Meanwhile the export of fresh fruits and vegetable, the product portfolio was rationalized to focus only on a few high-demand products that have long been the key revenue drivers. The strategy was mainly aimed at streamlining the business model to ensure steady export volumes are maintained throughout the year.

The strategy for the Organic dried fruits business was centred on driving volumes through targeted market development activities to tap into niche markets in Europe and USA. To complement the effort, the product portfolio was re-branded and re-launched under the "Tropikal" label, with a fresh new look to appeal to a broader target audience in the global B2B market. Meanwhile focusing on supply chain security, a series of efforts were initiated to promote greater supplier integration particularly among the Banana supplier base. Institutions were also pursued with the aim of exploring new farming techniques that would assist these farmers to continue to scale up operations despite weather-related challenges.

The most notable development for the year however was the completion of the construction work on the dedicated Coconut Water processing plant in Seeduwa that began in the previous year.

Following its completion in August 2017 a number of test shipments were dispatched, while work began to secure the necessary food safety accreditations for the new facility, among them the ISO 22000, FSSC 22000 and BRC Global Standard. In a notable achievement, the facility was awarded AA accreditation under the UK-based BRC certification, widely regarded as the gold standard for food safety.

Outlook and Prospects

In the trading segment the export of fresh coconut from Sri Lanka remains uncertain under the current ban imposed by the government. However, the forecast for the DC trading operation remains optimistic, particularly given the encouraging signs seen towards the end of the current financial year indicating a greater availability of DC in Sri Lanka from about February 2018. Nonetheless going forward, the prospects of the trading segment would largely depend on the successful management of the multi-origin sourcing model, for both export of fresh coconut and DC exports.

The fruit and vegetable (fresh as well as dried) export business is set to grow significantly in the coming years on the back of the growing demand for ever-more natural products. The key to succeeding in this line of business will, therefore, require continuous and ongoing innovation to keep pace with emerging trends along with a strong backward integration to ensure effective management of the supply chain.

In the manufacturing segment, the focus would be to leverage on the scale advantage to enhance competitive positioning in order to gain a foothold in the global B2B market for coconut water products.

ITX 360

Operating Context

Sri Lanka's IT industry has been growing steadily over the past two decades driven by increasing support by the government to position the country as a regional IT hub. IT industry today is a dynamic business consisting of a multitude of software and BPO industries as well as facilities that supply hardware for the local market and wider south Asian region.

Performance

Completing its first full year of operations, ITX360 made good progress on achieving its performance goals:

1. Consolidating Group IT services under one umbrella
2. Establish strong KPI and Internal service delivery expertise and Process mechanisms
3. Obtain partnerships with key International IT Brands

As an implementation partner for leading global software platforms such as Oracle, HighJump and Infor, etc. the Company also undertook turnkey projects for a number of leading corporates in the country. In addition, the Company enhanced services in the areas of ERP, support service, software and app development.

Key projects undertaken during the year;

» Launch of Travel Portal and VISA System

Travel Portal and VISA System officially launched in June 2017 and December 2017, with the completion of multiple phases of development and deployment to integrate complex modules.

Moreover, Travel Portal system is a web based platform which covers Travel request management and approval, Travel agent communication, quotation and itinerary uploading facility, other cost management, personal dashboards, travel calendars and notifications. Currently the system is successfully running at EFL. Further system has released to a few large corporate travellers and planning to release to other external customers as well.

» Migration of Cargodrive System

A project to migrate the Cargodrive Legacy system to a new look has been initiated in 2017 and as a result of it, import and export operational modules for both Ocean and Air departments have already been migrated to a new, more enhanced, high performing platform while the other 2 modules (Wharf and Bond) are being migrated and been planned to release by April, 2018. The initial project migration plan has been segregated under 3 different phases and during the 1st two phases, about 75% of the migration plan has been covered.

1st phase	April, 2017 (Air Export, Air Import and Ocean Import modules)
2nd phase	October, 2017 (Ocean Export and Clearance modules)
3rd phase	April, 2018 (Wharf and Bond modules)

» Launch of Expolanka Holdings PLC (EHL) Corporate Management System

EHL Corporate Management System is an application which is used to automate corporate governance processes from Expolanka Holdings PLC to its subsidiaries across the globe. This system contains total of six key modules and launched BOD & Agreements modules in November 2017. Also we are successfully rolled out the Compliance module to our global subsidiaries within this year.

» Board of Directors
» Grant of Authority
» Compliance Report
» Share structures
» Agreements
» Litigation List

» Launch of Outbound Call Center Operations for TVS Lanka (Pvt) Ltd. and Classic Travels (Pvt) Ltd.

During 2016/17 period ITX 360 (Pvt) Ltd has launch the outbound call center operation as the pilot projects team has completed the TVS Lanka (Pvt) Ltd outbound call center operations and Classic Travels call center operations.

In terms of TVS Lanka (Pvt) Ltd outbound call center it was agreed to conduct focused Outbound Customer satisfaction surveys over the phone and complete a monthly volume of 3250 surveys, also captured data to be presented as per the expected formats and calls to be executed in Sinhala and Tamil. In regards to Classic Travels call center operations key deliverables are to Setup and provide the office space including the required facilities and utility services, also to provide the necessary technological infrastructure including the Call Center platform and other integrated applications and management of Call Center telephony environment with required Technical Support and Maintenance. Classic call center operation was more customized as it was integrated with the MS dynamics CRM along with the MS Lync platform. These integrations were implemented with considerable effort in R&D and it was successfully delivered.

Sector ⓘ Investments

» Infrastructure Migration of Norfolk Foods

A project to transfer the infrastructure services of Norfolk Foods (Pvt) Ltd to their own domain has been executed and was completed by December, 2017. The project was planned under 3 different service categories as follows.

1. Enterprise Email, Internet and Service Directories
2. IT Infrastructure and Consultancy
3. SharePoint Online Support and Consultancy

» Turnkey IT project for KIA Motors

Implementation of a Turnkey IT solution for at KIA Motors (Lanka) Limited, Malabe.

KIA Motors Corporation was founded in 1944 and is Korea's oldest manufacturer of motor vehicles. KIA Motors together with Carplan Limited introduced the KIA brand to Sri Lanka in 1996 providing sales and after sales service related to the brand which continues to this date. The implementation is based on establishing the specific IT infrastructure components to their latest fully fledged logistic Centre located in Malabe.

» Managed IT Helpdesk and Support Services for UNFAO and UNICEF

UNFAO - United Nations Food and Agriculture Organisation
UNICEF - United Nations Children's Fund

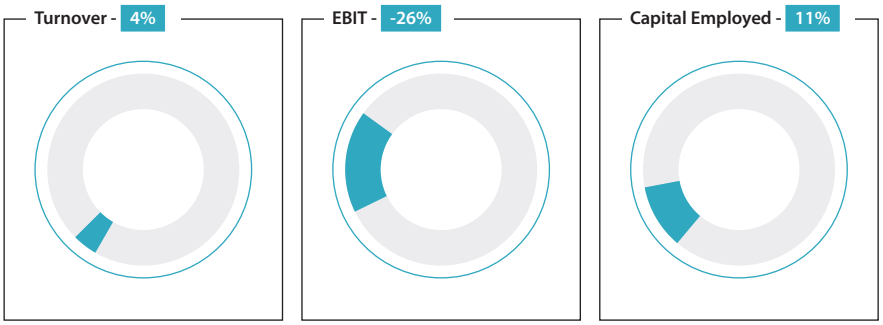
ITX 360 (Pvt) Ltd. was tasked to provide managed IT Helpdesk and Support Services for both departments. The scope of work was to ensure mission critical ICT systems/ applications and services are delivered effectively to UNFAO & UNICEF Sri Lanka and that these are adequately secured, resilient, robust and reliable in line with UNFAO and UNICEF IT standards and procedures.

Furthermore, to ensure the accomplishment of the service objectives, UNFAO have renewed the contract with ITX 360 (Pvt) Ltd., for the year 2018 has been awarded to us for the second time.

Investments			
(Rs. Mn)	2017/18	2016/17	% Change
Revenue *	**3,275**	4,365	-25%
Earnings Before Interest & Taxes (EBIT)	**(499)**	(401)	24%
Finance Cost	**48**	273	-82%
Profit Before Tax	**(547)**	(673)	-19%
Profit After Tax	**(557)**	(679)	-18%
Total Assets	**2,501**	2,929	-15%
Total Equity	**1,014**	1,596	-36%
Total Debt	**912**	914	0%
Capital Employed	**1,926**	2,510	-23%
Return on Equity	**-54.9%**	-42.5%	12.4%
Return on Capital Employed	**-26.4%**	-16.2%	10.2%

** Internal revenues are excluded.*

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



BEYOND

OUR REPORTING

Compliance Reports

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Corporate Governance Report [GRI 102-16]

Chairman's Statement on Corporate Governance Report

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 fulfils the true purpose of Corporate Governance.

Dear Shareholders,

I am pleased to present you the corporate governance report of Expolanka Holdings PLC on behalf of our Board of Directors for the year under review.

We, at Expolanka, firmly believe that it is vital to have a strong and effective governance system to be able to deliver on the strategy, generate shareholder value and safeguard our shareholders' long-term interests. We also believe that good corporate governance is key to maintaining the trust that our investors and customers place in us and is critical to the sustainability of the company's long term success.

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 fulfils the true purpose of Corporate Governance. The Board works to ensure that the Group succeeds well beyond financial return, and continues to thrive regardless of challenging macro-economic variables.

A sound corporate governance is a pre-requisite in managing our diverse portfolio of businesses with operations in 17 countries. We continually review the framework within which we operate and the processes implemented to ensure that they reflect the complexities of our business and, whilst acknowledging our size, are also capable of adding value as the business grows. Accordingly, our governance structure continues to evolve keeping pace with our increasing global footprint, regulatory developments and international best practices.

The Board understands the importance of setting the right culture for the Group and ensures its requirements for good governance are instilled into the culture of our business. Groups' Core Values and the Code of Conduct, which set out the values and standards that we expect of our employees together with other policies, govern how we conduct our business and set the standards that drive performance.

This reports sets outs 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.

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

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 appointed as the Chairman of the Board on the 23rd of May 2017.

Naosuke Kawasaki
Chairman

Governance Framework

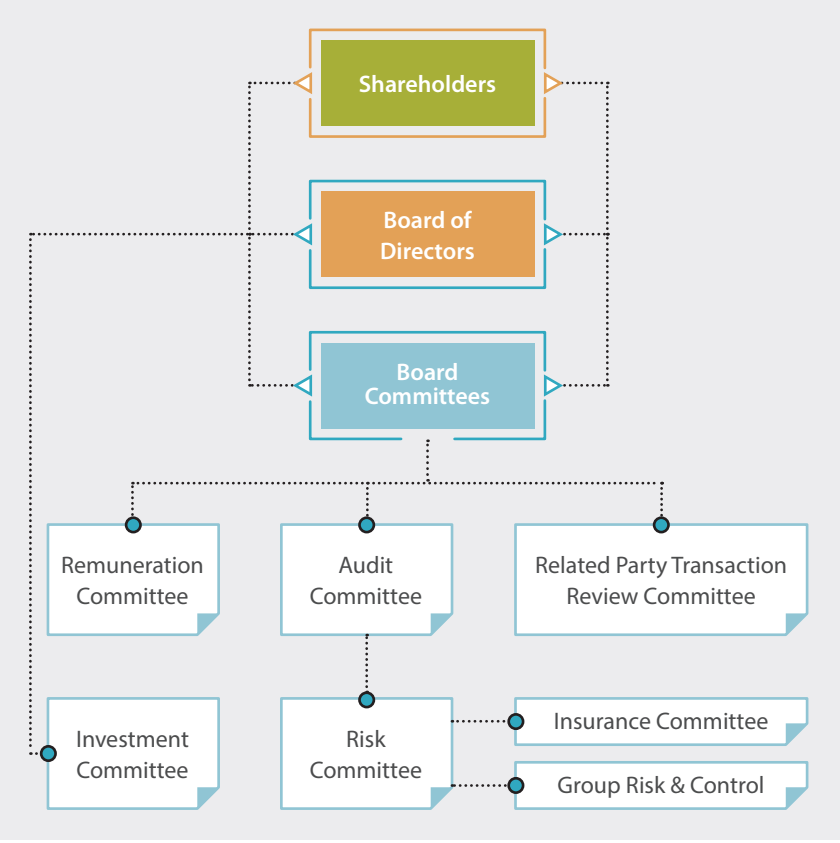
Governance Structure [GRI 102-18]

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

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

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

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

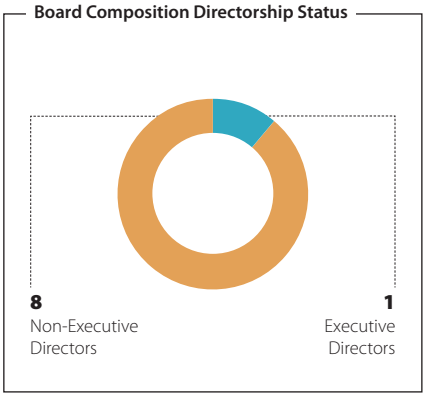


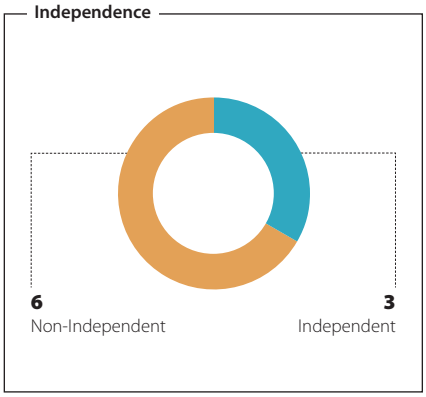
Board Meeting and Attendance

	Name of the Director	23/05/2017	03/08/2017	08/11/2017	07/02/2018	Attendance Eligibility	Attended
1	Mr. Naosuke Kawasaki					4	4
2	Mr. Osman Kassim					4	4
3	Mr. Hanif Yusoof					4	4
4	Mr. Harsha Amarasekera					4	4
5	Mr. Sanjay Kulatunga					4	4
6	Mr. Tomoki Sano					4	4
7	Mr. Motonori Matsuzono					4	4
8	Mr. Yushifumi Matsubara					4	4
9	Mr. Toji Shiho					4	4

Present Excused

Board Composition





Governance Framework

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

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

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

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

Governance Checklist

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

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

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 2018. The profiles of the Board of Directors are set under the Directors Profiles in this Annual Report.			
A.1.1	Board Meetings	Compliant	The Board meetings are held periodically to decide on the strategic direction and review the performance of the Group aligned to the aspired corporate goals. The meetings are structured with the minutes, agenda and board papers circulated to all members well in advance to facilitate informed and effective decision making. Additional meetings are also convened to deliberate on issues that demand immediate decisions. The attendance of the Board of Directors are given in the Governance Report of this Annual Report.
A.1.2	Responsibilities of the Board	Compliant	The Board is responsible to lead the strategic and business direction of the Group as described below. » Formulates and implements a sound business strategy with a structured monitoring process to ensure sustainability of the Group. » Evaluates and takes responsible decisions in relation to new business ventures or restructuring of existing companies, if necessary. » Ensures the CEO and the management team possess the right skills, experience and knowledge to implement the formulated strategy effectively with proper succession planning. » Appoints suitable members to the Board sub-committees

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.1.2 Contd.	*Responsibilities of the Board*	*Compliant*	» Ensures all stakeholder interests are considered in corporate decisions making. » Accounting policies are reviewed annually to ensure compliance to evolving accounting standards including convergence towards the new Sri Lanka Financial Reporting Standards (SLFRS).
A.1.3	Compliance with laws and seek independent professional advice	Compliant	Board is collectively and individually committed to ensure compliance with all applicable laws and regulations and adheres to best governance practices. The Directors obtain independent professional advice if required for decision making.
A.1.4	Company Secretary	Compliant	SSP (Pvt) Ltd is appointed as the Group's Company Secretary 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 judgement of the Directors	Compliant	All Directors exercise independent judgement and opinions on issues that are discussed and considered at the Board.
A.1.6	Dedicate adequate time and effort by the Directors	Compliant	Board Meetings are held on a periodic basis. The Chairman and the Board Directors dedicate adequate time for the affairs of the Group by attending Board and Sub Committee meetings assiduously. In addition, the Board Directors meet and discuss with the senior management on operational and strategic issues as and when required.
A.1.7	Decision on calling for a resolution	Compliant	If necessary in the best interest of the company, one-third of the directors call for a resolution to be presented to the Board.
A.1.8	Training for new and existing Directors	Compliant	The Board recognizes the need for continuous training. Adequate knowledge sharing opportunities are provided to acquire requisite skills and exposure to effectively discharge their duties.
A.2. Chairman and CEO			
The Code prescribes to clearly differentiate the roles between the Chairman and the CEO to ensure balance of authority and good governance. The Chairman of the Group is responsible to effectively lead and guide the Board whilst the CEO is responsible to lead the senior management to ensure effective functioning of day to day operations of the Group, in consultation and guidance of the Chairman and the Board.			
A.2.1	Segregated roles and responsibilities of the Chairman and CEO	Compliant	The position of the Chairman and CEO are separated in order to prevent unfettered powers of decision making to a sole individual.

Governance Checklist

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: » The agenda for board meetings is developed in consultation with the CEO, Directors and the Company Secretary taking in to consideration matters relating to strategy, performance, resource allocation, risk management and compliance. » Sufficiently detailed information of matters included in the agenda should be provided to Directors in a timely manner. » All directors are made aware of their duties and responsibilities and the board and committee structures through which it will operate in discharging its responsibilities. » The effective participation of both Executive and Non-Executive Directors is secured; All Directors are encourage to make an effective contribution, within their respective capabilities, for the benefit of the Company. » All directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda. » The views of Directors of issues under consideration are ascertained and a record of such deliberations reflected in the minutes. » The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders
A.4. Financial Acumen			
As per the Code, the Board is to be represented by some members with financial acumen and knowledge to advice on matters related to finance.			
A.4	Availability of sufficient financial acumen and knowledge	Compliant	The Board is made up of knowledgeable and experienced individuals for guidance on matters of Finance and Management. One of the Directors is an Associate Member of Chartered Institute of Management Accounting as well as a Chartered Financial Analyst and chairs the Audit Committee.
A.5. Board Balance			
The Code stipulates that the Board has to be fairly represented with a balance between Executive and Non-Executive Directors.			
A.5.1	Presence of Non-Executive Directors	Compliant	Out of a total of 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.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
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 judgement.
A.5.4	Declaration of Independence	Compliant	Each Independent Non-executive director submits a declaration of independence in a prescribed format.
A.5.5	Determination of independence of the Directors	Compliant	The Board has determined the independence of Directors based on the declarations submitted by the Independent Non-Executive Directors as to their independence, as a fair representation and the Board will continue to evaluate their independence on this basis annually.
A.5.6	Appointment of an Alternate Director	Not Applicable	An Alternate Director has not been appointed by a Non-Executive or an Independent Director.
A.5.7	Appointment of a Senior Independent Director	Not Applicable	The roles of the Chairman and the CEO are separated negating the applicability of this requirement.
A.5.8	Confidential discussions with Senior Independent Director	Not Applicable	Please refer the comment for A.5.7 above.
A.5.9	Chairman's meetings with Non-Executive Directors	Compliant	The Chairman meets with Independent Non-Executive Directors as deemed necessary.
A.5.10	Recording of concerns in the Board Minutes	Compliant	All concerns that are not unanimously resolved will be recorded in the Board Minutes as per Company Policy. However, all decisions of the Board were taken unanimously and there were no concerns raised by the Directors which needed to be recorded in the Board Minutes during the reporting period.
A.6. Supply of Information			
The Code stipulates the management to supply all relevant and timely information to the Board in order to make effective decisions for the company.			
A.6.1	Management's obligation to provide appropriate and timely information to the Board	Compliant	The Management ensures that a set of timely, accurate, relevant and comprehensive information is provided to the Directors by way of a Board Paper prior to the Board Meeting, with adequate time for review and prepare for discussions.
A.6.2	Timely distribution of documents for Board meetings	Compliant	All papers related to the Board and Sub-Committee meetings are circulated at least seven days prior to the meetings.

Governance Checklist

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.8. Re-Election			
All Directors should be required to submit themselves for re-election at regular intervals			
A.8.1	Re-election of Non-Executive Directors	Compliant	Non-Executive Directors are subjected to a Re-election process as specified by the Companies act and the re-appointment is not automatic.
A.8.2	Re-election of Chairman and Board Directors	Compliant	All Directors including the Chairman are subjected for election after their first appointment and have been re-elected at intervals of no more than three years.
A.8.3	Resignation	Compliant	In the event of a resignation of a Director prior to completion of his appointed term, the Director should provide a written communication to the board of his reasons for resignation.
A.10 Disclosure of information in respect of Directors			
The Code specifies Disclosure of relevant details regarding Directors to all shareholders through the Annual Report.			
A.10.1	Details of Directors	Compliant	This Annual Report discloses the relevant details of the Board in the Board of Directors profiles and Corporate Governance Sections.
A.11. Appraisal of CEO			
The Board is required to carry out an appraisal on the CEO's performance in relation to the Company's performance and set annual targets.			
A.11.1 & A.11.2	Setting annual targets and appraisal of the performance of the CEO by the Board	Compliant	The Board appraises the performance of the CEO against a prior set of agreed financial and non-financial, short to medium and long term objectives and targets. The Board carried out the CEO evaluation at the end of reporting financial year.
B. Directors' Remuneration			
B.1. Procedure			
The Code specifies that a Remuneration Committee to be established formerly and transparently to independently determine the Remuneration Policy and the Remuneration of the Directors.			
B.1.1	Establishment of a Remuneration Committee	Compliant	A Remuneration Committee is appointed to assist the Board in establishing remuneration policy and guidelines for the remuneration of directors. As per the policy, no Director or employee should get involved in deciding his/her own remuneration.
B.1.2	Composition of the Remuneration Committee	Compliant	Both members of the Remuneration Committee are Independent Non-Executive Directors.
B.1.3	Chairman and the members of the Remuneration Committee	Compliant	The Remuneration Committee composition is listed out in the Remuneration Committee report in this Annual Report
B.1.4	Determination of remuneration of Non-Executive Directors	Compliant	The Board determines the remuneration of the Non-Executive Directors aligned to the current market practices.

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

Governance Checklist

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

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
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.
C.3.2	Public listed companies disclosures	Compliant	Procedures are in place to comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the Securities Exchange Commission and by the Colombo Stock Exchange
D. Accountability and Audit			
D.1 Financial Reporting			
The Code requires a fair and a balance report on the organization's financial position, performance and prospect.			
D.1.1	Present a Balanced and understandable assessment of the Company's Financial position complying to relevant laws and regulations	Compliant	All efforts are taken to ensure that the Annual Report presents a balanced assessment of the Company's Financial position. Care has been exercised to ensure that all statutory requirements are complied.

Governance Checklist

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D.1.2	Board's responsibility for statutory and regulatory reporting	Compliant	The Company's Interim and Annual Financial Statements are prepared in accordance to the Sri Lanka Accounting Standards and the Company's Act No 7 of 2007 and duly audited. The Interim and Annual Financial statements were published on time during the reporting period. All Regulatory Reports were filed by the due dates. Price sensitive information was disclosed to the Colombo Stock Exchange (CSE) on a timely basis during the financial year 2017/18
D.1.3	Declaration by the Chief Executive and Chief Financial officer on the financial statements	Compliant	This is declared under the Statement of Directors' Responsibility and Statement of Financial Position
D.1.4	Directors' Report in the Annual Report	Compliant	The Annual Report of the Board of Directors on the affairs of the Company containing the subject declarations is given in this Annual Report.
D.1.5	Statement of Directors' and Auditor's responsibility for the Financial Statements	Compliant	A Report on the Statement of Directors' Responsibilities is given in this Annual Report. The Auditor's Report on the financial statements for the year ended 2017/18 is given on page 126 under Independent Auditors Report
D.1.6	Management Discussion and Analysis	Compliant	Management Discussion and Analysis is presented on the Company together with the subsidiaries as separate sections in this Annual Report.
D.1.7	Summon an Extra Ordinary General Meeting (EGM) to notify serious loss of capital	Compliant	EGMs are held for companies complying with the requirements.
D.1.8	Disclosure of Related party transactions in the Annual Report	Compliant	Related party Transactions have been disclosed in Related Party Disclosures under Notes to the Financial Statements.
D.2 Internal Control The Board is required to maintain a comprehensive system of Internal Controls and Risk Management to safeguard the shareholder's wealth and Company's sustainability.			

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D.2.1 & 2.2.	Review the effectiveness of internal controls	Compliant	The Board has the overall responsibility for the system of internal controls covering financial, operational, compliance and risk management. The Board has delegated these responsibilities to the Audit Committee. Systems have been designed to provide the Directors with the reasonable assurance that assets are safeguarded; transactions are authorized and recorded properly whilst material errors and irregularities are prevented, detected and rectified effectively.
D.2.2	Review and Confirm on the assessment of the principal risk faced by the company and how they are being mitigated	Compliant	The Principal risks facing the company are reviewed and discussed at the Board Meetings periodically along with the strategies to manage and mitigate the same.
D.2.3	Internal Audit function	Compliant	Internal Audit Function is available in the Organization.
D.2.4	Review the process of Internal Control and Risk Management	Compliant	Internal audit function has been outsourced to Messrs. PricewaterhouseCoopers Advisory Services (Pvt) Ltd. Group's Risk & Control Department coordinates and ensures that recommendations are implemented conscientiously apart from carrying out various other audits and special assignments across the group. The effectiveness and the scope of the Internal Audit Function is assessed periodically.
D.2.5	Director's responsibility on maintaining a system of Internal Control and Contents of the Statement of Internal Control	Compliant	Audit Committee statement on Internal Controls and contents of the Statement of Internal Control have been highlighted in the Annual Report under the report from the Audit Committee.

Governance Checklist

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

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

Governance Checklist

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D.5. Code of Business Conduct and Ethics			
The Code stipulates the Company may adopt a Code of Business Conduct and Ethics Directors and Key Management Personnel and to declare any material violations.			
D.5.1	Disclosure of Code of Business Conduct and Ethics	Compliant	The Company has adopted and is in compliance to the Code of Business Conduct and Ethics applicable to Directors and all employees across the Group. Any violation of the Code is taken for consideration.
D.5.2	Process to ensure the material and price sensitive information	Compliant	The Company has a process in place to ensure material and price sensitive information is promptly identified and reported in accordance with relevant regulations.
D.5.3	Disclosure on Key Management/ any other employees involved in financial reporting personnel shares	Compliant	All the Directors, Key Management Personnel and employees of the Company are required to declare details of their dealings in shares of the Company in a prescribed format to the Company Secretary. Shares pertaining to the Key Management Personnel information are duly disclosed.
D.5.4	Affirmation of the Code of Business Conduct and Ethics	Compliant	Please refer the Chairman's Statement on Corporate Governance and the Annual Report of the Board of Directors which affirm that there are no material violations of the Company's Code of Business Conduct and Ethics during the reporting period.
D.6 Corporate Governance Disclosures			
The Code requires the Company to disclose the extent to which the Company adheres to established practices and principles of good Corporate Governance.			
D.6.1	Disclosure of Corporate Governance	Compliant	The Corporate Governance Report herein sets out the manner in and the extent to which the Company has complied with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC.

Section 2 – Shareholders

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 and Institutional investors are encouraged to give a feedback on the governance arrangements.
F. Other Investors			
F.1	Individual Shareholders	Compliant	The Annual Report contains sufficient information in order to carry out adequate analysis or seek independent advice regarding Investing / Divesting decisions. Following are the main reports included in this Annual Report which provide an overall assessment of the Company's affairs during the financial year 2017/18 and the way forward: » Chairman's Review » CEO's Review » Management Discussion and Analysis » Annual Financial Statements

Governance Checklist

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
F.2	Shareholder voting	Compliant	All shareholders are encouraged to participate at the AGM and cast their votes or exercise their proxy for decision making.
H. Environment Society and Governance			
H.1 ESG Reporting			
H.1.1	Disclosure on how ESG reporting	Compliant	The Environmental (Natural) and Social Capital are discussed under the Capital Management Reports. Further Governance has been elaborated in details under the Corporate Governance Report in page 85.
H.1.2	The Environment	Compliant	The environment has been discussed in the report on natural capital on page 51 in the Annual Report.
H.1.3	Social Governance	Compliant	Engagement with the society has been discussed in the Management approach to core sustainability agenda in Social Capital section of this Annual Report. Further Labour practices have been discussed in the Management approach to core sustainability agenda Report under Human Capital section in the Annual Report.
H.1.4	Governance	Compliant	Please refer Corporate Governance section of this Annual Report for the Inclusiveness report.
H.1.5	Board's role on ESG factors	Compliant	Management approach for each type of capital are discussed under Capital Management section.

SECTION B

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

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

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.1(a)	Non-Executive Directors	Two or one third of the total number of Directors, whichever is higher, shall be Non-Executive Directors.	Compliant	The Board comprises of 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 résumé 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.

Governance Checklist

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 recognized professional accounting body	Compliant	» The Audit Committee comprises of three Independent Non-Executive Directors » Mr. Sanjay Kulatunga (Independent Non-Executive Director) acts as the Chairman of the Committee » The Group CEO and CFO attend meetings by invitation » The Chairman is an Associate Member of the Chartered Institute of Management Accountants

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
7.10.6(c)	Disclosure in the Annual Report	The Annual Report shall disclose: » Names of the Directors of the Audit Committee » The determination of the independence of the Auditors and the basis for such determination » A Report by the Audit Committee setting out the manner of compliance with the listing rule 7.10 on Corporate Governance	Compliant	Refer the Audit Committee Report

Risk Management Report [GRI 102-11]

Our aim is to identify the resulting opportunities and risks at an early stage and take the necessary measures in the specific areas affected in due time to ensure that we achieve a sustained increase in enterprise value. With the "dare to do" spirit we continued our disciplined pursuit of new opportunities and revenue streams to safeguard shareholders' interests by responding effectively to shifting business demands and seize opportunities that create value for our stakeholders.

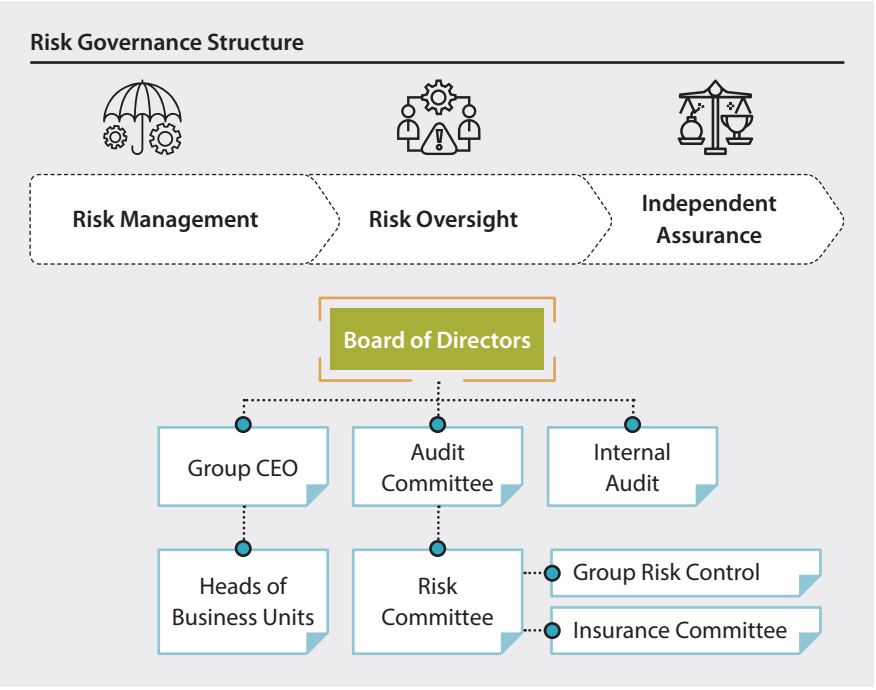
The Expolanka Group takes risks in order to meet its corporate objectives. The objective of the risk management process is to identify risks on a timely basis and to manage them in accordance with the company's risk appetite. Consciously addressing identified risks and regularly monitoring the same would increase risk awareness and ensure a continuous improvement process.

As an enterprise with a fairly diversified portfolio and part of a complex global business world, Expolanka Group is constantly exposed to a wide range of internal or external developments and events that could significantly impact the achievement of our financial and non-financial objectives.

Our aim is to identify the resulting opportunities and risks at an early stage and take the necessary measures in the specific areas affected in due time to ensure that we achieve a sustained increase in enterprise value. With the "dare to do" spirit we continued our disciplined pursuit of new opportunities and revenue streams to safeguard shareholders' interests by responding effectively to shifting business demands and seize opportunities that create value for our stakeholders.

Risk Governance Structure and Framework

Risk management is an integral part of decision making across the Group. We recognize the dynamic environment in which the Group operates, and continue to refine the risk management systems in place where necessary, to ensure strong governance across the Group.



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

Role	Responsibility	Line of Defense	Scope
Risk Management	Group CEO, Business Unit Heads and Individuals	1st Line of Defense	Are 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 Defense	Audit Committee acting on behalf of the board ensures that an effective risk management is established and maintained by the group. It also oversees risk mitigation efforts of the management to manage the significant risks of the group
	Risk Committee		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 and 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 and Control and Insurance Committee by ensuring objectives of the Risk Committee are met through implementation and improvement to the existing processes with regards to risk reporting and escalation.
Independent Assurance	Internal Audit	3rd Line of Defense	Provide oversight on risk-management content/processes followed by second line of defense and provide assurance on the adequacy and effectiveness of the risk management processes in place to manage risks of the Company.

Risk Management Process

Risk management is a fundamental element of the Group's business practice on all levels and is embedded into the business planning and controlling processes of the Group. We continuously identify opportunities and risks by observing macroeconomic, industry-specific, regional and local developments and analyzing trends. The opportunities and risks identified are then evaluated. As a Group, we adopt a balanced approach to risk management. As not all risks can be eliminated, we will only undertake appropriate and well considered risks to optimize returns for the Group.

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 analyzed and evaluated to understand the potential impact and likelihood of occurrence and is prioritized and treated as applicable.

We attempt to avoid or mitigate risks by taking appropriate countermeasures, or to transfer them to third parties (such as insurers) to the extent possible and economically acceptable. We consciously accept and bear manageable and controllable risks that stand in a reasonable relation to the anticipated opportunities – as an aspect of general entrepreneurial risk.

Each business unit is required to:

1. Assess risk by identifying, evaluating and plan risk response for their key risks using the risk management methodology
2. Manage, monitor and follow up on their key risks and improvement actions
3. Report on their key risks and risk response according to the established reporting protocol.

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

Risk Factors

The following table with risk factors highlights the main risks which might prevent Expolanka from achieving its strategic, operational and financial objectives. All of these risk factors can impact the Group's financial performance and market position if not managed in an effective and proactive way.

Expolanka take reasonable risks that;

1. Fit our strategy and capability,
2. Can be understood and managed, and
3. 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.

We attempt to avoid or mitigate risks by taking appropriate countermeasures, or to transfer them to third parties (such as insurers) to the extent possible and economically acceptable.

Risk Factors	Risk Exposure	Key Controls & Mitigating Actions	Risk Grading 15/16	Risk Grading 16/17	Risk Grading 17/18
Business Partner Risk	Loss of principals/ business partners, customers, suppliers, JV partners due to global mergers and acquisitions, intense competition, service level gaps	» Transaction to solution driven business initiatives to add value to the service provided. » Improvement to Service Level Agreements » Investment committee evaluations on new investments	Medium	Medium	Medium
Product and Market Dependency Risk	Loss of market share or market leadership in relevant segment due to intense competition from existing and potential competitors, changes in customer attitudes due to adverse economic and social conditions.	» Synergistic acquisitions to broaden the product and market range » Enhanced overall supply chain management to provide a comprehensive value added solutions to the customer	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 centralized legal department » Increased focus and follow up on debtor collections	Medium	Medium	Medium
Investment Risk	The future profitability of the group is affected by the degree of realization of expected earnings on investments	» Investment appraisal on new ventures by the Investment Committee » Expert Legal advice on investment agreements » In-depth Financial, Commercial and Legal due diligence on investment prior to decision making	Medium	Medium	Medium
Legal and Compliance Risk	Non-compliance pertaining to statutory and regulatory provisions could bring adverse effect on our businesses.	» Monthly Report and Review on Statutory Compliance » Legal Policies and Procedures	Low	Medium	Medium

Risk Factors	Risk Exposure	Key Controls & Mitigating Actions	Risk Grading 15/16	Risk Grading 16/17	Risk Grading 17/18
Human Capital Risk	Risk arising as a result of failure to attract, develop and retain a skilled workforce.	» Improved performance evaluation and measurement process » Increased HR engagement to drive the culture across the group » Working towards building a strong succession plan » Enhanced sources of recruitment	Low	Low	Low
System and 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 Specialized IT Security personnel » Implementation of Disaster Recovery with latest technologies to support business continuity. » Improvement of existing IT security infrastructure and implementation of new firewall system to support branch network. » Trainings on existing and latest best suited technologies and adaptation of available IT best practice to align with IT governance.	Medium	Medium	High
Foreign Exchange Risk	Potential losses as a result of high volatility in foreign currency exchange rates against the Sri Lankan Rupee.	» Group Treasury Policy » Natural Hedging through receivables and payables matching. » Leading and Lagging in the conversion of foreign currency based on exchange rate movement projections. » Entering into Forward Contracts to mitigate the FOREX risk. » Incorporating the projected down-swing in exchange rates to the pricing of goods and services	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

Risk Factors	Risk Exposure	Key Controls & Mitigating Actions	Risk Grading 15/16	Risk Grading 16/17	Risk Grading 17/18
Country and Geo Political Risk	Risk of operating in new markets, political risks	» Analyzing PEST factors and developing appropriate strategies » Monitoring of country specific legal and 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.	» Channelling 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

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

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

Summarised Assessment of the Risk Situation

We consider the distribution of risks and opportunities to be balanced. The most significant individual risks in the business have been named in the Report above. The overall view of the risk situation of the Group leads to the assessment that the risks are not of a nature to threaten the existence of the Group as a going concern. The most material risks remain the uncertainty of the global economic development, business-related risks and non-compliance with laws and regulations thus being in the constant focus of the management. We are confident that we will continue to successfully master the challenges arising from the above risks in the future as well.

Related Party Transactions Review Committee Report

Purpose of the Committee

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

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

Composition

The Committee comprised of three (3) Independent Non-Executive Directors and is chaired by Mr. Sanjay Kulatunga. Brief profiles of the members are given on the pages 15 of this annual report.

Company Secretaries, S.S.P. Corporate Services (Pvt) Ltd act as the Secretary to the Related Party Transactions Review Committee.

Scope of the Committee

Scope of the Committee include the following:

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

Meetings

The Related Party Transactions Review Committee convened 4 meetings during the financial year ended 31st March 2018 and the attendance of the members of the Related Party Transactions Review Committee was as follows:

	23rd May 2017	3rd Aug 2017	8th Nov 2017	7th Feb 2018	Attendance Eligibility	Attended
Mr. Sanjay Kulatunga	✓	✓	✓	✓	4	4
Mr. Harsha Amarasekera	✓	✓	✓	✓	4	4
Mr. Toji Shiho	✓	✓	✓	✓	4	4

✓ **Present** ✗ **Excused**

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

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

Meeting Date	Key Points of Discussion
23rd May 2017	» Reassessment on the requirement for Transfer Pricing documentation for local and foreign subsidiaries in line with their local Transfer Pricing regulations. » Review the outstanding intercompany balances as of 31st March 2017. » Discussion of the latest requirements pertaining to OECD's BEPS Action 13 and the need to establish the preparations
3rd August 2017	» Tabling the findings of the Transfer Pricing study conducted for local subsidiaries and discussion on the observations made in the respective Management representation Letters. » Review of Related party balances and transactions for the quarter ending 30th June 2017. » Tabling the guidelines prepared for International - Transfer Pricing Compliance Framework and the applicable Global Transfer Pricing Compliance requirements stemming from the OECD BEPS Action 13 initiative.
8th November 2017	» Tabling the Transfer Pricing compliance requirements for local subsidiaries in line with the local transfer pricing regulations for the FY 2016/17. » Tabling the information pertaining to Major non-recurring transactions as of 30th September 2017. » Discussion on the findings stemming from the study of Transfer Pricing compliance for foreign subsidiaries.
7th February 2018	» Discussion on the criteria for evaluating Major related party transactions and tabling information pertaining to the major related party transaction during the period. » Discussion on the outstanding intercompany balances and the progress on recovering the same. » Tabling a proposal to acquire a related party entity and seeking approval for the same.

On behalf of the Related Party Transaction Review Committee

Sanjay Kulatunga
Chairman- Related Party Transactions Review Committee

Remuneration Committee Report

Composition

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

Mr. Harsha Amarasekara (Chairman)
Mr. Sanjay Kulatunga

The brief profiles of the Directors are given on page 15 of the Annual Report.

Scope of the Committee

The scope and the responsibilities of the Remuneration Committee include;

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

Remuneration Policy

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

The remuneration packages which are linked to the individual performance are aligned with the company's short term and long term strategy of the business. The Committee makes every 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

	18th Feb 2018
Mr. Harsha Amarasekera	
Mr. Sanjay Kulatunga	

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

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

The Committee discussed the Compensation Guidelines which are in place to verify a fair and equitable remuneration package while 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.

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

Mr. Harsha Amarasekera
Chairman – Remuneration Committee

BEYOND

OUR NUMBERS

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

The Directors are pleased to present the Annual Report on the State of Affairs, together with the Audited Financial Statements for the year ended 31st March 2018 of Expolanka Holdings PLC, listed on the Colombo Stock Exchange, Audited Consolidated Financial Statement of the Group and the Auditors' Report on those Financial Statements. Expolanka Holdings PLC was incorporated in Sri Lanka on 05th March 2003 as a Private Limited Liability Company under the Companies Act No. 17 of 1982 and Re-registered on 11th November 2008 as a Public Limited Liability Company under the Company's Act No 07 of 2007 and the Company's Re-registration Number is PB 744.

The contents of this Report are in accordance with the statutory requirements, the requirements of relevant regulatory authorities and best accounting practices which have been brought to the notice of the shareholders and other stakeholders. These Audited Financial Statements were approved by the Board of Directors on 30 May 2018.

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;

1. We will always follow ethical business principles in transacting and managing business.
2. Caring for stakeholder's interests.
3. Commitment to excellence.
4. Innovation and entrepreneurship.

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

Principal Activities

Expolanka Holdings PLC, the Group's holding Company manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the Expolanka Group, and provides numerous function based services to its Group Companies. The Companies within the Group and its holding percentages are described on page 135 of this Annual Report. The principal activities of the Group are categorized into three sectors namely, Logistics, Leisure and Investments.

Business Review and Prospects

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

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

Financial Statements

The Audited Financial Statements of the Company and the Group are given on pages 129 to 182 .

Auditor's Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 126.

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. 110,128,200 (2017 – Rs. 107,199,877) whilst Group revenue amounted to Rs. 77,532,886,917 (2017 – Rs. 63,492,150,920). Contribution to the group revenue from the different business segments is provided in page 175.

Results and Appropriations

The profit after tax of the holding Company was Rs. (185,429,783) (2017 - Rs. (463,159,597)) whilst the Group profit attributable to equity holders of the parent for the year was Rs. 710,865,511 (2017 - Rs. 954,506,657). Results of the Company and of the Group are given in the income statement in the audited financial statement.

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

The Company declared an interim dividend of Rs. 293,237,251 at Rs. 0.15 cents per share for the financial year 2017/18. 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. 30,000 (2017 - Rs.0) and Rs. 9,397,688 (2017 - Rs. 7,981,988) 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. 32,264,335 (2017 - Rs. 47,781,400) and Rs. 3,832,926,153 (2017 - Rs. 3,632,375,490) for the Company and the Group respectively. Capital expenditure for the Company and the Group amounted to Rs. 3,638,489 (2017 - Rs. 60,012,535] and Rs. 678,266,078 (2017-Rs. 581,679,121) respectively. Details of Property, Plant and Equipment and their movements are given in Note 03 to the financial statements.

Investments

Investments of the Company in subsidiaries, associates, joint ventures and other external equity investments amounted to Rs. 4,768,644,038 (2017 - Rs. 5,067,537,183) respectively. Detailed description of the short and long term investments held as at the balance sheet date, are given in pages 157 to 162 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 2017	4,097,985,000
Movements during the year	-
As at 31 March 2018	4,097,985,000

Directorate

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

Naosuke Kawasaki - Chairman

Hanif Yusoof - CEO / Executive Director

Tomoki Sano - Non-Executive Director

Motonori Matzusono -
Non-Executive Director

Yushifumi Matsubara -
Non-Executive Director

Osman Kassim - Non-Executive Director

Toji Shiho -
Non-Executive Independent Director

Sanjay Kulatunga -
Non-Executive Independent Director

Harsha Amarasekara -
Non-Executive Independent Director

The Directors' brief profiles are given in the Board of Directors section of the Annual Report. The section also includes names of persons holding office as Directors of the company and all its subsidiary and associate companies as at 31 March 2018.

Directors Remuneration

Directors' remuneration, in respect of the Company for the financial year 2017/18 is Rs. 38,988,325. Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2017/18 is Rs. 522,770,210.

Audit Committee

The following Directors serve the Audit committee;

Mr. Sanjay Kulatunga	-	Chairman
Mr. Harsha Amarasekara	-	Member
Mr. Toji Shiho	-	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;

Harsha Amarasekera	-	Chairman
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 and Commission Directive issued under section 13(c) of the Securities Exchange Commission Act.

Related Party Transaction Review Committee

The following Directors serve the Related Party Transaction Review Committee;

Mr. Harsha Amarasekara	-	Chairman
Mr. Sanjay Kulatunga	-	Member
Mr. Toji Shiho	-	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 2018.

Name of Director	No of Shares
Nabuaki Kondo	Nil
Hanif Yusoof	147,021,464
Osman Kassim	Nil
Naosuke Kawasaki	Nil
Motonori Matzusono	Nil
Yushifumi Matsubara	Nil
Toji Shiho	Nil
Sanjay Kulatunga	Nil
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 [GRI 102-5]

		31st March 2018		31st March 2017	
No.	Name of Shareholder	No. of Shares	%	No. of Shares	%
1	SG Holdings Global (Pte.) Ltd	1,319,165,681	67.48	1,319,165,681	67.48
2	Caceis Bank Luxenbourg S/A Barca Global Master Fund LP	173,811,433	8.89	117,362,974	6.00
3	Hanif Yusoof	147,021,464	7.52	147,021,464	7.52
4	HSBC INTL NOM LTD-BBH-Matthews Emerging Asia Fund	94,231,424	4.82	72,280,137	3.70
5	Farook Kassim	23,041,756	1.18	83,310,450	4.26
6	Shafik Kassim	17,571,637	0.90	44,591,641	2.28
7	Janashakthi General Insurance Limited	10,038,263	0.51	10,038,263	0.51
8	Sri Lanka Insurance Corporation Ltd- Life Fund	9,499,000	0.49	2,500,000	0.13
9	MAS Capital (Private) Limited	7,716,250	0.39	7,716,250	0.39
10	E.W. Balasuriya & Co. (Pvt) Ltd	7,591,805	0.39	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	Seylan Bank PLC/ARRC Capital (Pvt) Ltd	5,338,005	0.27	-	-
14	Amana Bank Plc	4,540,098	0.23	4,530,098	0.23
15	Deutsche Bank AG AS Trustee To Candor Growth Fund	4,000,000	0.20	2,750,000	0.14
16	Employees Trust Fund Board	3,486,700	0.18	3,486,700	0.18
17	Rubber Investment Trust Limited A/C # 01	3,273,348	0.17	4,373,348	0.22
18	Hallsville Trading Group Inc.	3,000,000	0.15	3,000,000	0.15
19	Mohamed Haji Omar	2,178,660	0.11	0	0
20	Guardian Fund Management Limited/ The Aitken Spence And Associated Companies Executive Staff Providen	2,035,549	0.10	2,535,549	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 85 to 105 discusses the areas pertaining to Corporate Governance in detail.

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

Auditors

Messrs Ernst & Young, Chartered Accountants, are deemed reappointed, in terms of Section 158 of the Companies Act No. 7 of 2007, as Auditors of the Company. A resolution proposing the Directors be authorized to determine their remuneration will be submitted at the Annual General Meeting. Details of audit fees are set out in Note 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 2,930 (2017– 2727). The details of the Group's employment, human resources initiatives and employees are included under the Human Capital 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 26 to the Financial Statements.

Going Concern

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

Environmental Protection

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

Sustainability

The Group pursues its business goals under corporate business governance and the Group has taken numerous steps, particularly in ensuring the conservation of its natural resources and environment. These steps have been encapsulated in a group-wide sustainability programmes that were launched and are being launched on a continuous manner and immense

progress have been made in various projects. The Sustainability Report forms a part of this Annual Report and could be referred to on page 59.

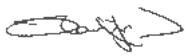
Annual Report

The Board of Directors has approved the Company and the Consolidated Financial Statements on 30 May 2018 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 1st August 2018 at 4.00 pm.

By Order of the Board



Hanif Yusoof
Director

Osman Kassim
Director

SSP Corporate Services (Pvt) Ltd
Secretaries

30 May 2018

The Statement of Directors' Responsibility

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

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

The financial statements comprise of;

- 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 judgements 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 126 sets out their responsibilities in relation to the financial statements.

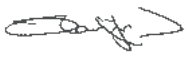
As required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test and have obtained certificates from the auditors, prior to declaring the first interim dividend of Rs. 0.15 per share declared on 13 July 2017.

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

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments, 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

30 May 2018

Audit Committee Report

Role of the Committee

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

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

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

Composition

The Committee 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. Brief profiles of the members are given on the page 15 of this Annual Report.

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

Meetings

The Audit Committee convened 4 meetings during the financial year ended 31st March 2018 and the attendance of the members of the Audit Committee was as follows:

	23rd May 2017	3rd Aug 2017	8th Nov 2017	7th Feb 2018	Attendance Eligibility	Attended
Mr. Sanjay Kulatunga	✓	✓	✓	✓	4	4
Mr. Harsha Amarasekera	✓	✓	✓	✓	4	4
Mr. Toji Shiho	✓	✓	✓	✓	4	4

✓ **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 and Risk and Control division attended the Audit Committee meetings by invitation. The CEO and COO of the Freight & Logistics Sector and Senior Management also attended. The External Auditors and the Internal Auditors were also invited to attend meetings when necessary.

The activities and views of the Committee have been communicated to the Board of Directors quarterly through verbal briefings and by tabling the minutes of the Committee's meetings.

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

Meeting Date	Key Points of Discussion
23rd May 2017	» Review of Quarterly Financials for the period ending 31st March 2017 » Review and approval of Consolidated Financial Statements for the year ending 31st March 17 » Discussion and review of significant developments during the year and the impact of the same with EY Partner and the team » In depth review of Income Tax Assessments and contingent liabilities for the companies within the group along with evaluation of action plan on closure. » Discussion and review on the requirement of new ERP system for the Group » Update on the status of internal audit of overseas companies » Tabling and review of Risk Committee minutes
3rd August 2017	» Review of Financial Statements for the quarter ending 30th June 2017. » Review of debtors impairment and identification of risks from the aged debtors » Review of ERP system selection and evaluation process, project team, project plan and cost vs. benefits. » Tabling of draft Authority Matrix for the review and discussion of the Committee. » Tabling and review of Risk Committee minutes
8th November 2017	» Review of Financial Statements for the quarter ending 30th September 2017. » Sector wise review of 2nd quarter financials » In depth review of items with significant movements in the Cash Flow Statement and Balance Sheet » ERP system implementation and progress update and review of key business KPI's arising from the project. » Discussion on the status update of internal audits performed for overseas stations » Tabling and review of Risk Committee minutes
7th February 2018	» Review of Financial Statements for the quarter ending 31st December 2017. » Sector wise review of 3rd quarter financials. » In depth review of items with significant movements in the Cash Flow Statement and Balance Sheet » Discussion and review of Interim Audit status, Deliverable, Key Area of Emphasis, Disclosures, Review Auditors Report with EY Partner and the team » Review of updated Authority Matrix for approval and discussion on the challenges in implementation and expectation of the Committee. » Review of Trade and Other Receivables and mechanism in place to ensure timely collection » Tabling and review of Risk Committee minutes

Financial Reporting

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

1. Adequacy and effectiveness of the internal controls, systems, and procedures to provide reasonable assurance on the reported financials
2. Appropriateness of the accounting policies adopted, key judgements 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.
3. 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 main focus of internal audit is to evaluate the overall system of internal controls and governance of all business units and to advise the adequacy of internal controls, compliance with laws and regulations and established policies and procedures of the company. Accordingly, the Committee reviewed the adequacy of internal audit coverage and approved the internal audit plan for 17/18 cycle. The Committee discussed matters of significance arising from internal audit with the management and ensured proper action plans for closure.

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. Formal confirmations and assurances were obtained periodically from the senior management of group companies regarding the efficacy and status of internal controls systems and compliance with applicable laws and regulations. Directors' Statement on Internal Controls is given on page 117.

Review of risks and internal controls encompassed periodic discussions with senior management, meetings with External and Internal Auditors and review of the minutes of the Risk Committee meetings which are tabled at the Audit Committee meetings.

External Audit

The Audit Committee reviewed the external audit plan with company's lead auditors Messrs. Ernst & Young including the scope of the annual audit and had discussions with External Auditors prior to the year-end audit to discuss their audit approach and procedures.

The Committee reviewed and discussed with management and the External Auditors on the Company's audited financial statements and the recommendations contained in the management letter arising from the final audit and ensured appropriate follow up action were taken. It also reviewed the quality of the financial reporting, the reasonableness of significant accounting judgements and estimates and the clarity of disclosures in the financial statements, and the assessment of the Company's internal controls on financial reporting.

The Committee reviewed the nature of services provided by the auditors, and has determined that Messrs. Ernst & Young were independent on the basis that they did not carry out any management related functions of the Company.

The 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 2019, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Conclusion

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

Sanjay Kulatunga
Chairman - Audit Committee

Independent Auditor's Report

Ernst & Young
Chartered Accountants
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To the Shareholders of Expolanka Holdings PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Expolanka Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2018, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

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

A member firm of Ernst & Young Global Limited

Key audit matters common to both Group and Company.

Key audit matter	How our audit addressed the key audit matter
Transactions and balances of foreign subsidiaries significant to the consolidated financial statements Expolanka PLC is a group which includes a number of foreign subsidiaries operating in different jurisdictions as more fully described in note 2.3 of the consolidated financial statements. Of these subsidiaries, the financial statements of subsidiaries domiciled and operating in India, Bangladesh, United States of America, United Arab Emirates, Vietnam, China and Hong Kong are significant to the consolidated financial statements of the Group. The transactions and balances of such subsidiaries (as more fully described in Notes 23 of the consolidated financial statements for the Year Ended 31 March 2018) was considered most significant to our audit due to the geographical dispersion of those operations and magnitude of such subsidiaries' contribution to the results and position reported in the consolidated financial statements of the Group.	Our audit procedures, among others, included the following : » We involved component auditors to address specific group - level risks and areas of focus identified by us, at Group - Level. A full – scope audit was performed at each such subsidiary. We visited component auditors of such significant subsidiaries and reviewed their working papers for adequacy and appropriateness of work performed to address the Group – Level risks identified. » Further, Component Auditors were required to complete specific risk-based questionnaires and detailed audit programs in order to ensure a consistent approach was adopted across teams. The contribution from the foreign subsidiaries to the Group balances are disclosed in note 23 – Segment Information in the consolidated financial statements.

Other Information included in The 2018 Annual Report

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

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

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

Responsibilities of the management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to

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

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

» Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

» Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

» Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

» Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1864

Ernst & Young

Colombo
30 May 2018

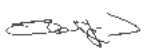
Statement of Financial Position

As at 31 March	Note	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	3	3,832,926,153	3,632,375,490	32,264,335	47,781,400
Intangible assets	4	446,369,795	437,132,224	2,591,250	-
Investments in subsidiaries	5	-	-	4,570,227,815	4,545,227,815
Investment in an associate and a joint venture	6	213,494,348	186,022,527	43,990,000	43,990,000
Other financial assets	7	155,144,144	186,044,074	154,426,223	162,335,847
Deferred income tax assets	14	122,472,004	91,012,033	-	-
		4,770,406,444	**4,532,586,348**	**4,803,499,623**	**4,799,335,062**
Current assets					
Inventories	8	153,600,653	135,200,112	-	-
Trade and other receivables	9	17,808,620,063	12,991,965,188	471,531,149	255,080,863
Prepayments		2,129,108,854	1,616,660,734	13,992,402	17,881,355
Other financial assets	7	163,961,188	437,045,211	-	315,983,521
Income tax recoverable		56,807,974	53,096,239	-	-
Cash and cash equivalents	10	3,625,713,712	3,575,872,068	34,882,582	204,349,710
		23,937,812,444	18,809,839,552	520,406,133	793,295,449
Total Assets		**28,708,218,888**	**23,342,425,900**	**5,323,905,756**	**5,592,630,511**
EQUITY AND LIABILITIES					
Stated capital	11	4,097,985,000	4,097,985,000	4,097,985,000	4,097,985,000
Reserves	12	603,849,826	476,552,970	-	-
Retained earnings		8,075,240,615	7,675,165,267	537,552,217	1,024,212,992
Equity attributable to equity holders of parent		12,777,075,441	12,249,703,237	4,635,537,217	5,122,197,992
Non-controlling interest		1,250,977,852	1,127,738,100	-	-
Total Equity		**14,028,053,293**	**13,377,441,337**	**4,635,537,217**	**5,122,197,992**
Non-current liabilities					
Financing and lease (ijara) payables	13	811,845,411	811,725,254	246,134,570	382,878,936
Deferred income tax liabilities	14	4,264,451	2,303,694	-	-
Retirement benefit obligation	15	635,012,859	486,240,988	16,509,163	25,488,047
		1,451,122,721	1,300,269,936	262,643,733	408,366,983
Current liabilities				-	
Financing and lease (ijara) payables	13	3,391,771,031	1,590,132,961	-	583,294
Trade and other payables	16	9,228,856,643	6,738,115,013	425,724,806	61,482,242
Income tax liabilities		608,415,200	336,466,653	-	-
		13,229,042,874	8,664,714,627	425,724,806	62,065,536
Total equity and liabilities		**28,708,218,888**	**23,342,425,900**	**5,323,905,756**	**5,592,630,511**
Net assets per share		6.54	6.27	2.37	2.62

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 134 to 182 form an integral part of the financial statements.

30 May 2018
Colombo

Statement of Profit or Loss [GRI 102-9]

Year ended 31 March	Note	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Revenue	17	77,532,886,917	63,492,150,920	110,128,200	107,199,877
Cost of sales		(63,806,591,544)	(52,292,886,994)	-	-
Gross profit		13,726,295,373	11,199,263,926	110,128,200	107,199,877
Other operating income and gains	18	199,405,040	166,708,025	170,638	38,853,252
Selling and distribution expenses		(1,080,418,030)	(1,087,188,542)	(18,590,705)	(8,541,599)
Administrative expenses		(11,025,231,442)	(8,361,829,754)	(363,507,280)	(488,440,831)
Operating profit/(loss)		1,820,050,941	1,916,953,655	(271,799,147)	(350,929,301)
Finance costs	19	(231,939,529)	(403,262,568)	(20,745,852)	(248,399,054)
Finance income	19	37,109,631	157,024,000	107,115,216	136,168,758
Share of profit of an associate and a joint venture (net of tax)	6	43,848,240	21,678,987	-	-
Profit/(loss) before tax	20	1,669,069,283	1,692,394,074	(185,429,783)	(463,159,597)
Income tax expense	21	(707,506,831)	(463,673,810)	-	-
Profit/(loss) for the year		**961,562,452**	**1,228,720,264**	**(185,429,783)**	**(463,159,597)**
Attributable to:					
Equity holders of the parent		710,865,511	954,506,657		
Non-controlling interest		250,696,941	274,213,607		
		961,562,452	**1,228,720,264**		
Earnings/ (loss) per share					
Basic	22.1	0.36	0.49	(0.09)	(0.24)
Diluted	22.2	0.36	0.49	(0.09)	(0.24)
Dividend per share	**22.3**			**0.15**	**0.15**

The accounting policies and notes on pages 134 to 182 form an integral part of the financial statements.

Statement of Comprehensive Income

Year ended 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Profit/(loss) for the year	961,562,452	1,228,720,264	(185,429,783)	(463,159,597)
Other comprehensive income				
Other comprehensive income to be reclassified to the Statement of Profit or Loss in subsequent periods				
Net exchange differences on translation of foreign operations	122,346,713	52,013,324	-	-
Net gain/(loss) on available - for - sale financial assets	1,205,651	(51,689,775)	-	(47,457,740)
Reclassification adjustments for impairment on equity securities	-	67,713,873	-	67,713,873
	1,205,651	16,024,098	-	20,256,133
Other comprehensive income not to be reclassified to the Statement of Profit or Loss in subsequent periods				
Actuarial gain/(loss) on defined benefit plans	(14,844,843)	12,259,857	(7,993,741)	(5,924,564)
Income tax effect	(2,708,069)	64,167	-	-
	(17,552,912)	12,324,025	(7,993,741)	(5,924,564)
Other comprehensive income for the year, net of tax	105,999,452	80,361,447	(7,993,741)	14,331,570
Total comprehensive income for the year, net of tax	1,067,561,904	1,309,081,712	(193,423,524)	(448,828,027)
Attributable to:				
Equity holders of the parent	820,609,455	1,034,868,105		
Non-controlling interest	246,952,449	274,213,607		
	1,067,561,904	1,309,081,712		

The accounting policies and notes on pages 134 to 182 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 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	-	-	-	954,506,669	954,506,669	274,213,607	1,228,720,276
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	966,830,695	1,034,868,116	274,213,607	1,309,081,723
Dividend (note 22.3)	-	-	-	(293,237,251)	(293,237,251)	(198,891,523)	(492,128,774)
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
Profit for the year	-	-	-	710,865,511	710,865,511	250,696,941	961,562,452
Other comprehensive income	-	1,205,651	126,091,205	(17,552,912)	109,743,944	(3,744,492)	105,999,452
Total comprehensive income	-	1,205,651	126,091,205	693,312,599	820,609,455	246,952,449	1,067,561,904
Dividend (note 22.3)	-	-	-	(293,237,251)	(293,237,251)	(123,712,697)	(416,949,948)
As at 31 March 2018	**4,097,985,000**	**-**	**603,849,826**	**8,075,240,615**	**12,777,075,441**	**1,250,977,852**	**14,028,053,293**

Company	Stated capital	Available for sale reserve	Retained earnings	Total
	Rs.	Rs.	Rs.	Rs.
As at 01 April 2016	4,097,985,000	(20,256,133)	1,786,534,392	5,864,263,258
Loss for the year	-	-	(463,159,584)	(463,159,584)
Other comprehensive income	-	20,256,133	(5,924,564)	14,331,570
Total comprehensive income	-	20,256,133	(469,084,148)	(448,828,015)
Dividend	-	-	(293,237,251)	(293,237,251)
As at 31 March 2017	**4,097,985,000**	**-**	**1,024,212,992**	**5,122,197,992**
Loss for the year	-	-	(185,429,783)	(185,429,783)
Other comprehensive income	-	-	(7,993,741)	(7,993,741)
Total comprehensive income	-	-	(193,423,524)	(193,423,524)
Dividend			(293,237,251)	(293,237,251)
As at 31 March 2018	**4,097,985,000**	**-**	**537,552,217**	**4,635,537,217**

The accounting policies and notes on pages 134 to 182 form an integral part of the financial statements.

Statement of Cash Flows

Year ended 31 March	Note	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Cash flows from / (used in) operating activities					
Profit before income tax expenses		1,669,069,283	1,692,394,074	(185,429,783)	(463,159,597)
Adjustments for,					
Depreciation	3.1.2	388,340,620	356,789,188	12,958,408	20,638,996
Amortization	4.1	33,041,244	39,544,093	548,750	-
Income from investments	19	(14,105,705)	(13,724,884)	(23,748)	15,930
Profit on sale of property, plant and equipment		(2,785,085)	(15,958,446)	(43,310)	332,774
Profit / loss on sale of subsidiaries		-	17,952,757	-	5,900,653
Profit / loss on sale of investments		3,648,550	-	2,442,899	-
Dividend income	19	(23,003,926)	(19,929,391)	(107,091,468)	(136,168,758)
Finance cost		224,029,905	164,014,783	12,836,228	9,151,269
Profit share of investment in associates		(43,848,240)	(21,678,987)	-	-
Unrealised fair value changes		-	(123,369,725)	-	-
Provision for falling value of investments	19	-	171,533,911	-	171,533,911
Provision for bad and doubtful debtors	9	162,003,600	102,592,258	-	-
Impairment loss on quoted AFS equity investment		7,909,624	67,713,873	7,909,624	67,713,873
Provision for defined benefit plans	20	216,365,595	131,965,466	(14,983,025)	4,483,934
Operating profit / (loss) before working capital changes		2,620,665,466	2,549,838,963	(270,875,424)	(319,557,014)
(Increase)/decrease in inventories		(18,400,541)	(34,829,838)	-	-
(Increase)/decrease in trade and other receivables		(4,979,982,943)	(1,408,862,824)	(216,450,286)	609,527,300
(Increase)/decrease in prepayments		(512,448,119)	132,293,910	3,888,953	14,050,541
Increase/ (decrease) in trade and other payables		2,488,031,885	396,412,881	364,242,565	(11,277,455)
Net change in working capital due to group structure change		-	(395,001,681)	-	-
Cash generated from operations		(402,144,253)	1,239,851,431	(119,194,193)	292,743,384
Finance cost paid		(224,029,905)	(164,014,783)	(12,836,228)	(9,151,269)
Income tax paid		(471,477,301)	(665,385,248)	-	-
Defined benefit plan costs paid	15	(82,028,905)	(63,156,103)	(1,989,600)	(8,580,850)
Net cash from / (used in) operating activities		(1,179,680,365)	347,295,285	(134,020,020)	275,011,253
Cash flows from / (used in) investing activities					
Investment income received		14,105,705	13,724,884	23,748	(15,930)
Acquisition of property, plant and equipment	3.1.4	(678,266,078)	(581,679,121)	(3,638,489)	(60,012,535)
Acquisition of intangible assets		(41,659,247)	(15,025,771)	(3,140,000)	-
Proceeds from sale of property, plant and equipment		202,720,595	474,269,570	45,000	21,443,317
Net other current investments		(42,899,498)	1,538,530	-	-
Net other non current investments		-	2,779,748	-	-
Net acquisition of subsidiaries, net of cash acquired		-	(287,721,196)	(18,804,545)	-
Sales proceeds from disposal of equity investment		336,530,928	-	313,540,622	-
Dividend received		39,380,344	52,381,817	107,091,468	136,168,758
Investment made in subsidiaries		-	-	-	(789,965,000)
Proceeds from sale of subsidiaries		13,095,355	317,888,288	-	357,845,791
Net cash flows used in investing activities		(156,991,895)	(21,843,250)	395,117,803	(334,535,599)
Cash flows from / (used in) financing activities					
Net proceeds from financing and lease (ijara)		1,456,557,641	660,387,770	(137,327,660)	284,431,436
Dividends paid to minority share holders		(123,712,697)	(198,891,523)	-	-
Dividends paid to parent company share holders		(293,237,251)	(293,237,251)	(293,237,251)	(293,237,251)
Net cash flows from / (used in) financing activities		1,039,607,693	168,258,996	(430,564,911)	(8,805,815)
Effect of exchange rate changes		83,488,886	29,407,648	-	-
Net increase / (decrease) in cash and cash equivalents		(213,575,680)	523,118,692	(169,467,128)	(68,330,149)
Cash and cash equivalents at the beginning of the year	10	3,007,249,459	2,484,130,767	204,349,710	272,679,859
Cash and cash equivalents at the end of the year	10	**2,793,673,779**	**3,007,249,459**	**34,882,582**	**204,349,710**

The accounting policies and notes on pages 134 to 182 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 2018, 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 which are grouped into 3 sectors namely Logistics, Leisure and Investments.

Logistics Sector

The Logistics sector consists mainly of the group Freight Forwarding business represented by the EFL Brand. The company engages in providing Air Freight, Ocean Freight and other contract logistics services such as Warehousing and Transport services. The sector also includes a GSA operations representing key strategic airlines.

Leisure Sector

The Leisure Sector consists mainly of Corporate Travel business which provides Airline Ticketing, Hotel Reservations, Leisure services, inbound operations and event management services.

Investment Sector

The sector includes the Export of commodities (Desiccated Coconut, a selection of Fruit & Vegetables), Value Added processing operation & IT services.

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

1.3 Parent and Ultimate Parent Entity

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

1.4 Date of Authorization for Issue

The Financial Statements for the year ended 31 March 2018 were authorized for issue by the Board of Directors on 30 May 2018.

2. ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

The Financial Statements which of comprises the Statements of Financial Position, Statement of Profit or Loss, Statement 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 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

» The contractual arrangement with the other vote holders of the investee

» Rights arising from other contractual arrangements

» The Group's voting rights and potential voting rights

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Analysis of subsidiaries of the group based on sectors which are incorporated in Sri Lanka. **[GRI 102-45]**

	Holding Percentage	
Name of the Company	2018	2017
Logistics		
Direct		
Expolanka Freight (Private) Limited	100%	100%
E F L Headquarters (Private) Limited (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%
E F L Transport (Private) Limited (Logistics Support Services (Private) Limited)	100%	100%
Peri Logistics (Private) Limited	100%	100%
SG Logistics (Private) Limited	100%	100%
Sky Care (Private) Limited	100%	100%
UCL Logistics (Private) Limited	100%	100%
Logistics Park (Private) Limited	100%	100%
Indirect		
Expo Global Distribution Centre (Private) Limited	100%	100%
E F L Hub (Private) Limited	100%	100%
Global Logistics Services (Private) Limited	60%	60%
Travel Express (Private) Limited	100%	100%
Pulsar Shipping Agencies (Private) Limited	100%	100%
Oki Doki (Private) Limited (Pulsar Freight (Private) Limited)	100%	100%
Alpha Aviation (Private) Limited	100%	100%
Alpha Air Solutions (Private) Limited	100%	100%
Pulsar Marine Services (Private) Limited	100%	100%

	Holding Percentage	
Name of the Company	2018	2017
Leisure		
Direct		
Classic Travel (Private) Limited	100%	100%
Expo Consolidators (Private) Limited	100%	100%
Classic Destinations (Private) Limited	100%	100%
Indirect		
Classic Fun Time (Private) Limited (Himalayan Yeti (Private) Limited)	100%	100%
Sunpower Travels (Private) Limited	100%	100%
Bongo (Private) Limited	100%	100%
Travel Bridge (Private) Limited	100%	100%
Investments		
Direct		
I T X 360 (Pvt) Ltd	100%	100%
Tropikal Life International (Private) Limited (Tropical Green (Private) Limited)	100%	100%
Expolanka (Private) Limited	100%	100%

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

	Country of Incorporation	Functional Currency	Holding Percentage	
Name of the Company			2018	2017
Logistics				
Direct				
EFL Global Logistics (Pte.) Ltd	Singapore	USD	100%	100%
Indirect				
Expolanka Bangladesh Limited	Bangladesh	BDT	45%	45%
UCL Logistics Ltd	Bangladesh	BDT	45%	45%
Expolanka Freight (Cambodia) Ltd	Cambodia	KHR	51%	51%
Expo Freight (Shanghai) Ltd	China	CNY	100%	100%
Expo Freight (Shenzhen) Limited	China	CNY	100%	100%
Airline Cargo Resources Dubai- FZCO	Dubai	AED	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%
Expo Freight (Hong Kong) Ltd	Hong Kong	HKD	100%	100%
Expo Freight India (Private) Limited	India	INR	90%	90%
AVS Cargo Management Services Pvt Ltd	India	INR	46%	46%
E F L Express Pvt Ltd (Expotrade Services Pvt Ltd)	India	INR	90%	90%
UCL Logistics Pvt Ltd	India	INR	90%	90%

Name of the Company	Country of Incorporation	Functional Currency	Holding Percentage 2018	2017
Airline Carrier Resource Pvt Ltd	India	INR	90%	90%
Expo Century Logistics Private Limited	India	INR	100%	90%
International Sky Services (India) Private Limited	India	INR	70%	70%
PT Expo Freight Indonesia	Indonesia	USD	90%	90%
Expolanka Freight Limited	Kenya	KES	100%	100%
Air Sea Logistics Limited	Kenya	KES	45%	45%
Expolanka Madagascar SA	Madagascar	MGA	100%	100%
Expolanka Freight Limited	Mauritius	MUR	100%	100%
Union Cargo (Private) Limited	Pakistan	PKR	51%	51%
Expolanka Freight Limited	Philippines	USD	100%	100%
EFL International (Pte) Ltd	Singapore	USD	100%	100%
Expolanka Freight (Proprietary) Limited	South Africa	ZAR	100%	100%
Expolanka USA LLC	USA	USD	100%	100%
EFL Container Lines LLC	USA	USD	100%	100%
EFL Transportation LLC	USA	USD	100%	100%
Expolanka Freight (Vietnam) Ltd	Vietnam	VND	51%	51%
Leisure				
Indirect				
Classic Travels Maldives Pvt Ltd	Maldives	MVR	49%	49%
Investments				
Indirect				
Expolanka Agri Exports (Private)Limited	India	INR	100%	100%

Consolidation of entities in which the Group holds less than 50% shareholding.

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

» The contractual arrangement with the other vote holders of the investee;

» Rights arising from other contractual arrangements; and

» The Group's voting rights and potential voting rights

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

	Holding Percentage	
	2018	2017
Expolanka Bangladesh Limited	45%	45%
Air Sea Logistics Kenya	45%	45%
UCL Logistics Ltd	45%	45%
Classic Travels Maldives Pvt Ltd	49%	49%
AVS Cargo Management Services Pvt Ltd	46%	46%

Acquisition of Subsidiaries

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

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. 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	
		2018	2017
Airline Cargo Resources Limited	Bangladesh	50%	50%
Airline Services Limited	Bangladesh	50%	50%
Cross Freight Lines Limited	Bangladesh	50%	50%
Freight Care Aviation Limited	Bangladesh	50%	50%
Wings Classic Tours & Travels Limited	Bangladesh	50%	50%

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

Associate of the Group / Company is;

	Holding Percentage	
	2018	2017
Amana Takaful Maldives PLC	22.73%	22.73%

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

2.4.3 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 re-translated 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.

2.4.4 Taxes

Current income tax

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

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

Deferred tax

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

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

reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

» Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

» In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Sales tax

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

» Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable

» Receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Tax on Dividend

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

2.4.5 Property, Plant and Equipment

Basis of measurement

Property, Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognizes 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 judgements, 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	20% - 33.33%
Office and Factory Equipment	10% - 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 derecognized 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 derecognized.

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

2.4.6 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.

2.4.7 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.

2.4.8 Intangible Assets

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

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

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

The useful life of intangible asset is as follows;

Software	Over 4 Years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation

expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function/nature of the intangible asset. Amortisation was commenced when the assets were available for use.

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

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

2.4.9 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 2018.

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.

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

Financial guarantee contracts

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

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

Derecognition

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

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

iv) Offsetting of financial instruments

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

» There is a currently enforceable legal right to offset the recognised amounts and

» There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

v) Fair value of financial instruments

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

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

2.4.10 Inventories

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

a) Raw materials:

» Purchase cost on a weighted average basis.

b) Finished goods and work in progress:

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

c) Other inventories:

» At actual Cost.

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

2.4.11 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.

2.4.12 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense.

2.4.13 Retirement Benefit Obligations

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

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations 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.

2.4.14 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.

2.4.15 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 recognized 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 recognized on an accrual basis.

2.4.16 Segment Reporting

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

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

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

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES and ASSUMPTIONS

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

a) Deferred Tax Assets

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

b) Defined Benefit Plans

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.

e) 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 non-financial 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	
Financial instruments (including those carried at amortised cost)	

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, maximizing 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 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.

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 2017	980,620,074	1,056,713,207	52,213,899	17,414,504	10,758,234	669,731,650
Additions	3,500,000	91,206,932	-	24,417,018	71,412,660	155,278,007
Disposal of subsidiary	-	-	-	-	-	(4,642,024)
Disposals	(22,077,950)	(32,574,187)	(50,615,399)	-	-	(58,337,014)
Transfers from / to others	-	-	-	39,338,094	-	(35,570,721)
Exchange translation difference	(186,728)	7,088,125	-	12,043	-	9,700,477
As at 31 March 2018	961,855,396	1,122,434,077	1,598,500	81,181,659	82,170,894	736,160,375
3.1.2 Accumulated depreciation						
As at 01 April 2017	-	148,852,761	50,488,121	8,689,423	7,698,051	301,154,187
Charge for the year	-	36,390,483	723,390	3,650,984	8,431,475	69,983,409
Disposal of subsidiaries	-	-	-	-	-	(1,104,944)
Disposal	-	-	(50,501,066)	-	-	(30,338,262)
Transfers from / to others	-	-	-	16,327,722	-	(16,327,722)
Exchange translation difference	-	518,481	-	28,568	-	4,193,593
As at 31 March 2018	-	185,761,725	710,445	28,696,697	16,129,526	327,560,261
3.1.3 Carrying value						
As at 31 March 2018	961,855,396	936,672,352	888,055	52,484,962	66,041,368	408,600,114
As at 01 April 2017	980,620,074	907,860,447	1,725,777	8,725,081	3,060,184	368,577,463

3.1.4 During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs.760,049,338 /- (2017 - Rs. 654,211,369/-). Cash payments amounting to Rs. 678,266,078/- (2017 - Rs. 581,679,121/-) 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. 480,936,831/- (2017 - Rs. 377,145,074/-)

Office and factory equipment	Technological equipment	Motor vehicle		Tools and equipment	Other assets	Leasehold improvements	Capital work in progress	Total
		Freehold	Leasehold					
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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
49,465,471	138,552,042	31,695,888	10,370,600	6,577,290	5,760,876	130,926,997	40,885,558	760,049,338
(2,872,132)	-	(367,448)	-	-	-	-	-	(7,881,604)
(19,121,001)	(41,045,214)	(76,656,313)	(491,000)	(8,480,092)	-	(14,141,841)	(34,178,252)	(357,718,263)
4,758,693	20,592,232	19,460,947	(19,460,947)	-	-	-	(29,118,298)	-
3,187,142	2,897,758	9,508,526	(297,998)	3,686	635,355	9,392,123	1,922	41,942,431
372,689,259	686,144,350	457,269,998	118,839,792	20,128,379	104,618,979	720,227,242	112,803,725	5,578,122,624
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
41,381,947	88,581,261	64,656,604	19,142,198	2,633,912	17,349,187	35,415,769		388,340,620
(805,784)	-	(36,745)	-	-	-	-	-	(1,947,473)
(15,386,911)	(35,089,334)	(27,934,086)	(409,167)	(2,826,697)	-	(1,231,361)	-	(163,716,884)
-	-	19,224,098	(19,224,098)	-	-	-	-	-
1,888,418	1,223,536	3,952,848	(22,350)	818	318,914	1,062,151	-	13,164,976
180,618,045	428,582,471	325,415,718	56,638,491	8,978,406	58,811,666	127,293,021	-	1,745,196,471
192,071,214	257,561,879	131,854,280	62,201,301	11,149,973	45,807,313	592,934,221	112,803,725	3,832,926,153
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

3.2 COMPANY

	Motor vehicles		Office equipment	Technological equipment	Furniture and fittings	Computer and accessories	Leasehold improvements	Capital work in progress	Total
	Freehold	Leasehold							
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
3.2.1 Cost									
As at 01 April 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
Additions	-	-	199,215	1,663,078	587,896	-	1,188,300	-	3,638,489
Transfer to / (from)	19,460,947	(19,460,947)	-	-	-	-	-	-	-
Disposals	-	-	(14,753)	(370,000)	-	-	-	(6,195,455)	(6,580,208)
As at 31 March 2018	30,367,432	-	5,803,622	37,545,316	10,875,518	12,879,528	24,738,880	-	122,210,296
3.2.2 Accumulated depreciation									
As at 01 April 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
Charge for the year	214,457	3,454,689	649,328	3,296,522	1,336,924	-	4,006,488	-	12,958,408
Transfer to / (from)	19,460,947	(19,460,947)	-	-	-	-	-	-	-
Disposals	-	-	(13,062)	(370,000)	-	-	-	-	(383,062)
As at 31 March 2018	30,236,574	-	3,331,039	29,952,023	2,632,174	12,879,528	10,914,623	-	89,945,961
3.2.3 Carrying value									
As at 31 March 2018	130,858	-	2,472,583	7,593,293	8,243,344	-	13,824,257	-	32,264,335
As at 01 April 2017	345,315	3,454,689	2,924,387	9,226,737	8,992,372	-	16,642,445	6,195,455	47,781,400

3.2.4 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs.3,638,489/- (2017- Rs. 60,012,535/-). Cash payment amounting to Rs.3,638,489/- (2017- Rs.60,012,535/-) 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. 105,420,225/-. (2017-Rs. 84,660,155/-)

4. INTANGIBLE ASSETS

	Computer software Rs.	Goodwill Rs.	2018 Rs.	Computer software Rs.	Goodwill Rs.	2017 Rs.
4.1 Group						
Cost						
As at 1 April	191,421,074	475,190,931	666,612,004	174,822,301	483,518,614	658,340,914
Additions/ transfers	41,659,247	-	41,659,247	15,025,771	206,922,113	221,947,884
Disposal of subsidiaries	-	-	-	(1,325,000)	(215,496,066)	(216,821,066)
Exchange translation difference	2,249,892	-	2,249,892	2,898,002	246,270	3,144,272
As at 31 March	235,330,213	475,190,931	710,521,143	191,421,074	475,190,931	666,612,004
Amortisation						
As at 1 April	128,808,641	100,671,140	229,479,781	89,662,888	100,671,140	190,334,028
Amortisation/ impairment during the year	33,041,244	-	33,041,244	39,544,093	-	39,544,093
Disposal of subsidiaries	-	-	-	(1,268,750)	-	(1,268,750)
Exchange translation difference	1,630,324	-	1,630,324	870,410	-	870,410
As at 1 April	163,480,209	100,671,140	264,151,349	128,808,641	100,671,140	229,479,781
Carrying value	71,850,004	374,519,791	446,369,795	62,612,433	374,519,791	437,132,224

4.1.1 Goodwill

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

	2018 Rs.	2017 Rs.
Expolanka Freight (Vietnam) Limited	33,262,114	33,262,114
Expolanka USA LLC	121,654,555	121,654,555
Expofreight (Hong Kong) Ltd	6,016,299	6,016,299
Expofreight (Shanghai) Limited	6,664,711	6,664,711
Expo Global Distribution Centre (Pvt) Ltd	206,922,133	206,922,133
	374,519,791	**374,519,791**

The recoverable amount of all CGUs have been determined based on the value in use (VIU) calculation.

Key assumptions used in the VIU calculations

Gross margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

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 2% growth rate.

4.2 Company

Computer software	2018 Rs.	2017 Rs.
Cost		
As at 1 April	33,453,426	33,453,426
Addition during the year	3,140,000	-
Retired/ transferred during the year	(490,000)	-
As at 31 March	36,103,426	33,453,426
Amortisation		
As at 1 April	33,453,426	33,453,426
Amortisation during the year	548,750	-
Amortisation of transfer assets	(490,000)	-
As at 31 March	33,512,176	33,453,426
Net Book Value	**2,591,250**	-

5. INVESTMENTS IN SUBSIDIARIES

	2018		2017	
	Holding %	Rs.	Holding %	Rs.
5.1 Company				
Non - Quoted				
SG Logistics (Private) Limited	100	79,105,042	100	79,105,042
Classic Travel (Private) Limited	100	25,597,538	100	25,597,538
E F L Headquarters (Private) Limited (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	596,111,561
Freight Care (Private) Limited	100	4,423,590	100	4,423,590
Globe Air (Private) Limited	100	17,214,477	100	17,214,477
Skycare (Private) Limited	100	1,679,053	100	1,679,053
UCL Logistics (Private) Limited	100	17,631,222	100	17,631,222
Peri Logistics (Private) Limited	60	10,000,000	60	10,000,000
E F L Transport (Private) Limited - Logistics Support Services (Private) Limited	100	260,000	100	260,000
Tropikal Life International (Private) Limited (Tropical Green (Private) Limited)	100	41,000,050	100	41,000,050
Classic Destinations (Private) Limited (Classic Vacations (Private) Limited)	100	30	100	30
Logistics Park (Private) Limited	100	1,250,000,000	100	1,250,000,000
EFL Global Logistics (Pte.) Ltd	100	211,016,250	100	211,016,250
ITX 360 (Private) Limited	100	100,000,000	100	75,000,000
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
		4,581,429,096		4,556,429,096
Less - Provision for impairment of Investments				
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)
Total Carrying Value of Investments in Subsidiaries		**4,570,227,815**		**4,545,227,815**

6. INVESTMENT IN AN ASSOCIATE AND A JOINT VENTURE

6.1 Group

	Associate		Joint ventures		Total	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Carrying value						
Cost	44,020,000	44,020,000	72,298,479	258,457,113	116,318,479	302,477,113
Share of post acquisition profit	60,257,246	44,321,799	11,536,375	(5,428,358)	71,793,621	38,893,441
Share of capital reserve	25,382,248	25,382,248	-	-	25,382,248	25,382,248
Change in ownership of joint ventures	-	-		(180,730,275)	-	(180,730,275)
	129,659,494	113,724,047	83,834,854	72,298,479	213,494,348	186,022,527

	Associate		Joint ventures		Total	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Share of balance sheet						
Total assets	1,323,407,585	1,020,132,986	725,912,774	698,499,254	2,049,320,359	1,718,632,240
Total liabilities	(771,480,151)	(543,654,794)	(545,111,971)	(556,739,962)	(1,316,592,122)	(1,100,394,756)
Net assets	551,927,434	476,478,192	180,800,803	141,759,292	732,728,237	618,237,484
Share of capital reserve	111,692,855	111,692,855	-	-	111,692,855	111,692,855
Net carrying value of the investments	663,620,289	588,171,047	180,800,803	141,759,292	844,421,092	729,930,340
Fair value of goodwill	(26,774,795)	(26,774,795)	-	-	(26,774,795)	(26,774,795)
Exchange fluctuation	(66,287,712)	(60,961,322)	(13,131,096)	2,837,667	(79,418,808)	(58,123,655)
Net assets	570,557,782	500,434,931	167,669,707	144,596,959	738,227,489	645,031,890
Group carrying amount of investment	**129,659,494**	**113,724,047**	**83,834,854**	**72,298,479**	**213,494,348**	**186,022,527**
Share of the revenue and profit/(loss)						
Revenue	659,293,807	993,314,867	1,971,692,366	2,145,705,355	2,630,986,173	3,139,020,222
Profit/(loss) before income tax	108,840,151	25,632,802	74,542,194	48,078,710	183,382,345	73,711,512
Income tax	(19,110,187)	(2,750,630)	(27,628,058)	(15,120,702)	(46,738,245)	(17,871,332)
Profit/(loss) after income tax	89,729,964	22,882,172	46,914,136	32,958,008	136,644,099	55,840,180
Group share of profit for the year	20,391,172	5,199,983	23,457,068	16,479,004	43,848,240	21,678,987
Dividend	(4,455,724)	(8,826,132)	(11,920,694)	(23,626,295)	(16,376,418)	(32,452,426)
	15,935,447	**(3,626,149)**	**11,536,375**	**(7,147,291)**	**27,471,821**	**(10,773,439)**

Total assets, including cash and cash equivalents Rs.324,226,520/- (2017: Rs. 340,381,141) and pre-payments Rs.31,520,223/- (2017: Rs. 47,558,144).

Total liabilities, including tax payable Rs.150,222,298/- (2017: Rs. 152,198,628) and long term borrowings Rs.9,240,539/- (2017: Rs.12,029,999).

Profit/ (loss) before income tax stated after charging depreciation Rs. 74,542,194/- (2017: Rs. 48,078,710/-) interest expense Rs. 3,684,629/- (2017: Rs. 13,218,288).

6.2 Company

	Associate	
	2018 Rs.	2017 Rs.
Cost - Amana Takaful (Maldives) PLC	43,990,000	43,990,000
	43,990,000	**43,990,000**

7. OTHER FINANCIAL ASSETS

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
7.1 Current				
Financial instruments at fair value through profit or loss (FVTPL)				
Investments in quoted equity securities (7.3)	-	315,983,521	-	315,983,521
	-	315,983,521	-	315,983,521
Loans and receivables				
Investments in fixed / savings deposits - Mudarabha	163,961,188	121,061,690	-	-
	163,961,188	121,061,690	-	-
7.2 Non Current				
Available-for-sale investments (AFS)				
Investments in non-quoted securities (7.4)	99,776,780	122,767,086	99,058,859	99,058,859
Investments in quoted equity securities (7.5)	55,367,364	63,276,988	55,367,364	63,276,988
	155,144,144	186,044,074	154,426,223	162,335,847
Total current	163,961,188	437,045,211	-	315,983,521
Total non-current	155,144,144	186,044,074	154,426,223	162,335,847

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.

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.

7.3 Investments in quoted equity securities - FVTPL

	2018		2017		
	No. of Shares	Rs.	No. of Shares	Price per share	Rs.
Group					
Amana Bank PLC	-	-	90,281,006	3.50	315,983,521
Total Investments in quoted equity securities	-	-			315,983,521
Company					
Amana Bank PLC	-	-	90,281,006	3.50	315,983,521
	-	-			315,983,521

7.4 Investments in non-quoted equity securities - AFS

	2018 Rs.	2017 Rs.
Group		
SLFFA Cargo Services Limited	717,921	717,921
Asia Pacific Institution of Information Technology Lanka (Private) Limited	99,058,859	99,058,859
Envoy Textile Bangladesh	-	22,990,306
Total Investments in Non Quoted Equity Securities	99,776,780	122,767,086
Current	99,776,780	122,767,086
Non-current	99,776,780	122,767,086
Company		
Asia Pacific Institution of Information Technology Lanka (Private) Limited	99,058,859	99,058,859
	99,058,859	99,058,859
Current	99,058,859	99,058,859
Non-current	99,058,859	99,058,859

7.5 Investments in quoted equity securities -AFS

	2018			2017		
Group/Company	No. of Shares	Price per share	Rs.	No. of Shares	Price per share	Rs.
Amana Takaful PLC	79,096,234	0.70	55,367,364	79,096,234	0.80	63,276,988
			55,367,364			63,276,988

During the year, the Group recorded an impairment loss of Rs. 7,909,624/- (2017 - Rs. 47,457,740/-) on account of investment in Amana Takaful PLC.

7.6 Fair value measurement

Set out below is a comparison by class of the carrying amounts and fair values of the Group that are carried in the financial statements.

	Carrying amount		Fair value	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Financial assets				
Trade and other receivables	17,808,620,063	12,991,965,188	17,808,620,063	12,991,965,188
Other financial assets				
Financial instruments at fair value through profit or loss	-	315,983,521	-	315,983,521
Loans and other receivables	163,961,188	121,061,690	163,961,188	121,061,690
Available-for-sale investments	155,144,144	186,044,074	155,144,144	186,044,074
Cash and short-term deposits	3,625,713,712	3,575,872,068	3,625,713,712	3,575,872,068
Total	21,753,439,107	17,190,926,542	21,753,439,107	17,190,926,542

The Management assessed that the fair value of cash and short-term deposits, trade and other receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.

As at 31 March 2018, 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 2018 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets at fair value through profit or loss				
Quoted equity	-	-	-	-
Available-for-sale financial assets				
Quoted equity	55,367,364	55,367,364	-	-

During the reporting period ending 31 March 2018, 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 and Asia Pacific Institution of Information Technology Lanka (Private) Limited are carried at cost.

As at 31 March 2017, the Group held the following financial instruments measured at fair value:

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.

8. INVENTORIES

	Group	
	2018 Rs.	2017 Rs.
Raw materials	1,186,758	90,424
Packing materials	20,316,625	7,483,256
Finished goods	126,410,538	123,555,548
Consumables	163,200	136,223
Stationeries	5,523,532	3,934,661
Total of inventories lower of cost and net realisable value	**153,600,653**	**135,200,112**

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Trade debtors	16,300,253,631	12,697,314,241	-	-
Less: provision for doubtful debts	(404,849,961)	(297,002,728)	-	-
	15,895,403,670	12,400,311,513	-	-
Other debtors	1,913,216,393	591,653,675	278,020,565	16,970,454
Amounts due from related parties (9.1)	-	-	193,510,584	238,110,409
	17,808,620,063	**12,991,965,188**	**471,531,149**	**255,080,863**

9.1 Amounts due from related parties

	Relationship	Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Expo Consolidators (Private) Limited	Subsidiary	-	-	-	51,094,324
Expolanka Freight (Private) Limited	Subsidiary	-	-	53,376,641	1,772,219
Expolanka (Private) Limited	Subsidiary	-	-	5,171,790	4,821,703
SG Logistics (Private) Limited	Subsidiary	-	-	-	1,649,088
Freightcare (Private) Limited	Subsidiary	-	-	78,034	19,571,319
Classic Travel (Private) Limited	Subsidiary	-	-	28,006,490	13,157,895
E F L Headquarters (Private) Limited (Expolanka International (Private) Limited)	Subsidiary	-	-	164,425	128,575
International Airline Services (Private) Limited	Subsidiary	-	-	17,998,943	33,178,335
Tropikal Life International (Private) Limited (Tropical Green (Private) Limited)	Subsidiary	-	-	9,200	17,695,753
Globe Air (Private) Limited	Subsidiary	-	-	7,388,217	13,000,000
Skycare (Private) Limited	Subsidiary	-	-	227,495	53,699,574
Alpha Air Solutions (Private) Limited	Subsidiary	-	-	76,159	7,388,217
Alpha Aviation (Private) Limited	Subsidiary	-	-	20,530,479	5,460,447
Logistic Park (Private) Limited	Subsidiary	-	-	152,772	119,352
Expo Global Distribution Center (Private) Limited	Subsidiary	-	-	31,000	1,159
ITX 360 (Private) Limited	Subsidiary	-	-	1,000	15,279,249
Classic Destinations (Private) Limited (Classic Vacations (Private) Limited)	Subsidiary	-	-	86,250	9,022
Pulsar Shipping Agencies (Private) Limited	Subsidiary	-	-	33,500	53,801
Pulsar Freight (Private) Limited	Subsidiary	-	-	3,397	1,000
Sun Power Travels(Private) Limited	Subsidiary	-	-	225,000	5,272
Travel Bridge (Private) Limited	Subsidiary	-	-	1,098	5,272
Travel Express (Private) Limited	Subsidiary	-	-	5,572	3,397
UCL Logistics (Private) Limited	Subsidiary	-	-	-	10,164
Bongo (Private) Limited	Subsidiary	-	-	-	5,272
		-	-	193,510,584	238,110,409

These outstanding balances are short term and revolving balances which are unsecured.

9. TRADE AND OTHER RECEIVABLES (Contd.)

	2018 Group collectively Impaired Rs.
As at 01 April	297,002,728
Charge for the year	162,003,600
Written off during the year	(55,490,836)
Exchange fluctuation	1,334,469
As at 31 March	404,849,961

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

		Neither past due nor	Past due but not impaired		
	Total	impaired	0-180 days	181-360 days	> 360 days
	Rs.	Rs.	Rs.	Rs.	Rs.
31 March 2018	15,895,403,670	14,136,882,108	1,500,185,208	258,336,354	-
31 March 2017	12,400,311,513	11,184,129,549	969,768,969	246,412,995	-

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Components of cash and cash equivalents				
Cash at banks and on hand	3,625,713,712	3,575,872,068	34,882,582	204,349,710
Bank overdrafts (13.1)	(832,039,934)	(568,622,609)	-	-
Cash and cash equivalents	2,793,673,778	3,007,249,459	34,882,582	204,349,710

11. STATED CAPITAL

	2017/2018	
	Number	Rs.
Fully paid ordinary shares	1,954,915,000	4,097,985,000

11.1 Fully paid ordinary shares

Balance at the beginning of the year	1,954,915,000	4,097,985,000
Balance at the end of the year	1,954,915,000	4,097,985,000

12. RESERVES

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Available for sale reserve (12.1)	-	(1,205,651)	-	-
Foreign currency translation reserve (12.2)	603,849,826	477,758,621	-	-
	603,849,826	**476,552,970**	**-**	**-**

Available for sale reserve includes changes of fair value of financial instruments designated as available for sale financial assets.

Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of foreign operations and equity accounted investees into Sri Lankan rupees.

12.1 Available for sale reserve

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Balance as at 1 April	(1,205,651)	(17,229,750)	-	(20,256,133)
Net Gain/(loss) for the year	1,205,651	(51,689,776)	-	(47,457,740)
Adjustment for impairment	-	67,713,873	-	67,713,873
Balance as at 31 March	-	(1,205,651)	-	-

12.2 Foreign currency translation reserve

Balance as at 1 April	477,758,621	425,745,297	-	-
Currency translation difference during the year	126,091,205	52,013,324	-	-
Balance as at 31 March	**603,849,826**	**477,758,621**	**-**	**-**

13. FINANCING AND LEASE (IJARA) PAYABLES

	2018 Rs.	2017 Rs.
13.1 Group		
Current finance cost bearing loans and borrowings		
Finance leases - Ijara (13.1.1)	17,835,887	51,274,751
Bank financing (13.1.2)	894,387,709	970,235,601
Related Party Borrowings (13.1.3)	1,647,507,501	-
Bank overdrafts (10)	832,039,934	568,622,609
	3,391,771,031	**1,590,132,961**
Non-current finance cost-bearing loans and borrowings		
Finance leases - Ijara (13.1.1)	108,705,297	122,574,405
Bank financing (13.1.2)	294,506,365	689,150,850
Related Party Borrowings (13.1.3)	408,633,748	-
	811,845,411	**811,725,254**

13.1.1 Finance leases - Ijara

	Group	
	2018 Rs.	2017 Rs.
Current	17,835,887	51,274,751
Non current	108,705,297	122,574,405
	126,541,184	173,849,156

	As At 01.04.2017 Rs.	New Leases (Ijara) Obtained Rs.	Repayment Rs.	Exchange Difference Rs.	As At 31.03.2018 Rs.
Net Liabilities	173,849,156	82,668,743	(134,132,768)	4,156,053	126,541,184

13.1.2 Bank financing

	Group	
	2018 Rs.	2017 Rs.
Current	894,387,709	970,235,601
Non current	294,506,365	689,150,850
	1,188,894,074	1,659,386,451

	As At 01.04.2017 Rs.	Finance Obtained Rs.	Repayment Rs.	Exchange Difference Rs.	As At 31.03.2018 Rs.
Net Liabilities	1,659,386,451	341,983,041	(820,440,149)	7,964,732	1,188,894,074

13.1.3 Related Party Borrowings

	Group	
	2018 Rs.	2017 Rs.
Current	1,647,507,501	-
Non current	408,633,748	-
	2,056,141,249	-

	As At 01.04.2017 Rs.	Finance Obtained Rs.	Repayment Rs.	Exchange Difference Rs.	As At 31.03.2018 Rs.
Net Liabilities	-	2,101,076,290	(44,935,041)	-	2,056,141,249

13.1.4 Security and repayment terms

Group companies

External Financial Institution

Company	Lending institution	2018 Rs.	2017 Rs.	Repayment terms	Security
Logistics Park (Private) Limited	Commercial Bank Ceylon PLC	60,217,949	72,064,103	Monthly Installments ending in June 2023	Corporate Guarantee from Expolanka Freight (Private) Ltd
Expo Global Distribution Centre (Private) Limited	Commercial Bank Ceylon PLC	-	310,319,899	Monthly Installments ending in June 2021	Primary mortgage over the leasehold rights of the property
Tropical Life International (Private) Limited	National Development Bank PLC	50,000,000	-	Repayable in 90 days from borrowing date	Corporate Guarantee from Expolanka Holdings PLC
Tropical Life International (Private) Limited	Amana Bank PLC	30,000,000	-	Repayable in 90 days from borrowing date	None
Expolanka (Private) Limited	Amana Bank PLC	40,000,000	40,000,000	Repayable in 90 days from the borrowing date	None
Tropical Life International (Private) Limited	Amana Bank PLC	62,202,795	60,022,845	Repayable in 90 to 180 days from the borrowing date	None
Expolanka (Private) Limited	Amana Bank PLC	314,556,747	355,482,675	Repayable in 90 to 180 days from the borrowing date	None
Classic Travel (Private) Limited	Amana Bank PLC	-	315,000,000	Repayable in 90 days from the borrowing date	None
Expo Freight (Private) Limited - India	HDFC Bank Limited	36,678,454	-	Repayable in 60 monthly instalments	Vehicle Hypothecation
Expo Freight (Private) Limited - India	Axis Bank Limited - India	6,838,327	-	Repayable in 60 monthly instalments	Vehicle Hypothecation
Expo Freight (Private) Limited - India	Standard Chartered Bank - India	276,542,797	-	Repayable in one year	Current Assets and 1st Charge on Fixed Assets of the Company
Expo Freight (Private) Limited - India	Axis Bank Limited - India	65,722,417	121,283,188	Repayable in 3 months	Secured against the Current Assets of the Company
Expolanka Holdings PLC	National Development Bank PLC	246,134,570	385,211,724	Revolving Overdraft facility under the Pooling Arrangement	None
		1,188,894,074	1,659,386,451		

Related Party

Company	Lending institution	2018 Rs.	2017 Rs.	Repayment terms	Security
EFL Global Logistics Pte. Ltd - Singapore	SG Holdings Global Pte. Ltd - Singapore (Parent of Expolanka Holdings PLC)	1,556,700,000	-	Revolved Annually	None
EFL Global Logistics Pte. Ltd - Singapore	SG Holdings Global Pte. Ltd - Singapore (Parent of Expolanka Holdings PLC)	499,441,250	-	Equal Biannual Instalments ending in 2023 September	None
		2,056,141,250	-		
	Total	3,245,035,324	1,659,386,451		

13.2 Company

	2018 Rs.	2017 Rs.
Current finance cost bearing loans and borrowings		
Lease (Ijara) payables (13.2.1)	-	583,294
	-	583,294
Non-current finance cost-bearing loans and borrowings		
Lease (Ijara) payables (13.2.1)	-	-
Bank financing	246,134,570	382,878,936
	246,134,570	382,878,936

13.2.1 Lease (Ijara) payables

	As at 01.04.2017 Rs.	New leases (Ijara) obtained Rs.	Repayments Rs.	As at 31.03.2018 Rs.	Current As at 2018 Rs.	Non-current As at 2018 Rs.
Gross liabilities	616,557	-	(616,557)	-	-	-
Finance charges allocated to future periods	(33,263)	-	33,263	-	-	-
Net liabilities	583,294	-	(583,294)	-	-	-

14. DEFERRED INCOME TAX

14.1 Deferred income tax assets

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Balance as at 01 April	91,012,033	75,845,754	-	-
Income arisen during the period	31,459,970	15,166,279	-	-
Disposal of subsidiaries	-	-	-	-
Balance as at 31 March	**122,472,004**	**91,012,033**	**-**	**-**

The closing deferred tax asset balance relate to following;

Accelerated depreciation for tax purposes	8,164,730	(14,627,500)	-	-
Employee benefit liability	55,983,850	29,900,145	-	-
Losses available for offset against future taxable income	37,650,228	56,758,103	-	-
Others	20,673,196	18,981,285	-	-
	122,472,004	91,012,033	-	-

Expolanka Holdings PLC has not recognized net deferred tax asset as at 31 March 2018 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. 1,413,802,807/- (2017 - Rs. 1,398,433,254/-) can be utilized.

14.2 Deferred Income Tax Liabilities

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Balance as at 01 April	2,303,694	29,920,646	-	-
Provision made during the period	(1,976,989)	(5,822,784)	-	-
Tax effect on actuarial gains on defined benefit plans	2,708,069	(64,167)		
Disposal of Subsidiaries	1,229,677	(21,730,000)		
Balance as at 31 March	**4,264,451**	**2,303,694**	**-**	**-**

The closing deferred tax asset balance relate to following;

Accelerated depreciation for tax purposes	425,224,	-	-	-
Losses available for offset against future taxable income	1,625,814	-	-	-
Others	2,213,413	2,303,694	-	-
	4,264,451	2,303,694	-	-

15. RETIREMENT BENEFIT OBLIGATION-GRATUITY

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Balance as at 01 April	486,240,988	464,676,143	25,488,047	23,660,399
Service charge for the year	195,500,553	114,076,543	1,713,518	2,117,894
Finance charge for the year	20,865,042	17,888,924	3,058,567	2,366,040
Acturial gain/ loss	14,844,843	(12,259,857)	7,993,741	5,924,564
Payments during the year	(82,028,905)	(63,156,103)	(1,989,600)	(8,580,850)
Transfer during the year	-	-	(19,755,110)	-
Exchange difference	2,300,083	5,646,476	-	-
Disposal of subsidiaries	(2,709,745)	(40,631,137)	-	-
Balance as at 31 March	**635,012,859**	**486,240,988**	**16,509,163**	**25,488,047**

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

Discount rate	12.00%	12.00%	12.00%	12.00%
Salary increment rate	8%-10%	8%-10%	8.0%	8.0%
Expected remaining working life (years)	5.34 - 8.79	4.72 - 8.66	8.66	8.66

	Discount rate		Salary increment rate	
Sensitivity of assumptions used - 2018	Group	Company	Group	Company
Effect on the defined benefit obligation liability				
Increase by one percentage point	21,410,225	433,855	(26,410,150)	(543,745)
Decrease by one percentage point	(24,393,771)	(461,504)	23,493,818	519,659

Sensitivity information of the Group represent the local subsidiaries data.

Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years.

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Less than or equal 1 year	99,488,455	83,887,409	4,517,789	5,371,488
Over 1 year and less than or equal 5 years	160,656,374	208,699,039	8,951,569	11,026,440
Over 5 year and less than or equal 10 years	175,542,967	119,511,438	2,524,902	5,399,788
Over 10 years	199,325,063	74,143,102	514,903	3,690,331
Total expected payments	**635,012,859**	**486,240,988**	**16,509,163**	**25,488,047**

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Trade payables	7,769,009,558	5,042,398,258	242,375,296	10,816,994
Sundry creditors including accrued expenses	1,459,847,085	1,695,716,755	183,349,510	50,665,248
	9,228,856,643	**6,738,115,013**	**425,724,806**	**61,482,242**

17. REVENUE

	Group		Company	
Summary	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Sales of goods	3,272,029,300	4,365,301,377	-	-
Rendering of services	74,260,857,617	59,126,849,544	110,128,200	107,199,877
	77,532,886,917	**63,492,150,920**	**110,128,200**	**107,199,877**

18. OTHER OPERATING INCOME AND GAINS

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Other operating income	78,322,133	110,386,570	(17,261)	198,673
Bad debts recovery	9,012,858	27,436,785	-	-
Exchange gain	83,196,702	-	144,589	-
Rental income	26,088,262	11,319,844	-	-
Profit on disposal of subsidiaries (18.1)	-	-	-	37,048,831
Profit on sale of investments	-	1,606,380	-	1,605,748
Profit on disposal of property, plant and equipment	2,785,085	15,958,446	43,310	-
	199,405,040	**166,708,025**	**170,638**	**38,853,252**

18.1 During the year under review, Expolanka Holdings PLC divested MCL Shipping (Pvt) Ltd for a US$ 85,000 which is equivalent to the net asset value of the company hence no gain / loss were recorded in the Group.

19. FINANCE INCOME AND COSTS

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Finance costs				
Finance charges on bank financing	168,879,393	115,227,650	12,836,228	-
Finance charges on related party borrowing	19,121,220	-	-	-
Finance charges on lease (ijara) liabilities	36,029,291	48,787,133	-	9,151,269
Provision for falling value of investments	-	171,533,911	-	171,533,911
Impairment loss on quoted AFS equity investments	7,909,624	67,713,874	7,909,624	67,713,874
	231,939,529	**403,262,568**	**20,745,852**	**248,399,054**
Finance income				
Investment income	14,105,705	13,724,884	23,748	-
Dividend income	23,003,926	19,929,391	107,091,468	136,168,758
Unrealised fair value changes recognised in profit or loss	-	123,369,725	-	-
	37,109,631	**157,024,000**	**107,115,216**	**136,168,758**

20. PROFIT/(LOSS) BEFORE TAX

Stated after Charging	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Included in cost of sales				
Employee benefits including the following;				
Defined contribution plan Costs - EPF & ETF	2,748,951	2,173,510	-	-
Depreciation	35,954,757	49,302,403	-	-
Included in administrative expenses				
Employees benefits including the following				
Defined benefit plan costs - gratuity	216,365,595	131,965,466	(14,983,025)	4,483,934
Defined contribution plan costs - EPF & ETF	290,137,314	268,436,306	6,949,458	15,542,650
Depreciation	352,385,863	356,789,188	12,958,408	20,638,996
Directors' emoluments	522,770,210	443,070,886	38,988,325	39,938,525
Auditors' remuneration (fees and expenses)	43,064,570	36,751,906	2,211,630	2,675,000
Donations	9,397,688	7,981,988	30,000	-
Included in selling and distribution costs				
Advertising costs	26,212,021	95,983,288	838,622	199,811

21. INCOME TAX EXPENSE

Current Income Tax	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Current tax expense on ordinary activities for the year (21.1)	711,648,695	464,997,957	-	-
Under/(over) provision of current taxes in respect of prior years	(6,100,164)	13,452,122	-	-
10 % Of withholding tax on inter-company dividends	35,395,260	6,212,793	-	-
Deferred income tax				
Deferred taxation charge/(reversal)	(33,436,960)	(20,989,063)	-	-
	707,506,831	463,673,810	-	-

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

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Accounting profit before income tax	1,669,069,283	1,692,394,074	(185,429,783)	(463,159,597)
Profit from international operations	(2,193,375,469)	(1,280,818,484)	-	-
Aggregate disallowable items	670,208,857	690,006,001	293,201,797	374,979,976
Aggregate allowable expenses	(288,065,792)	(252,757,972)	(13,436,454)	(27,837,403)
Aggregate allowable income	(1,236,738,391)	(431,694,625)	(107,141,265)	(174,823,337)
Tax loss utilised	(11,282,595)	(42,999,845)	(8,312)	-
Taxable profit/(loss)	(1,390,184,107)	374,129,150	(12,814,017)	(290,840,361)
Income tax expense	201,292,590	94,337,427	-	-
Income tax on international operations	510,356,105	370,660,530	-	-
Tax losses brought forward	(1,862,752,111)	(1,360,969,149)	(1,405,168,316)	(1,013,481,277)
Tax losses incurred during the year	(303,219,116)	(445,496,471)	(12,814,017)	(290,840,361)
Tax loss utilised	11,282,595	42,999,845	8,312	-
Tax loss readjustment	-	(99,286,335)	-	(100,846,678)
Tax losses carried forward	(2,154,688,632)	(1,862,752,111)	(1,417,974,021)	(1,405,168,316)
Statutory income tax rates - local subsidiaries	10%-28%	10%-28%		

22. EARNINGS / (LOSS) PER SHARE

Basic Earnings / (loss) per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted Earnings / (loss) per share is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for outstanding share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

22.1 Basic earnings / (loss) per share

Current income tax	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Number of ordinary shares used as the denominator:	Number	Number	Number	Number
Opening balance	1,954,915,000	1,954,915,000	1,954,915,000	1,954,915,000
Weighted average number of ordinary shares	1,954,915,000	1,954,915,000	1,954,915,000	1,954,915,000
Basic earnings / (loss) per share	Rs.	Rs.	Rs.	Rs.
Profit / (loss) attributable to ordinary shareholders for basic earnings / (loss) per share	710,865,511	954,506,657	(185,429,783)	(463,159,597)
Weighted average number of ordinary shares	1,954,915,000	1,954,915,000	1,954,915,000	1,954,915,000
Basic earnings / (loss) per share	0.36	0.49	(0.09)	(0.24)

22.2 Diluted earnings / (loss) per share

Profit / (loss) attributable to ordinary shareholders for basic earnings / (loss) per share	710,865,511	954,506,657	(185,429,783)	(463,159,597)
Adjusted weighted average number of ordinary shares	1,954,915,000	1,954,915,000	1,954,915,000	1,954,915,000
Diluted earnings / (loss) per share	0.36	0.49	(0.09)	(0.24)

22.3 Dividend

	2018		2017	
	PerShare Rs.	Amount Rs.	PerShare Rs.	Amount Rs.
Declared and paid during the year				
Interim dividend	0.15	293,237,251	0.15	293,237,251

23. SEGMENT INFORMATION

Operating Segment	Logistics		Leisure		Investments		Total	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Property, plant and equipment	2,976,187,212	2,940,494,422	71,792,482	55,991,603	784,946,459	635,889,465	3,832,926,153	3,632,375,490
Other financial assets	717,921	23,708,227	-	-	154,426,223	162,335,847	155,144,144	186,044,074
other non-current assets	2,220,778,179	2,016,529,740	10,502,177	12,743,820	4,631,894,920	4,589,217,815	6,863,175,276	6,618,491,375
Segment non-current assets	5,197,683,312	4,980,732,389	82,294,659	68,735,423	5,571,267,602	5,387,443,127	10,851,245,573	10,436,910,939
Investments in subsidiaries							(6,618,071,170)	(6,476,697,242)
Goodwill							374,519,791	374,519,791
Eliminations / adjustments							162,712,250	197,852,860
Total non-current assets							4,770,606,444	4,532,586,348
Inventories	53,290,081	3,934,661	-	136,223	100,310,572	131,129,228	153,600,653	135,200,112
Trade and other receivables	23,040,438,945	14,017,790,216	1,451,320,548	1,431,543,419	1,635,257,978	1,174,005,497	26,127,017,471	16,623,339,132
Other financial assets	118,387,047	87,674,085	43,761,721	33,387,605	1,812,420	315,983,521	163,961,188	437,045,211
Cash and bank balances	3,501,023,808	3,183,907,312	30,808,453	32,758,646	93,881,451	359,206,110	3,625,713,712	3,575,872,068
Other current assets	2,041,424,599	1,528,690,688	94,037,762	56,511,679	51,764,828	84,554,618	2,187,227,189	1,669,756,985
Segment current assets	28,754,564,480	18,821,996,962	1,619,928,484	1,554,337,572	1,883,027,249	2,064,878,974	32,257,520,213	22,441,213,508
Eliminations / adjustments							(8,319,707,769)	(3,631,373,956)
Total current assets							**23,937,812,444**	**18,809,839,552**
Total assets							**28,708,218,885**	**23,342,425,900**
Financing and lease (Ijara) payables	612,739,318	423,172,597	25,000,000	-	325,672,467	388,552,657	963,411,786	811,725,254
Other non-current liabilities	530,953,737	406,668,699	61,527,015	45,059,793	46,796,558	36,816,190	639,277,310	488,544,682
Segment non-current liabilities	1,143,693,055	829,841,296	86,527,015	45,059,793	372,469,025	425,368,847	1,602,689,095	1,300,269,936
Eliminations / adjustments							(151,566,374)	
Total non-current liabilities							**1,451,122,721**	**1,300,269,936**

Geographical information

	Sri Lanka	India	Bangladesh	United States of America	United Arab Emirates	Vietnam	China	Hong Kong	Others	2018 Total
Revenue from External customers	9,531	16,737	11,414	8,445	3,887	8,508	2,936	5,879	10,195	**77,533**
Non current assets*	3,289	272	293	113	324	2	2	29	169	**4,493**

*excluding financial assets and deferred tax asset

23. SEGMENT INFORMATION (Contd.)

Operating Segment	Logistics		Leisure		Investments		Total	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Financing and lease (Ijara) payables	2,600,615,309	591,355,012	205,549,711	473,453,877	586,286,129	525,324,072	3,392,451,149	1,590,132,961
Trade and other payables	16,006,450,559	9,476,314,192	789,749,064	525,958,684	975,762,368	471,697,166	17,771,961,991	10,473,970,042
Other current liabilities	608,232,200	311,631,371	183,000	24,889,161	-	(53,939)	608,415,200	336,466,593
Segment current liabilities	19,215,298,068	10,379,300,575	995,481,775	1,024,301,722	1,562,048,497	996,967,299	21,772,828,340	12,400,569,596
Eliminations / adjustments							(8,543,785,466)	(3,735,854,969)
Total current liabilities							**13,229,042,874**	**8,664,714,627**
Total liabilities							**14,680,165,595**	**9,964,984,563**
Total segment asset	33,952,247,792	23,802,729,351	1,702,223,143	1,623,072,995	7,454,294,851	7,452,322,101		
Total segment liabilities	**20,358,991,123**	**11,209,141,871**	**1,082,008,790**	**1,069,361,515**	**1,934,517,522**	**1,422,336,146**		
Revenue	72,996,439,734	54,457,206,387	1,261,555,410	4,669,643,157	3,274,891,773	4,365,301,376	77,532,886,917	63,492,150,920
Cost of sales	(60,539,125,952)	(44,750,240,723)	(258,107,702)	(3,489,284,489)	(3,009,357,890)	(4,053,361,782)	(63,806,591,544)	(52,292,886,994)
Other operating income and gains	162,564,946	267,469,104	23,669,377	21,468,332	13,170,717	(122,229,412)	199,405,040	166,708,025
Depreciation and amortisation	(357,889,494)	(332,725,547)	(14,165,612)	(14,859,027)	(49,326,758)	(48,748,707)	(421,381,864)	(396,333,281)
Overhead	(10,146,318,512)	(7,447,746,139)	(768,306,951)	(918,598,781)	(769,642,145)	(686,340,096)	(11,684,267,608)	(9,052,685,016)
Finance costs	(145,212,550)	(79,686,740)	(38,841,681)	(51,019,477)	(47,885,298)	(272,556,351)	(231,939,529)	(403,262,568)
Finance income	16,001,243	17,678,044	-	-	21,108,388	139,345,956	37,109,631	157,024,000
Share of profit of an associate and a joint venture (net of tax)	20,708,951	15,386,653	2,748,117	1,092,351	20,391,172	5,199,983	43,848,240	21,678,987
Profit before tax	2,007,168,366	2,147,341,040	208,550,958	218,442,066	(546,650,041)	(673,389,033)	1,669,069,283	1,692,394,074
Income tax expense	(657,295,795)	(442,236,717)	(39,981,458)	(15,794,204)	(10,229,578)	(5,642,889)	(707,506,831)	(463,673,810)
Profit for the year	**1,349,872,571**	**1,705,104,323**	**168,569,500**	**202,647,862**	**(556,879,619)**	**(679,031,922)**	**961,562,452**	**1,228,720,264**

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	
	2018 Rs.	2017 Rs.
Subsidiaries		
Providing of services	137,892,935	107,199,877
Dividend received	107,074,207	111,561,260
Settlements by subsidiaries	78,456,600	1,293,026,453
Advance to subsidiary	-	-
Settlement of advances by subsidiaries	-	-
Net advances	-	-

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	
Key management personnel compensation	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Short-term employee benefits	522,770,219	443,070,886	38,988,325	39,938,525
	522,770,219	443,070,886	38,988,325	39,938,525

25. ASSETS PLEDGED

Assets pledged for facilities obtained is given in note 13.1.3 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 does not have significant capital commitments as at the Reporting date.

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 from the total applicable liability of VAT assessment raised by the Department of Inland Revenue to APIIT for the periods YA- 06/07, 07/08, 08/09, 09/10, 10/11. Currently the case is under the Courts of Appeal. Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2018 is estimated at Rs. 81.5Mn after the provision of Rs. 37.5 Mn made during the year. The have been re -fixed for argument in July 2018 and the court has directed both parties (APITT and IRD) to file written submissions on or before 02.07.2018 with a copy to the other party.

27.2.2 Income tax assessment on SG Logistics (Pvt) Ltd for Y/A 2011/12 and 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 2018 is estimated at Rs. 53 Mn and the case are currently under the Tax Appeal Commission. Another assessment was issued during the current year relating to the same exceptions claimed for the period 14/15 for Rs. 13 Mn for which a tax appeal has been made by the company.

27.2.3 Pulsar Shipping Agencies (PVT) LTD assessment for Y/A 13/14

The Company 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 2018 is estimated at Rs. 17 Mn and is currently at the Tax Commissioner second hearing stage at Appeal branch. Two written submission was given by Tax Consultants based on the request by the commissioner explaining the nature of income and commission and how current income generated is in line with the 13 ddd Act. Another assessment was issued during the current year relating to the same exemptions claimed for the period 14/15 for Rs. 11 Mn for which a tax appeal has been made by the company and a reply is pending from the assessor.

27.2.4 Expolanka USA LLC

In June of 2017, the Company was informed of a case that had been filed against its US-based subsidiary, Expolanka USA LLC and eleven of its employees who had previously worked for RCS Logistics Inc. This action was filed by RCS Logistics Inc. in the Superior Court of New Jersey, Hudson County. The main interim relief sought by RCS Logistics Inc. was denied by the Court. RCS has sought several reliefs, including monetary damages based on alleged anti-competitive acts on the part of Expolanka USA LLC and the other defendants. . Expolanka USA LLC and the individual defendants are defending the action vigorously. Based on legal advice, the management believes that the claim for monetary damages made against Expolanka USA LLC and the other defendants by RCS Logistics Inc. is grossly exaggerated. No provision has been recognized, in the Financial statements for the period ended 31st March 2018 in connection with this case, as the management is not in a position, at this stage of the judicial proceedings, to give a reliable estimate of a potential judgement, if any, that may be rendered even in the event the outcome of these proceedings goes against Expolanka USA LLC and/or the other defendants.

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. Based on the information currently available, Directors do not expect a Liabilities to arise from this guarantee.

	2018 Rs.	2017 Rs.
Institution		
Sampath Bank PLC	110,865,632	110,865,632
Standard Chartered Bank	100,599,570	165,708,215
National Development Bank PLC	-	1,000,000
Pan Asia Banking Corporation PLC	-	500,000
Others	596,000,000	241,000,000
	807,465,202	519,073,847

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 short term borrowings for working capital requirements, long term borrowings for project financing, , trade and other payables, and trade and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations, acquire strategic assets and to provide guarantees to support its operations. The Group has loans and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds available – for – sale investments.

The Group is exposed to market risk, credit risk and liquidity risk.

The Board of Directors and Group's senior management oversees the management of these risks. Further they reviews and agree policies for managing each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: finance rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include: loans and borrowings, deposits and available for sale investments.

Finance rate risk

Finance rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. The rates applied to Groups long term and short term borrowings are fixed periodically. The Group manages its finance rate risk by aggressively negotiating rates for short and long term borrowings and having a portfolio of facilities from various financial institutions which gives avenues to use the facility based on competitive rates. As Majority of the 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.

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.

The Group has divested the shares in Amana Bank PLC which were valued at 315,983,521 as of 31st March 2017. At the reporting date, the Groups exposure to quoted equity securities at market value was Rs. 55,367,364.The market value of these shares have decreased by 14.29 % in comparison to the previous financial year where the market value stood at Rs. 63,276,988.

At the reporting date, the Groups exposure to non-quoted equity securities at carrying value was Rs. 99,776,780.47.The carrying value for the non-quoted equity securities which was held in FY 2017 was Rs. 122,767,086 .

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 credit worthiness of the parties it transact with. The parties who aspire to trade in credit terms have to go through a credit verification process. The Group also has continuous dialogue with the respective parties to monitor the receivables position.

Trade and other receivable

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management.

Liquidity risk

The Group manages liquidity risk exposure through effective working capital management. The Company also has guidelines in place to ensure that the short term and medium term liquidity is managed at acceptable levels.

The table below summarises the maturity profile of groups financial liabilities based on contractual undiscounted payments.

Year ended 31 March 2018	On Demand	Less than 1 year	1-5 year	Above 5 year	Total
Bank Financing	-	894,387,709	248,115,460	46,390,905	1,188,894,074
Related Party Borrowing	-	1,647,507,501	480,633,748	-	2,056,141,249
Finance Leases (Ijara)	-	17,835,887	108,705,297	-	126,541,184
Trade and other payables	9,228,856,643	-	-	-	9,228,856,643

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	2018	2017
Expolanka Bangladesh Limited	Bangladesh	55.00%	55.00%
Expo Freight India Holdings (Private) Limited	India	10.00%	10.00%
Expolanka Freight (Vietnam) Limited	Vietnam	49.00%	49.00%

	2018 Rs.	2017 Rs.
Accumulated balances of material non - controlling interest		
Expolanka Bangladesh Limited	645,066,499	508,144,805
Expo Freight India Holdings (Private) Limited	189,643,203	174,252,798
Expolanka Freight (Vietnam) Limited	194,242,239	160,657,291
Accumulated material non- controlling interest	1,028,951,941	843,054,893
Profit allocated to material non - controlling interest	223,070,032	235,144,328

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	2018	2017
Revenue	36,192,605,300	26,579,355,049
Operating cost	(35,199,356,592)	(25,577,754,469)
Finance costs	(48,977,242)	(25,596,004)
Profit before tax	944,271,465	976,004,576
Income tax	(347,676,437)	(254,251,812)
Profit for the year	596,595,028	721,752,764
Total comprehensive income	(6,385,473)	2,779,748
Attributable to non-controlling interests	223,070,032	235,144,328
Dividends paid to non-controlling interests	(97,962,763)	(120,689,446)

Summarised statement of financial position	2018	2017
Current assets	8,354,687,871	5,755,286,442
Non- current assets	596,796,963	627,426,353
Total assets	**8,951,484,834**	**6,382,712,796**
Current liabilities	5,276,053,912	3,187,659,341
Non- current liabilities	209,737,979	200,753,812
Total liabilities	**5,485,791,891**	**3,388,413,153**
Total equity	3,465,692,943	2,994,299,643
Attributable to:	-	-
Equity holders of parent	2,436,741,002	2,151,244,750
Non-controlling interest	1,028,951,941	843,054,893

Summarised cash flow information	2018	2017
Operating	3,768,728,691	291,357,029
Investing	(68,633,645)	(93,758,582)
Financing	(3,841,340,709)	(40,591,933)
Net increase / (decrease) in cash and cash equivalents	(141,245,663)	157,006,513

The above information is based on amounts before inter-company eliminations.

Group Real Estate Portfolio

Owning Company & Location	Buildings in SQ.FT	Free Hold Land in Perches	Net Book Value Mar-18
Properties in Colombo			
Expolanka (Private) Limited		23.50	109,430,625
No 10, Mile Post Avenue, Kollupitiya , Colombo 03			
EFL HUB (PVT) LTD	5,942		71,563,412
No 10, Mile Post Avenue, Kollupitiya , Colombo 03			
Properties Outside Colombo			
Expolanka Freight (Private) Limited	20,881	303.50	259,960,019
No 69, Ramyaweera Mawatha, Kittampahuwa, Wellampitiya			
Expolanka Freight (Private) Limited		30.97	15,535,000
No 73/2, Ramyaweera Mawatha, Kittampahuwa, Wellampitiya			
Expolanka (Private) Limited	8,500	160.00	17,508,575
Kanomoolai, 10 Mile Post, Pubudugama, Madurankuli, Puttalam			
Expolanka Limited	135,609	555.26	1,070,429,384
No 390, Avisawella Road, Orugodawatte, Wellampitiya			
Pulsar Shipping Agencies (Private) Limited	1,200	15.75	5,780,300
2/24th Portion of Bogahawatta, Galu Piyadda, Galle			
Expo Global Distribution Centre (Private) Limited	240,000		164,541,236
Lot No. 117, Spur Road 3, Phase 1, Export Processing Zone (EPZ), Katunayake, Sri Lanka			
Properties Outside Sri Lanka			
Expo Freight Limited	42,912,000	105.58	81,299,608
Diakhali, Yearpur, Ahulia, Dhaka			
Expo Freight Limited	55,066,000	105.58	102,479,588
Diakhali, Yearpur, Ahulia, Dhaka			
			1,898,527,748

Five Year Summary

31st March	2017/18	2016/17	2015/16	2014/15	2013/14
In Rs. Mn.					
OPERATING RESULTS					
Group Revenue	77,533	63,492	56,015	52,652	53,319
Share of results of associates	44	22	37	12	35
EBIT	1,901	2,096	2,139	1,468	2,204
Finance Expenses	(232)	(403)	(92)	(154)	(267)
Profit before tax	1,669	1,692	2,047	1,314	1,937
Tax expenses	(708)	(464)	(601)	(266)	(367)
Profit after tax	962	1,229	1,446	1,047	1,570
Attributable to:					
Non Controlling Interest	251	274	332	162	144
Equity holders of the parent	711	955	1,113	886	1,426
CAPITAL EMPLOYED					
Share capital	4,098	4,098	4,098	4,098	4,098
Capital reserves	604	477	409	11	36
Revenue reserves	8,075	7,675	7,348	6,518	5,702
Minority interest	1,251	1,128	1,266	991	929
Total equity	14,028	13,377	13,120	11,618	10,765
Total debt	4,204	2,402	1,793	1,819	2,701
CAPITAL EMPLOYED	**18,232**	**15,779**	**14,913**	**13,437**	**13,466**
ASSETS EMPLOYED					
Property plant and equipment	3,833	3,632	3,423	3,376	3,666
Other non current assets	937	900	1,167	1,268	1,193
Current assets	23,938	18,810	18,085	17,348	17,007
Liabilities net of debt	(10,477)	(7,563)	(7,762)	(8,556)	(8,401)
ASSETS EMPLOYED	**18,232**	**15,779**	**14,913**	**13,437**	**13,466**
CASH FLOW					
Cash flow from operating activities	(1,180)	367	(63)	320	373
Cash flow from / (used in) investing activities	(157)	(42)	32	399	417
Cash flow from / (used in) financing activities	1,040	168	660	(941)	(431)
Net increase / (decrease) in cash and cash equivalents	(214)	523	0	(268)	340
KEY INDICATORS					
Basic earnings per share (Rs.)	0.364	0.488	0.570	0.453	0.729
Finance cost cover (no. of times)	8.2	5.2	23.4	9.5	8.3
Net assets per share (Rs.)	6.53	6.27	6.06	5.44	5.03
Debt / equity ratio (%)	30.0%	18.0%	13.7%	15.7%	25.1%
Dividend payout (Rs. Millions)	293	293	235	0	645
Dividend payout ratio (%)	41%	31%	21%	0%	45%
Current ratio (no. of times)	1.8	2.2	2.0	1.8	1.8
Market price per share (Rs.)	4.9	6.0	7.0	8.5	8.7

Share Information

The Share price of Expolanka Holdings PLC (Expolanka) went through a period of consolidation and closed the year at Rs. 4.90 Per Share.

Trading Summary 1st April 2017 – 31st March 2018

Number of shares in issue	1,954,915,000
Number of shares traded during the Year	125,289,724
Number of transactions for the Year	4,990
Value of Transactions for the year	807,705,365.10
Market Capitalization as of 31st March 2018	9,579,083,500.00

Expo Share Performance

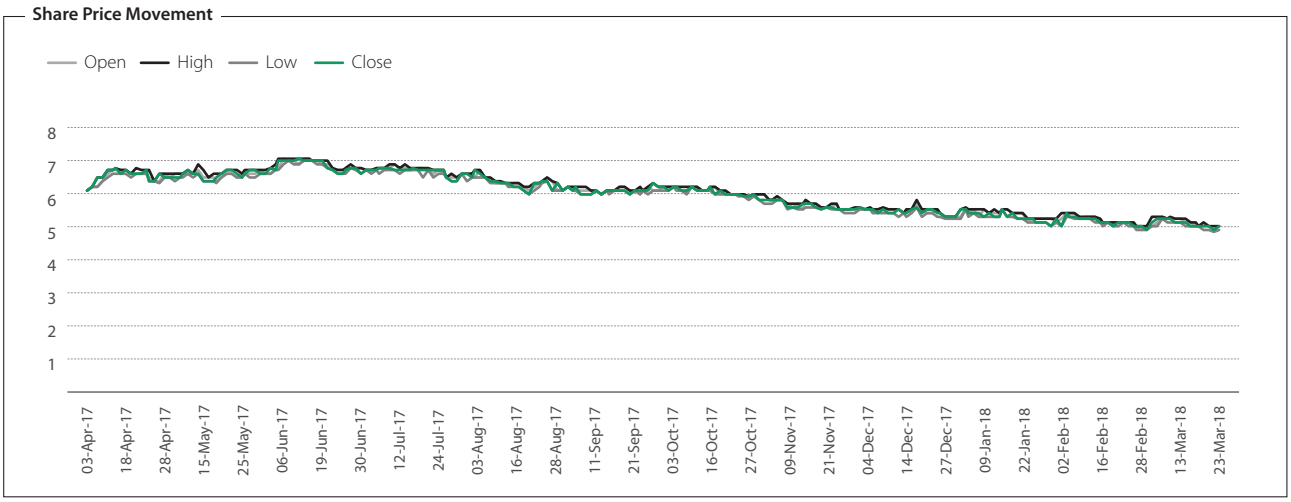
An analysis of the Expo Share performance over the last three years is reflected in the below table.

	31-Mar-2018	31-Mar-2017	31-Mar-2016
Highest (Rs.)	7.10	7.70	9.00
Lowest (Rs.)	4.80	5.60	5.90
Closing (Rs.)	4.90	6.00	7.00

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

	High	Low	Closing	Volume of shares Traded
1st Quarter	7.10	6.10	6.80	1,175
2nd Quarter	6.90	6.00	6.10	863
3rd Quarter	6.20	5.30	5.30	1,112
4th Quarter	5.60	4.80	4.90	1840

The below graph indicates the movement of the Expo share price during the year .



Share Valuations

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

	2017/18	2016/17	2015/16	2014/15
Net Asset Per Share	6.54	6.27	6.06	5.44
Earnings Per Share	0.36	0.49	0.57	0.45
Trailing P/E Multiple	13.48	12.29	12.29	18.89
ROE	6.85%	9.19%	11.02%	9.02%

The Expo Share is owned by a base of 6,930 voting registered shareholders as at 31st March 2018. 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	3,082	2,113,121	0.11
1,001 - 10,000	2,745	11,918,018	0.61
10,001 - 100,000	917	31,543,844	1.61
100,001 - 1,000,000	154	41,437,659	2.12
Over 1,000,000	32	1,867,902,358	95.55

Analysis of Shareholding

Resident / Non Resident

	No. of Shareholders	No. of Shares	% of Shareholding
Resident	6,866	357,052,503	18.27
Non-Resident	64	1,597,862,497	81.73

Individuals / Institutional

	No. of Shareholders	No. of Shares	% of Shareholding
Individuals	6,713	264,936,171	13.55
Institutional	217	1,689,978,829	86.45

Public Holding of Shares

As of 31st March 2018, the Public Holding of Expolanka Holdings PLC shares stood at 488,703,855 shares which amounts to 25% of the issued Share Capital. The total No. of Shareholders representing the public Holdings as at 31st March 2018 is 6,927

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 2018	No. of Shares – 31st March 2017
Mr. Naosuke Kawasaki	-	-
Mr. Hanif Yusoof	147,021,464	147,021,464
Mr. Tomoki Sano	-	-
Mr. Motonori Matsuzono	-	-
Mr. Yoshifumi Matsubara	-	-
Mr. Osman Kassim	-	-
Mr. Sanjay Kulatunga	-	-
Mr. Harsha Amarasekera P.C.	-	-
Mr. Toji 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 2018. [GRI 102-5]

The below tables provides the details of the 20 Top Shareholders of Expolanka Holdings PLC as at 31st March 2018.

		31st March 2018		31st March 2017	
No.	Name of Shareholder	No. of Shares	%	No. of Shares	%
1	SG Holdings Global (Pte.) Ltd	1,319,165,681	67.48	1,319,165,681	67.48
2	Caceis Bank Luxenbourg S/A Barca Global Master Fund LP	173,811,433	8.89	117,362,974	6.00
3	Hanif Yusoof	147,021,464	7.52	147,021,464	7.52
4	HSBC INTL NOM LTD-BBH-Matthews Emerging Asia Fund	94,231,424	4.82	72,280,137	3.70
5	Farook Kassim	23,041,756	1.18	83,310,450	4.26
6	Shafik Kassim	17,571,637	0.90	44,591,641	2.28
7	Janashakthi General Insurance Limited	10,038,263	0.51	10,038,263	0.51
8	Sri Lanka Insurance Corporation Ltd- Life Fund	9,499,000	0.49	2,500,000	0.13
9	MAS Capital (Private) Limited	7,716,250	0.39	7,716,250	0.39
10	E.W. Balasuriya & Co. (Pvt) Ltd	7,591,805	0.39	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	Seylan Bank PLC/ARRC Capital (Pvt) Ltd	5,338,005	0.27	0	0
14	Amana Bank Plc	4,540,098	0.23	4,530,098	0.23
15	Deutsche Bank AG AS Trustee To Candor Growth Fund	4,000,000	0.20	2,750,000	0.14
16	Employees Trust Fund Board	3,486,700	0.18	3,486,700	0.18
17	Rubber Investment Trust Limited A/C # 01	3,273,348	0.17	4,373,348	0.22
18	Hallsville Trading Group Inc.	3,000,000	0.15	3,000,000	0.15
19	Mohamed Haji Omar	2,178,660	0.11	0	0
20	Guardian Fund Management Limited/ The Aitken Spence and Associated Companies Executive Staff Providen	2,035,549	0.10	2,535,549	0.13

Notice of Meeting

Notice is hereby given that the thirteenth Annual General Meeting of Expolanka Holdings PLC will be held at the Bougainvillea, Galadari hotel, No. 64, Lotus Road, Colombo 01 on Wednesday, 01st August 2018 at 4.00 P.M

AGENDA

1. To consider and adopt the Annual Report of the Board of Directors on the Affairs of the Company and the Statements of Accounts for the financial year ended 31st March 2018 with the Report of the Auditors thereon.
2. To re-elect Mr. Sanjay Sumanthri Kulatunga, who in terms of Article 86 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.
3. To re-elect Mr. Motonori Matsuzono, who in terms of Article 86 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
4. To re-elect Mr. Hanif Yusoof, who in terms of Article 86 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
5. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors and authorize the Directors to determine their remuneration.
6. To authorize the Directors to determine contributions to charities for the financial year ending 31st March, 2019.

By order of the Board of Expolanka Holdings PLC

S S P Corporate Services (Private) Limited
Secretaries

No. 101, Inner Flower Road, Colombo 03.

09th July 2018

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 Wednesday, 01st August 2018 at the Bouganvillea, Galadari Hotel, No 64, Lotus Road, Colombo 01 at 4.00 p.m and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

		FOR	AGAINST
1.	To consider and adopt the Annual Report of the Board of Directors on the Affairs of the Company and the Statements of Accounts for the financial year ended 31st March 2018 with the Report of the Auditors thereon.		
2.	To re-elect Mr. Sanjay Sumanthri Kulatunga, who in terms of Article 86 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.		
3.	To re-elect Mr. Motonori Matsuzono, who in terms of Article 86 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.		
4.	To re-elect Mr. Hanif Yusoof, who in terms of Article 86 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.		
5.	To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors and authorize the Directors to determine their remuneration.		
6.	To authorize the Directors to determine contributions to charities for the financial year ending 31st March, 2019.		

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

Signature: .....

Note :

(a) *Please delete the inappropriate words.

(b) Instructions are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by filling in legibly your full name and address, your instruction as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Secretaries at No.101, Inner Flower Road, Colombo 03 at least 48 hours before the time appointed for the holding of the Meeting.
4. If the form of proxy is signed by an attorney, the relative power of attorney should accompany the form of proxy for registration, if such power of attorney has not already been registered with the Company

Note:
If the shareholder is a Company or body corporate, Section 138 of Companies Act No.7 of 2007 applies to Corporate Shareholders of Expolanka Holdings PLC. Section 138 provides for representation of Companies at meetings of Companies. A Corporation, whether a Company within the meaning of this act or not, may-where it is a member of another Corporation, being a Company within the meaning of this Act, by resolution of its Directors or other governing body authorized as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represent as that Corporation could exercise if it were an individual shareholder.

Corporate Information [GRI 102-1,102-3,102-5]

Name of Company

Expolanka Holdings PLC

Legal Form

The Company is a Public Limited Liability Company. Incorporated in Sri Lanka on 05th March 2003 as a Private Limited Liability Company under the Companies Act No. 17 of 1982 and re-registered on 11th November 2008 as a Public Limited Liability Company under the Companies Act No 07 of 2007. Currently ordinary shares have been listed on the Colombo Stock Exchange.

Company Registration Number

P B 744

Board of Directors

Naosuke Kawasaki -
Chairman
Hanif Yusoof -
Chief Executive Officer
Osman Kassim
Harsha Amarasekera
Sanjay Kulatunga
Tomoki Sano
Motonori Matsuzono
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

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

Contact for Media

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

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

Investor Relations

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

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

Bankers

Amana Bank
Bank of Ceylon
Commercial Bank
Habib Bank
Hatton National Bank
Hong Kong and Shanghai Banking Corporation
ICICI Bank Limited
National Development Bank
Nations Trust Bank
Pan Asia Bank Corporation
Peoples Bank
People's Leasing Finance PLC
Sampath Bank
Seylan Bank
Standard Chartered Bank

Company Secretaries

SSP Corporate Services (Private) Limited
P V 931
101, Inner Flower Road
Colombo 03
Sri Lanka

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

Company Auditors

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

Concept & Designed by
Copyline
a great equation
Printed by Printel (Pvt) Ltd

EXPOLANKA HOLDINGS PLC