

Specs of

SUCCESS

THE BEAUTY OF
BOLDNESS

THE APPLICATION OF
CREATIVITY

A COMMITMENT TO
SUCCESS

BUILDING
RELATIONSHIPS

ENGINEERING
EXCELLENCE

Annual Report

2013/14

Access Engineering PLC

This is an integrated Annual Report capturing economic,
social and environmental performance

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Specs of

SUCCESS

Strategy, planning and specified goals are common to any enterprise. At Access Engineering we live and breathe plans, blueprints, specifications and all manner of systems and processes that 'come with the territory'. Precision and accuracy sit well with the values of our Company - all of them as a composite describes well the heart and soul of Access Engineering.

We are able to complete and deliver high-tech construction projects to specification, on time and on budget, because we aren't afraid to incorporate new thinking and the latest technologies into our planning and operations. People who say 'engineers aren't creative' haven't seen us at work.

THE APPLICATION OF CREATIVITY

'Whatever you can do or dream you can, begin it,' advised a great poet. 'Boldness has beauty, power and magic in it'. Knowing our resources and skills are world-class gives us the confidence to embrace every challenge and venture into uncharted territory with a genuinely 'can do' attitude.

THE BEAUTY OF BOLDNESS

Specs of

SUCCESS

A COMMITMENT TO SUCCESS

The pursuit of excellence, sustainability and value have helped Access Engineering achieve true success, not just in terms of the many projects we have completed, but also in terms of the reputation we have built as one of Sri Lanka's largest corporates, respected at home and abroad.

ENGINEERING EXCELLENCE

It's no use building the things we do unless we build them to last. And when you consider the pounding a road must take, the stresses a bridge must bear, the vital importance of strength and safety in the design and construction of public buildings, you realize this isn't easy. Especially with budget and deadline considerations to take into account every step of the way. Being good engineers just isn't enough. We need to be excellent - not just now and then, but all the time.

BUILDING RELATIONSHIPS

We aren't just laying bricks. With every civil engineering project we take on, we lay the foundations for closer, better interaction between people. The buildings, roads and bridges we construct facilitate meetings and create positive exchanges among them. In our own relationships, too, we're committed to positive, beneficial interactions across our entire stakeholder community.



Access Engineering PLC

Access Engineering PLC (AEL) began operations in 2001. In a relatively short lifespan of 13 years, we have built our enterprise into one of Sri Lanka's foremost entities in the Civil Engineering and Construction industry. The Company has and continues to be involved in building some of Sri Lanka's most vital infrastructure around the country, thus uplifting communities and contributing to the era of rapid economic development spearheaded by the Government.

During the first decade of operations the Company grew in stature, where we brought a bold and enterprising approach combined with world class skills and expertise to diverse sectors of Civil Engineering and Construction, thus gaining a distinct advantage in the industry in Sri Lanka.

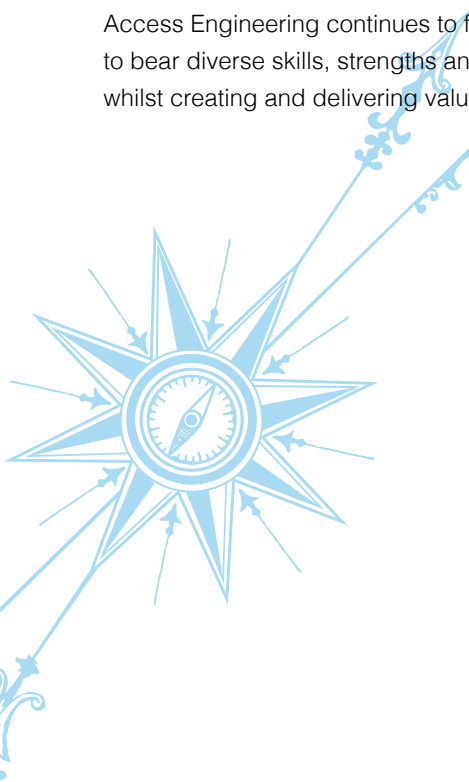
Access Engineering is accredited as a 'major' and 'specialized' contractor by the National Contractors' Association of Sri Lanka. It is graded C1 for six engineering sectors, GP-B1 for piling and EM-1 for telecommunications by the Institute for Construction Training and Development (ICTAD), which is the highest aggregate grading bestowed on any construction company in Sri Lanka.

In 2011, the Company floated the second largest private placement in Sri Lanka to raise Rs. 4.5 Bn and subsequently proceeded with its initial public offering in the Colombo Stock Exchange in March 2012 enhancing Company equity by Rs. 5 Bn. Today, Access Engineering enjoys the highest market capitalization in the Construction and Engineering sector.

Our success story has been recognized with many awards and accolades, with titles such as 'The most tech savvy' and 'The Best Knowledge Integrator' among others. Most significantly, in 2013, Access Engineering won the 'Overall Gold Award' at the National Business Excellence Awards organized by the National Chamber of Commerce and was recognized as one of the 'Top 10 Corporate Citizens' by the Ceylon Chamber of Commerce.

In February 2012, Access Engineering acquired Sathosa Motors PLC, which holds the franchise for Isuzu commercial vehicles. Access Realities (Private) Limited, which owns Access Tower Office and Access Realities 2 (Private) Limited, the developer of the proposed Access Tower II for which construction has already commenced, are our fully-owned subsidiaries. In September 2013, the Company formed a joint venture, ZPMC Lanka Company (Private) Limited with Shanghai Zhenhua Heavy Industries Company Limited Company (ZPMC) of China, the world's largest container handling equipment manufacturer.

Access Engineering continues to forge ahead as a company operating an integrated and sustainable business, bringing to bear diverse skills, strengths and an innovative mindset channelled towards achieving our own goals of excellence, whilst creating and delivering value to our stakeholders.



Vision

To be the foremost Sri Lankan business enterprise in value engineering

Mission

To meet the challenges in the development of multi sector civil engineering projects, providing innovative solutions whilst developing long term progressive relationships with all our stakeholders

ENGINEERING PROJECTS

Roads and Highways



At the forefront of many of the road rehabilitation and improvement projects

The work involves utility shifting, road widening, improvements to existing drainage systems, town improvements, rehabilitation and improvement of road pavements, road safety and environmental improvements.

📄 page 21

Bridges and Flyovers



Completed several landmark bridge/flyover projects

The scope of work includes Engineering design, construction of the substructure, approaches, service roads, erection and launching of the super structure.

📄 page 32

Water and Wastewater



Providing safe drinking water, better sanitation and ensuring minimal pollution

The work involves civil construction, mechanical and electrical works of water treatment plants.

📄 page 36

Buildings



Providing engineering services in high-rise building projects

All Engineering services, including structural designs, piling, all civil works, design and installation of mechanical, electrical and plumbing works, landscaping etc. are being provided using inhouse expertise and capabilities.

📄 page 42

Telecommunication Infrastructure



A catalyst of growth in the telecommunication sector through their long term partnership with the country's leading mobile service providers

The scope work includes construction of telecommunication towers including transmission facilities, installation of cables, ducts, optical fiber telecommunication networks etc.

📄 page 44

Harbour and Marine Works



Completed the renovation and rehabilitation of the Unity Container Terminal of SLPA at the Port of Colombo

The work included construction of Rubber Mounted Embankment, rectification of the settlements with anchor rods, Construction of an underwater Mask Concrete Curtain wall and providing essential amenities.

📄 page 48

Airport and Aviation



One of the key contractors at the Mattala International Airport Project

This project included the construction of cargo and fire rescue building at the Airport as well as infrastructure work such as Apron fuel hydrant system, water supply mains, water tower, roads etc.

And now...this is an opportune moment to 'unfold' the product and service portfolio of our diversified and successful construction enterprise...

ENGINEERING SERVICES

Engineering Design



Provides a competitive edge in turnkey and design-and-build contracts

The team is skilled in the design of bridges, flyovers and viaducts, roads and highways, buildings, dams and other water-retaining structures, foundations and ground improvements.

📄 page 50

Piling



Engages in construction of cast, in-situ bored piles for buildings, bridges, etc.

Access Engineering is one of the leading piling contractors in Sri Lanka, renowned for its reliability, expertise and quality. The fleet includes hydraulic rotary drilling rigs and associated equipment.

📄 page 51

Geotechnical Laboratory Services



Provides investigations services for internal and external projects

The services include testing of raw and process materials and products, aggregate testing, geotechnical investigations and soil testing, surveying and levelling, quality assurance services for infrastructure projects, pile load testing and concrete mix design.

📄 page 52

HDD and Cable Jetting



Involved in telecommunication infrastructure work underground

Horizontal directional drilling (HDD) is a drilling technique used to install underground utilities without disturbing the structures and without trenching. Cable jetting is the process of installing fibre optic cables in a duct through blowing.

📄 page 53

Dredging



Involved in dredging and excavation

Dredging is a process that involves the aquatic excavation of water beds to remove sediments, pollutants and other material.

📄 page 54

Asphalt Concrete



Established a number of asphalt-mixing plants to support its road and highway projects

These plants ensure the timely supply of quality asphalt concrete to cater requirements of our road construction projects. They also supply asphalt concrete to external customers.

📄 page 54

Quarry Operations and Aggregate Production



Established several quarries and crusher plants to ensure timely supply and greater sustainability of operations

Crushed rock aggregates required for road construction works, asphalt concrete and cement concrete are produced under this operation. Apart from providing for internal requirements, products of these crusher plants also cater to external demand.

📄 page 56

Supply of Ready Mix Concrete



Caters to the demand of internal projects as well as external customers

The quality of ready mix concrete and reliability of the supply has helped us secure several external customers. Our fleet consists of over 20 concrete mixer trucks which have been outfitted with satellite tracking devices which enhanced efficiency of the concrete delivery operations.

📄 page 58

Mechanical and Steel Fabrication Workshops



Maintains and repairs all Company's heavy machinery and equipment and heavy vehicle fleet

In addition, they provide support services to construction projects carried out by the Company. The in-house fabrication division customizes machinery and designs and manufactures various objects and devices.

📄 page 59

Portfolio at a Glance

Access Engineering PLC

www.accessengsl.com

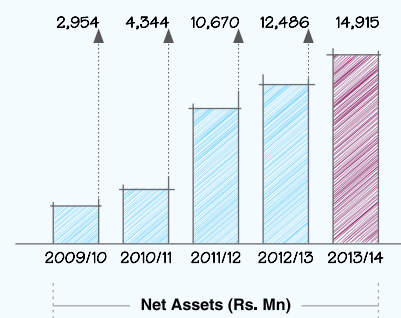
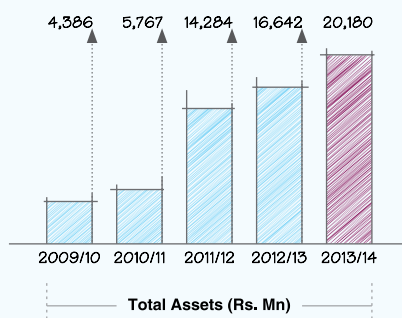
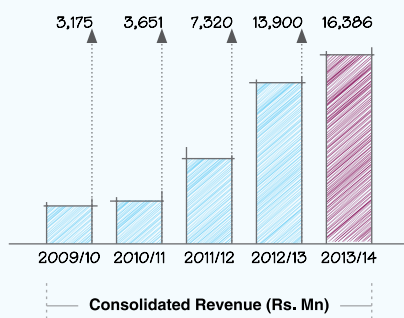
📄 Please refer indicated pages for details on the respective sector



Highlights of the Year

Highlights of the Year

Financial Highlights



Group Revenue



Rs. 16,386 Mn

Earnings per Share



Rs. 2.83

Stated Capital



Rs. 9,000 Mn

| | | 2013/14 | | 2012/13 | | Change (%) | |
|--|--------|---------|---------|---------|---------|------------|---------|
| | | Group | Company | Group | Company | Group | Company |
| Earnings Highlights and Ratios | | | | | | | |
| Revenue | Rs. Mn | 16,386 | 13,188 | 13,900 | 11,447 | 17.9 | 15.2 |
| Gross Profit | Rs. Mn | 4,184 | 3,226 | 3,061 | 2,559 | 36.7 | 26.1 |
| EBITDA | Rs. Mn | 3,780 | 3,218 | 2,883 | 2,531 | 31.1 | 27.1 |
| Earnings before Tax | Rs. Mn | 3,327 | 2,801 | 2,672 | 2,301 | 24.5 | 21.7 |
| Profit Attributable to Owners | Rs. Mn | 2,832 | 2,524 | 2,376 | 2,129 | 19.2 | 18.6 |
| Dividend | Rs. Mn | 500 | 500 | 500 | 500 | 0.0 | 0.0 |
| Earnings per Share | Rs. | 2.83 | 2.52 | 2.38 | 2.13 | 18.9 | 18.3 |
| Dividend per Share | Rs. | 0.50 | 0.50 | 0.50 | 0.50 | 0.0 | 0.0 |
| Dividend Payout | % | 18 | 20 | 21 | 23 | -14.3 | -13.0 |
| Statement of Financial Position Highlights and Ratios | | | | | | | |
| Total Assets | Rs. Mn | 20,180 | 18,315 | 16,642 | 15,429 | 21.3 | 18.7 |
| Stated Capital | Rs. Mn | 9,000 | 9,000 | 9,000 | 9,000 | 0.0 | 0.0 |
| Retained Earnings | Rs. Mn | 5,814 | 5,158 | 3,486 | 3,141 | 66.8 | 64.2 |
| Total Equity/Shareholders' Funds | Rs. Mn | 14,915 | 14,259 | 12,486 | 12,141 | 19.4 | 17.4 |
| Total Liabilities | Rs. Mn | 5,000 | 4,056 | 4,018 | 3,288 | 24.4 | 23.4 |
| Current Assets | Rs. Mn | 12,878 | 10,973 | 9,063 | 7,576 | 42.1 | 44.8 |
| Current Liabilities | Rs. Mn | 4,644 | 3,734 | 3,759 | 3,064 | 23.5 | 21.9 |
| Net Asset per Share | Rs. | 14.91 | 14.26 | 12.49 | 12.14 | 19.3 | 17.4 |
| Investor Highlights and Ratios | | | | | | | |
| Price Per Share | Rs. | - | 22.5 | - | 19.7 | - | 14.2 |
| Gross Profit Margin | % | 25.5 | 24.5 | 22.0 | 22.4 | 15.9 | 9.3 |
| Net Profit Margin | % | 17.7 | 19.9 | 17.3 | 18.6 | 2.3 | 2.7 |
| Return on Equity | % | 19.0 | 17.7 | 19.0 | 17.4 | 0.0 | 1.7 |
| Debt/Total Assets | % | 0.03 | 0.03 | 0.05 | 0.04 | -40.0 | -25.0 |
| Debt/Equity | % | 0.04 | 0.03 | 0.07 | 0.05 | -42.8 | -40.0 |
| Current Asset Ratio | times | 2.8 | 2.9 | 2.4 | 2.5 | 16.6 | 16.0 |
| Quick Asset Ratio | times | 2.4 | 2.6 | 1.9 | 2.2 | 26.3 | 18.1 |



Non-Financial & Operational Highlights

Business Excellence

We were awarded the Overall Gold Award at the National Business Excellence Awards 2013 organized by the National Chamber of Commerce



Corporate Responsibility

We were selected one of the ten best corporate citizens for 2013 by the Ceylon Chamber of Commerce



Hiring and Retaining Talent

Our staff retention of

93.4%

is unheard of in the industry

Safety Performance

Lost Time Injury Frequency Rate (LTIFR) was

1.008%

A 0.192%pt improvement compared to 2012/13

Project Completion

Project completion performance was

100%



Commencement of work on the first overseas project in Papua New Guinea



Tie up with ZPMC for repair and maintenance of container handling equipment



Launch of the SAP Enterprise Resource Planning System



Commencement of piling work of Access Tower II



Completion of piling works of the Northern Section of the Colombo Outer Circular Highway



Completion of flyover across Veyangoda railway crossing



About This Report

This is the first time Access Engineering has presented an 'integrated' annual report. Unlike conventional reports, which describe company operations in a general way and quantify only financial results, an integrated report takes a stakeholder approach, describing how the Company's operations benefit or affect the various groups which interact with it and quantifying these effects through the use of a variety of suitable indicators. Thus, an integrated report quantifies not only financial results, but also the social and environmental impacts of a company's operations.

Integrated reporting recognizes that today's businesses are judged and valued not only on how much money they make, but also on how well they meet the needs and respect the values of customers, suppliers, employees, the community, the state and the planet. The central concept enshrined by integrated reporting is that of *sustainability*: that in order to be truly successful, it is not enough for a company only to be profitable; its operations must also be sustainable. A business that makes optimal use of human and material resources that minimizes the environmental impacts of its operations and acts as a good corporate citizen, all the while delivering optimal returns to its shareholders: this is a sustainable business.

STAKEHOLDER ENGAGEMENT

A stakeholder approach to management acknowledges that the relationships with internal and external stakeholders are the basis of a sustainable business, and that their quality serves well as a 'proxy indicator' of sustainability.

The benefits of integrating stakeholder concerns at the strategic level include resource exchange, the identification of shared goals as well as of potential or actual conflicts of interest, a more inclusive planning process and, eventually, deeper and broader commitment from all parties involved in a particular project or programme.

The table available on the HTML web version of this Annual Report describes the nature, duration and scope of our interactions with various stakeholder groups identified as materially involved in or affected by the operations of Access Engineering during the course of the year.

REPORTING FRAMEWORK

The reporting framework followed herein is based on the concepts, principles and guidance given in the following:

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G3.1 (2011) [www.globalreporting.org]
- The International Integrated Reporting Framework (2013) [www.theiirc.org]
- Smart Integrated Reporting Methodology™ [www.smart.lk]

Companies are encouraged to choose which protocols they use and which areas of activity to report on. This process is called 'defining materiality'. A description available on the HTML web version broadly outlines the areas Access Engineering has defined as material for the purposes of this Report. The criteria of materiality were defined as follows:

- Operational aspects with high economic, social and environmental impact
- Operational aspects with high influence on stakeholder decisions

The Company has been a signatory to the United Nations Global Compact (UNGC) since 2011 and this Report serves as a Communication on Progress. It also reinforces our commitment to implement the 10 principles of the UNGC initiative.



SCOPE OF THE REPORT

This Annual Report covers the period 1st April 2013 - 31st March 2014, which corresponds to the Company's financial year. It is published in both print and online HTML versions, of which the latter may be viewed or downloaded at <http://accessengineering2013-14.annualreports.lk/>. Its most recent predecessor was the Company's Annual Report for the previous financial year, published in August 2013. It should be noted that this Annual Report also took a sustainability approach, although it was not a formally integrated report as in the present case.

Foreign operations of the Company and the operations of subsidiaries have been omitted for social and environmental reporting but are included in the Financial Statements. The operational scope of these subsidiaries is substantially different to those of AEL, and reporting aspects are not compatible. Also, these operations account only for a fraction of the Company's top line and have a minimal impact on profitability and other results.

The sources of data found in the report are based on the Audited Financial Statements of the Company for the year under review and the internal records verified through periodic internal audits.

The information, scope, boundary and measurement methods used in this Report are similar to that of previous reports.

Aside from the statutory external audit referred to above, the Company has not attempted to obtain any independent verification of data reported in this Report. Current company policy is to carry out internal checks to verify that the report qualifies as a Level B report according to the GRI guidelines. It is hereby affirmed that this Report so qualifies.

QUERIES

Inquiries regarding this Report and associated matters should be directed to Mr. Rohana Fernando, Chief Operating Officer, Access Engineering PLC.
E-mail: rohana@accessengsl.com.



A Message from the Chairman



Our own achievements over the years and the talent and resources we now field, make me confident that we will continue to enjoy sustainable growth for years to come

As I write this, Access International is in the midst of celebrating its twenty-fifth anniversary as a business group. Since commencing operations in 1989, we have grown and matured to become one of Sri Lanka's leading corporate entities. Access Engineering has played an important role in that evolution ever since it opened its doors for business in 2001.

Two years ago, when Access Engineering made its initial public offering, we received an enthusiastic response from investors in both the public and the private sectors. At the time, we promised that those who invested in us would not be disappointed. So far, we believe that we have amply fulfilled that promise.

Looking at recent and projected global and national economic indicators and the current trend of Government policy, I see no external constraints to our future growth and profitability. Growth in the infrastructure, construction and engineering sectors looks set to continue in Sri Lanka, at least for the short to medium term. We also began extending our operations overseas in 2013, and early indications are that the scope for our services abroad is very promising.

These factors, together with our own achievements over the years and the talent and resources we now field, make me confident that we will continue to enjoy sustainable growth for years to come.

Sustainability is a high priority in all our decision-making and actions. It was our principal strategic objective in FY 2013/14 as we strove to invest the profits earned from the current infrastructure boom in the talent, resources and systems that would see us through the long haul. Much of our investment focus was on projects that offered synergies we could leverage in order to build a firm foundation for sustainable long term growth. We also took a more stakeholder-oriented approach to planning and reporting, which was reflected in the publication of a fully integrated annual report this year.

We have recognized that the shareholders of our Company are our most important stakeholder, and we believe that all our actions are focused towards enhancing shareholder value in a sustainable manner. We are committed to an attractive and sustainable dividend policy. In this second year of full operations since listing, we have declared a total dividend of 0.75 cents per share (interim of 0.25 cents per share and final of 0.50 cents per share).

Looking forward, your Company's strategy will be to focus on organic growth in the sectors where our prime competencies and experience lie. Although we have diversified into other areas such as real estate management, mechanical engineering and motor vehicle sales, it will be some time before these new ventures account for a substantial proportion of our earnings. We remain open to new ideas and opportunities; but meanwhile, we shall continue to invest in our areas of core competence, further honing our competitive advantage.

I should like to end this short message by expressing my gratitude to my fellow Board members for their invaluable insight, advice and support; a special thank you to the Managing Director and COO of Access Engineering for their dedication, passion and commitment in which they give leadership to the management and staff of Access Engineering who are and will be our greatest asset.

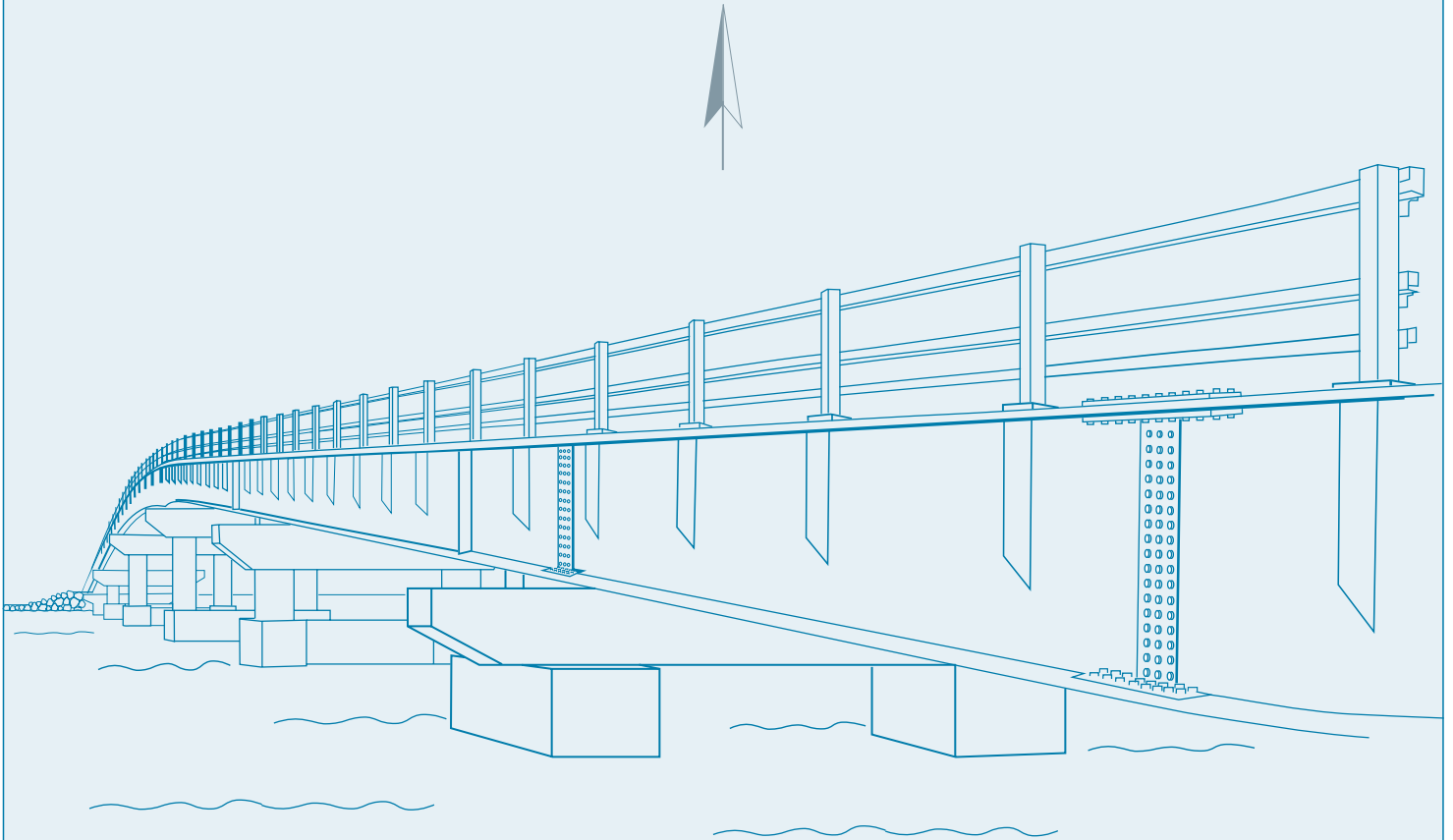
I acknowledge the support received from all our stakeholders. A special mention of our customers, international partners, bankers and the State who have contributed to our success, helping Access Engineering play a leading role in nation building and in creating for itself a leading and well-respected position in the Construction and Engineering Industry.



Sumal Perera
Chairman

BUILDING RELATIONSHIPS

Building bridges...that's really what we are about...both literally and metaphorically. In the literal sense of course, our portfolio stretches far beyond bridges...to highways, expressways, in fact all manner of civil engineering projects, many on a national scale. Metaphorically, every project and interaction we engage in is a harbinger of yet another close relationship we forge...a firm relationship built, between ourselves and the wider stakeholder community.



Over the Past Three Years

- The percentage of revenue from repeat clients accounted for 75.1%, 89.5% and 94.1% respectively.
- We had a staff retention ratio of 93.2%, 93.9% and 93.4% respectively.



Sangupiddy Bridge across Kilali lagoon in Jaffna



Joint Statement of the Managing Director and the Chief Operating Officer



It was a record year for business, earnings and profits. At Company level, total turnover increased by 15.2% whilst net profit increased by 18.5%

Rohana Fernando
Chief Operating Officer

Christopher Joshua
Managing Director

The year under review saw Access Engineering continue its steep growth trajectory, consolidating gains made in previous years and setting new records for earnings and profits.

We completed a number of significant projects in Sri Lanka, embarked on our first overseas project and won numerous awards and citations from industrial and professional bodies. We also became the first construction company in Sri Lanka to implement an enterprise resource planning system to plan, monitor and manage our operations.

AN ENVIRONMENT FAVOURABLE TO GROWTH

We were fortunate in that the macroeconomic environment was favourable to the construction sector. In a year where global economic growth came mainly from emerging, mostly Asian economies, Sri Lanka helped set the pace with an annualized



GDP growth rate of 7.3%. Much of this output came from the construction industry, whose total GDP contribution was 8.7% in 2013. With a year-on-year growth rate of 14.4%, the construction sector continued to outperform the economy as a whole for the fourth year in succession.

Much of this was due to public spending on infrastructure development, which is expected to amount to over \$ 10 Bn over 2013-2015. Considering the major infrastructure development projects currently in the pipeline, investment in this area will almost certainly continue well beyond 2015. China will continue to play its role as the main source of funding and execution for large-scale Government-led infrastructure projects.

This public spending is expected to be augmented by significant private investment in large-scale infrastructure development projects including integrated resorts, ports, land reclamation, highway construction and property development during the near future.

The construction sector also continues to enjoy a preferential tax rate of 12%, along with further tax concessions offered for new investments in production plant. Certain major infrastructure projects are identified as 'strategic investments', offering further tax concessions as incentives to encourage private investment in infrastructure development.

OUR STRATEGIC FOCUS

Despite the good times we enjoyed in FY 2013/14, we did not lose sight of the fact that all booms are temporary, and that gains made at such times are best invested in the future. The principal focus of management planning in the year under review was the sustainability of our business.

Accordingly, a substantial fraction of the year's earnings was invested in capacity building, technology, skills development and productivity improvement. Investments in capacity building alone amounted to Rs. 1.2 Bn in FY 2012/13, supplementary to the Rs. 1.6 Bn spent in this area in FY 2011/12.

Continuing initiatives in productivity improvement through careful monitoring and budgetary control of projects are already paying dividends, as indicated by the fact that profits grew more steeply than turnover in the year under review. We continued to focus on maintaining our gross and net profit margins by optimizing the productivity of our plant and major equipment (asphalt plants, batching plants, piling equipment) and undertaking projects that demand a high level of lucrative 'value engineering' input.

Other management objectives in FY 2013/14 were -

- to implement the SAP Enterprise Resource Planning system
- to further consolidate our core business, growing faster than the rest of the industry and thus increasing our market share; and
- to improve our service portfolio through the introduction of accredited laboratory services.

HOW THE COMPANY PERFORMED

As stated earlier, it was a record year for business, earnings and profits. At Company level, total turnover in FY 2013/14 was Rs. 13.2 Bn, a 15.2% increase over the corresponding figure for FY 2012/13. Still more satisfying to report, net profit increased even further, from Rs. 2.1 Bn in FY 2012/13 to Rs. 2.5 Bn in the year under review, an increase of 18.5% (again, at Company level).

A number of important projects were completed or made significant progress in FY 2013/14. Among these were the building of a salinity barrier across Walawe River, the rehabilitation of two nationally important water treatment plants, piling works on the new Colombo Outer Circular Highway, and the rehabilitation and improvement of several roads in the North and centre of the country, all completed in the year under review. All these were joint ventures with major international contractors, in which we performed as equal partners; the aggregate value of all such ventures to date exceeds US\$ 250 Mn and continues to increase. We value such joint ventures for the growth opportunities they offer as well as for the knowledge and expertise we gain from our partners - which serve, by diffusion, to raise standards throughout the industry. It is no exaggeration to say that Access Engineering is the preferred local partner of most international civil engineering contractors operating in Sri Lanka.



In its own right, the Company was also the principal contractor on several important projects, including rehabilitation and improvements to several important roads, the building of a flyover to carry the main road at Veyangoda across the railway (thereby eliminating a dangerous and dilatory level crossing), the design and construction of several bridges in the Eastern and the North Central Provinces, and the deployment of an optical-fibre network for the country's largest private internet service provider.

RECOGNITION BY OUR PEERS

Business performance was one of several factors that resulted in Access Engineering being judged overall Gold Award winner at the National Business Excellence Awards 2013, presented by the National Chamber of Commerce, and in winning Gold Awards in the 'extra large business', 'business and financial performance' and 'construction sector' categories at the same event. In the same year, we were named among the ten best corporate citizens by the Ceylon Chamber of Commerce.

EXPLORING NEW TERRITORIES

Access Engineering also ventured into several new areas in FY 2013/14. One of these is mechanical engineering. Our doorway into this sector is a recently finalized joint venture with Shanghai Zenzhua (ZPMC), the world's No. 1 container handling equipment manufacturer, to set up a facility for the repair and maintenance of freight container handling equipment. ZPMC Lanka Company (Private) Limited will repair and service equipment belonging to Colombo International Terminals and others.

The year also saw us venture overseas for the first time, as a subcontractor on an Asian Development Bank financed project to improve the capacity of Lae, the largest port in Papua New Guinea, by building a tidal basin. Sustainability is a very important consideration in this project, and we significantly participate in environment-monitoring.

Access Realities, a wholly-owned property development subsidiary of Access Engineering is the owner and the managing agent of Access Towers, the principal property of the Access Group. During the year, we finalized investment plans and commenced construction work with respect to a second tower block at Access Towers, managed by Access Realities 2.

A PORTFOLIO OF EXPERTISE

Laboratory services will be the latest addition to a range of accredited competencies that gives Access Engineering the broadest portfolio of expertise in the Sri Lankan construction sector. We are accredited in all major disciplines of construction including roads and highways, water and wastewater management, ports and aviation, flyovers and bridges, building construction, irrigation and land drainage, dredging and reclamation, environmental and waste management, telecommunication infrastructure and piling. Our service portfolio includes geotechnical and laboratory services, engineering design, piling, dredging, horizontal directional drilling, asphalt production, quarry production and concrete production.

This unmatched range of competencies was of vital importance in securing numerous large contracts in the year under review, including the largest piling contract ever awarded in Sri Lanka. Investments in asphalt, quarry and concrete production during a tax incentive period have resulted in increased contribution to earnings and profits from these lines of business.

'VALUE ENGINEERING'

We continued to deliver value engineering solutions in FY 2013/14, such as an improved formwork system for building construction, the use of prefabricated panel retaining walls, new field testing methods including the static load testing of piles, and new leak detection methods. 'Value engineering' in plants managed by us included optimizing mixes for various blends of asphalt and concrete, thus minimizing wastage. We also deployed other innovative techniques such as horizontal direct drilling (HDD), cable jetting and various resource and energy conservation measures, all of which are discussed in more detail elsewhere in this Annual Report.



INFORMATION TECHNOLOGY

We moved to improve the efficiency of our financial and administrative processes by implementing a SAP ERP system, becoming the first construction firm in Sri Lanka to do so. We also introduced a new software system for human resources management and development. Improvements were made to our asset management system.

A BROADBASED COMMITMENT TO SUSTAINABILITY

Fortuitously, there is a direct relationship between sustainable development and the objectives and activities of our core business. Thus, a commitment to sustainability is built into everything we do. On the social sustainability front, we retained our status as a preferred employer in our industry. Well-established programmes to build knowledge and human capital have helped us attract and retain some of the best human resources in the industry, and we enjoy an employee retention rate of almost 94%. Training and development initiatives included overseas and local training for 818 Access Engineering employees. Several health enhancement programmes for employees were also carried out during the year and received enthusiastic participation.

Community engagement projects carried out in the year under review included a mentoring programme for University of Moratuwa engineering undergraduates, an initiative to harness the job skills of ex-LTTE cadres through NAITA, training sessions for laboratory technicians and a 'skills for life' programme for over a hundred school leavers.

Our commitment to environmental sustainability was reflected in ongoing improvements to our construction practices such as the reuse of bentonite, the adaptation of cleaner technologies, the use of renewable energy at our construction sites, the evaluation of suppliers' conformance to ISO 14001, control of paper waste and waste recycling, control of electricity use, water treatment and recycling, training on environmental waste practices and an ongoing tree planting programme in all our construction areas.

All our external corporate citizenship initiatives are now clustered in five areas under the common theme 'More than Bricks and Steel'. Our commitment to sustainability was recognized in various forums: our mentoring programme received a certificate for 'best project for university undergraduates' from the Ceylon Chamber of Commerce. Access Engineering was also named among the 'ten best corporate citizens of Sri Lanka' by the Chamber.

LOOKING FORWARD

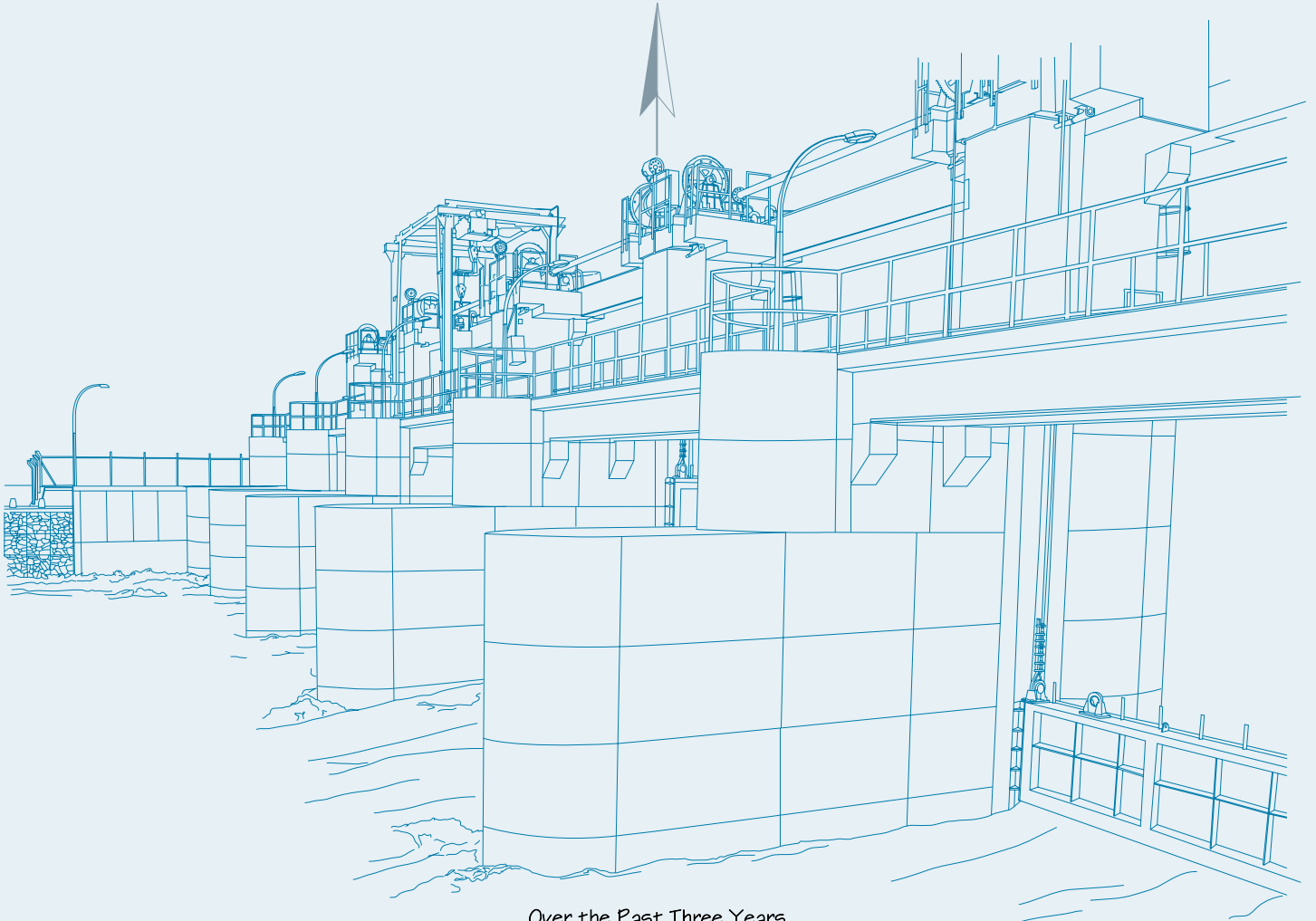
As earlier stated, our primary concern at present is to build long term sustainability into our operations and activities. Thus our policy is, for the most part, one of consolidation. Contribution from the water sector is expected to increase and the construction of roads and highways, bridges and flyovers will remain our main field of activity. With a large number of new public and private sector infrastructure development initiatives active or in the pipeline, the future outlook for the Company is very promising, and we continue to seek out lucrative public-private partnerships in infrastructure development.

Meanwhile, Access Engineering has begun moving into new areas, both commercial and geographical, reducing our sector exposure. Among these are renewable energy (mainly mini hydro power projects), real estate and ventures into new areas within the construction sector itself.

Subject to availability of capacity, we are now looking to exploit overseas business opportunities, particularly in Africa and the Middle East, with current strategic partners. Some of these will be in the ports sector; most probably, they will take the form of collaborations similar to the recently instituted partnership with ZPMC. We expect these ventures to contribute a larger fraction of the Company bottom line in the medium to long term.

ENGINEERING EXCELLENCE

Engineering is our forte...and our 'work' is to be seen across the length and breadth of the country in a variety of sectors. One of the most important applications of our expertise is to be found in the 'engineering of value'...or, put another way, the consistent generation and delivery of real value across the wider stakeholder community.



Over the Past Three Years

- Value addition has grown from Rs. 2.9 Bn to Rs. 5.1 Bn.
- We enjoy a 100% track record of delivering projects on schedule.



Salinity barrier across Walawe River in Ambalantota



Review of Business Operations

OVERVIEW OF THE MACROECONOMIC ENVIRONMENT

It was a year of nuanced economic recovery, globally as well as in Sri Lanka. Domestic consumption and investment were modest, however, and demand for credit was low. There was a visible recovery from the economic cooling that resulted from tighter credit controls imposed by the Central Bank of Sri Lanka in 2012, but many companies still reported declining profits or outright losses. Certain sectors of the economy, notably state-owned enterprises, hotels and tourism, industry and agriculture, did sufficiently well to ensure continued growth in the economy as a whole. In fact, according to the Central Bank, Sri Lanka's GDP grew by 7.25% in 2013. Growth was supported by a more relaxed interest-rate regime, as well as by tax and other incentives granted to selected sectors.

In spite of the decline in interest rates, inflation moderated after peaking in the early months of the year, in part because of low consumption demand; this was reflected in a fall in the core inflation level to 2.1%, a record low, in December 2013. Headline inflation in March 2014, the latest figure available at the time of writing, was 4.2%.

Despite this, increases in the cost of electricity and fuels, which continued throughout 2012 and 2013, negatively impacted production costs. The cost of raw materials, however, diminished in many industrial sectors. This was due to a decline in global commodity prices.

Looking forward, moderate interest rates, subdued inflation and worldwide economic recovery improved prospects for the Sri Lankan economy in 2014, though it is still recovering from the effects of fiscal and monetary tightening in 2012. A number of large projects and new policies such as the Commercial Hub Act have enhanced the country's investment potential and should help renew investor confidence and spur economic activity. Drought, a very real possibility in this El Niño year, may have a detrimental impact on the agricultural sector and hydropower generation, and hence on Sri Lanka's current-account balance, fiscal position and inflation.

The outlook in the world economy is positive, led by recovery in the United States. However, economic uncertainty still prevails across the globe. Volatility is expected in emerging markets, particularly those with fiscal and external imbalances. Commodity prices are expected to remain relatively moderate.



OVERVIEW OF THE CONSTRUCTION INDUSTRY

The Institute of Construction Training & Development (ICTAD) and the National Construction Association of Sri Lanka (NCASL) are the apex bodies and accredited representatives of the Sri Lankan construction industry. Many state-owned entities and private construction companies are registered with ICTAD. Unregistered informal contractors and international contractors also carry out construction work.

Many large private-sector firms compete with Access Engineering in the Sri Lankan construction sector. Among them are International Construction Consortium (Private) Limited, Mäga Engineering (Private) Limited, Sierra Construction Limited and Sanken Construction (Private) Limited. The State is also a major player in the industry through the State Engineering Corporation, the Central Engineering Consultancy Bureau and the State Development & Construction Corporation.

Construction sector GDP stood at Rs. 247 Bn in 2012. The sector, which grew by 21.6% in 2012 (against overall GDP growth of 6.4%), experienced a continuing boom, whilst the provisional figures released for 2013 showcase a growth of about 15%. About half the total investment in the sector is in building construction; private-sector participation remains significant, particularly in building, water supply and drainage. The state sector was a key customer of the industry, particularly with respect to roads: a total of 594km of expressways and highways are being constructed under the National Road Master Plan. The cost of this programme, estimated at Rs. 238.3 Bn, will be spread over a period of ten years.

To pursue its policy of infrastructure development, the Government has taken steps to encourage private construction projects and eliminate bureaucratic, fiscal and other obstacles to foreign investment. It is also actively engaged in infrastructure projects on its own account, collaborating with large construction firms from China and India.

The construction industry did not benefit greatly from the global correction in commodity prices; raw-materials costs are rising. So are labour costs, as the migration of skilled labour to the Middle East and elsewhere has created a shortage.

Large-scale construction projects tend to be funded by loans. The recent reduction in policy rates by the Central Bank is expected to improve credit access due to a consequent reduction in the prime lending rate.

*GDP Growth,
Construction Sector vs. Total GDP*

| | | 2013 Provisional | 2012 Revised | Growth (%) |
|---|-------|---------------------|-----------------|------------|
| GDP at Current Prices (Rs. Mn) | | 8,673,870 | 7,578,554 | 14.45 |
| Construction Sector at Current Prices (Rs. Mn) | | 894,683 | 712,272 | 25.61 |
| GDP at Constant (2002) Prices (Rs. Mn) | Real | 3,266,099 | 3,045,288 | 7.25 |
| Construction Sector at Constant (2002) Prices (Rs. Mn) | Terms | 282,742 | 247,091 | 14.43 |



*Sri Lanka Construction Industry:
Four-Year Analysis*

| | 2013 | 2012 | 2011 | 2010 |
|--|-----------|-----------|-----------|-----------|
| Construction Sector (2002 Constant Prices, Rs. Mn) | 282,742 | 247,091 | 203,204 | 177,912 |
| GDP (2002 Constant Prices, Rs. Mn) | 3,266,099 | 3,045,288 | 2,863,715 | 2,645,542 |
| Contribution of the Construction Sector to GDP (%) | 8.66 | 8.11 | 7.10 | 6.72 |
| Growth in Contribution (%) | 6.69 | 14.35 | 5.51 | – |
| Employment in the Construction Industry | 588,000 | 616,000 | 590,000 | 550,000 |
| Total Labour Force | 8,418,000 | 8,118,000 | 8,197,000 | 7,894,000 |
| Contribution of Construction Sector (%) | 6.99 | 7.59 | 7.2 | 6.97 |
| Growth in Contribution (%) | -7.95 | 5.42 | 3.31 | – |

The Industry in Asia

Moving beyond the shores of Sri Lanka, we see the global construction sector at last beginning to recover from several years of slump, stimulated by economic recovery and increasing urbanization. In Asia, where economic fundamentals in most countries are robust and economic growth continues (though at lower rates than in the recent past), construction remains a significant and growing sector; in fact, Asia is today the largest regional construction market in the world, accounting for about 40% of global spending in the sector. In the near term, construction spending in Asia is likely to be concentrated on infrastructure, just as it is in Sri Lanka; in the longer term, there is likely to be a shift to residential building construction.

Going forward, private finance, including public-private partnerships, will play a key role in funding construction in Asia. As Access Engineering moves into overseas markets, we shall seek out and engage in more partnerships of this kind.

BUSINESS OPERATIONS: ENGINEERING PROJECTS



Roads & Highways

Rehabilitation and Improvements to A1 Highway between Kadawatha and Nittambuwa

| | |
|------------------------------|------------------------------------|
| Location | : Gampaha District |
| Client | : Road Development Authority (RDA) |
| Status | : Ongoing |
| Date of Commencement | : September 2013 |
| Projected Date of Completion | : March 2015 |
| Role | : Main Contractor |

The section of the Colombo-Kandy road from Kadawatha to Nittambuwa has a total length of 23km. Access Engineering is transforming the existing two-lane road into a dual carriageway and providing adequate shoulder. The work involves extensive land acquisition and utility shifting, road widening and improvements to existing cross-drainage structures, town improvements with elevated footways, centre medians and islands, rehabilitation and improvement of road pavement and improvements to the existing drainage system.



Rehabilitation and Improvements to A32 highway between Navatkuli and Karaitivu

| | |
|----------------------|---------------------------------|
| Location | : Mannar District |
| Client | : RDA |
| Status | : Completed |
| Date of Commencement | : January 2012 |
| Date of Completion | : April 2014 |
| Main Contractor | : China Harbour Engineering Co. |
| Subcontractor | : Access Engineering |

Thirty years of war had left the A32, the primary link between Jaffna and Mannar, in ruins. This road is the only practicable means of access to war-damaged areas such as Vidatthaltivu, Mundampididi, Vellankulam and Devil's Point, and its condition imposed considerable hardship on recently resettled residents.

With Chinese Government funding, the GOSL initiated rehabilitation and improvements to a 67km length of the road. The principal contractor subcontracted the work to Access Engineering, which completed the works on 30th April this year.





Review of Business Operations

**Rehabilitation and Improvements to Jaffna-Kankesanthurai Road (AB16),
Puttur-Meesalai Road (AB32) and Jaffna-Palali Road (AB18)**

The roads rehabilitated provide access to Palali domestic airport, Kankesanthurai seaport, the Chunnakam power station, and the communities of Inuvil, Kokuvil, Tellippalai, Keerimalai, Thirunelveli and Urumpirai. Puttur-Meesalai is a ring road, bypassing Jaffna town and connecting to the Palali and Kankesanthurai roads.

Under this rehabilitation programme, the existing 4.1m carriageways were widened to 8.2m and asphalted, with two lanes and a 1.0m cycle lane on either side. The completed roadways offer significant benefits to the 550,000 people who live in the Jaffna Peninsula.

| | |
|----------------------|-----------------------|
| Location | : Jaffna District |
| Client | : RDA |
| Status | : Completed |
| Date of Commencement | : February 2011 |
| Date of Completion | : November 2013 |
| Main Contractor | : China Railway No. 5 |
| Subcontractor | : Access Engineering |







Review of Business Operations

Rehabilitation and Improvements to Mannar-Puttalam Road (B403)

| | |
|------------------------------|---|
| Location | : Mannar District, Puttalam District |
| Client | : RDA |
| Status | : Ongoing |
| Date of Commencement | : August 2012 |
| Projected Date of Completion | : June 2014 |
| Main Contractor | : China Harbour Engineering Co. |
| Subcontractor | : Access Engineering |

Good roads connect Puttalam with the southwest of the island. With the recent improvements to the A32 and the completion of the Sangupiddy bridge, good access to Mannar from Jaffna has been established. The improvement of the B403 will join Puttalam with Mannar and establish a continuous chain of good roads linking Colombo to Jaffna along the west coast for the first time in history.

The scope of work includes rehabilitation and improvements to the two-lane Mannar-Marichikade-Puttalam road (B403), benefiting those travelling along west coast to the North, boosting the local economy and improving the quality of life of residents in adjacent areas.









Rehabilitation and Improvements to Ibbagamuwa-Kubukgate-Madagalle Road [B159]

| | |
|----------------------|-----------------------|
| Location | : Kurunegala District |
| Client | : RDA |
| Status | : Completed |
| Date of Commencement | : March 2012 |
| Date of Completion | : March 2014 |
| Role | : Main Contractor |

Scope of work included the design and execution of improvements, widening the carriageway to 8m, resurfacing the road with asphalt concrete for a distance of 34.7km and providing drains on either side of the carriageway.



Rehabilitation and Improvements to Galagedara-Rambukkana Road [B122]

| | |
|------------------------------|---|
| Location | : Kandy District, Kegalle District |
| Client | : RDA |
| Status | : Ongoing |
| Date of Commencement | : June 2012 |
| Projected Date of Completion | : June 2014 |
| Main Contractor | : Xi'an Dagang Road Machinery Co. Limited |
| Subcontractor | : Access Engineering |

The object of this project was to improve the existing Galagedara-Rambukkana road and to cater increased traffic capacity. The existing road, 18.5km of length, is relatively narrow and contains many sharp, potentially dangerous bends and uncomfortable gradients. The improved road will reduce travel time and congestion and ensure safe and comfortable journeys.



Rehabilitation and Improvements to the Bangadeniya-Andigama-Anamaduwa Road [B045]

This section of road, situated in the North-Western Province and serving mainly as a route for the transportation of agricultural produce from the interior of the district to the coast, was in very poor condition. The current project, financed by Bank of Ceylon, includes the construction of four bridges, widening of the existing carriageway, asphalt surfacing and the construction of drains along either sides of the road.





| | |
|------------------------------|---------------------|
| Location | : Puttalam District |
| Client | : RDA |
| Status | : Ongoing |
| Date of Commencement | : November 2012 |
| Projected Date of Completion | : November 2014 |
| Role | : Main Contractor |







Widening and Improvements to Jaffna-Ponnali-Point Pedro Road [AB021]

| | |
|----------------------|-------------------|
| Location | : Jaffna District |
| Client | : RDA |
| Status | : Completed |
| Date of Commencement | : September 2013 |
| Date of Completion | : March 2014 |
| Role | : Main Contractor |

The project called for widening the existing 1.5km long road from 5m to 19.2m, replacing the existing tarmac surface with a 14m carriageway together with 2m-wide paved footpaths on either side and a paved 1.2m centre median, and the erection of a total of 41 double-arm lamp posts. In addition, a 2km section of the B277 road was improved and widened to 5m.



Review of Business Operations



Bridges and Flyovers

Polduwa Bridge

| | |
|------------------------------|--|
| Location | : Battaramulla, Sri Jayawardenapura, Kotte |
| Client | : RDA |
| Status | : Ongoing |
| Date of Commencement | : May 2013 |
| Projected Date of Completion | : November 2014 |
| Role | : Joint-venture partner with Mabey Bridge, UK |

The completed bridge, presently under construction is a composite-steel girder bridge with a span of 71m and a six-lane deck to support a high volume of traffic. The project also improves flood control measures in the area and adds to the current beautification initiatives along the banks of the Diyawanna. The scope of work includes engineering design, construction of the substructure (including pier, abutments, arch anchors, temporary works and scour protection), erection and launch of the superstructure, deck concreting asphaltting and constructions of approach roads.





Bridges in the Eastern and the North-Central Provinces

Post-war infrastructure development in the North and the East of the country has involved the construction, reconstruction or rehabilitation of a number of bridges and culverts along roads in the area. Under the Eastern and the North Central Provincial Bridge Project, Access Engineering was entrusted with the design and construction of five bridges and six multicell culverts.

Consultants for the project were Cardno Emerging Markets (Australia) Limited in association with Engineering Consultants Limited and MG Consultants Limited.

| | |
|----------------------|-------------------------------------|
| Location | : North-Central & Eastern Provinces |
| Client | : Provincial RDA (Eastern) |
| Status | : Completed |
| Date of Commencement | : August 2011 |
| Date of Completion | : July 2013 |
| Role | : Main Contractor |





Flyover to Replace Railway Crossing at Veyangoda

The Veyangoda-Ruwanwella road provides access to Katunayake Airport from the Central and Sabaragamuwa Provinces. It also links the three largest free-trade zones in Sri Lanka, provides access routes to major hospitals and connects several populous towns, including Gampaha, Negombo and Nittambuwa.

The flyover consists of a steel superstructure supported by a pile foundation. The 9.4m-wide carriageway consists of two lanes and has a length of 255m. The project also includes the construction of an access road of length 345m. Completed flyover will help relieve traffic congestion in Veyangoda due to level-crossing gate closures.

| | |
|----------------------|--|
| Location | : Veyangoda, Gampaha District |
| Client | : RDA |
| Status | : Completed |
| Date of Commencement | : October 2012 |
| Date of Completion | : October 2013 |
| Main Contractor | : CENTUNION Española de Coordinación Técnica y Financiera, S.A. |
| Subcontractor | : Access Engineering |





Review of Business Operations



Water and Wastewater

Labugama and Kalatuwawa Water Treatment Plants

The object of this project is to increase the production capacities of both plants to their original capacities of 60,000m³/day at Labugama and 90,000m³/day at Kalatuwawa. Currently, their respective capacities have diminished to 40,000m³/day and 70,000m³/day. Work undertaken by Access Engineering includes the renovation and replacement of existing filters and clarifiers, intake well improvements, modifications to the aerators and other process structures, the design, supply and installation of all mechanical and electrical equipment, reconstruction and renovation of the existing buildings, internal roads and site works.

| | |
|------------------------------|--|
| Location | : Central and Sabaragamuwa Provinces |
| Client | : National Water Supply and Drainage Board (NWSDB) |
| Status | : Ongoing |
| Date of Commencement | : September 2013 |
| Projected Date of Completion | : June 2016 |
| Main Contractor | : Fovárosi Vizmevek, Hungary |
| Subcontractor | : Access Engineering |





| | |
|----------------------|------------------------|
| Location | : Trincomalee District |
| Client | : NWSDB |
| Status | : Completed |
| Date of Commencement | : March 2012 |
| Date of Completion | : March 2013 |
| Role | : Main Contractor |

Ductile-Iron Transmission Main from Kantale to Ganthalawa

Following the improvement and widening of the A6 highway between Kantale and Ganthalawa, there was an urgent need to shift the existing water line away from the newly improved carriageway to avoid damage to the road during pipe repairs and maintenance works. The scope of work on this Rs. 234.2 Mn project included the relocation of distribution mains from Kantale to Ganthalawa (approximately 10km) and the supply and laying of a 400mm ductile-iron transmission main from Ganthalawa to Thambalagamuwa, a distance of approximately 6km. Also included were the supply, delivery and laying of fittings, valves and accessories.





Review of Business Operations

Kalu Ganga Water Supply Project: Kandana Water Treatment Plant Extension

The aim of this project is to meet the increasing demand for drinking water in Southern Greater Colombo. A total of 250,000 people living in Kesbewa, Piliyandala, Jamburaliya, Kumbuke and surrounding areas will be benefited by this expansion.

The scope of work includes the construction of access roads to the water treatment plant together with bridges and drainage, sedimentation and flocculation tanks and construction of an engineering office, as well as the installation of a filter unit and all other civil, mechanical, electrical and Instrumentational Control Monitoring System (ICM) works.

| | |
|------------------------------|-----------------------------|
| Location | : Kandana, Horana |
| Client | : NWSDB |
| Status | : Ongoing |
| Date of Commencement | : March 2013 |
| Projected Date of Completion | : March 2015 |
| Main Contractor | : Salcon Engineering Bhd |
| Subcontractor | : Access Engineering |





Kadurugaldola Mini Hydro Power Project

| | |
|----------------------|---|
| Location | : Pahalagama, Sabaragamuwa Province |
| Client | : Eco-Friendly Power Developers (Private) Limited |
| Status | : Completed |
| Date of Commencement | : February 2012 |
| Date of Completion | : August 2013 |
| Role | : Main Contractor |

The scope of this project comprised the construction of a concrete weir across the Kadurugaldola watercourse, a high-head penstock pipeline 970m in length with a head difference of 126m and a powerhouse to accommodate two turbines and two 800kw generators for a total power generating capacity of 1.6MW, together with a 500m transmission line, anchor blocks and piers, and chemical anchoring. The project was situated in difficult terrain and demanded laborious, large-scale manual excavations. In addition to conventional blasting, rock splitter and chemical-blasting techniques were used to remove large rock boulders.







Gated Salinity Barrier across Walawe River at Ambalantota

| | |
|----------------------|--|
| Location | : Ambalantota, Hambantota District |
| Client | : NWSDB |
| Status | : Completed |
| Date of Commencement | : January 2010 |
| Date of Completion | : March 2013 |
| Role | : Joint-venture partner with China Geo |

Water resources from the Walawe River are used for irrigation, power generation and drinking water in the Hambantota District. However, during the dry season, raw water abstraction from Walawe River intake is highly restricted due to low flow conditions and the intrusion of salinity. To deal with this problem, a gated salinity barrier was installed to prevent upstream saltwater intrusion and maintain water levels at >1m above mean sea level during dry spells. The project also enhances raw-water extraction by 28,000m³/day, meeting projected demand in the Hambantota District until 2025.

The barrier consists of an 18.7m-wide reinforced-concrete base across the river, six reinforced-concrete piers and two abutment walls. Five vertical wheel gates with hoist mechanisms have been installed, together with one sluice gate and a gantry crane. The scope also covered the installation of a riverbed protection system, construction of upstream and downstream embankment protection walls, and landscaping.





Review of Business Operations

**Buildings****UDA Housing Units, Henamulla**

| | |
|------------------------------|----------------------------|
| Location | : Henamulla, Colombo 15 |
| Client | : UDA |
| Status | : Ongoing |
| Date of Commencement | : October 2011 |
| Projected Date of Completion | : August 2014 |
| Role | : Main Contractor |

Access Engineering has been entrusted with the design and construction of five 12 storey apartment blocks, comprising 1,137 housing units in total. All engineering services, including structural designs, piling, design and installation of mechanical, electrical and plumbing works, landscaping, etc., are being provided using in-house expertise and capabilities. Included in the project scope is rehabilitation of the access road to the development. The building design makes optimal use of natural light and ventilation to reduce power consumption by residents.

A significant feature of this project is the use of a state-of-the-art formwork system, which has helped reduce construction time and improve quality and efficiency.

**Auditorium Building, Methodist College, Hakmana**

| | |
|----------------------|---------------------------------|
| Location | : Hakmana, Southern Province |
| Client | : Methodist College, Hakmana |
| Status | : Completed |
| Date of Commencement | : March 2012 |
| Date of Completion | : June 2013 |
| Role | : Main Contractor |

This project was initiated by Access Engineering as a corporate social responsibility initiative. It included the design and construction of an 8,500sq. ft. auditorium building with a raked, polished cement floor and comfortable seating for 650 people, together with two dressing rooms, two toilets, modern theatre lighting and sound reinforcement, a well-designed ventilation system and a modern control room. The auditorium features an elevated 1,250sq. ft. timber stage with stage curtain. The area surrounding the building was also landscaped by Access Engineering.





Review of Business Operations



Telecommunications Infrastructure

Dialog Aerial Optical Fibre Network Project, Phase III

Access Engineering supplied services related to the deployment of the Dialog Broadband optical-fibre network, including surveying, supply of cables, installation, testing and commissioning. The work involved pre-installation surveying, supply and installation of ducts, the installation of manholes and hand holes, road reinstatement, installation of cables, splicing and testing. In all, a total of almost 210km of fibre was laid along the following routes: Kottawa to Avissawella, Ambepussa to Mawanella and Nuwara Eliya to Madulsima.

| | |
|----------------------|---|
| Location | : Island-wide |
| Client | : Dialog Broadband Networks (Private) Limited |
| Status | : Completed |
| Date of Commencement | : June 2013 |
| Date of Completion | : February 2014 |
| Role | : Main Contractor |





Colombo Metro Optical-Fibre Network Project

The salient feature of this project was the use of Horizontal Direction Drilling (HDD) technology, a steerable, trenchless method of installing underground pipes and ducts with minimal impact on the surrounding environment. Cable jetting, in which air is forced into the duct under pressure to reduce distributed friction between duct and cable as the cable is simultaneously pushed into the duct at high speed, was another technology that featured in this project.

| | |
|----------------------|---|
| Location | : Colombo District |
| Client | : Dialog Broadband Networks (Private) Limited |
| Status | : Completed |
| Date of Commencement | : January 2010 |
| Date of Completion | : October 2013 |
| Role | : Main Contractor |





Review of Business Operations

Dialog Metro and SPROUTS Connectivity Project

The project involves the supply of services related to the Deployment of Dialog Broadband's optical fibre network including pre-installation survey, supply of ducts, network development (including indoor works), installation of ducts, manholes and hand holes, road reinstatement, installation of cables, splicing and testing, and commissioning the project. In all, a total of 26,713m will be laid in Colombo with connectivity at 107 sites, plus a further 85,527m island-wide with connectivity at 90 sites.

| | |
|------------------------------|---|
| Location | : Colombo and Island-wide |
| Client | : Dialog Broadband Networks (Private) Limited |
| Status | : Ongoing |
| Date of Commencement | : January 2014 |
| Projected Date of Completion | : August 2014 |
| Role | : Main Contractor |

**Sri Lanka Telecom (SLT) New Subscriber Connection Project**

Under this project, Access Engineering is to execute the provision of new telephone connections in Galle and Hambantota areas.

| | |
|------------------------------|------------------------|
| Location | : Galle and Hambantota |
| Client | : SLT |
| Status | : Ongoing |
| Date of Commencement | : January 2013 |
| Projected Date of Completion | : January 2015 |
| Role | : Main Contractor |



Dialog/Hutch Telecom Tower Project

Under this project, 11 telecommunications towers were erected across the Northern Province to improve transmission facilities in rural areas.

| | |
|----------------------|------------------------------|
| Location | : Northern Province |
| Client | : Dialog/Hutch |
| Status | : Completed |
| Date of Commencement | : May 2012 |
| Date of Completion | : August 2013 |
| Main Contractor | : Huawei Technologies, China |
| Subcontractor | : Access Engineering |





Review of Business Operations

**Harbours and Marine Work****Unity Container Terminal**

| | |
|----------------------|--------------------------------------|
| Location | : New North Pier, Port of Colombo |
| Client | : Sri Lanka Ports Authority |
| Status | : Completed |
| Date of Commencement | : December 2011 |
| Date of Completion | : February 2013 |
| Role | : Main Contractor |

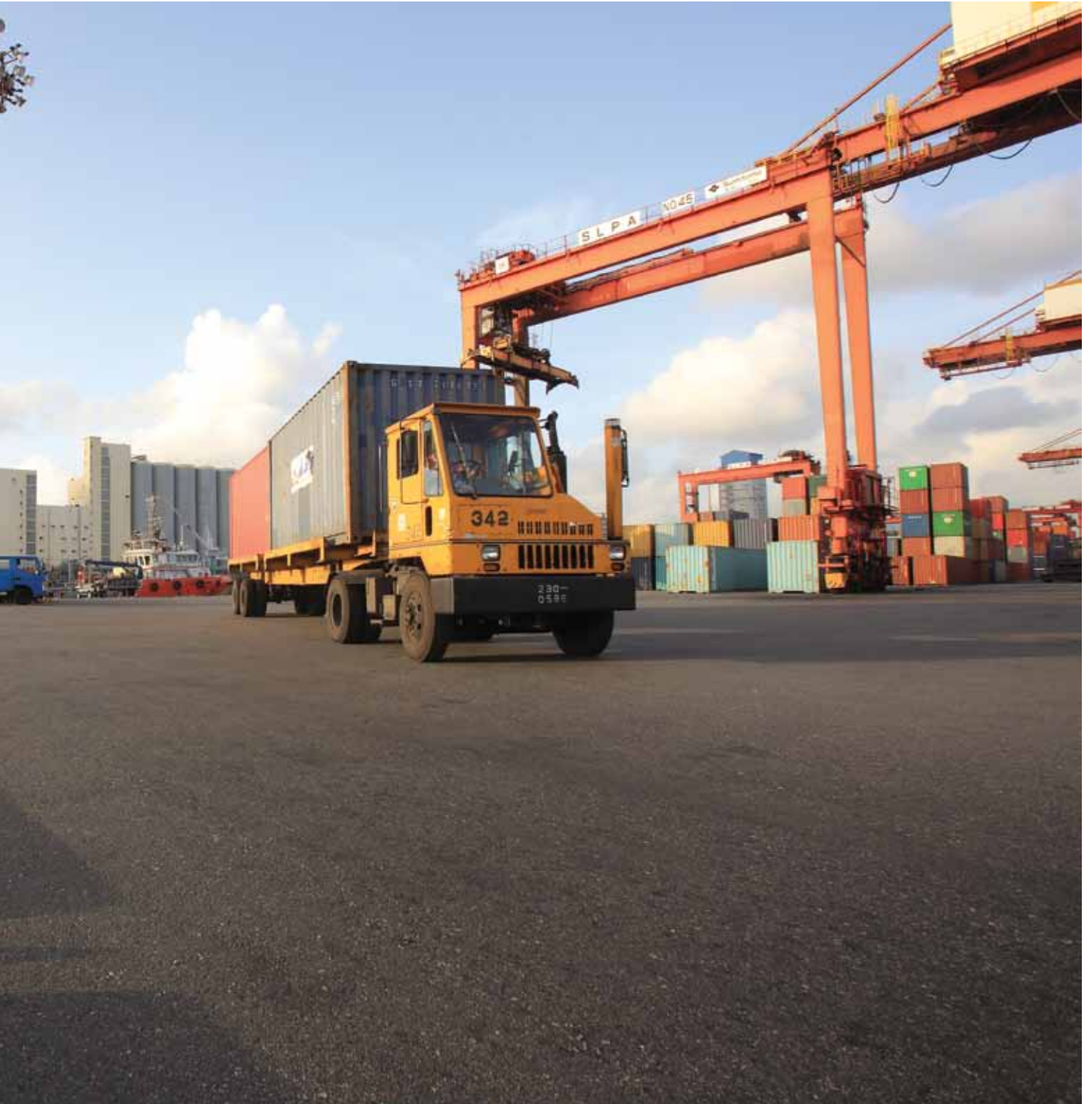
Access Engineering's input to this development included dredging, construction of a rubble-mounted embankment along the west and north revetments to protect quay settlement, rectification of the settlement with anchor rods and tie rods, construction of an underwater mass concrete curtain wall 9-11m in height along the inside face of the revetment to prevent further quay settlement, and restoration of the yard area.

The Company was also entrusted with the provision of essential amenities, including electricity cables to the yard light towers and rehabilitation of the south gantry crane rail foundation.

Facility Openings and Closures - Projects

Project offices were opened at the following locations, where new projects commenced during the year: Ibbagamuwa, Kadawatha, etc. A project office was also opened in Lae, Papua New Guinea, in connection with our project there. PMD (Project Management Divisions) 1 & PMD 2, which were located at Boralesgamuwa, were shifted to our head office at Union Place in December 2013.







BUSINESS OPERATIONS: ENGINEERING SERVICES

In the field of engineering solutions, Access Engineering is focused on providing value added 'A-Z engineering solutions' that cover the full gamut of a client's needs at every stage of the project cycle. Backward integration forms the backbone of this concept. Innovation, too, is an essential part of it; while we certainly don't believe in reinventing the wheel, we understand that every problem is unique and often demands a unique solution. We work constantly to improve delivery speeds, produce better construction material and optimize the use of resources.

In addition to dealing directly with end customers, we also provide engineering services to other engineering organizations, some of whom are in fact leading players in the sector.



Engineering Design

The Engineering Design Division provides Access Engineering with a competitive edge in turnkey and design-and-build contracts. Collectively, its team of engineering design professionals fields expertise and experience relevant to most civil engineering disciplines. In particular, the team is skilled in design of bridges, flyovers and viaducts, road and highway design, building design (including high-rise buildings), dams and other water-retaining structures, foundations and ground improvements. The division is equipped with state-of-the-art design and analysis software backed by top-end hardware.

Projects, Design Engineering - 2013/14

| Name | Description | Type | Inception | Client |
|---|--|--------------|-----------|--------|
| Anamaduwa-Bangadeniya Road Project | Geometric and pavement design | Road | 2013 | RDA |
| Galagedara-Rambukkana Road Project | Culvert design | Road | 2013 | RDA |
| Ibbagamuwa-Madagalla Road Project | Design check | Road | 2013 | RDA |
| Polduwa Bridge, Battaramulla | Design of civil works for steel bridge across Diyawanna Oya | Bridge | 2013 | RDA |
| Rehabilitation of Labugama-Kalatuwawa water treatment plant | Structural design of plant, buildings and other water supply systems | Water supply | 2013 | NWSDB |
| Access Tower II | Design of 28-storey office building | Building | 2013 | AEL |
| Sri Lanka Regional Bridge Project | Design of civil works for 20 steel bridges | Bridges | 2013 | RDA |
| UDA Housing Project, Phase II | Design of 15-storey buildings (four blocks) | Building | 2014 | UDA |





Piling

Over the years, Access Engineering has become one of the leading piling contractors in Sri Lanka, renowned for its reliability and expertise as well as for the quality of its mechanical resources. These include six Bauer BG24 and BG25 rotary drilling rigs and associated equipment and a fleet of cranes, excavators, loaders and dump trucks. Other equipment includes de-sanders for the recycling of bentonite - an eco-friendly technology that also helps produce a higher quality pile - and four percussion pile rigs. The piling unit undertakes static load testing (maintained load testing) and other tests on piles.

Piling Unit - 2013/14

| Project | Volume of Concrete Utilized (m ³) |
|--|---|
| Greater Colombo Urban Transport Development Project, Colombo Outer Circular Highway (Northern Section 1) | 29,792 |
| Urban Regeneration Project, Colombage Avenue housing development (1,776 units) | 817 |
| Access Tower II, Access Realities, Union Place, Colombo 2 | 1,586 |
| Total | 32,195 |

By far the largest and most demanding of these projects is the Colombo Outer Circular Highway, where AEL was a subcontractor to Taisei Corporation. In 17 months, a total of 1,700 cast-in-situ bored piles of diameter 1.5m were installed to an average depth of 11.8m to support the superstructures of a number of bridges and viaducts, the total length of which was 6.5km. Cutting-edge technology, appropriate booting tools and a range of sophisticated machinery had to be used to suit the diverse geology and sensitive natural environment in which the work was carried out.





Review of Business Operations

**Geotechnical Laboratory Services**

Within few years of its establishment, this unit has become a valuable asset to the Company, providing essential scientific services cost effectively on demand. These services include the testing of raw and processed materials and products for engineering use, aggregate testing, geotechnical investigations and soil testing, surveying, levelling and traffic surveys, utility surveys, quality assurance services for infrastructure projects, pile load testing and concrete mix design. All procedures are conducted to ISO 9001:2008, ISO 14001:2004 or ISO 17025 standards, as appropriate.

This is the only construction and engineering laboratory licenced by the Sri Lanka Accreditation Board to provide ISO 17025 standard services. Various operations undertaken by the unit in 2013/14 are displayed below:

Geotechnical Laboratory Services - 2013/14

| Project/Client | Work Involved |
|---|---|
| Dialog Aerial Optical Fibre Network Project | Concrete cube testing for pole casting |
| SPROUTS | Concrete cube testing for hand hole and pole casting |
| Internal: Mabima Batching Plant | Quality assurance testing |
| Polduwa Bridge | Geotechnical investigation (phase I & II), source approval and PIT testing |
| RLKWTPP | Source approval and concrete cube testing |
| Henamulla Housing Project | Geotechnical investigation (Buildings 1 & 2), pavement investigation tests and QC tests |
| PDNK (outsourced batching plant) | Concrete cube testing |
| Lanka Sugar Refinery Corporation | Geotechnical investigation and source approval tests |
| Access Tower II Project | Geotechnical investigation |
| Sri Lanka Regional Bridge Project | Geotechnical investigation |
| Tudawe Brothers Limited | Concrete cube testing for Henamulla building project |
| Urban Development Authority | Concrete cube testing for Kotahena building project |
| Colombo Outer Circular Highway | Laboratory services, QC work and pile coring |
| Veyangoda Flyover | Laboratory services, pavement investigation tests and source approval tests |





HDD and Cable Jetting

Horizontal Directional Drilling (HDD) is a state-of-the-art drilling technique used to install pipes/ducts underground without disturbing the structures, such as buildings, highways and watercourses, above the installation location.

Access Engineering was the first-ever construction company in Sri Lanka to use this technology, which it introduced in 2008. In order to avoid potential damage to underground utilities, our HDD systems utilize ground penetrating radar to identify obstacles and existing utilities prior to surface penetration.

Cable jetting is the process of installing fibre-optic cable in a duct by pushing the cable into the duct at high speed while simultaneously blowing air under pressure through the duct to reduce friction. This is a greatly superior alternative to manual installation, saving time and eliminating cable damage due to handling.

In the year under review, HDD operations to a total drilling distance of 32,665m were carried out at a per-hour efficiency rating of 13.61.





Dredging

Access Engineering is equipped with a Beaver 300 cutter-section dredger of 50m³/hr capacity and a maximum operating depth of 6m, featuring the ability to transport dredged materials up to 1km from the work-site. Yet again, AEL was the first ever Sri Lankan company to deploy this capability.

Employed at a project site in Kosgoda, the dredger was operational for a total of 428.9 hours in 2013/14, dredging a total of 14,931m³ at an average efficiency of 34.81m³/hr.



Asphalt Concrete

Given the scope of our operations, it is natural that many of our services should be focused on road and highway works. In order to stabilize operational sustainability and build synergies through investment integration, Access Engineering has established a number of asphalt mixing plants to support its own road and highway projects as well as to supply asphalt to external customers. These plants, currently operating at optimum capacity, ensure the timely supply of high quality asphalt products to keep our projects, and those of our customers, on schedule.

Asphalt Concrete Output - 2013/14

| Plant | Sales Quantity 2013/14 (mt) | Cumulative as at 31st March 2014 (mt) | Total Plant Capacity (mt/hr) |
|--------------|--------------------------------|--|---------------------------------|
| Kotadeniyawa | 38,375 | 156,162 | 96 |
| Jaffna | 41,069 | 94,366 | 120 |
| Ibbagamuwa | 50,391 | 68,126 | 120 |
| Vavuniya | 28,062 | 60,378 | 120 |







Quarry Operations and Aggregate Production

The current project portfolio of the Company has created a very high demand for asphalt, concrete and dense-grade aggregates, for which crushed aggregates are an essential raw material. To promote operational sustainability and backward integration, the Company has established several quarries and crusher plants at convenient locations across the country. Apart from meeting the Company's own needs, the output of these facilities also supplies many external customers.

Quarries and Crusher Plants - 2013/14

| Plant | Sales Quantity 2013/14 (cubes)* | Cumulative as at 31st March 2014 (cubes)* | Plant Capacity (mt/hr) |
|----------------------------|---------------------------------------|---|---------------------------|
| Vavuniya Quarry | 55,705 | 133,592 | |
| Kotadeniyawa Quarry | 13,085 | 35,464 | |
| Total | 68,790 | 169,056 | |
| Kumbukgate Crusher Plant | 15,452 | 37,962 | 50 |
| Vavuniya Crusher Plant | 50,311 | 114,674 | 150 |
| Kotadeniyawa Crusher Plant | 14,985 | 56,713 | 80 |
| Total | | 209,349 | |

* 1cube = 100 cu.ft.







Supply of Readymix Concrete

Access Engineering provides readymix concrete to both internal and external customers through its concrete plants. Operational output of our plants in 2013/14 is shown below:

Readymix Concrete - 2013/14

| Batching Plant | Sales Quantity 2013/14 (m ³) | Cumulative as at 31st March 2014 (m ³) | Plant Capacity (m ³) |
|----------------|--|--|-------------------------------------|
| Kandana (CBKN) | 3,890 | 12,115 | 25m ³ /hr |
| Mabima | 49,975 | 88,629 | 60m ³ /hr |





Mechanical Workshops and Steel Fabrication

The Company's mechanical workshop services, maintains and repairs all its heavy machinery and equipment, as well as its heavy vehicle fleet. It also provides support services to construction projects being carried out by the Company.

An in-house fabrication unit customizes machinery and designs and manufactures various objects and devices required for different projects, including water tankers ('bowsers'), fuel tanks, etc.

The tables below represent workshop output for the year under review:

Mechanical Workshop - 2013/14

| Job Description | Output |
|--|-------------------|
| 34x tipper trucks (capacity 3 cube) | 858,464km (laden) |
| 11x backhoe loaders | 12,221hr |
| Transport fleet (1x prime mover with H/B & L/B trailers, 4x H/B open trucks, 8x boom crane trucks) | 359,697km (laden) |
| Other construction machinery | 18,927hr |
| Other vehicles | 916,688km |
| Maintenance services (vehicles and construction machinery) | 265 |
| Major overhauls, repairs and modifications (construction machinery and vehicles) | 13 |
| Running repairs (vehicles and construction machinery) | 747 |





Review of Business Operations

Fabrication Workshop - 2013/14

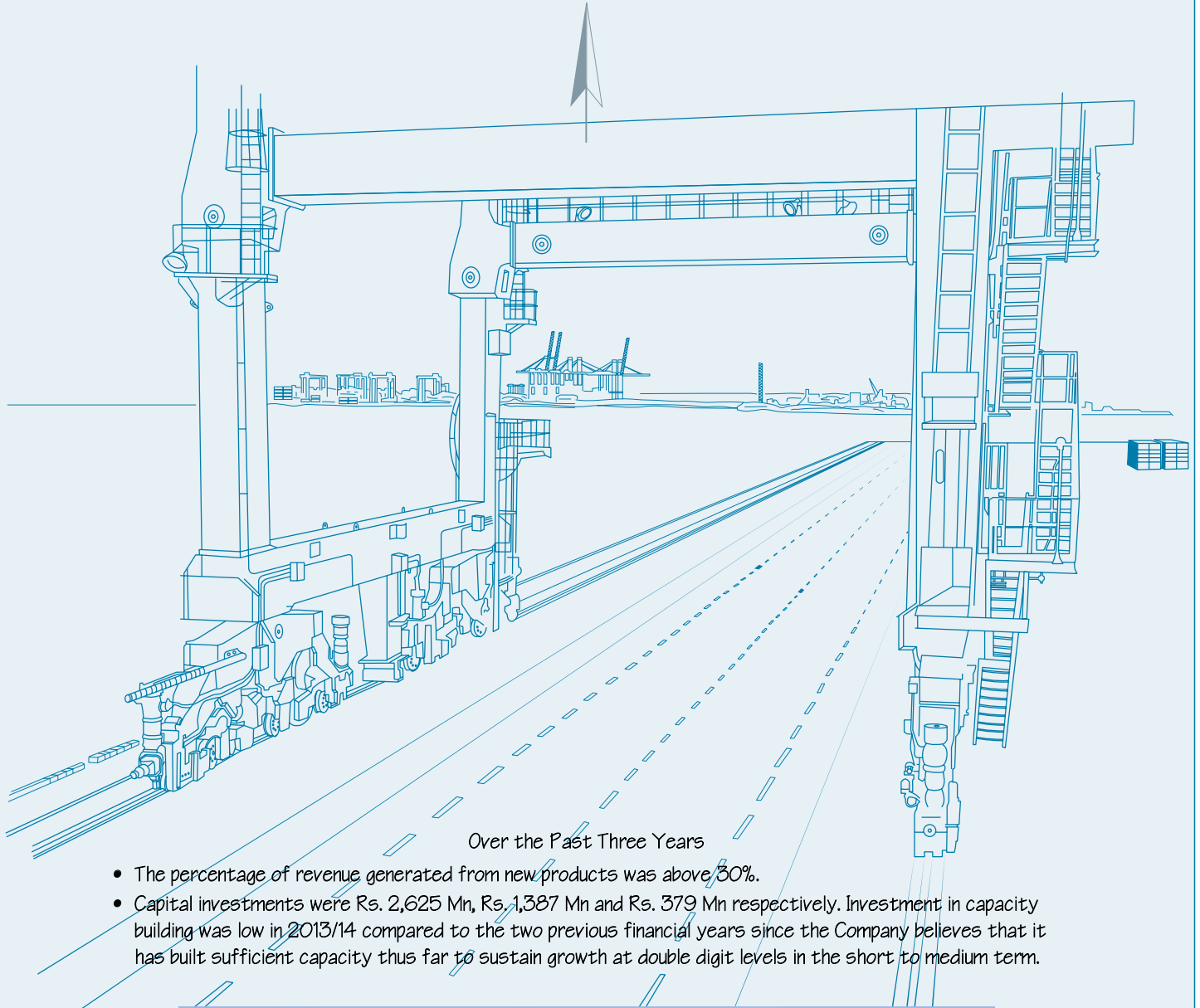
| Job Description | Steel Used (mt) |
|---|-----------------|
| Fabrication and installation of cross bridge and pipe brackets | 10.81 |
| Fabrication and installation of feeder hoppers w/additional work | 69.98 |
| Gypsum hopper rectification w/additional work | 0.68 |
| Fabrication of 10,000l water-bowser tank | 2.10 |
| Fabrication and supply of dogging device | 0.88 |
| Fabrication and supply of piling casing (1,010mmø x 6mmW x 4mL) | 0.62 |
| Fabrication and supply of 4 piling casings (1,010ø x 6mmW x 4mL) | 1.24 |
| Retaining-wall formwork | 2.10 |
| Fabrication and supply of pipe bracket | 6.23 |
| Fabrication of 10,000l and 15,000l water-bowser tanks | 5.20 |
| Fabrication of steel strusses for PMD 1 (without material) | - |
| Fabrication and supply of piling casing (810mmø x 6mmW x 6mL) (3 Nos.) and 610mmø x 6W x 6mL (6 Nos.) | 5.46 |
| Intake-pit fabrication work | 1.98 |
| Piling casing 1,500mmø x 12mmW x 6mL | 2.70 |
| Piling casing 800mmø x 6mmW x 3mL | 0.40 |
| Bentonite platform | 0.60 |
| Bentonite box | 0.70 |
| Concrete box 1.5 x 3 x 8m | 0.25 |
| Tremie rack | 1.70 |
| Supply of piling casing 610mmø x 6mmW x 6mL (8 Nos.) | 4.56 |
| Fabrication and supply of tremie funnel 1.5m ³ | 0.75 |
| Fabrication and supply of impact chisel | 7.80 |
| Supply of piling casing 610mmø x 6mmW x 6mL | 0.60 |
| Fabrication and supply of tremie funnel 1.5m ³ | 0.75 |
| Fabrication and supply of bentonite silo (2 Nos.) 1,500 x 600mm | 2.20 |
| Piling tool repair | - |
| Supply and installation of tool hut | 8.20 |
| 12mm plate supply | 0.31 |
| Fabrication and supply of piling casing 810mmø x 12mmW x 14.4mL | 3.68 |
| Fabrication and supply of piling casing 610mmø x 12mmW x 14.4mL | 2.86 |
| Modification of mud bucket | 0.84 |
| Fabricate and supply of piling casing 610MMø x 12mmW x 28.8mL | 5.72 |
| Fabrication and supply of piling casing 1,000mmø x 12mmW x 12mL | 3.68 |
| Fabrication and supply of piling casing (1,500mmø x 16mmW x 6mL) | 7.80 |
| Total | 163.37 |

Facility Openings and Closures - Services

| Facility Openings | Facility Closures | Expansions |
|--------------------------|---------------------------------|------------|
| Ibbagamuwa Asphalt Plant | Thalawa Asphalt Plant | None |
| Vavuniya Asphalt Plant | Kantale Asphalt Plant | |
| Kumbukgete Crusher Plant | Kandana Concrete Batching Plant | |
| | Ibbagamuwa Crusher Plant | |
| | Kantale Crusher Plant | |

THE APPLICATION OF CREATIVITY

'Out of the box' isn't an alien phrase in our vocabulary at Access Engineering. Indeed, we embrace its meaning and influence fully. We operate within a highly competitive environment where innovation is often the 'tipping point'...where 'run of the mill' loses out to 'tomorrow today'. Our penchant for the innovative translates into very real areas of gain.



Over the Past Three Years

- The percentage of revenue generated from new products was above 30%.
- Capital investments were Rs. 2,625 Mn, Rs. 1,387 Mn and Rs. 379 Mn respectively. Investment in capacity building was low in 2013/14 compared to the two previous financial years since the Company believes that it has built sufficient capacity thus far to sustain growth at double digit levels in the short to medium term.



Unity Container Terminal at Colombo Harbour

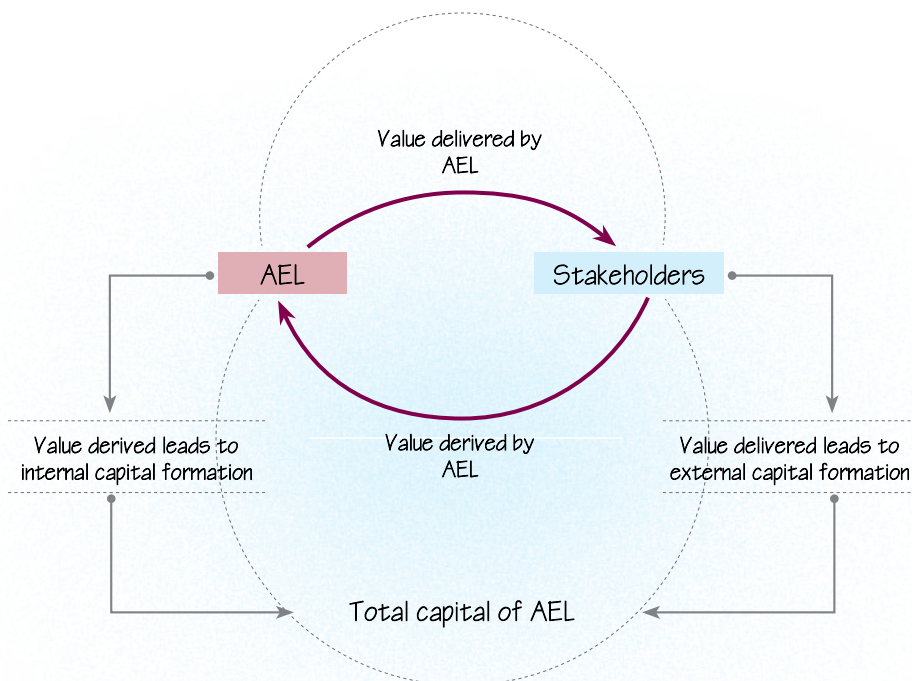


Value Creation and Stakeholder Capital Formation

Access Engineering delivers value to its stakeholders in the context of the economic, social and environmental aspects in which it operates. Based on materiality, we engage with our stakeholders, build long term and mutually beneficial relationships and nurture them, as they are of value to us in driving future earnings. As stores of value, they constitute our stakeholder capital that are external to the Company. The key constituents being our investors, customers, business partners, employees and society and environment.

In turn we derive value through the dynamic interaction between our external capital and our own internal capital over the short, medium and long term. The capital internal to AEL comprises financial capital and institutional capital. The latter includes integrity and business ethics, corporate culture, knowledge and expertise, intellectual capital including patents and copyrights, our capacity to innovate, brand image, reputation and the like.

CAPITAL FORMATION



Value creation is a dynamic process with flows taking place between the various forms of capital. We have access to and make use of these internal and external forms of capital in creating value for AEL (deriving value) and its stakeholders (delivering value) through our business model.

The discussion that follows reviews our performance during the year and next steps in this context - the two sides of value creation that of deriving and delivering value that leads to capital formation.



A Stakeholder Approach to Value Creation

Sumal Perera

Chairman



Is the Founder and Chairman of the Access Group of Companies founded in 1989. He is also the Founder Chairman and a shareholder of Access Engineering. He continues to be the Chairman of all companies under the umbrella of the Access Group and Managing Director of Sathosa Motors PLC, a company that gained a public listing in 1993. He is a Fellow Member of the Chartered Institute of Management Accountants - UK. It is under his vision and leadership that the Access Group of Companies has grown to be a diversified and successful business enterprise, in a short span of over 2 decades.

Management policy at Access Engineering explicitly acknowledges what is already implied in any meaningful approach to management, that is, to running a business: that while the basic reason why any business exists in the first place is to earn profits for its owners, this is only one of a broad spectrum of considerations that must receive their due. Most of these considerations become a factor in decision-making because of their effects on various individuals and groups who are affected in some way by company operations, who have it in their power to affect or influence strategic decisions and operations, and who therefore may be said to have a stake in the Company's fortunes and the actions of management.

This being so, assessment of value creation cannot be restricted to economic value alone. In fact, our management policy acknowledges the importance of social and environmental capital and value creation, and hence of management engagement in the following areas.

ECONOMIC VALUE CREATION

This, of course, is a business fundamental. Indeed, it is one of the three pillars of our sustainability framework. Value creation and distribution include profits generated and distributed among shareholders, taxes paid to the Government, salaries and other emoluments to employees, payments to suppliers, subcontractors, etc.

ENVIRONMENTAL VALUE CREATION

This is the second pillar of our sustainability framework. By the very nature of what we do, most of our projects have a direct and often significant impact on the environment. We are a heavy consumer of natural resources; our operations, if conducted without proper regard to their effects, may pollute, impoverish or degrade the environment. While destructive of environmental value in themselves, such effects could also result in reputation loss and loss of economic value through fines for non-compliance with pertinent laws, rules and regulations.

Thus, compliance with such laws, rules and regulations (together with periodic auditing to ensure it), enforcement of ISO 14000 environmental management standards, ecologically-aware project planning and execution, the application of environment-friendly construction techniques, materials reuse and recycling, training employees in proper environmental practices and proper project demobilization are essential elements of every project we undertake. Additionally, Access Engineering undertakes tree-planting programmes in and around project locations in order to increase the environmental capital generated by our operations.

SOCIAL VALUE CREATION

Large infrastructure projects have substantial effects on local, regional and national communities. Thus, the Company's conduct as a corporate citizen may have enormous consequences; Access Engineering may come to be seen as a social and national asset, or as a liability, based on its social conduct. On the negative side, reprehensible behaviour may lead to loss of preference among principals and clients and ultimately to loss of business; it may also help generate resistance, more or less organized, from people resident in project areas, which may raise the costs and difficulties associated with a project or cause it to be cancelled altogether. On the positive side, good social behaviour can help smooth the way and generate support for our operations.

Access Engineering incorporates sensitivity to such issues into project planning and management, recruits staff from the local communities wherever possible, maintains regular and frequent dialogue with local communities, and undertakes project audits at least three times during the life cycle of the project (and more often if deemed necessary).



LABOUR PRACTICES AND DECENT WORK

The construction industry, by its nature, exposes companies engaged in it to high employee turnover rates and the risk of injuries and accidents among employees and members of the public, and is also heavily dependent on skilled labour. For a very large firm like Access Engineering, there are additional risks that arise due to the island-wide ambit of our operations, which means our people are also distributed all over the country and many of them spend large amounts of time travelling.

Fines for non-compliance with labour laws and regulations, the risk of lawsuits against the Company from disaffected employees and ex-employees, and damage to the Company's reputation are among the risks to which the Company is exposed.

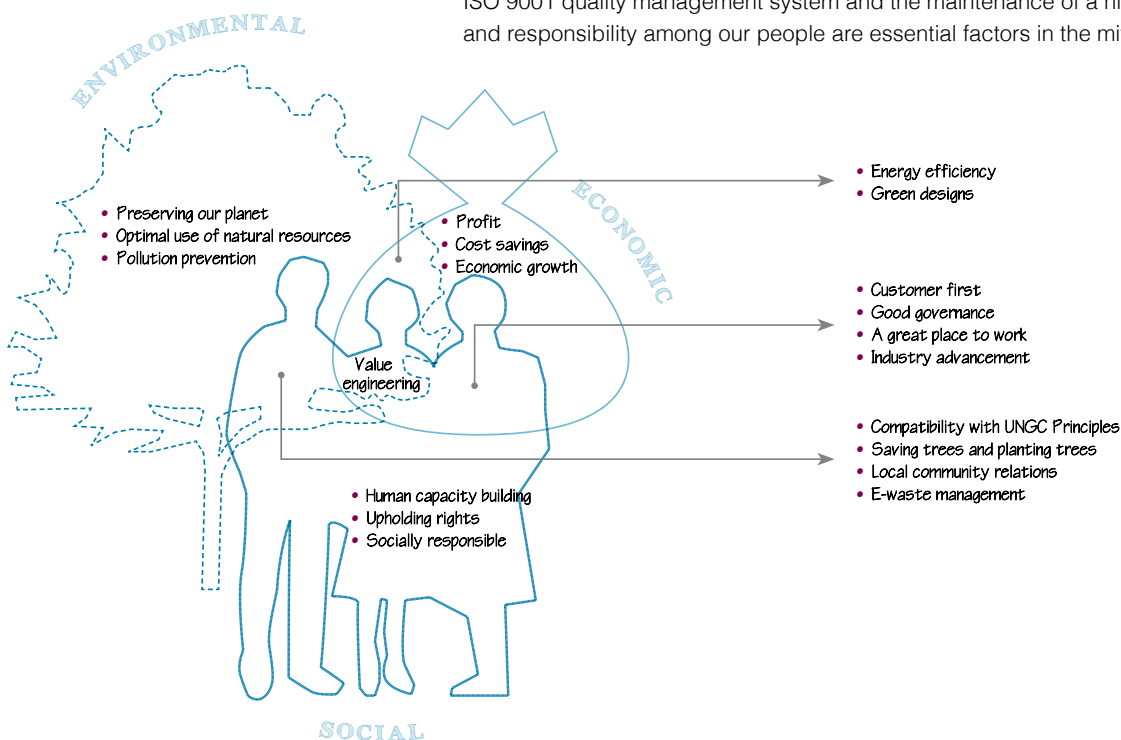
Quite apart from these negative incentives, Access Engineering is committed to the creation of employee value and the enhancement of its human capital.

For all these reasons, the Company follows prudent human resources management principles, strictly applies the health and safety practices nominated in OHSAS 18001, undertakes regular training and staff development, and offers above-industry-average pay and benefits to its employees.

As a member of the UN Global Compact, Access Engineering is also committed to uphold human rights both in principle and in practice, and takes particular care when subcontracting project work to local suppliers in remote and economically vulnerable areas of the country, where the potential exists for the exploitation of women and children as labourers, etc.

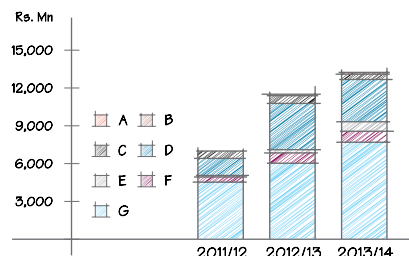
PRODUCT RESPONSIBILITY

For a builder of roads, bridges, waterworks and other large infrastructure, the risk of disaster and loss of life due to structural failure is a real and serious threat. Even in cases where there are no injuries or losses of life, faulty construction incurs financial costs arising from repairs or rebuilding and from fines, and reputation loss that may have major long term economic consequences. Prudent project management from planning and mobilization through execution until completion and handing over of the project, the strict implementation of the ISO 9001 quality management system and the maintenance of a high degree of competence and responsibility among our people are essential factors in the mitigation of such risks.



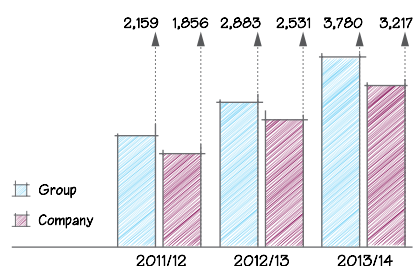


Internal Capital Formation

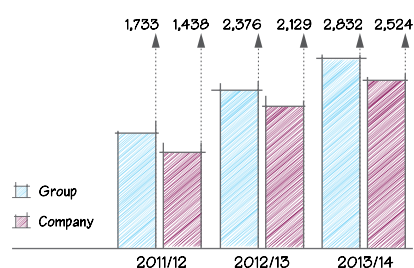


Composition of Company Revenue (Rs. Mn)

- A - Fabrication Income
- B - Hiring Income
- C - Sale of Construction Related Material
- D - Building and Other Construction
- E - Bridge Construction
- F - Water and Drainage Construction
- G - Highways Construction



EBITDA (Rs. Mn)



Earnings to Equity Holders (Rs. Mn)

FINANCIAL CAPITAL

Financial Review

Access Engineering, together with its subsidiaries, returned another year of solid financial performance in 2013/14, delivering on the promises made to stakeholders. The Company improved its performance across all counters on profitability, efficiency, liquidity and gearing while generating substantial returns to its investors.

The Company has recorded the highest ever revenue which is Rs. 16.4 Bn at the Group level. Turnover at the Company level stood at Rs. 13.2 Bn, towards which the highways construction sector contributed 58% followed by 25% from building construction and piling and 7% from water and drainage construction. A noteworthy improvement was made in 2013/14 in the bridge construction sector compared to 2012/13 with a 6% contribution to the top line mainly on account of Veyangoda Railway Crossing Flyover and Polduwa Bridge.

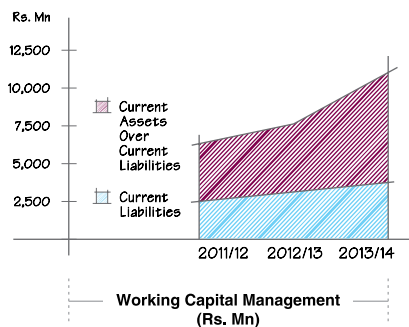
During the period under review, earnings before tax increased by approximately 25% and 22% at Group and Company level stemming from the top line growth and the rise in gross profit. Growth in gross profit of 37% and 26% at Group and Company respectively is also noteworthy. The effective tax rates at Group and Company level were approximately 13% and 10% respectively due to the Company and its fully owned subsidiary - Access Realties (Private) Limited being on concessionary tax rates of 12% on construction income and 2% on revenue. This resulted in a growth in profit after tax of 20% and 19% respectively at Group and Company levels compared to the previous year to register at Rs. 2,899 Mn and Rs. 2,524 Mn. After tax profit attributable to shareholders of Rs. 2,832 Mn and Rs. 2,524 Mn respectively at Group and Company levels, recording growth of 19% and 19% over the corresponding period. Based on reported results, net profit margins were approximately 18% and 20% at Group and Company levels, which are well beyond standard margins of the construction industry the world over. Earnings per share were Rs. 2.83 and Rs. 2.52 at Group and Company levels.

Healthy gross profit margins of approximately 26% and 24% were achieved both at Group and Company levels, well above industry average. This can be attributed to the Company's ability to offer fully integrated value engineering services and turnkey engineering solutions to clients, thereby maintaining our cost base at low levels. The low cost base is also attributable to the level of control we have over the supply chain as a result of backward integration strategies pursued in the previous years via the acquisition and commissioning of quarries, asphalt plants, crusher plants and concrete batching plants. Most of raw material inputs required for major projects carried out by the Company are now sourced from our own plants, which helps keep costs low while ensuring continuous supplies that enable timely delivery of projects.

The administrative expenses increased by approximately 60% and 36% respectively at Group and Company levels mainly on account of increase in staff costs and depreciation & amortization costs.



Internal Capital Formation

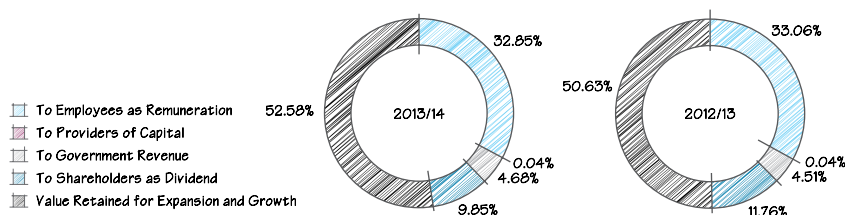


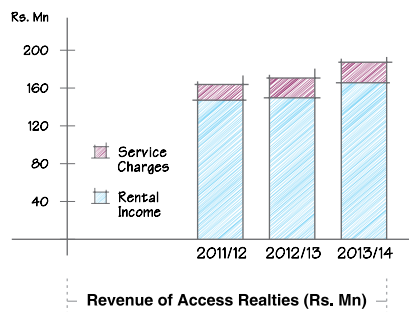
The Company made investments in Property, Plant and Equipment amounting to approximately Rs. 391 Mn. Investment in capacity building was low in 2013/14 compared to the last two financial years since the Company believes that it has built sufficient capacity to sustain growth at double digit levels in the short to medium term. At present the Company possesses one of the most technically advanced and up-to-date fleets of heavy construction equipment and machinery in Sri Lanka. In addition to successfully consolidating the Company's multidisciplinary activities and supply chain, they have also contributed to the turnover and the overall profitability of the Company. The total production income during the year accounted for approximately 4% of the total turnover at Company level. This contribution is a drop compared to the previous financial year since the majority of the output of plants was utilized for Company's major projects.

The liquidity position remains strong with approximately Rs. 2.7 Bn and Rs. 2.6 Bn held in short term deposits and cash at the Group and Company level. This is a year on year increase of 28% and 35% respectively. The strong liquidity position is also reflected in the above average current ratio and quick ratio of 2.9 and 2.6 at the Company level, demonstrating sound working capital management practices. Access Engineering is debt free at both the Group and Company levels with interest-bearing borrowings amounting to almost 0% of total assets.

Value Addition and Distribution

| | 2013/14 | | | 2012/13 | | |
|--|----------------------|------------------------|---------------|---------------|-----------------|--------|
| | Rs. | Rs. | % | Rs. | Rs. | % |
| Value Added | | | | | | |
| Revenue | | 13,426,749,520 | | | 11,695,248,562 | |
| Cost of materials and services bought-in | | (8,349,711,487) | | | (7,444,716,981) | |
| | | 5,077,038,033 | | | 4,250,531,581 | |
| Value Distributed | | | | | | |
| To employees as remuneration | | 1,667,587,386 | 32.85 | | 1,405,274,916 | 33.06 |
| To providers of capital | | 1,972,226 | 0.04 | | 1,531,588 | 0.04 |
| To Government revenue | | 237,932,779 | 4.68 | | 191,494,519 | 4.51 |
| To shareholders as dividend | | 500,000,000 | 9.85 | | 500,000,000 | 11.76 |
| Value Retained for Expansion and Growth | | | | | | |
| Depreciation | 551,874,844 | | | 449,572,762 | | |
| Profit retained | 2,117,670,798 | 2,669,545,642 | 52.58 | 1,702,657,796 | 2,152,230,558 | 50.63 |
| | | 5,077,038,033 | 100.00 | | 4,250,531,581 | 100.00 |



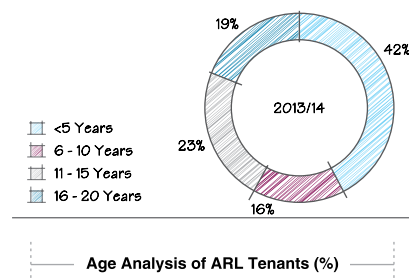


Subsidiary Performance

Access Realities (Private) Limited (ARL)

Incorporated with the objective of developing and managing high rise buildings, ARL is the owner and managing agent of Access Towers, a 12 storey modern office complex located in the heart of Colombo. The Company, which is a fully-owned subsidiary of Access Engineering is also a BOI-approved establishment. At present the Company is on a concessionary tax rate of 2% on turnover for a period of 15 years commencing 2010/11.

During the year under review the Company generated revenue through renting of office space to a wide clientele and through service charges, which together amounted to Rs. 187 Mn, a 10% increase over the corresponding period last year. The after tax profit of the Company was Rs. 136 Mn, which translated to a net profit margin of 73% on revenue.

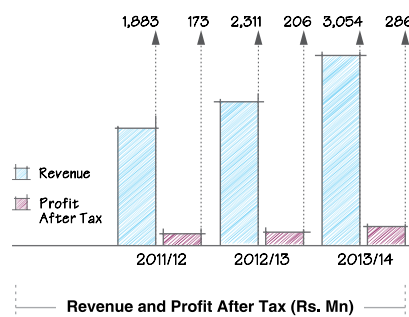


Access Realities 2 (Private) Limited which is a fully-owned subsidiary of Access Realities (Private) Limited is engaged in the development of Access Tower II, a state-of-the art office complex. The Company which is a BOI undertaking commenced piling work in February 2014 and construction is expected to complete in the latter part of 2016. Upon completion the tower will consist of 29 floors with a total floor area of approximately 390,000 sq.ft. with a rentable area of approximately 190,000 sq.ft.

Access Towers enjoyed 100% occupancy throughout the year and 50% of the tenants have been with the Company for more than 10 years.

Sathosa Motors PLC (SML)

A Public Quoted Company, SML holds the franchise in Sri Lanka for Isuzu motor vehicles and spare parts manufactured by Isuzu Motors Limited of Japan. The Company became a subsidiary of AEL in February 2012 and as of date; AEL holds approximately 84.4% of SML. 2013/14 is the second full year of consolidation of SML results with AEL since the acquisition.



The investment in SML has paid off as demonstrated by the improved performance of SML during the year under review. Turnover for the year was recorded at approximately Rs. 3,054 Mn driven mainly by new vehicle sales, sale of spare parts, workshop revenue and agency commission. This was a growth of 32% over the corresponding period. The bottom line of the Company recorded at Rs. 286 Mn is a 39% growth compared to the previous year. This growth is partly attributed the new entry to the luxury automobile segment of the market via its 50% owned entity SML Frontier Automotive (Private) Limited. With effect from 1st April 2013, SML Frontier Automotive (Private) Limited operates as the authorized distributor for Land Rover/ Range Rover automobiles in Sri Lanka.



Internal Capital Formation

Christopher Joshua

Managing Director



One of the founder Directors of the Access Group of Companies, he was instrumental in heading some of the most successful business units within the Group. A founder shareholder, he was the Joint Managing Director/CEO of the Company. It was under his leadership that Access Engineering achieved significant milestones in growth. He also functions as the Joint Managing Director of the Access Group since 1997. Companies under his purview include Access Realities (Private) Limited, Access Energy (Private) Limited, Access Natural Water (Private) Limited, Eco Friendly Power Developers (Private) Limited, and business units of Access International (Private) Limited. He is also a Director of Sathosa Motors PLC.

INSTITUTIONAL CAPITAL

Institutional capital consists of non-financial components that are, like financial capital, internal to AEL. They are largely intangibles and can comprise of such factors as intellectual property, organizational knowledge, systems, processes, brand value, corporate culture, business ethics, integrity and so on. In the case of AEL, we report on the under mentioned areas which are most relevant to our business.

Organizational Knowledge and Expertise

As a knowledge-based organization, our knowledge and human capital is the major value driver of our business. We are fortunate to have some of the best human resources available in the country. Their composite knowledge and expertise in the fields of engineering and management are defining elements in the delivery of innovative and value enhanced engineering solutions. Our human capital of over 2,500 people includes over 130 engineering professionals.

Brand Value

In our business, we believe that brand value is derived from consumer choices made at the many 'areas of impact' or 'meeting points' the Company's products, services and personnel have with the stakeholder community. Such interfaces allow the consumer to arrive at a crucial choice...AEL or any other option. Ultimately, your work speaks for itself. At Access Engineering, we strive for that 'wow' factor, by delivering beyond expectations. This, we believe has culminated today in our being at the forefront of the construction industry, maintaining our position as a preferred partner for our local customers, international partners and as a preferred employer.

The listing of our business in the Colombo Stock Exchange has contributed towards further enhancing our brand value, through engagement of more stakeholders and an ongoing commitment to good governance and transparency.

Systems and Processes

We have developed our own internal engineering designs office with strong focus on innovation. With our strong supply chain and backward integration across our service portfolio, we offer an unmatched internal management system with focus on value addition at every level. We are the first construction company in Sri Lanka to implement a SAP ERP system for our process improvement.

Corporate Culture and Ethics

Our corporate culture and ethics are derived from our Vision 'to be the foremost Sri Lankan business enterprise in value engineering' where innovation is encouraged at every level. We provide a vibrant workplace where people are encouraged to reach out towards excellence in their respective roles. We challenge our own selves and continuously raise the bar of excellence across every endeavour.

In enacting all of the above, we scrupulously follow our fundamental Code of Ethics within which are enshrined qualities such as equality, honesty, integrity, discipline, co-operation and self-regulation.



External Capital Formation

INVESTOR CAPITAL

Investor Capital Structure

The following detailed analysis of the investor/shareholder base illustrates the investor-capital structure of the Company over the financial year 2013/14.

Shareholding as at 31st March 2014

| From | To | No. of Holders | No. of Shares | % |
|----------------|-----------|----------------|---------------|--------|
| 1 | 1,000 | 1,047 | 460,938 | 0.05 |
| 1,001 | 10,000 | 628 | 2,621,359 | 0.26 |
| 10,001 | 100,000 | 303 | 10,933,778 | 1.09 |
| 100,001 | 1,000,000 | 173 | 70,107,493 | 7.01 |
| Over 1,000,000 | | 45 | 915,876,432 | 91.59 |
| | | 2,196 | 1,000,000,000 | 100.00 |

Categories of Shareholders

| | No. of Holders | No. of Shares | % |
|----------------------|----------------|---------------|--------|
| Local Individuals | 1,993 | 802,115,100 | 80.21 |
| Local Institutions | 156 | 168,057,436 | 16.80 |
| Foreign Individuals | 36 | 17,950,736 | 1.80 |
| Foreign Institutions | 11 | 11,876,728 | 1.19 |
| | 2,196 | 1,000,000,000 | 100.00 |

Directors' Shareholding as at 31st March 2014

| Name | No. of Holders | % |
|------------------------|----------------|------|
| Mr. S J S Perera | 250,000,000 | 25.0 |
| Mr. R J S Gomez | 120,000,000 | 12.0 |
| Mr. J C Joshua | 100,000,000 | 10.0 |
| Mr. S H S Mendis | 24,000,000 | 2.4 |
| Mr. D A R Fernando | 24,000,000 | 2.4 |
| Mr. S D Munasinghe | 24,000,000 | 2.4 |
| Mr. K A M K Ranasinghe | Nil | – |
| Mr. N D Gunaratne | Nil | – |
| Mr. A I Lovell | 16,000,000 | 1.60 |
| Mr. S D Perera | 2,000,000 | 0.20 |

Share Prices for the Year

| Market Price Per Share | 2013/14 | 2012/13 |
|-------------------------|-----------------------------|----------------------|
| Highest during the Year | Rs. 23.50 (03.02.14) | Rs. 26.60 (02.04.12) |
| Lowest during the Year | Rs. 19.10 (08.04.13) | Rs. 13.50 (05.06.12) |
| As at end of the Year | Rs. 22.50 | Rs. 19.70 |



External Capital Formation

Public Holding

The percentage of shares held by the public 35.53%.

20 Major Shareholders of the Company

| Name of Shareholder | No. of Shares 31.03.2014 | % | No. of Shares 31.03.2013* | % |
|---|-----------------------------|----------------|------------------------------|---------|
| 1. Mr. S J S Perera | 250,000,000 | 25.000 | 250,000,000 | 25.000 |
| 2. Mr. R J S Gomez | 120,000,000 | 12.000 | 120,000,000 | 12.000 |
| 3. Mr. J C Joshua | 100,000,000 | 10.000 | 100,000,000 | 10.000 |
| 4. Mrs. R M N Joshua | 70,000,000 | 7.000 | 70,000,000 | 7.000 |
| 5. Mr. S J S Perera | 46,000,000 | 4.600 | 46,000,000 | 4.600 |
| 6. Mrs. D R S Malalasekera | 45,000,000 | 4.500 | 45,000,000 | 4.500 |
| 7. John Keells Holdings PLC | 40,000,000 | 4.000 | 40,000,000 | 4.000 |
| 8. Employees Provident Fund | 32,927,921 | 3.293 | Nil | Nil |
| 9. Mr. S A A Gomez | 25,000,000 | 2.500 | 25,000,000 | 2.500 |
| 10. (i) Mr. S D Munasinghe | 24,000,000 | 2.400 | 24,000,000 | 2.400 |
| (ii) Mr. S H S Mendis | 24,000,000 | 2.400 | 24,000,000 | 2.400 |
| (iii) Mr. D A R Fernando | 24,000,000 | 2.400 | 24,000,000 | 2.400 |
| 11. Mr. A I Lovell | 16,000,000 | 1.600 | 16,000,000 | 1.600 |
| 12. Associated Electrical Corporation Limited | 13,000,000 | 1.300 | 13,385,000 | 1.339 |
| 13. J B Cocoshell (Private) Limited | 8,003,255 | 0.800 | 1,000,000 | 0.100 |
| 14. (i) Barclays Bank PLC Singapore Branch (Wealth Management) | 8,000,000 | 0.800 | 8,000,000 | 0.800 |
| (ii) Watapota Investments PLC | 8,000,000 | 0.800 | 8,000,000 | 0.800 |
| 15. MAS Capital (Private) Limited | 6,000,000 | 0.600 | 6,000,000 | 0.600 |
| 16. Mr. R J Gomez | 5,000,000 | 0.500 | 25,000,000 | 2.500 |
| 17. (i) Mr. S N F Irippuge | 4,000,000 | 0.400 | 4,000,000 | 0.400 |
| (ii) Union Bank of Colombo PLC/ATSL International (Private) Limited | 4,000,000 | 0.400 | 4,000,000 | 0.400 |
| 18. AIA Insurance Lanka PLC A/C No. 07 | 3,453,332 | 0.345 | 4,961,359 | 0.496 |
| 19. Mr. H A Van Starrex | 2,466,049 | 0.247 | Nil | Nil |
| 20. Deutsche Bank AG-National Equity Fund | 2,277,925 | 0.228 | Nil | Nil |
| | 881,128,482 | 88.113 | 858,346,359 | 85.835 |
| Others | 118,871,518 | 11.887 | 141,653,641 | 14.165 |
| Total | 1,000,000,000 | 100.000 | 1,000,000,000 | 100.000 |

*Comparative shareholdings as at 31st March 2013 of the twenty largest shareholders as at 31st March 2014.

Investor Relations

Investor Forums

Access Engineering undertakes regular investor relations activity as a matter of policy.

In the year under review, members of the Board, including the Chairman, participated in all overseas investor forums hosted by the Colombo Stock Exchange (CSE). These events took place in India, Hong Kong, Singapore and the UAE.

Online Resources for Investors

Trading details for Access Engineering shares are updated daily in real time on the Company web site, www.accessengsl.com. The site contains a dedicated space for investors, giving access to annual reports, interim reports, research reports, changes in the constitution of the Board (if any) and other corporate disclosures, etc. More broadly, the site also details up-to-date operational information about the Company.



Rohana Fernando

Executive Director/COO



Joining the Access Group in 1998 as an Engineer based in the Engineering Division, he played a vital role in enabling the division to become a separate business entity, encompassing the name and persons of Access Engineering. Having held senior management positions in Access Engineering, he was appointed to the Board in 2002. In 2007, he was appointed as the Director/COO of Access Engineering. He holds a BSc Degree in Civil Engineering from the University of Peradeniya and is a Corporate Member of Institution of Engineers, Sri Lanka (IESL). He is also a Director of Access International (Private) Limited, Sathosa Motors PLC and Eco Friendly Power Developers (Private) Limited.

Release Dates of Interim Financial Statements - 2013/14

| | Due Date | Actual Release Date |
|-----------|--------------------|---------------------|
| Quarter 1 | 15th August 2013 | 2nd August 2013 |
| Quarter 2 | 15th November 2013 | 5th November 2013 |
| Quarter 3 | 15th February 2014 | 2nd February 2014 |
| Quarter 4 | 31st May 2014 | 21st May 2014 |

The release of the Company's 2012/13 Annual Report and its Annual General Meeting occurred in conformance with, respectively, the CSE's Listing Rules and the Companies Act.

Release Dates of Annual Reports - 2012/13

| | Due Date | Actual Release Date |
|---------------|---------------------|---------------------|
| Annual Report | 31st August 2013 | 19th August 2013 |
| AGM | 30th September 2013 | 12th September 2013 |

Dividends Policy

Subject to the provisions of the Companies Act No. 07 of 2007, and the Articles of Association of Access Engineering PLC, the actual amount and timing of dividend payments on the ordinary voting shares of the Company will be recommended and approved by the Board of Directors. The dividends policy of AEL will be based on a number of factors, including but not limited to the Company's earnings, cash-flow position, future investments and funding of growth, the maintenance of a sound and efficient capital structure and any other factors the Board of Directors may consider relevant.

Earnings and Dividends Since Listing

| | 2013/14 | | 2012/13 | | 2011/12 | |
|------------|-------------|-------------|---------|---------|---------|---------|
| | Group | Company | Group | Company | Group | Company |
| EPS (Rs.) | 2.83 | 2.52 | 2.38 | 2.13 | 1.83 | 1.52 |
| DPS (Rs.) | 0.50 | 0.50 | 0.50 | 0.50 | 0.27 | 0.27 |
| Payout (%) | 18 | 20 | 21 | 23 | 15 | 18 |

An interim dividend of Rs. 0.25 per share was declared for 2013/14 and paid in full by the Company on 20th December 2013.

The final dividend of Rs. 0.50 per share was declared for 2013/14 on 8th July 2014 and is due for payment on 28th July 2014.



External Capital Formation

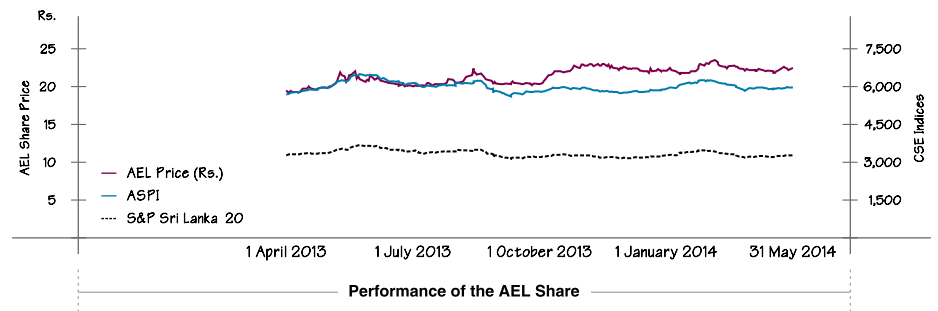
Shevantha Mendis

Executive Director/Director - Business Development



Having held many executive and management positions within the Access Group, he has functioned within the Engineering Division since its inception. With the genesis of Access Engineering, he became a part of that unit and was appointed as Director- Business Development in 2002. He is also a Director of Access International (Private) Limited, Sathosa Motors PLC and SML Frontier Automotive (Private) Limited.

Performance of Shares



Comparative Performance of Shares - 2013/14

Relative to All-Share Price Index

| | 31st March 2014 | 1st April 2013 | Change (%) |
|-----------------|-----------------|----------------|------------|
| AEL Price (Rs.) | 22.50 | 19.50 | 15.38 |
| ASPI | 5,968.3 | 5,705.2 | 4.61 |
| S&P SL 20 | 3,279.9 | 3,281.6 | (0.05) |

As shown, AEL has outperformed both market indices tracking the movements of the CSE.

Trading Statistics

| | 31st March 2014 | 31st March 2013 | 31st March 2012 |
|------------------------------|-----------------|-----------------|-----------------|
| No. of Shares Traded | 64,571,998 | 99,057,069 | 1,668,272 |
| Value of Shares Traded (Rs.) | 1,265,038,262 | 2,147,640,644 | 45,103,518 |
| Number of Days Traded | 239 | 243 | 4 |
| Number of Trades | 13,535 | 10,229 | 975 |



CUSTOMER CAPITAL

Customer Analysis

The two tables below present an analysis of sales made to external customers. Services provided on projects carried out by the Company are not represented.

In the discussion that follows, however, 'customers' are defined more broadly, to include both the public and private organizations that retain Access Engineering as a project contractor or subcontractor, as well as external customers, that is, customers for our engineering and allied services.

Customer Base (5 Year Analysis)

| | Sector | 2013/14 | 2012/13 | 2011/12 | 2010/11 | 2009/10 |
|----------|--|---------|---------|---------|---------|---------|
| Services | Piling | 2 | 3 | 3 | 5 | 4 |
| | Mechanical and Steel Fabrication Workshops | 4 | 3 | 3 | – | – |
| | Geotechnical and Laboratory Services | 1 | 1 | 1 | 1 | – |
| | Supply of Asphalt Concrete | 21 | 22 | 20 | – | – |
| | Quarry Operations and Aggregate Production | 56 | 11 | 12 | – | – |
| | Supply of Ready Mix Concrete | 38 | 40 | 5 | – | – |
| | Engineering Designs | 1 | – | – | 1 | 2 |
| Products | Roads and Highways | 7 | 7 | 7 | 5 | 5 |
| | Bridges and Flyovers | 2 | 2 | 1 | 1 | 1 |
| | Water and Wastewater | 5 | 4 | 3 | 3 | 3 |
| | Building and Other | 4 | 4 | 3 | 2 | 3 |
| | Airport and Aviation | 1 | 1 | 1 | – | – |
| | Harbours and Marine Works | 1 | 1 | 1 | – | – |
| | Dredging and Reclamation | – | – | 1 | 1 | – |
| | Telecommunication Infrastructure | 3 | 2 | 2 | 1 | 2 |

Customer Turnover (Rs. Mn, 5 Year Analysis)

| | Sector | 2013/14 | 2012/13 | 2011/12 | 2010/11 | 2009/10 |
|----------|--|----------|----------|----------|----------|----------|
| Services | Piling | 1,797.40 | 1,411.69 | 284.09 | 51.81 | 23.18 |
| | Mechanical and Steel Fabrication Workshops | 52.52 | 20.19 | 1.60 | – | – |
| | Geotechnical and Laboratory Services | 0.89 | 9.75 | 2.98 | 4.00 | – |
| | Supply of Asphalt Concrete | 331.11 | 407.58 | 494.09 | – | – |
| | Quarry Operations and Aggregate Production | 31.30 | 53.37 | 55.31 | – | – |
| | Supply of Ready Mix Concrete | 84.44 | 162.00 | 1.58 | – | – |
| | Engineering Designs | 35.00 | – | – | 20.00 | 88.00 |
| Products | Roads and Highways | 6,752.96 | 5,410.90 | 3,989.92 | 1,593.46 | 1,152.50 |
| | Bridges and Flyovers | 761.63 | 241.41 | 17.93 | 667.01 | 364.12 |
| | Water and Wastewater | 869.09 | 967.76 | 472.76 | 325.73 | 550.56 |
| | Building and Other | 1,334.75 | 1,455.36 | 748.50 | 10.91 | 7.22 |
| | Airport and Aviation | 9.78 | 387.29 | 257.48 | – | – |
| | Harbours and Marine Works | 12.06 | 270.08 | 43.75 | – | – |
| | Dredging and Reclamation | – | – | 7.07 | 31.19 | – |
| | Telecommunication Infrastructure | 1,115.41 | 650.46 | 578.69 | 738.08 | 735.24 |



External Capital Formation

Dharshana Munasinghe

Executive Director/Director - Business Development



He joined Access International (Private) Limited in 1996 and was promoted to the position of Assistant Manager in 1999. In 2001, he assumed duties as Manager - Special Projects in Access International (Private) Limited and was promoted as General Manager - Special Projects in 2004. He joined Access Engineering in 2006, and was appointed to the Board of Access Engineering as Director - Business Development. He is also a Director of Access International (Private) Limited, Sathosa Motors PLC and SML Frontier Automotive (Private) Limited.

Types of Customers (3 Year Analysis)

| | Sector | Public | Private | Foreign |
|----------------------------------|--|--------------------|---------|---------|
| Services | Piling | - | 1 | 1 |
| | Mechanical and Steel Fabrication Workshops | - | 4 | - |
| | Geotechnical and Laboratory Services | 1 | - | - |
| | Supply of Asphalt Concrete | - | 20 | 1 |
| | Quarry Operations and Aggregate Production | - | 55 | 1 |
| | Supply of Ready Mix Concrete | 1 | 34 | 3 |
| | Engineering Designs | - | - | 1 |
| | Products | Roads and Highways | 3 | 1 |
| Bridges and Flyovers | | 1 | - | 1 |
| Water and Wastewater | | 1 | 1 | 3 |
| Building and Other | | 1 | 2 | 1 |
| Airport and Aviation | | - | - | 1 |
| Harbours and Marine Works | | 1 | - | - |
| Dredging and Reclamation | | - | - | - |
| Telecommunication Infrastructure | | 1 | 2 | - |

Elements of Customer Value Creation

- The value engineering solutions provided by us to customers clearly differentiate us from our competitors. Recently, these have included composite flyovers, the installation of over 1,000km of fibre-optic cables island-wide for Dialog with minimum disruption to commuters, coffer dams, retaining walls, cable jetting and substructures. These solutions have resulted in expeditious construction and reduced costs.
- We have the highest accreditation from the Institute of Construction Training and Development (ICTAD) for most major engineering disciplines: C1 for buildings, highways, bridges, water supply and drainage, irrigation and land drainage, dredging and reclamation, groins and revetments; GP-B1 for piling; and EM1 for telecommunications. We thus possess the capacity to carry out civil-engineering works of any magnitude or complexity.
- Our in-house service portfolio is unmatched by any construction company in Sri Lanka.
- We are committed to sustainability, social, environmental and economic, and have adopted appropriate policies, standards and practices. Our corporate-citizenship activities and our efforts to improve the standards of our industry extend this commitment beyond the bounds of our commercial operations.
- Our corporate governance practices aim to broadbase company ownership, improve disclosure and increase transparency. Our 2012 listing on the CSE exemplifies this Independent and Non-Executive Directors sit on our Board and head our audit and remuneration committees. The Company Code of Ethics reinforces our commitment.
- Among our international partners, we have a reputation for resourcefulness, reliability and competitive pricing.
- Our service portfolio enables us to carry out specialized work customarily entrusted to foreign firms, helping save foreign exchange.



Ranjan Gomez

Non-Executive Director



One of the founder Directors of the Access Group of Companies and has functioned as the Joint Managing Director of the Group since 1997. Companies under his purview include ATSL International (Private) Limited, ATSL Telesoft (Private) Limited, Access Energy Solutions (Private) Limited, Think Cube Systems (Private) Limited, Science Land Information Technology (Private) Limited, e-buy (Private) Limited, and business units of Access International (Private) Limited. He is also a Director of Sathosa Motors PLC.

Enhancing Customer Value Creation

Capacity Building

We have continued to enhance our service portfolio over the years. We continued to use the new formwork system for building construction, field-testing methods including the static load-testing of piles and leak-detection methods.

Improvements to administrative efficiency and productivity also have knock-on benefits for customers. In 2013/14, these included the implementation of new enterprise resource planning and human resources management systems and a variety of different initiatives to conserve resources and reduce waste.

Over time, the results of our capacity building efforts have included business and profit growth, the expansion and modernization of our physical asset base and the ability to provide tax-free dividends to shareholders based on tax-free profits from the operations of our production plants.

Investments in Capacity Building, Rs. Mn (5 Year Analysis)

| | 2013/14 | 2012/13 | 2011/12 | 2010/11 | 2009/10 |
|----------------------------------|---------------|----------|----------|---------|---------|
| Land and Building | – | – | 30.44 | 8.43 | – |
| Plant and Machinery | 115.33 | 955.58 | 1,114.00 | 275.99 | 34.73 |
| Office Equipment | 66.06 | 18.20 | 22.93 | 7.14 | 16.55 |
| Construction Tools and Equipment | 55.67 | 165.67 | 180.70 | 11.69 | 16.37 |
| Motor Vehicles | 97.66 | 164.07 | 151.11 | 96.43 | 13.93 |
| Furniture and Fittings | 55.93 | 9.50 | 30.94 | 1.88 | 1.96 |
| Total | 390.66 | 1,313.01 | 1,530.13 | 401.56 | 83.54 |

Securing Business

For Access Engineering, a primary source of business has been the Government of Sri Lanka; many of our largest contracts have been infrastructure projects undertaken for this client. Such projects are awarded to contractors through a transparent tender process conducted by the respective authorities. Depending on the scope of construction, the nature of the project, the stipulated time frame and the available funding, Access Engineering will participate in the bidding process either alone or in partnership with internationally-reputed construction companies that possess relevant resources and expertise.

Access Engineering also works as a joint-venture partner with firms that have already secured infrastructure-development projects from the Government or other clients. Over the years, this practice has enabled us to develop strong relationships with leading international contractors and developers carrying out infrastructure projects in Sri Lanka. In some cases, we were instrumental in introducing these parties to clients in Sri Lanka; this often results, later, in the preferential award of subcontracts to the Company from these partners.

Many of the very large infrastructure contracts recently secured by the Company have come to us through joint ventures. Besides giving us the opportunity to demonstrate our capabilities and reliability as a partner, we gain both expertise and experience through these partnerships.



External Capital Formation

Prof. Malik Kumar Ranasinghe

Independent Non-Executive Director



A member of the Access Engineering Board since 2011, he is a Senior Professor in Civil Engineering at the University of Moratuwa, a Chartered Engineer and International Professional Engineer, a Fellow of the Institution of Engineers, Sri Lanka, Fellow of the National Academy of Sciences, Sri Lanka and Fellow of the Institute of Project Managers. A past Vice-Chancellor of the University of Moratuwa, he functions as an Independent Non-Executive Director of Sampath Bank PLC and Textured Jersey Lanka PLC. He is a former Fellow of The National University of Singapore and has been a Non-Executive Director of the Colombo Stock Exchange, Lanka IOC PLC and Hemas Power PLC.

Responsible Design

As a contractor, we are usually required to follow designs created by architects and engineers separately retained by our customers, and to produce from them an end-product fit for purpose. To this end, we engage in constant dialogue with these designers of our products. We are keenly aware of our duty to bring to their notice designs or specifications that are not in accordance with current industry practices and standards, so that they can be modified accordingly.

All our construction activities are carried out in strict compliance with Sri Lankan and international standards, including those set by American, Australian, British and Indian authorities.

When a project calls upon our own design resources, we have a fully capable Design division, among whose personnel are several qualified engineers and chartered engineers. The team is reinforced by an experienced advisory consultant in the field of structural design. The capabilities of our Design division have enabled us to make the most of opportunities arising from the recent shift in the industry from construction contracting to design-and-build projects.

To help ensure product safety, designs produced by the Division are always reviewed by independent third parties, such as academics and other consultants with appropriate qualifications and experience.

Quality Assurance

The Company has in place a Quality Management System (QMS) compliant with ISO 9001:2008 standards. Quality assurance procedures are strictly followed. Measures to ensure effective quality control include the creation of quality standards, their implementation and employee training.

Quality assurance procedures and systems are subject to continuous improvement compatible with ISO 9001:2008 standards. They also undergo regular audits and reviews. During the reporting period, the Company's Quality Management System and Environment Management System (EMS) were each subject to two audits by the regional certifying body.

The Geotechnical and Laboratory Services division is responsible for quality control during every phase of a construction project. During the year under review, Access Engineering obtained ISO 17025:2005 (general requirements for the competence of testing and calibrating laboratories) certification from the Sri Lanka Accreditation Board. The process, initiated in January 2011, was completed in April 2013 with the award of a Certificate of Compliance.

Regulatory Compliance Statement

- Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes: none.
- Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data: none.
- Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services: zero.



Alexis Lovell

Independent Non-Executive Director



Appointed to the Access Engineering Board in 2011, he counts over 30 years experience in Finance and Investment Banking. Currently, he also functions as the Chairman of Union Bank of Colombo PLC, a position he has held since May 2012, into which he was appointed as Non-Executive Director in 2007. A Chartered Management Accountant, UK with a Postgraduate Degree in Business Administration, he was awarded the MBE (Most Distinguished Order of the British Empire) by Her Majesty the Queen of England for his services to Investment Banking. He is also a Director of Sathosa Motors PLC.

EMPLOYEE CAPITAL

Investing in Our Employees' Future

The Company's new human resources information system, which became operational in December, has made HR Management at Access Engineering both more efficient and more responsive to the needs and potentials of our people. Its effects have been reinforced by the relocation of both Project Management divisions, formerly located at Boralessgamuwa, to our Colombo head office. Relocation has also facilitated the centralization of training and CSR activity. All aspects of legal compliance with respect to employees, too, have now been standardized and systematized.

Employee Statistics

Total Workforce by Employment Contract - 2013/14

| | 2013/14 | | | 2012/13 | | | 2011/12 | | |
|--------------|---------|--------|--------------|---------|--------|--------------|---------|--------|--------------|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Permanent | 38 | 16 | 54 | 36 | 16 | 52 | 35 | 14 | 49 |
| Contract | 1,188 | 94 | 1,282 | 1,194 | 91 | 1,285 | 1,110 | 88 | 1,198 |
| Casual | 1,151 | 83 | 1,234 | 1,780 | 128 | 1,908 | 1,804 | 123 | 1,927 |
| Total | | | 2,570 | | | 3,245 | | | 3,174 |

All employees of AEL are full-time employees.

Total Workforce by Category and Gender - 2013/14

| Employment Category | Male | Female | Total |
|---------------------------------------|--------------|------------|--------------|
| Management and Professional | 134 | 26 | 160 |
| Technical | 627 | 48 | 675 |
| Clerical and Supportive (Operational) | 419 | 82 | 501 |
| Skilled and Unskilled | 1,197 | 37 | 1,234 |
| Total | 2,377 | 193 | 2,570 |

Total Workforce by Age Group and Gender - 2013/14

| Age Group | Male | Female | Total |
|--------------|--------------|------------|--------------|
| 18 - 20 | 22 | 4 | 26 |
| 21 - 25 | 253 | 22 | 275 |
| 26 - 30 | 633 | 41 | 674 |
| 31 - 35 | 363 | 34 | 397 |
| 36 - 40 | 628 | 39 | 667 |
| 41 - 45 | 183 | 48 | 231 |
| 46 - 50 | 172 | 5 | 177 |
| 51 - 55 | 92 | 0 | 92 |
| Above 55 | 31 | 0 | 31 |
| Total | 2,377 | 193 | 2,570 |



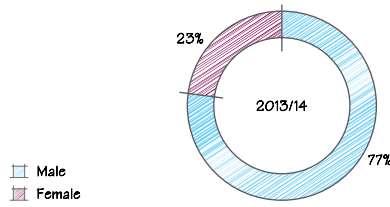
External Capital Formation

Total Workforce by Region - 2013/14

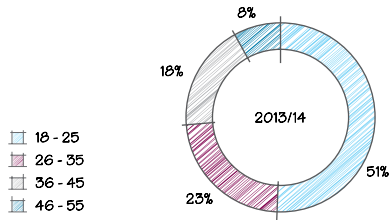
| Province | Head Count |
|-------------------------|--------------|
| Western | 1,590 |
| Northern | 370 |
| North Western | 588 |
| Southern | 16 |
| Eastern | 6 |
| Total Head Count | 2,570 |

New Recruits by Gender

| 2013/14 | | 2012/13 | | 2011/12 | |
|------------|-----------|---------|--------|---------|--------|
| Male | Female | Male | Female | Male | Female |
| 160 | 48 | 234 | 63 | 1,607 | 88 |



New Recruits by Gender (%)



New Recruits by Age Group (%)

New Recruits by Division - 2013/14

| Division | Number of Employees |
|---------------------------------|---------------------|
| Head Office | 18 |
| Project Management Division I | 85 |
| Project Management Division II | 63 |
| Project Management Division III | 42 |
| Total | 208 |

**Niroshan Gunaratne**

Independent Non-Executive Director



Appointed to the Access Engineering Board in 2011, he is also the Finance Director of ASCOT Holdings PLC, an Associate Member of the Chartered Institute of Management Accountants (UK). He possesses over eighteen years of experience in the field of finance and accounting and has been at MB Financial Services (Private) Limited, a primary dealer appointed by the CBSL and Jewelknit, a subsidiary of Mast Industries USA.

Employee Benefits

Employees of the organization enjoy benefits such as insurance schemes, annual bonus, annual profit share, vehicle allowances, staff loan facilities, festival advance etc. These benefits may vary depending on the employee grade.

Training and Development

A structured approach is used to determine the training and development needs of our people and to devise appropriate programmes based on them. Training is conducted in the following areas:

- Technical skills
- Management systems
- Leadership skills
- Soft skills
- Personal development

Programmes are conducted by an internal panel of skilled and qualified trainers, and are evaluated in terms of trainee reaction, learning, practical application and results achieved.

We are now in the process of developing a competent systems management team to conduct ISO 9001, ISO 14001 and OHSAS 18001 system audits. Members of this team will also conduct the staff training and guidance necessary for the implementation of these systems.

We offered industrial placements to a total of 151 students pursuing vocational or technical studies at university and other formal institutes in the year under review.

The quality of our training and development initiatives was recognized at the 2013 People Development Awards conducted by the Sri Lanka Institute of Training & Development, where Access Engineering received a Silver award.

A total of Rs. 13.1 Mn was spent on training and development in 2013/14.

The average duration of training per employee during the year was 11h 37min for males and 11h 59min for females. The average training hours per year per employee by employment category were 11h 01min for staff and 09h 11min for workers.

Welfare Initiatives

The following welfare initiatives were conducted for our people in 2013/14: annual staff outings for the four divisions, the annual Christmas carnival on 12th December 2013 the daily distribution of morning and evening snacks free of charge to all employees, free health-screening programmes for labourers (a total of six programmes for the year), and a distribution of T-shirts among employees.



Health and Safety

The Company's goal is to achieve a respective rate of <1 fatalities, major injuries and occupational-disease diagnoses per 200,000 person-hours of operation among its employees and members of the public. We are proud to state that this goal was achieved in the year under review.

Accidents, Occupational Diseases and Fatalities - 2013/14

| | |
|------------------------------|-------------|
| Total Safety Hours | 16,487,603 |
| Fatalities | 0 |
| Major Accidents | 4 |
| Minor Accidents | 6 |
| Frequency of Major Accidents | 0.0485 (<1) |
| Frequency of Minor Accidents | 0.072 (<1) |

Health and Safety Practice

Employees are educated on standard operational procedures and the relevant safety precautions to take when carrying out different types of hazardous work. Guidance in the form of signage, etc. helps them identify and avoid unsafe practices and conditions.

Similar guidance is provided to enable employees to identify possible emergency situations. Emergency-preparedness plans are drawn up for every work-site and situation, and all employees receive training in first-aid and fire-fighting.

At every Access Engineering project and plant, health and safety (H&S) committees are set up and their members trained to implement H&S best practice.

Special H&S programmes target manual and unskilled workers, who are exposed to a statistically greater risk of accidents and occupational diseases. We also carry out health-screening programmes for these workers: a total of 156 were screened in the year under review.

Spending on Health and Safety

Safety precautions and health-screening programmes were the primary H&S cost components in 2013/14. The relevant figures are given below:

Health Screening Programmes - 2013/14

| Site | Employees Screened | Cost (Rs.) |
|--|--------------------|----------------|
| Veyangoda Flyover Project | 28 | 67,000 |
| Vavuniya Quarry and Crusher | 25 | 46,614 |
| Polduwa Bridge Project | 23 | 8,490 |
| Mechanical Workshop - Ranala | 35 | 9,750 |
| UDA Building Project | 20 | 12,096 |
| Rehabilitation of Labugama Kalatuwawa Water Treatment Plants Project | 25 | 7,500 |
| Total | 156 | 151,450 |

Expenses incurred in relation to safety initiatives (consisting mainly of safety equipment and other tools): Rs. 48,8 Mn.



Education, training, counselling, prevention and risk-control programmes conducted for employees, their families, or community members regarding serious diseases are detailed below:

H&S Training - 2013/14

| Programme | Type | Dates | No. of Participants | Agg. Trg. Hrs. |
|--|----------|--------------------------------|---------------------|----------------|
| Diploma in Occupational H&S | External | February - November 2013 | 4 | 1,280 |
| Legal Aspects of H&S | Internal | 23rd March 2013 | 45 | 360 |
| General H&S Training | Internal | March - April 2013 | 373 | 2,984 |
| Workshop on Ergonomics | External | 11th July 2013 | 4 | 32 |
| Workshop on ISO 9001:2008 Quality-Manual Preparation | External | 25th - 26th July 2013 | 1 | 16 |
| General Training in H&S | Internal | October - December 2013 | 300 | 4,800 |
| Health Hazards in the Construction Industry | Internal | 8th, 21st & 28th November 2013 | 110 | 880 |
| First-aid Training | Internal | 19th - 20th December 2013 | 95 | 760 |
| Health Monitoring and Reporting | Internal | 30th - 31st December 2013 | 50 | 400 |
| ISO 14001:2004 Standard for Supervisory Grades | External | 26th February 2014 | 12 | 96 |

The impact of our H&S initiatives is reflected in a staff retention rate of around 94% - unheard of in the construction industry - and a lost-time injury frequency rate (LTIFR) of 1.088%, a further improvement over the 2012/13 figure of 1.2%.

Future Plans and Strategies

Recruitment

Our policy, going forward, is to recruit entry-level staff as management trainees and develop their management potential over time. In the case of geographically distributed projects and facilities, we seek, as far as possible, to recruit suitable people from surrounding communities. However, on foreign projects with a lot of value engineering, it is our preference to recruit Sri Lankan staff to work on these assignments.

Retention

The scheme of performance-based incentives will help sustain our already very high employee retention rates. We also seek to expand opportunities for skills development by taking on challenging new projects on which employees will have the opportunity to become adept at the use of new techniques and technologies.

Recognition

The growth and expansion of the business present an excellent opportunity for the recognition of our employees and plans are afoot to recognize and reward key performers.

Training and Development

In the future, there will be an enhanced role for training and development as a pillar of an HR strategy designed to promote productivity, technical competence and human resource retention. With this in mind, during the year, we constructed an in-house training facility that could house more than 150 employees at once. This facility is intended to cater to all our future internal training requirements.



External Capital Formation

Dilhan Perera

Non-Executive Director



Mr. Dilhan Perera is the Chief Financial Officer at Access Group of Companies and he has been involved with the Access Group since its inception in that capacity.

Besides training in work skills and technical competencies, we will place increasing emphasis on training to assist employees in understanding and responding to the needs of the public and the individual communities they serve.

Since training is a key element in the development of suitably qualified individuals to support succession planning, we strive to provide equitable access and ensure the participation of all our people in training and appraisal. Whether or not an employee is chosen to be groomed for succession, this will ensure optimal performance and the realization of his or her full potential.

Health and Safety

We will continue with health screening for all members of our labour force. August 2014 will see the commencement of our second annual 'Healthy Heart' campaign, in which employees are taught about cardiovascular risk and how to avoid it.

Safeguarding Human Rights

Our membership in the UN Global Compact reflects our determination to uphold, respect and protect human rights. We have, through our contracted projects as well as self-initiated community programmes, helped provide basic amenities, healthcare and education; in addition, we provide decent and gainful employment to thousands of people through our operations.

We do not discriminate with respect to ethnicity, religion, gender or sexual orientation in selecting people for recruitment, training or promotion. Periodically we upgrade our policies with respect to recruitment, selection and placement, training and development, discipline and grievance management to ensure full compliance with this policy.

There were no incidents of discrimination due to gender, race, ethnicity, etc., reported in the year under review.

Child Labour: A Serious Issue

When entering into agreements with suppliers and subcontractors, we ensure that our partners are free from any taint of suspicion with respect to human rights abuses.

In our industry, there have been instances, even in the relatively recent past, where child labour has been used in quarrying, crushing and road-building; lamentably, such abuses have a long tradition in South Asia. Access Engineering is uncompromisingly opposed to all such practices and strictly prohibits suppliers and subcontractors from engaging in them. Stringent screening ensures that we do no business with organizations that exploit children as labour.



BUSINESS PARTNER CAPITAL

Synergistic relationships with business partners have resulted in capital formation that benefits both Access Engineering and its partners. The following is a review of our business partnerships in 2013/14, together with an analysis of the growth in the value of such partnerships.

Strategic Alliances

- Access Engineering PLC tied up with ZMPC, the world's largest manufacturer of port and container handling equipment (85% market share) to supply, repair and maintain container-handling equipment at Colombo Port (South).
- In partnership with China Harbour Engineering Corporation (CHEC), the Company embarked on its first international venture, the creation of a tidal basin to improve the capacity of the Port of Lae in Papua New Guinea.
- The Company was involved in a number of joint ventures with multinational contractors carrying out work in Sri Lanka in the year under review.

Besides delivering business and bottom line growth, these initiatives have resulted in the transfer of valuable knowledge and technology. A few examples of this are the ability to build steel flyovers and composite bridges, horizontal direct drilling and cable jetting. In the future, we will expand the ZPMC joint-venture model to other regions of the world, venturing into more overseas projects where we see opportunities for value addition and the transfer of knowledge and expertise to Access Engineering from its principals.

Growth in Joint Ventures and Subcontracting, 5 Year Analysis (Rs. Mn)

| Sector | 2013/14 | 2012/13 | 2011/12 | 2010/11 | 2009/10 |
|---------------|---------------|----------|----------|----------|----------|
| JV | 814.24 | 852.04 | 453.40 | 717.61 | 734.92 |
| Subcontractor | 817.39 | 1,353.56 | 3,589.33 | 6,290.79 | 6,240.17 |



SOCIAL & ENVIRONMENTAL CAPITAL

Corporate Citizenship

At any given time, Access Engineering is involved in a number of community development and corporate citizenship projects. These are undertaken for the joint benefit of the organization and its stakeholders, for what is good for the people of Sri Lanka is *ipso facto* of benefit to a company which depends so closely on the economic development of the nation for its own future growth and prosperity. However, these projects reflect more than enlightened self-interest, because AEL is a proudly Sri Lankan enterprise with a heartfelt commitment to the land and its people.

A total of fifteen CSR projects were undertaken in the year under review. Many of these were of considerable duration and involved a sizeable investment of company resources. A breakdown of these projects by 'platform' or category is given below, followed by a more detailed descriptive analysis of each project.

CSR Projects by Platform - 2013/14

| CSR Platform | No. of Projects |
|-----------------------------|-----------------|
| Local Community Development | 2 |
| Human Capacity-Building | 4 |
| Health and Wellness | 3 |
| Industry Advancement | 2 |
| Environmental Stewardship | 4 |
| Total | 15 |

CSR Projects in Detail - 2013/14

| Category | Project | Description |
|-----------------------------|---|---|
| Local community development | Drinking water facilities for schools | Installed drinking water facilities at two rural schools in the Batticaloa District. |
| | School items for needy children | Donated items such as books, stationery, school bags, uniforms, etc., to 100 schoolchildren in the Ranala area. |
| Human capacity-building | Mentoring programme for engineering students | Developed and sponsored a mentoring programme for students from the Civil and Earth Resource Departments of the Faculty of Engineering, University of Moratuwa: a total of 175 students. The programme included guest lectures, mentoring sessions with corporate executives, a weekend retreat, feedback from lecturers and an awards ceremony. Access Engineering provided sponsorship and inputs to improve the programme. Guest lecturers were sourced via a specialist firm, Image Consultants. |
| | Scholarships for employees' children | Scholarships were awarded to employees' children who received the highest Grade 5 Scholarship and GCE Ordinary Level examination results. |
| | 'Skills for success' | A series of career guidance and skills development programmes in Jaffna, Mannar and Batticaloa for a total of 100 school leavers. The curricula included general ICT skills, English for the workplace and success skills. General career guidance was offered to the participants, with a leaning towards the construction industry. At the end of the 10-day programme, we conducted job interviews with participants we identified as prospective employees. The most promising candidates were offered scholarships to follow work-focused training programmes. The training programmes were conducted by Skills for Success (Private) Limited. |
| | Special instruction for primary school pupils | A demonstration on the proper use of technical equipment for children at Diddeniya Primary School, Hanwell. |



| Category | Project | Description |
|---------------------------|---|---|
| Health and wellness | Sessions on the dangers of substance abuse | A number of awareness-raising sessions on the dangers of alcohol, drug and tobacco abuse were held for employees in connection with World No Tobacco Day 2013. |
| | Dengue prevention programmes | Awareness programmes were conducted in suburbs around Kaduwela. |
| | Dengue eradication at schools | A programme was conducted to eliminate mosquito breeding sites in and around schools in the Colombo municipal area. |
| Industry support | Employment support for the rehabilitation of former LTTE fighters | <p>The development of the Sri Lankan construction industry is an issue close to our hearts. One of the main issues currently faced by the industry is a scarcity of skilled workers.</p> <p>To help rectify this - and, simultaneously, promote national reconciliation - the Company, in collaboration with the National Apprentice and Industrial Training Authority (NAITA), organized and successfully completed a training programme by means of which 32 former LTTE cadres acquired construction-related skills such as masonry and carpentry. Access Engineering donated course and assessment materials, paid the lecturers' fees and provided tool kits for the trainees; we also underwrote the ceremony at which successful participants received certificates in their new skills.</p> |
| | HDD demonstration | A demonstration on horizontal directional drilling was held for the IESL Uva Chapter in February 2014. |
| Environmental stewardship | Learning event: 'sustainable living through home gardening' | An educational workshop on organic farming for Access Engineering employees, held to commemorate World Environment Day 2013. |
| | Paper recycling | Collecting and recycling paper waste through a registered service provider (570kg recycled in 2013/14). |
| | Tree-planting programme | An ongoing tree-planting programme where, on average, 150 trees are planted and maintained every month at and around the sites of completed or soon-to-be-completed projects. |



External Capital Formation



01



02



03



04



05

- 01. 'World No Tobacco Day' Awareness Programme
- 02. Mentoring Programme of the University of Moratuwa
- 03. Tree Planting Campaign
- 04. Programme for Providing Drinking Water Facilities
- 05. Dengue Awareness Walk

The Company has pledged its commitment to a district-wide vision-care programme for children in the Trincomalee area in 2014. Project components include teacher training, eye clinics at schools and the distribution of eyeglasses to schoolchildren.



Anti-Corruption Measures

All business units (head office, PMD1, PMD2, PMD3) and operational projects were analyzed for risks related to corruption during the course of the financial year.

Access Engineering was involved in a total of 76 operational projects in 2013/14. 'Operational' is here defined as 'begun, completed or ongoing during the year'. Projects within the defect-liability period and still generating revenue are included in the definition, as are all the Company's service units such as its mechanical workshop and geotechnical laboratory.

- A project that has *begun* is one in which an official award has been made of the project to Access Engineering, physical work has commenced, or project staff have been mobilized on-site.
- A *completed* project is one in which physical work has been completed, project staff demobilized or the project handed over to the client.
- An *ongoing* project is one that commenced in an earlier year and on which work was still continuing at the end of the financial year.
- Projects within the *defect liability* (DLP) or *financial contribution* (FC) periods are, respectively, those during which the Company retains financial liability for defects in execution, and those in which a contribution is realized during the financial year. However, some projects completed several years ago still continue to contribute to the Company's annual turnover. Those projects have not been considered below unless their DLP extended into FY 2013/14.

Operational Projects -
1st April 2013 - 31st March 2014

| | |
|--------------|-----------|
| Completed | 16 |
| Commenced | 9 |
| Ongoing | 25 |
| DLP/FC | 26 |
| Total | 76 |

The Company recruited a total of 208 people in 2013/14. All underwent the Company's orientation programme, in which, *inter alia*, our anti-corruption policies are introduced and employees receive training in vigilance and procedures. Since our total staff strength is about 2,570, this means that a total of about 8% of staff received such training. The remainder underwent similar training in previous years.

Commitment to External Initiatives

Access Engineering is a signatory to the UN Global Compact (UNGC). The Company is a member of International Organization for Standardization (ISO) on QMS (9001), EMS (14001), OHSAS 18001 and Mechanical Testing (17025), TRACE membership for anti-bribery compliance, Ceylon Chamber of Commerce Business and Biodiversity Platform, Institute of Construction Training and Development (ICTAD) and National Construction Association of Sri Lanka (NCASL). It is also a member of The Institution of Engineers (IESL) Sri Lanka Accreditation Board (SLAB) and has received ISO 14001:2004, ISO 9001:2008, OHSAS 18001:2007 certifications from Det Norske Veritas Management System.



External Capital Formation

Protecting the Environment

Minimizing the Environmental Impact of Our Operations

All projects undertaken by the Company have potential environmental impacts. The impacts of significant aspects of Company operations, together with the actions taken to mitigate them, are given in the table below:

Operations, Environmental Impacts and Mitigation - 2013/14

| Significant Aspect | Environmental Impact | Mitigation | | | | | | |
|---|--|---|---------------------|-------|---------------------|--------|--------------|---------------|
| Dust from roadworks | Air quality degradation | Road watering | | | | | | |
| Dust from crusher plants | Air quality degradation | Water sprinkling and water jacketing | | | | | | |
| Oil waste from mechanical workshop | Water quality degradation | Water treatment and monitoring of water quality | | | | | | |
| Cement contamination from batching plant | Water quality degradation | Sedimentation and re-use of water | | | | | | |
| Organic waste (various sources) | Landfill expansion | Composting | | | | | | |
| Waste paper (office operations) | Landfill expansion | Recycling | | | | | | |
| E-waste (office operations) | Heavy-metal contamination | Recycling | | | | | | |
| Steel (workshops) | Landfill expansion | Recycling | | | | | | |
| Fuel/oil leaks and spillages from machinery | Ground and groundwater contamination | Secondary containment for oil storage | | | | | | |
| Fossil fuel use | Natural resource depletion | Strict monitoring and control Preventive and corrective maintenance of machinery and vehicles | | | | | | |
| CO ₂ | Air quality degradation Contribution to anthropogenic climate change | Emissions testing Preventive and corrective maintenance | | | | | | |
| Noise from generators | Local nuisance | Soundproofing | | | | | | |
| Tree-felling during roadworks | Carbon sink destruction Degradation of natural environment Biodiversity loss (knock-on effect) Contribution to anthropogenic climate change | Tree-planting programmes, No. of trees planted: <table border="1" data-bbox="1045 1422 1468 1541"> <tbody> <tr> <td>• During FY 2013/14</td> <td>1,680</td> </tr> <tr> <td>• In previous years</td> <td>10,046</td> </tr> <tr> <td>Total</td> <td>11,726</td> </tr> </tbody> </table> | • During FY 2013/14 | 1,680 | • In previous years | 10,046 | Total | 11,726 |
| • During FY 2013/14 | 1,680 | | | | | | | |
| • In previous years | 10,046 | | | | | | | |
| Total | 11,726 | | | | | | | |



Energy Conservation

Initiative : Corporate Energy Usage Targets

Objective : Reduce actual electricity consumption by 2% of budgeted consumption for the year

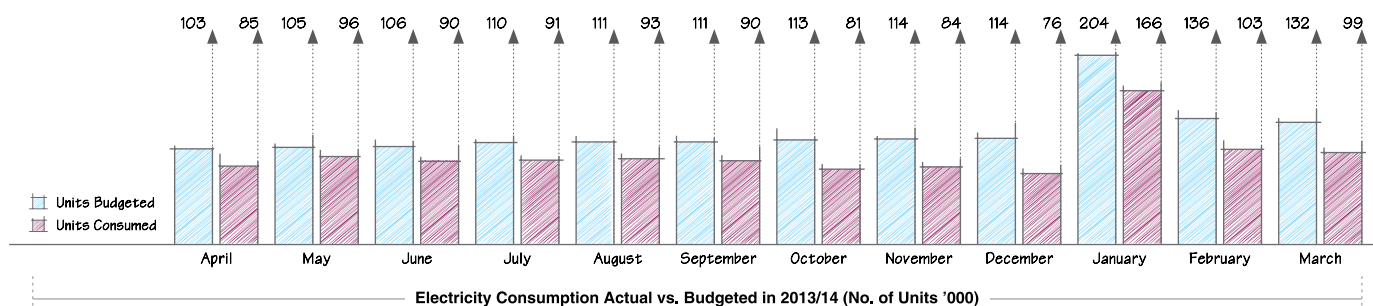
- Means :
- Site offices designed with natural ventilation to reduce use of fans and air conditioning
 - Use of solar power to operate welding and drilling equipment
 - Procurement of energy efficient machinery
 - Procurement of LCD monitors for desktop computers, maximum use of power-management function on computers, promoting the use of laptop computers
 - Meeting rooms isolated from central AC system
 - Lighting system divided into several zones with separate switches
 - Installation of a power-factor correction capacitor
 - Installation of energy-efficient light bulbs (compact fluorescent lamps and LED)

Results : Shown below:

Measurement of Objective

$$\frac{\text{Budgeted Electricity Consumption During the Period} - \text{Actual Electricity Consumption During the Period}}{\text{Budgeted Electricity Consumption During the Period}} \times 100$$

$$\frac{1,458,320 - 1,154,172}{1,458,320} \times 100 = 20.86\%$$



Water Conservation

Initiatives for minimizing water consumption -

- Recycling and re-use of water at all our construction sites (as much as possible)
- Wastewater treatment plants installed to recycle contaminated water and reduce soil and groundwater contamination (e.g. at Mabima batching plant and Ranala workshop)
- More efficient water consumption by usage budgeting and setting advisory consumption limits

Water Use and Re-use - 2013/14 (Units)

| | |
|--------------------------------------|------------|
| Total water usage | 30,234,131 |
| Annual usage per employee | 11,764 |
| Monthly usage (average) per employee | 980 |
| Water re-used and recycled units | 701,187 |
| Percentage | 2.32% |

1 unit = 1,000 litres



Paper Conservation

Paper is a resource whose manufacture has considerable environmental impact. Access Engineering has moved to reduce paper consumption by setting a monthly consumption budget, using both sides of every printer paper and regularly recycling used paper with the help of our business partner Neptune Recyclers. Paper consumption is expected to reduce further with the implementation of the ERP system.

Waste-Management Best Practice

Non-hazardous construction and demolition (C&D) debris is used for landfills and C&D wood material for chipping. Solid waste is segregated into re-usable, recyclable and compostible waste and treated accordingly. A significant portion of used paper and concrete are recycled.

Fossil Fuel Conservation and Greenhouse Gas Emission Control

We strive to control greenhouse gas emissions and conserve fossil fuels to the fullest extent practicable. Among the methods we use to achieve this are, the use of solar-powered lamps to illuminate sites during night works as an alternative to diesel generators, the use of solar-powered service vehicles, the regular maintenance of all petrol and diesel fuelled vehicles and machinery to promote fuel efficiency, minimizing vehicle idling time by enhancing awareness among drivers, the use of appropriate-sized vehicles and equipment (for example, ensuring that large trucks are not used to transport small loads), and more efficient route and journey planning.

Energy and Materials
Saved - 2013/14

| | |
|---|--------|
| Wastepaper Recycled (kg) | 570 |
| Full-grown Trees Saved (No.) | 9 |
| Oil Saved (l) | 1,001 |
| Electricity Saved (kWh) | 2,280 |
| Water Saved (l) | 18,114 |
| Landfill Saved (m ³) | 2 |
| Reduction in Greenhouse gas Emissions (kg of Carbon Equivalent) | 570 |

Eco-Friendly Materials Usage and Work Operations

A variety of environmentally friendly practices and precautions govern our operations and use of materials. Among these are -

- taking appropriate precautions when handling and transporting construction materials, including readymix concrete and asphalt
- evaluating suppliers on the basis of their environmental practice
- training and familiarizing office staff, project workers, suppliers and subcontractors on environmentally friendly operations and practices
- ensuring that environmental degradation does not occur during transport, loading and unloading or storage of materials
- the use of a fluid de-sander, which facilitates the re-use of drilling fluid by separating sand and silt from the used fluid
- the use of wastewater for watering construction sites to avoid dust formation
- employing water-jacketing systems at quarries and crusher plants to minimize dust spread



- the use of effective secondary containment at fuel and lubricant storage sites
- the practice of appropriate storage and spill-management precautions when handling fuels and bitumen (as per standard operating procedures and work instructions)
- an emergency action plan for oil spills, with training and assigned roles for employees
- general implementation of the 3R (reduce, re-use and recycle) concept
- working with the National Cleaner Production Centre at our Kotadeniyawa plant to analyze water, energy and materials flows and make recommendations on potential resource savings and ways to enhance environmental performance.
- The transport of materials generates CO₂ from vehicle emissions. The transport of ABC materials also generates dust. However, we have not been able to quantify or accurately estimate these impacts.
- Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas:
 - Vavuniya crusher and asphalt plant: 1 acre each
 - Labugama: 5.3 hectares
 - Kalatuwawa: 6.4 hectares

Environment Management System

The Company's environment-management system (EMS) is periodically monitored and evaluated in terms of effectiveness by internal and external audits. The latter are carried out by the designated certification body, DNV.

Management of Customer and Stakeholder Complaints

Legal and regulatory non-compliance and external complaints are treated as the gaps in the EMS. As soon as the root causes are identified, corrective action is taken to prevent further contraventions. The effectiveness of these actions is evaluated through follow-up audits and management reviews.

Legal and regulatory compliance is promoted on a project-by-project basis by identifying all pertinent legal requirements and distributing lists of these round all our projects and plants. Training is also carried out on the subject. Compliance is monitored through internal reports and audits.

Effective Project Risk Management

Risk identification and mitigation plans cover risks associated with financial resources, work progress, environmental impacts, work quality, etc. The internal audit team communicates the importance of risk identification and mitigation to the relevant parties at the beginning of each project.

Costs and Impacts

*Environmental Protection
Expenditure - 2013/14*

| Measure | Cost (Rs.) |
|---|------------------|
| Secondary Containment | 324,000 |
| Tree Planting | 281,292 |
| Water Treatment at Mechanical Workshop | 500,000 |
| Piling: Mud-Bucket use at Access Tower II | 543,000 |
| Truck Mixture Washing Facility | 50,000 |
| Total | 1,698,292 |



- ISO 9001 QMS is compulsory to retain our ICTAD C1 grade. ISO 14001 & OHSAS 18001 will be essential qualifications for our assignment to the proposed ICTAD supra-grade category. These certifications will also improve our performance in tender competitions.
- Value engineering becomes more practicable with good environmental management, helping Access Engineering achieve its corporate vision and mission
- Cost reductions due to legal and regulatory compliance
- Compliance helps us meet the demanding requirements of funding agencies such as the World Bank and ADB, which focus strongly on environmental and social initiatives
- Avoidance of reputation risk
- Greater customer satisfaction

Future Plans and Strategies

Our commitment to community support and good corporate citizenship is ongoing. In 2014/15, we will continue our involvement in the Trincomalee District vision-care programme mentioned above.

In terms of resource conservation and waste management, we will implement a management programme to raise awareness of these issues through the display of appropriate signage and other measures at offices and work-sites. Measures to reduce paper consumption will be strengthened further. Focused e-waste management programmes will be conducted in 2014/15.

We are pledged to work towards better conservation of natural resources in collaboration with the Business and Biodiversity Platform of the Ceylon Chamber of Commerce, and will be involved in helping protect the country's richest biodiversity reservoir, the Sinharaja Forest.

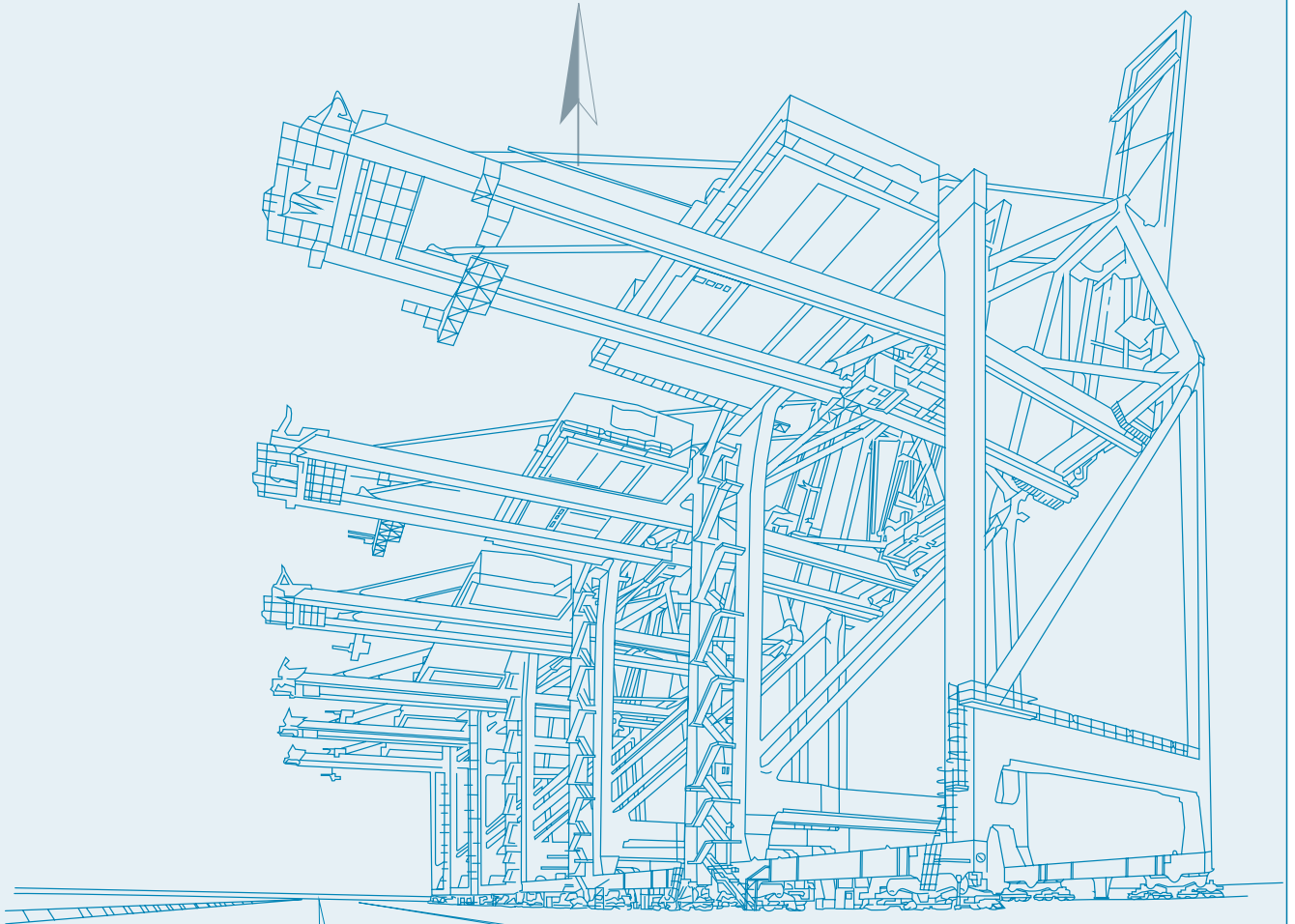
Finally, the day-to-day conduct of our business amounts to a CSR programme, since the projects we carry out are to the benefit of the general public.

General Legal and Regulatory Compliance

- Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations: No fines or sanctions.
- Total number of legal actions for anti-competitive behaviour, antitrust and monopoly practices and their outcomes: No legal actions were instituted against the Company in the above-mentioned categories.
- Monetary value of fines and total number of non-monetary sanctions for non-compliance with laws and regulations: The Company adhered to all applicable laws and regulations in 2013/14. No regulatory violations were committed, and therefore no fines or sanctions were levied.

THE BEAUTY OF BOLDNESS

A bold spirit has always characterised Access. When one is secure and confident in one's abilities and expertise and such qualities are tempered by business acumen and prudence, it is not difficult to 'push boundaries'...it is not difficult to build a business that sustains well.



- In September 2013, Access Engineering entered into a joint venture with Shanghai Zhenhua Heavy Industries Company Limited (ZPMC) of China, the world's largest container handling equipment manufacturer. The new company, ZPMC Lanka Company (Private) Limited, services and maintains the entire fleet of container handling equipment deployed at the Colombo International Container Terminals at the Port of Colombo.
- In February 2014, construction work on the Access Tower II commenced. This will be a significant addition to the luxury office space in the central business district of Colombo.



ZPMC Company Lanka unloading ship to shore gantry cranes at Colombo International Container Terminal, Port of Colombo



Board of Directors

Sumal Joseph Sanjiva Perera

Chairman

Profile is given on page 63.

Shevantha Harindra Sudharaka Mendis

Executive Director/Director - Business Development

Profile is given on page 72.

Joseph Christopher Joshua

Managing Director

Profile is given on page 68.

Saumaya Dharshana Munasinghe

Executive Director/Director - Business Development

Profile is given on page 74.

Dalpadoruge Anton Rohana Fernando

Executive Director/COO

Profile is given on page 71.

Ranjan John Suriyakumar Gomez

Non-Executive Director

Profile is given on page 75.

Prof. Kulatilleke Arthanayake Malik Kumar Ranasinghe

Independent Non-Executive Director

Profile is given on page 76.

Alexis Indrajit Lovell

Independent Non-Executive Director

Profile is given on page 77.

Niroshan Dakshina Gunaratne

Independent Non-Executive Director

Profile is given on page 79.

Mr. Suresh Dilhan Perera

Non-Executive Director

Profile is given on page 82.



Corporate Management Team



Sumal Perera

Chairman

Profile is given on page 63.



Christopher Joshua

Managing Director

Profile is given on page 68.



Rohana Fernando

Executive Director/COO

Profile is given on page 71.



Shevantha Mendis

Executive Director/Director - Business Development

Profile is given on page 72.



Dharshana Munasinghe

Executive Director/Director - Business Development

Profile is given on page 74.



Vasantha Manatunge

Senior General Manager

V K Manatunge joined the Company in early 2003 and is currently functioning as the Senior General Manager of Access Engineering. He obtained his Degree in Civil Engineering from the University of Moratuwa in 1978 and has been a Corporate Member of the Institution of Engineers, Sri Lanka since 1982. He counts about 33 years of experience in the civil engineering field and has worked in various capacities in the state sector as well as private sector.



Dharmasiri Chandrapala

General Manager (Technical)

T D D Chandrapala joined the Company in 2002 and counts over 9 years of experience at the senior management level of the Company. He holds a BSc Degree in Civil Engineering and he is also a Chartered Civil Engineer. He has 35 years of experience in the fields of Irrigation and Drainage, Building Construction, Water Supply, Roads and Bridges.

Manoj Jayahsuriya

General Manager (Projects Office - I)

Manoj joined the Company in March 2006 as General Manager (Projects Office I). He has 29 years of experience in diversified fields such as the Sri Lanka Navy, operations, apparel manufacturing, corporate planning and human resources management. He holds a MBA from the Postgraduate Institute of Management (PIM) of University of Sri Jayewardenepura, BSc (Hons) from University of Colombo and a Postgraduate Diploma in Psychology as well as several naval professional qualifications.





Srimal Fernando

General Manager (Projects Office - II)

Srimal joined the Company in August 1999 as a civil engineer and was promoted to Manager (Engineering) in January 2004 and as General Manager in January 2008. Currently, he delivers his duties as the Head of Projects Office - II. He holds a Bachelor's Degree in Civil Engineering from the University of Peradeniya and is a Corporate Member of the Institute of Engineers, Sri Lanka. During the period of his service, he was involved with major projects in many diversified fields such as Roads and Highways, Bridges, Telecommunication, Water and Waste Water, Piling and Buildings in a senior level management capacity.

Palitha Wanigasundara

General Manager (Projects Office - III)

Palitha joined the Company in 2007 as Deputy General Manager (Construction) and currently functions as the General Manager (Projects Office - III). He holds a Master of Science Degree in Civil Engineering (USSR), a Master of Engineering Degree in Construction Management (University of Moratuwa) and a Master of Business Administration Degree (Postgraduate Institute of Management (PIM) of University of Sri Jayewardenepura). He is a Fellow Member of Institution of Engineers, Sri Lanka and a Corporate Member of the Institute of Engineers (Australia). Prior to joining the Company, he served in the National Water Supply and Drainage Board for 20 years in the capacities of Chief Engineer, Project Manager, Assistant General Manager and a Project Director.



Ariadasa Fernando

Deputy General Manager (Project Coordination)

A A Fernando joined the Company in August 2003 and presently serves as Deputy General Manager (Project Coordination). He is also functioning as the Company's Lead Auditor of the ISO systems. He has 38 years of experience in Civil Engineering to his credit and has worked in a number of Government institutions such as Public Works Department, Highways Department, Road Development Authority and Road Construction and Development Company (Ministry of Highways) before joining the private sector. He holds a Graduateship in Civil Engineering from City and Guilds, London and possesses several other qualifications in Civil Engineering and is a Member of the Institute of Incorporated Engineers, Sri Lanka.



Kosala Wickramasinghe

Deputy General Manager (Projects Office - II)

Kosala joined the Company as a Project Manager in 2007 and currently functions as the Deputy General Manager (Projects Office - II). He holds a Bachelor of Science Degree in Civil Engineering from the University of Moratuwa and a Postgraduate Diploma in Structural Engineering from University of Moratuwa. He is also a Corporate Member of the Institute of Engineers, Sri Lanka and a Corporate Member of the Society of Structural Engineers, Sri Lanka. He has 12 years experience in the field of Civil Engineering including Structural Engineering and Project Management.

Niroshan Thilakarathne

Deputy General Manager (Commercial)

Niroshan presently serves in the capacity of the Deputy General Manager (Commercial) after serving in various capacities in the Company over a period of almost 11 years. Also, he has over 5 years of experience before joining Access having worked in a professional firm which provides Audit, Tax, Finance and Advisory services. He is also a Finalist of The Institute of Chartered Accountants of Sri Lanka.



Neranjala Priyadarshani

Deputy General Manager (Finance)

Neranjala joined the Company in 2005 and presently serves in the capacity of the Deputy General Manager (Finance) of the Company. She is an Associate of The Institute of Chartered Accountants of Sri Lanka and an Associate of the Society of Certified Management Accountants of Sri Lanka. She holds a Special Degree in Accountancy and Financial Management from the University of Sri Jayewardenepura.

Thasantha Kumara

Deputy General Manager

He joined the company at the beginning of 2013 in the capacity of Deputy General Manager. Thasantha has over 19 years of experience in the field of Civil Engineering including Roads, Highways and Bridge Engineering and Project Management. He has served in the capacity of Resident Engineer, Design Engineer, Executive Engineer for the Road Development Authority for seven years and in the private sector for 11 years in the capacity of Project Manager, Senior Project Manager and Divisional Coordinator in the Roads, Highways and Bridges Division. He has a BSc (Hons) in Civil Engineering from the University of Moratuwa and is a Corporate Member of the Institution of Engineers, Sri Lanka.





Corporate Governance

Constructed on a sound philosophy, ethics, policies, values, accountability and sincerity of action, AEL's corporate governance ethos works within a culture of performance that emphasizes a framework of conformance and compliance. To us, corporate governance goes beyond the tenets of conformance and compliance into a milieu where our business is grown and nurtured into a sustainable and equitable one, presenting all our stakeholders with a future to grow with us. Maximizing shareholder wealth on a sustainable basis while safeguarding the rights of multiple stakeholders are fundamentals which are permeated through all levels of our management and staff, who in turn work on the trusses of truth, trust, principles and honesty to ensure that the end justifies the means and remain strategically aligned to the core principles of our corporate governance practice.

Our governance and operating model facilitates efficient and timely decision-making coupled with pragmatic resource allocations, which in turn are integrated into a transparent, accountable and ethical framework that are compliant not only with the laws of the country but also with self-imposed codes of ethics, standards and regulations that position us on a platform of critical governance features to ensure a culture that goes beyond compliance. This is thus manifested in the composition of the corporate management team, division of powers and duties and the promotion of sound corporate ethics across the Company.

The Company's vision and mission remain firmly embedded in our future journey with the Board of Directors and Executive Management providing the necessary stewardship to our team and other stakeholders to achieve our objectives. Evaluating and setting the direction of the Company's strategic initiatives, performance objectives and targets also remain entrenched within the Board of Directors, in addition to strengthening the overarching Company principle of protecting the interests of all stakeholders and consolidation of business activities to ensure continuity and sustainability.

The Board of Directors of AEL endeavours to provide entrepreneurial leadership through effective formulation and execution of policies and procedures to attain the objectives of the Company. The Board comprises of ten Directors out of which five are Executive Directors and five are Non-Executive Directors. There is no female representation on the Board. Chairman of the Company who acts in an Executive Capacity is mainly responsible for directing the affairs of the Board while maintaining effective external relationships. Day-to-day affairs of the Company are headed by the Managing Director who is supported by the Director/Chief Operating Officer (COO). Three of the Non-Executive Directors are independent in respect of criteria laid down by the regulatory authorities and have no interests or relationships in relation to the affairs of the Company. This composition has encouraged the Company to demonstrate more transparency and independent judgment in the decision-making process. Decisions regarding new Board appointments are taken by the Board collectively and the qualifications and experience of Board members are decided based on the nature of the business of the Company and the value addition the member is expected to bring to the Board and the Company.

The Company also adopts the main corporate governance committees under the highest governance body; Audit Committee and Remuneration Committee to strengthen its commitment on corporate governance. Beyond the mandatory requirements, the Company also has in place a Strategic Planning and a Compliance Committee to ensure adherence to best practices.

The Board carries out a self-evaluation of its performance both individually as well as collectively against economic, environmental and social targets/goals set at the beginning of each year. Results of these evaluations are properly minuted by the Company Secretary who is responsible for maintaining the same. The Executive Directors are required to adhere with the provisions of the 'Company Policy on Disciplinary Management' to avoid any potential



conflict of interest. Implementation of the said policy is periodically monitored by a six-member committee. The Non-Executive Directors are required to confirm the existence or non-existence of conflict of interest in the dated declaration submitted to the Board.

Shareholders being the primary stakeholder group, the Company has in place a clear mechanism for facilitating their recommendations. Shareholders could meet the members of the Board on prior appointment or via the Company Secretary who keeps a record of their concerns. These concerns are promptly replied either directly or via the Company Secretary as the case maybe.

Access Engineering's Corporate Management Team is committed to achieving sustained value creation for the benefit of all stakeholders through adherence to a set of well-defined corporate governance principles, coupled with maintaining effective structures and processes within the Company. The team, which comprises the Managing Director, Chief Operating Officer, Board Members and Senior Management, meet at regular intervals to discuss the management of business activities. Project implementation is carried out by the Project Management Divisions wherein General Managers and Deputy General Managers work on plans and targets, matching those to realistic time frames and ensuring any shortfalls or delays are speedily rectified. Authority is exercised within an ethical framework of business practices established by the Board, which demands compliance with existing laws and regulations as well as best practices in dealing with employees, customers, suppliers and the community at large.

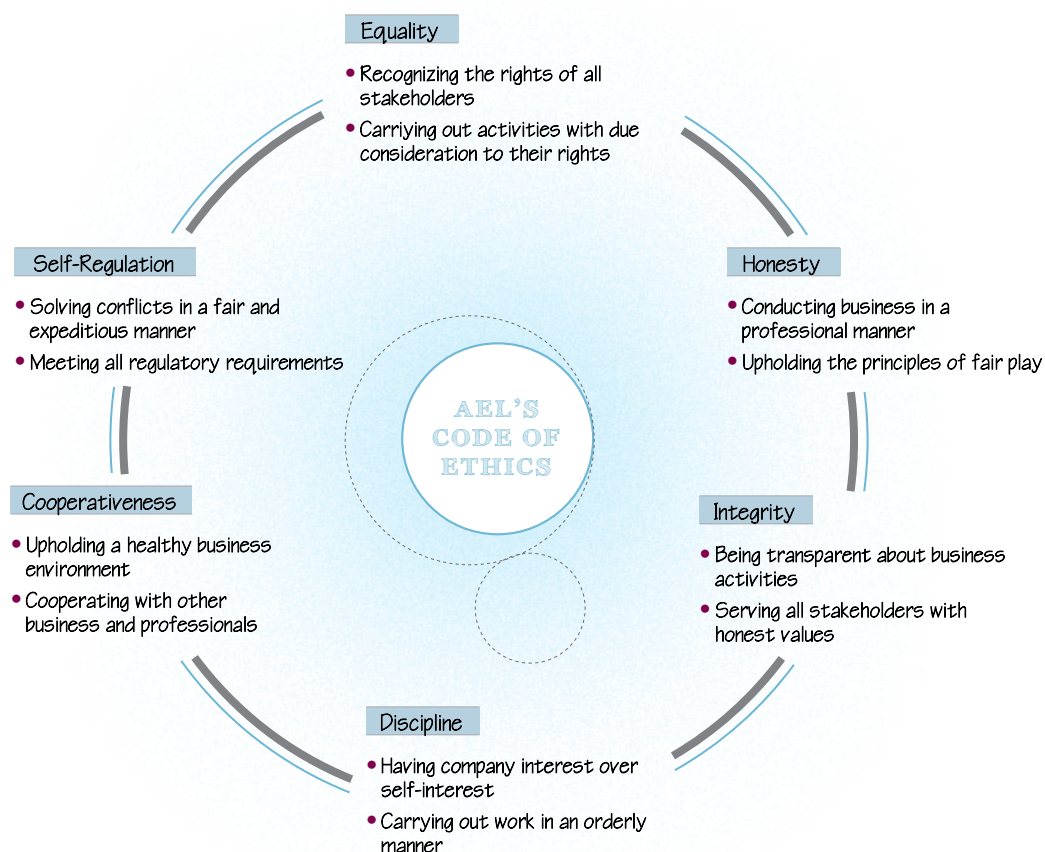
We have also infused a milieu of increased participation by middle management to permeate the need for a more responsible, transparent and accountable administration, which in turn will strengthen the financial discipline of the Company. The culture of high authority tied-up with high accountability has given us the freedom to respond to customer needs faster than most of the competitors which has been the cornerstone of our competitive advantage. The permeation of authority and accountability right down to the shop floor level and the front-line has freed up the top management to dwell on the more strategic and conceptual inputs.

Driving a team branded on excellence, people remain centric to our entire operational capabilities and engineering competencies. The experience and professionalism within our team has been the catalyst in integrating our core competencies into strategic partnerships. Maintaining a healthy work-life balance with an environment of superior human resource development via a comprehensive Quality Management System and Occupational Health and Safety Management System inculcate the culture of meritocracy and performance-oriented individuals who make-up for an excellent team, driven to achieve ambitious goals. Part of the compensation of staff including Executive Directors and the Corporate Management is performance based and the distribution of the same is decided by the Board and the Management after the evaluation of multiple factors including but not limited to performance of the Company and the individual concerned. Employees are encouraged to make recommendations to the Board via their respective Department Heads.



BUSINESS ETHICS

Our code of ethics has been devised with the objective of developing and maintaining long term relationships with all stakeholders while satisfying the requirements of our valuable customers. It is our belief that upholding these values will result in the Company being profitable. Thus every employee at Access including the new recruits are firmly guided to abide by the following ethics.



INTERNAL CONTROL

The Company adopts a Risk Assessment-based approach with regard to its Internal Audit functions with the objective of Maintaining Safety, Reliability, Profitability and Integrity of the organization and to overlook key operational and regulatory deficiencies. The risk-based approach considers both high risk areas as well as core organizational processes.

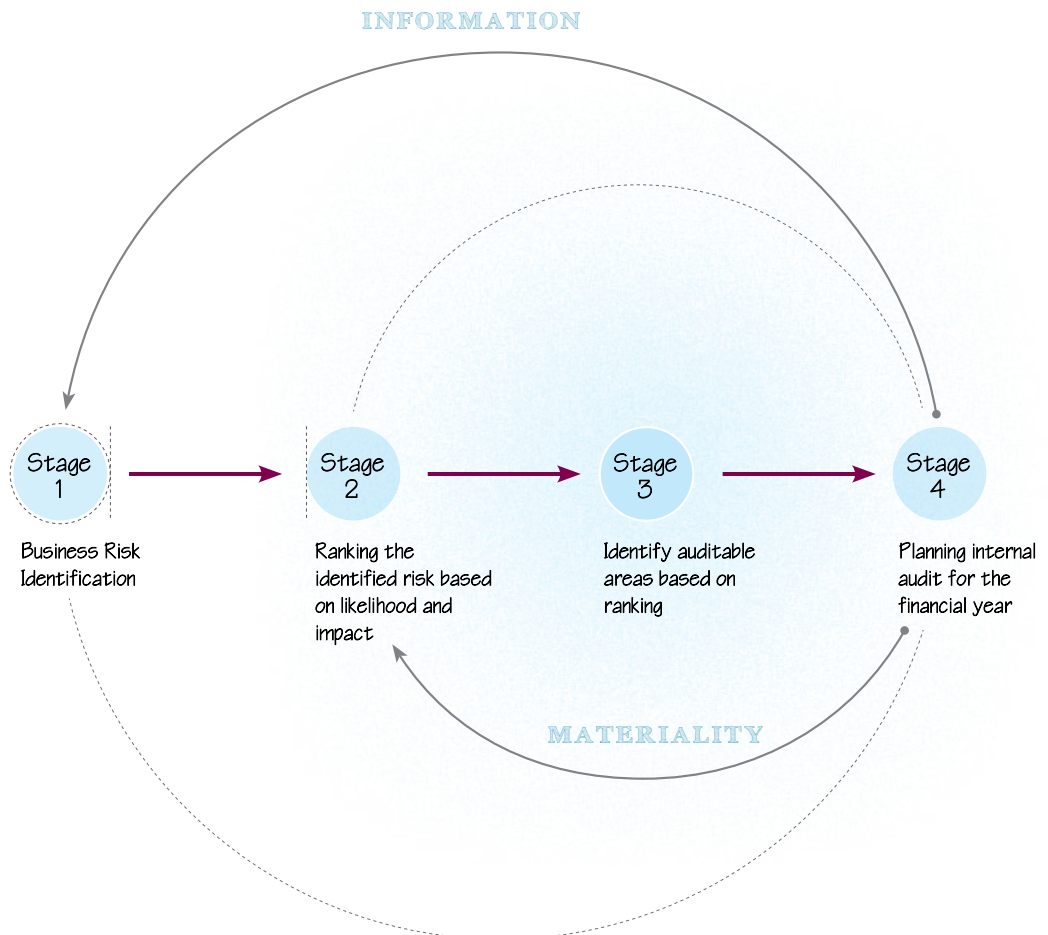
Key functions of the Internal Audit Department include the following:

- Objectively evaluating current risks and the internal control framework
- Systematically analyzing business process and associated controls
- Reviewing the existence and value of assets
- Providing information on major frauds and irregularities
- Ad hoc review of other areas of concern, including unacceptable levels of risk



- Reviewing the compliance framework and specific compliance issues
- Reviewing operational and financial performance
- Making recommendations for more effective and efficient use of resources
- Assessing the accomplishment of corporate goals and objectives
- Providing feedback on adherence to organizational values and code of conduct/code of ethics
- Monitoring compliance with Company's policies and procedures
- Reviewing systems for ensuring legislative or regulatory issues impacting the Company are recognized and addressed properly
- Conducting special investigative reviews at the request of Management/Board

Based on a thorough evaluation and previous audit findings the department's key focus areas for the financial year 2014/15 were identified to be Fixed Asset Management and the Asset Utilization processes. The evaluation process of identifying key focus areas consists of a four stages approach.



COMPANY POLICIES

Quality Policy

AEL has always been concerned about its multifaceted stakeholders ranging from customers, its dedicated and committed staff, principals, subcontractors, suppliers and the society at large. This concern is driven by the Company's commitment to satisfy customer needs by providing high quality civil construction services with effective, efficient and innovative solutions. This commitment is met by continually improving the quality management system whilst adhering to the ISO 9001:2008 and other applicable regulatory requirements through cost effective, profitable, safe and sound environmental friendly operations.



Environment Policy

AEL recognizes that in carrying out its activities it has a responsibility to customers, employees and the general public to minimize environmental impacts. The Company's environmental policy has been devised around this motive to:

1. Ensure compliance with all applicable legal and other requirements, which relate to its environmental aspects.
2. Promote environmental awareness and commitment to the policy amongst all employees and stakeholders through training and communications to encourage suppliers and subcontractors to apply sound environmental principles.
3. Avoid the wastage of materials, water and energy by paying careful attention to their use.
4. Prevent pollution and minimize environmental disturbance from its activities.
5. Promote continual improvement by reviewing the environmental aspects related to Company activities by setting appropriate targets and objectives for improving performance.

This commitment is met by continually improving the environmental management system whilst adhering to the ISO 14001:2004 and other applicable regulatory requirements.

Health and Safety Policy

AEL is committed to uplift the living standards and the well-being of everyone who is affected by its operations. This commitment is strictly embedded in the Company's affairs via the Health and Safety Policy which focuses on preventing injury and ill health of employees and others affected by its operations and complying with all legal and other requirements to which it has subscribed.

AEL is firmly dedicated to promote awareness of health and safety and continuously improve the Health and Safety Management System and performance by periodically reviewing and making modifications of the same.

This commitment is met by continually improving the Health and Safety Management System whilst adhering to the OHSAS 18001 and other applicable regulatory requirements.

The above policies are enforced and implemented company-wide on a continuous basis. Effectiveness of their implementation is measured from time to time via periodic audits conducted both internally and externally.

BOARD COMMITTEES

Audit Committee

Appointed by the Board of Directors, the Committee comprises three (03) Independent Non-Executive Directors and One (01) Non-Executive Director of the Board.

Members of the Audit Committee

| | |
|---|------------------------------------|
| Niroshan Dakshina Gunaratne (Chairman) | Independent Non-Executive Director |
| Alexis Indrajit Lovell | Independent Non-Executive Director |
| Prof. Kulatilleke Arthanayake Malik Kumar Ranasinghe | Independent Non-Executive Director |
| Suresh Dilan Perera (Appointed w.e.f. 1st January 2014) | Non-Executive Director |
| Ranjan John Suriyakumar Gomez (Resigned w.e.f. 1st January 2014) | Non-Executive Director |



The Audit Committee Charter formalizes the authority, responsibilities and specific duties pertaining to the Committee as follows:

1. Overseeing preparation, presentation and adequacy of disclosures in the Financial Statements of the Company, in accordance with Sri Lanka Accounting Standards.
2. Ensuring compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial-related regulations and requirements.
3. Ascertaining that the Company's internal controls and risk management processes are adequate and meet the Sri Lanka Auditing Standards requirements.
4. Assessing the independence and performance of the Company's External Auditors.
5. Making recommendations to the Board pertaining to appointment, reappointment and removal of External Auditors and to approve remuneration and terms of engagement of the External Auditors.

Remuneration Committee

Comprising two (02) Independent Non-Executive Directors and one (01) Non-Executive Director of the Board, this Committee is appointed by the Board.

Members of the Remuneration Committee

| | |
|--|------------------------------------|
| Prof. Kulatilleke Arthanayake Malik Kumar Ranasinghe (Chairman) (Appointed as Chairman w.e.f. 1st January 2014) | Independent Non-Executive Director |
| Niroshan Dakshina Gunaratne | Independent Non-Executive Director |
| Suresh Dilan Perera (Appointed w.e.f. 1st January 2014) | Non-Executive Director |
| Ranjan John Suriyakumar Gomez (Resigned w.e.f. 1st January 2014) | Non-Executive Director |

With the primary objective of the Company's remuneration policy being effective enough to attract and retain the best human capital to sustain operations while rewarding performance, the Remuneration Committee is tasked with recommending the remuneration payable to the Executive Directors and Chief Executive Officer of the Company and/or equivalent position thereof. This recommendation is made to the Board, which is responsible for the final determination upon consideration of such recommendations.

Strategic Planning Committee

Essentially focusing on assessing existing and new investments, this Committee is responsible for identifying, appraising and monitoring the investment purview, in order to ensure optimum resource allocation by the Company.

Members of the Strategic Planning Committee

| | |
|--|--|
| Sumal Joseph Sanjiva Perera (Chairman) | Chairman |
| Joseph Christopher Joshua | Managing Director |
| Dalpadoruge Anton Rohana Fernando | Executive Director/ Chief Operating Officer |
| Alexis Indrajit Lovell | Independent Non-Executive Director |
| Prof. Kulatilleke Arthanayake Malik Kumar Ranasinghe | Independent Non-Executive Director |



The Committee's mandate includes:

1. Formulating criteria and guidelines for assessing existing and new investments.
2. Planning investments periodically, targeting at optimum utilization of resources.
3. Reviewing existing investments.
4. Assessing new investments for strategic fit, risk profile, profitability and future potential.
5. Making recommendations to the Board on investment portfolio, contingency planning and desired future corporate goals.

Compliance Committee

The Compliance Committee is appointed by the Chief Operating Officer and is set up to further strengthen good governance at Corporate Management Level. This mechanism will bridge the gap between the Senior Management and the Board of Directors when important decisions are to be made on operational issues. The Board oversees the performance of the Company against the triple bottom line objectives and codes of conduct based on the recommendations made by the Compliance Committee via the COO.

Members of the Compliance Committee

| | |
|----------------------------|--|
| Rohana Fernando (Chairman) | Chief Operating Officer/ Executive Director |
| V K Manatunge (Convener) | Senior General Manager |
| Palitha Wanigasundara | General Manager (Project Management Division III) |
| Manoj Jayahsuriya | General Manager (Project Management Division I) |
| Kosala Wickramasinghe | Deputy General Manager (Project Management Division II) |
| A A Fernando | Deputy General Manager (Project Co-ordinating) |
| Niroshan Thilakaratne | Deputy General Manager (Commercial) |

The Committee's mandate includes:

1. Establish and monitor if the organization's objectives are met.
2. Evaluate Company policies, formulate new policies, advise and take the initiative to revise existing policies.
3. Ensure that policies are in compliance with laws and regulations.
4. Ensure that project management, accounting, procurement, stores and human resource functions are carried out according to established processes and procedures.
5. Ensure that control systems are laid down and operated to promote the most economic, efficient and effective use of resources as well as safeguard assets.



COMPANY'S ADHERENCE TO THE REQUIREMENTS STIPULATED IN SECTION 7.10 ON 'CORPORATE GOVERNANCE' OF THE CONTINUING LISTING REQUIREMENTS OF THE COLOMBO STOCK EXCHANGE

| Principle | Description | Comment | Status of Compliance |
|--|--|---|----------------------|
| 7.10.1 Non-Executive Directors | | | |
| | <p>(a) The Board of Directors of a Listed Entity shall include at least</p> <ul style="list-style-type: none"> - Two Non-Executive Directors; or - Such number of Non-Executive Directors equivalent to one-third of the total number of Directors whichever is higher. <p>(b) The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.</p> <p>(c) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.</p> | <p>The Board comprises of ten (10) Directors of which five (05) are Executive Directors and five (05) are Non-Executive Directors.</p> | Complied |
| 7.10.2 Independent Directors | | | |
| | <p>(a) Where the constitution of the Board of Directors includes only two Non-Executive Directors in terms of Rule 7.10.1 above, both such Non-Executive Directors shall be independent. In all other instances two or 1/3 of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'independent'.</p> <p>(b) The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria. A specimen of the said declaration is given in Appendix 7A of this Section.</p> | <p>The Board comprises of five (05) Non-Executive Directors out of which three (03) are independent.</p> <p>Each NED signs and submits an annual declaration to the Board of his independence against the criteria specified in Appendix 7A of the Listing Rules.</p> | Complied |
| 7.10.3 Disclosure Relating to Directors | | | |
| | <p>(a) The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director based on such declaration and other information available to the Board and shall set out in the Annual Report the names of Directors determined to be independent.</p> <p>(b) In the event a Director does not qualify as 'independent' against any of the criteria set-out below but if the Board, taking account all the circumstances, is of the opinion that the Director is nevertheless 'independent', the Board shall specify the criteria not met and the basis for its determination in the Annual Report.</p> <p>(c) In addition to disclosures relating to the independence of a Director set out above, the Board shall publish in its Annual Report a brief resume of each Director on its Board which includes information on the nature of his/her expertise in relevant functional areas.</p> <p>(d) Upon appointment of a new Director to its Board, the Entity shall forthwith provide to the exchange a brief résumé of such Director for dissemination to the public. Such résumé shall include information on the matters itemized in paragraphs (a), (b) and (c) above.</p> | <p>The Company annually reviews the independence or non-independence of each of the Non-Executive Directors and the names of Directors determined to be independent are disclosed on page 137 of the Annual Report.</p> <p>Brief résumés of all Directors are found on page 94 of the Report.</p> <p>Upon Mr. S D Perera being appointed to the Board, a brief résumé was forwarded to the exchange for public dissemination.</p> | Complied |



| Principle | Description | Comment | Status of Compliance |
|---|---|---|----------------------|
| 7.10.4 Criteria for defining 'Independence' | | | |
| | <p>Subject to Rule 7.10.3 (a) and (b), a Non-Executive Director shall not be considered independent if he/she -</p> <ul style="list-style-type: none"> • Has been employed by the Listed Entity during the period of two years immediately preceding appointment as Director. • Currently has/had during the period of two (02) years immediately preceding appointment as a Director, a Material Business Relationship with the Listed Entity, whether directly or indirectly. • Has a close family member who is a Director, Chief Executive Officer (and/or equivalent position) in the listed Entity. • Has a significant shareholding in the Entity. • Has served on the Board of the listed entity continuously for a period exceeding nine (09) years from the date of the first appointment; provided however, if such Director is reappointed after a period of two (02) years from the date of completion of the preceding nine (09) year period, he will be considered as 'independent' for the purpose of this section. • Is employed in another company or business - <ul style="list-style-type: none"> - In which a majority of the other Directors of the listed entity are employed or are Directors; or - In which a majority of the other Directors of the listed entity have a significant shareholding or material business relationships; or - That has significant shareholding in the listed entity or with which the listed entity has a business connection. • Is a Director of another company - <ul style="list-style-type: none"> - In which a majority of the other Directors of the listed entity are employed or are Directors, - That has a business connection in the listed entity or a significant shareholding. • Has a material business relationship or a significant shareholding in another company or business - <ul style="list-style-type: none"> - In which a majority of the other Directors of the listed entity are employed or are Directors; and or - Which has a business connection with the listed entity or significant shareholding in the same. | <p>In determining the Independence/ Non-Independence of the NEDs the Company takes into account criteria specified in Section 7.10.4.</p> | <p>Complied</p> |
| 7.10.5 Remuneration Committee | | | |
| A listed entity shall have a Remuneration Committee in conformity with the following: | | | |
| | <p>(a) Composition The Remuneration Committee shall comprise; of a minimum of two Independent Non-Executive Directors (in instances where an entity has only two Directors on its Board); or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.</p> | <p>The Remuneration Committee of the Company consists of three (03) Non-Executive Directors out of which two (02) are independent.</p> | <p>Complied</p> |



| Principle | Description | Comment | Status of Compliance |
|---|---|--|----------------------|
| | <p>(b) Functions The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the listed entity and/or equivalent position thereof, to the Board of the listed entity which will make the final determination upon consideration of such recommendations.</p> | <p>The Remuneration Committee operates with the primary objective of ensuring that the remuneration policy of the Company is effective enough to attract and retain the best human capital. The Committee holds the responsibility of recommending the remuneration payable to the Executive Directors of the Company.</p> <p>The recommendation is made to the Board, which is responsible for the final determination upon consideration of such recommendations.</p> | Complied |
| | <p>(c) Disclosure in the Annual Report The Annual Report should set out the names of Directors (or persons in the Parent Company's Committee in the case of a Group Company) comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.</p> | <p>Details with regard to the Remuneration Committee and the remuneration policy of the Company are disclosed on page 104 of this Report.</p> <p>Refer Note 36.4 of 'Notes to the Financial Statements' for a disclosure of the aggregate remuneration paid to Executive and Non-Executive Directors.</p> | Complied |
| 7.10.6 Audit Committee | | | |
| A Listed entity shall have an Audit Committee in conformity with the following: | | | |
| | <p>(a) Composition The Audit Committee shall comprise:</p> <ul style="list-style-type: none"> - Of a minimum of two Independent Non-Executive Directors (in instances where a entity has only two Directors on its Board); or - Of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher. | <p>The Audit Committee of the Company comprises of three (03) Independent Non-Executive Directors and one (01) Non-Executive Director of the Board. Two (02) members of the Committee are members of professional accounting bodies.</p> | Complied |
| | <p>(b) Functions Shall include -</p> <ol style="list-style-type: none"> 1. Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements of a listed entity, in accordance with Sri Lanka Accounting Standards. 2. Overseeing of the entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. 3. Overseeing the processes to ensure that the entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards. 4. Assessment of the independence and performance of the Entity's External Auditors. 5. To make recommendations to the Board pertaining to appointment, reappointment and removal of External Auditors and to approve the remuneration and terms of engagement of the External Auditors. | <p>The Charter of the Audit Committee of the Company includes the following:</p> <ul style="list-style-type: none"> • Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements of the Company, in accordance with the Sri Lanka Accounting Standards. • Ensuring compliance with financial reporting requirements of the Companies Act and other relevant financial-related regulations and requirements; • Ascertaining that the Company's internal controls and risk management processes are adequate and meet the Sri Lanka Auditing Standards requirements; • Assessing the independence and performance of the Company's External Auditors; • Making recommendations to the Board pertaining to appointment, reappointment and removal of External Auditors and to approve remuneration and terms of engagement of the External Auditors. | Complied |



| Principle | Description | Comment | Status of Compliance |
|-----------|--|--|----------------------|
| | <p>(c) Disclosure in the Annual Report The names of the Directors (or persons in the Parent Company's Committee in the case of a Group Company) comprising the Audit Committee should be disclosed in the Annual Report.</p> <p>The Committee shall make a determination of the independence of the Auditors and shall disclose the basis for such determination in the Annual Report.</p> <p>The Annual Report shall contain a report by the Audit Committee, setting out the manner of compliance by the entity in relation to the above, during the period to which the Annual Report relates.</p> | <p>Composition of the Audit Committee is disclosed on page 123 of the Annual Report.</p> <p>Independence of the Auditors is disclosed on page 138 of the Annual Report.</p> <p>Audit Committee Report is found on page 123 of the Annual Report.</p> | Complied |

COMPANY'S ADHERENCE TO CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE ISSUED JOINTLY BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA AND THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

SECTION 01: THE COMPANY

| Principle | Description | Comment | Extent of Compliance | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| A. Directors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A.1 The Board | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A.1 | Every public company should be headed by an Effective Board, which should direct, lead and control the Company. | <p>The Company is headed by a Board comprising of ten (10) members. Primary objective of the Board is to provide necessary stewardship in achieving the vision of the Company. Composition of the Board is as follows:</p> <ul style="list-style-type: none"> • Five (05) Executive Directors • Two (02) Non-Executive Directors • Three (03) Independent Non-Executive Directors | Complied | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A.1.1 | The Board should meet regularly. Board meetings should be held at least once in every quarter of a financial year, in order to effectively execute Board's responsibilities, while providing information to the Board on a structured and regular basis. | <p>During the year five (05) Board meetings were conducted the attendance of which was as follows:</p> <p>Note -</p> <ul style="list-style-type: none"> • Mr. T A G Fernando ceased to be a Director with effect from 30th September 2013 • Mr. S D Perera was appointed to the Board with effect from 3rd December 2013 <table border="1"> <thead> <tr> <th></th> <th>14th May 2013</th> <th>02nd Aug. 2013</th> <th>05th Nov. 2013</th> <th>03rd Dec. 2013</th> <th>11th Feb. 2014</th> </tr> </thead> <tbody> <tr> <td>Mr. S J S Perera</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Mr. R J S Gomez</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Mr. J C Joshua</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Mr. S H S Mendis</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Mr. D A R Fernando</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Mr. T A G Fernando</td> <td>√</td> <td>√</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Mr. S D Munasinghe</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Prof. K A M K Ranasinghe</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Mr. N D Gunaratne</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Mr. A I Lovell</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>-</td> </tr> <tr> <td>Mr. S D Perera</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>√</td> </tr> </tbody> </table> | | 14th May 2013 | 02nd Aug. 2013 | 05th Nov. 2013 | 03rd Dec. 2013 | 11th Feb. 2014 | Mr. S J S Perera | √ | √ | √ | √ | √ | Mr. R J S Gomez | √ | √ | √ | √ | √ | Mr. J C Joshua | √ | √ | √ | √ | √ | Mr. S H S Mendis | √ | √ | √ | √ | √ | Mr. D A R Fernando | √ | √ | √ | √ | √ | Mr. T A G Fernando | √ | √ | - | - | - | Mr. S D Munasinghe | √ | √ | √ | √ | √ | Prof. K A M K Ranasinghe | √ | √ | √ | √ | √ | Mr. N D Gunaratne | √ | √ | √ | √ | √ | Mr. A I Lovell | √ | √ | √ | √ | - | Mr. S D Perera | - | - | - | - | √ | Complied |
| | 14th May 2013 | 02nd Aug. 2013 | 05th Nov. 2013 | 03rd Dec. 2013 | 11th Feb. 2014 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. S J S Perera | √ | √ | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. R J S Gomez | √ | √ | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. J C Joshua | √ | √ | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. S H S Mendis | √ | √ | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. D A R Fernando | √ | √ | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. T A G Fernando | √ | √ | - | - | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. S D Munasinghe | √ | √ | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Prof. K A M K Ranasinghe | √ | √ | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. N D Gunaratne | √ | √ | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. A I Lovell | √ | √ | √ | √ | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. S D Perera | - | - | - | - | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



Corporate Governance

| Principle | Description | Comment | Extent of Compliance |
|-----------|---|---|----------------------|
| A.1.2 | The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. | The Board of Directors provides the entrepreneurial leadership through effective formulation and execution of strategies. The system of internal controls which is based on a 'Risk Assessment Approach' ensures safety, reliability, profitability and integrity of the organization within a broader framework of enterprise risk management. The Board is responsible for the efficient functioning of the system. | Complied |
| A.1.3 | The Board collectively, and Directors individually, must act in accordance with the laws of the country, as applicable to the business enterprise. There should be a procedure agreed to by the Board of Directors, to obtain independent professional advice where necessary, at the Company's expense. | The Board complies with the sound framework of business practices in place which ensures compliance with existing laws and regulations as well as best practices. In matters of strategic importance to the Company, the Board obtains independent professional advice if it deems necessary. | Complied |
| A.1.4 | All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board in ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Any questions of the removal of the Company Secretary should be a matter for the Board as a whole. | All Directors had access to the services of a professional secretarial company which ensured that the Board received information on a timely manner for the effective conduct of meetings. The firm also provided the Board with advice on matters relating to compliance with rules and regulations. | Complied |
| A.1.5 | All Directors should bring independent judgment to bear on issues of strategy, performance, resources (including key appointments) and standards of business conduct. | All Directors are encouraged to bring independent judgment on matter relating to strategic direction of the Company, effective utilization of resources and performance. Transparency of the judgments is further enhanced with the existence of three (03) Independent Non-Executive Directors who continue to critically evaluate the decisions of the Executive Directors. | Complied |
| A.1.6 | Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged. It must be recognized that Directors have to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting. This should be supplemented by a time allocation for familiarization with business changes, operations, risks and controls. | All Directors dedicated an adequate amount of time on matters relating to the Company and the Board. Their contribution to the Company was evident in the participation at Board meetings, Board Subcommittee meetings and in the decisions passed via circular resolution. | Complied |
| A.1.7 | Every Director should receive appropriate training when first appointed to the Board of a company, and subsequently as necessary. Training curricula should encompass both general aspects of directorship and matters specific to the particular industry/company concerned. A Director must recognize that there is a need for continuous training and an expansion of the knowledge and skills required to effectively perform his duties as a Director. The Board should regularly review and agree the training and development needs of the Directors. | The Board of Directors attend training programmes which are required for the effective execution of their duties as and when necessary. Engineering professionals on the Board attended workshops and professional events that were organized by National Engineering Institutions. | Complied |



| Principle | Description | Comment | Extent of Compliance |
|---|---|---|----------------------|
| A.2 Chairman and Chief Executive Officer (CEO) | | | |
| A.2 | There are two key tasks at the top of every public company - conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision. | Decision-making at the highest level happens by adopting the rule of simple majority. No one individual is vested with unfettered powers of decision-making. | Complied |
| A.2.1 | A decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the Annual Report. | The Chairman is mainly responsible for directing the affairs of the Board while maintaining effective external relationships. Day-to-day affairs of the Company are headed by the Managing Director who is supported by the Director/Chief Operating Officer (COO). | Complied |
| A.3 Chairman's Role | | | |
| A.3 | The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions. | As the highest member of the organization, the Chairman is committed to the practice of good corporate governance. As the head at the Board meetings, the Chairman ensures that the objectives of the meeting are achieved and adequately discussed among the members. | Complied |
| A.3.1 | The Chairman should conduct Board proceedings in a proper manner. | The Chairman is responsible for making sure that the agenda, minutes of prior meetings, Board papers are circulated among the members in advance giving sufficient time for preparation. He encourages active and effective participation of all Board members facilitating productive discussions. The Chairman is also responsible for making the Board members aware of the importance of creating value to all stakeholders of the Company. | Complied |
| A.4 Financial Acumen | | | |
| A.4 | The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance. | The Board comprises of four (04) members with extensive knowledge and experience in financial matters and who are professionally qualified in finance. This is further strengthened since three (03) of these members operate in a non-executive capacity. In addition, rest of the Board members sufficiently possess knowledge on financial matters based on experience gathered in their respective fields. | Complied |
| A.5 Board Balance | | | |
| A.5 | It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking. | The Board comprises of ten (10) Directors of which five (05) are Executive Directors and five (05) are Non-Executive Directors. Thus no individual or small group of individuals can dominate the Board's decision-taking. | Complied |
| A.5.1 | The Board should include Non-Executive Directors of sufficient calibre and number for their views to carry significant weight in the Board's decisions. The Board should include at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one-third of total number of Directors, whichever is higher. In the event the Chairman and CEO is the same person, Non-Executive Directors should comprise a majority of the Board. | 50% of the Board of Directors of the Company operates in a non-executive capacity. Every NED on the Board has excelled in either engineering or finance disciplines. Thus their contribution to the decision-making of the Board was noteworthy during the year. | Complied |



Corporate Governance

| Principle | Description | Comment | Extent of Compliance |
|-----------|--|--|----------------------|
| A.5.2 | Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non-Executive Directors should be 'independent'. In all other instances two or one-third of Non-Executive Directors appointed to the Board of Directors whichever is higher should be 'independent'. | The Board of Directors of the Company comprises of five (05) Non-Executive Directors out of which three (03) are Independent. | Complied |
| A.5.3 | For a Director to be deemed 'independent' such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment. | Three (03) Non-Executive Directors on the Board are not involved in day-to-day affairs of the Company and they do not have any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment. Additionally each Independent NED submits a written declaration of his independence to the Board on an annual basis. | Complied |
| A.5.4 | Each Non-Executive Director should submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria set out in the specimen in Schedule H of the Code. | During the year each Non-Executive Director submitted a dated and signed declaration regarding their independence against the specified criteria set out in Schedule H of the Code. | Complied |
| A.5.5 | The Board should make a determination annually as to the independence or non-independence of each Non-Executive Director based on such a declaration made of decided criteria and other information available to the Board. The Board should determine whether the Director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgment. The Board should specify the criteria not met and the basis for its determination in the Annual Report, if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which indicate the contrary and should set-out in the Annual Report the names of Directors determined to be 'independent'. | Based on the declarations submitted to the Board and other information available, the following NEDs' of the Board were decided to be independent: <ul style="list-style-type: none"> • Mr. A I Lovell • Prof. K A M K Ranasinghe • Mr. N D Gunaratne | Complied |
| A.5.6 | If an alternate Director is appointed by a Non-Executive Director such alternate Director should not be an executive of the Company. If an alternate Director is appointed by an independent Director, the person who is appointed also should meet the criteria of independence and the provision on minimum number of Independent Directors also should be satisfied. | This is not applicable as there are no alternate Directors in the Company. | Not Applicable |
| A.5.7 | In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent Non-Executive Directors to be the 'Senior Independent Director' (SID) and disclose this appointment in the Annual Report. | This is not applicable as the Chairman of the Company is not the CEO. | Not Applicable |
| A.5.8 | The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company. | Not Applicable | Not Applicable |



| Principle | Description | Comment | Extent of Compliance |
|--------------------------------------|---|---|----------------------|
| A.5.9 | The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once in each year. | The Chairman holds meetings with the NEDs' without the presence of Executive Directors as and when necessary. During the year three (03) such meetings were held. | Complied |
| A.5.10 | Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes. | Matters of the Company that the BOD was unable to resolve unanimously were recorded by the Company Secretary in detail in the Board minutes. These minutes were circulated among the Board members prior to the next meeting. | Complied |
| A.6 Supply of Information | | | |
| A.6 | The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties. | The Board was provided with timely information by way of Management Reports and Board Papers during the year. | Complied |
| A.6.1 | Management has an obligation to provide the Board with appropriate and timely information, but information volunteered by management may not be enough in all circumstances and Directors should make further inquiries where necessary. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings. | Members of the Board (mainly executive) are provided with Management Reports and Project Performance Reports on a monthly basis. In instances where additional information is required the same is requested from the corporate management or the responsible individuals. | Complied |
| A.6.2 | The minutes, agenda and papers required for a Board meeting should ordinarily be provided to Directors at least seven (07) days before the meeting, to facilitate its effective conduct. | Effective conduct of the Board meetings was facilitated through the proper circulation of agenda, Board minutes and other papers among the Directors by the Company Secretary seven (07) days before the meeting. | Complied |
| A.7 Appointments to the Board | | | |
| A.7 | There should be a formal and transparent procedure for the appointment of new Directors to the Board. | All Board appointments are based on the capacity of the individual concerned to pass the 'fit & proper' test which in turn is based on the qualifications, experience and the value that can be added by the individual to the Board as well as to the Company. Existing Directors are vested with the autonomy to critically evaluate the potential candidate in the above test and a final decision is taken by the Board collectively. | Complied |
| A.7.1 | Nomination Committee should be established to make recommendations to the Board on all new Board appointments. Terms of Reference for Nomination Committees are set out in Schedule A. The Chairman and members of the Nomination Committee should be identified in the Annual Report. | The Company does not have a Nomination Committee in place. However the existing Board members function in a manner that is similar to a formally appointed Nomination Committee in matters concerning new appointments to the Board. | Complied |
| A.7.2 | The Nomination Committee or in the absence of a Nomination Committee, the Board as a whole should annually assess Board-composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessment should be taken into account when new Board appointments are considered and when incumbent Directors come up for re-election. | During the year the Board critically evaluated the 'quality' of the Board in terms of their qualifications, experience and the value that can be added to the Company to effectively meet the demands of the Company. The results of this assessment were utilized by the Board in appointing Mr. S D Perera as a NED. | Complied |



Corporate Governance

| Principle | Description | Comment | Extent of Compliance |
|---|--|---|----------------------|
| A.7.3 | <p>Upon the appointment of a new Director to the Board, the Company should forthwith disclose to shareholders -</p> <ul style="list-style-type: none"> • A brief résumé of the Director; • The nature of his expertise in relevant functional areas; • The names of companies in which the Director holds directorships or memberships in Board Committees; and • Whether such Director can be considered independent. | <p>Upon Mr. S D Perera being appointed to the Board during the year, a brief résumé containing all information requirements were submitted to the CSE for public dissemination.</p> | Complied |
| A.8 Re-Election | | | |
| A.8 | All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years. | Directors are Re-elected with the sanction of the shareholders at the Annual General Meeting of the Company. 2013 saw the re-election of Prof. K A M K Ranasinghe who retired by rotation in terms of the Articles of Association of the Company. | Complied |
| A.8.1 | Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director, and their reappointment should not be automatic. | In terms of the Articles of Association of the Company one NED is required to retire by rotation every year. The re-election of NEDs' is sanctioned by the shareholders at the AGM of the Company. | Complied |
| A.8.2 | All Directors including the Chairman of the Board, should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years. The names of Directors submitted for election or re-election should be accompanied by a résumé minimally as set out in paragraph A.7.3 above, to enable shareholders to make an informed decision on their election. | Mr. S D Perera who was appointed to the Board during the year will stand for election at the AGM. A brief résumé of him is found in page 82 of this Report. | Complied |
| A.9 Appraisal of Board Performance | | | |
| A.9 | Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged. | Performance of the Board is evaluated from time to time with at least once a year to ensure that responsibilities are satisfactorily discharged. | Complied |
| A.9.1 | The Board should annually appraise itself on its performance in the discharge of its key responsibilities. | Performance of the Board for the FY 2013/14 was assessed at the first Board meeting conducted for the FY 2014/15. The evaluation was done against the targets and goals set at the beginning of the FY 2013/14. | Complied |
| A.9.2 | The Board should also undertake an annual self-evaluation of its own performance and that of its committees. | Members of the Board and Board Committees carried out self-assessments of their performance for the FY 2013/14 against targets set at the beginning. Minutes of the results of these assessments were recorded by the Company Secretary. | Complied |
| A.9.3 | The Board should state how such performance evaluations have been conducted in the Annual Report. | Refer A.9.2 above | Complied |
| A.10 Disclosure of Information in Respect of Directors | | | |
| A.10 | Shareholders should be kept advised of relevant details in respect of Directors. | Shareholders are informed as and when necessary about changes to the Board, interest in the shares of the Company and other relevant details via disclosures and financial results released to the CSE for public dissemination. | Complied |
| A.10.1 | The Annual Report of the Company should set out the relevant information in relation to each Director. | Profiles of Directors of the Board, attendance at Board meetings and Board Committee meetings are given in pages 94, 109 and 123 respectively. | Complied |



| Principle | Description | Comment | Extent of Compliance |
|--|---|---|----------------------|
| A.11 Appraisal of Chief Executive Officer | | | |
| A.11 | The Board should be required at least annually to assess the performance of the CEO. | Not applicable as the Company doesn't have a CEO. | Not Applicable |
| A.11.1 | At the commencement of every fiscal year, the Board in consultation with the CEO, should set, in line with the short, medium and long term objectives of the Company, reasonable financial and non-financial targets that should be met by the CEO during the year. | Not applicable as the Company doesn't have a CEO. | Not Applicable |
| A.11.2 | The performance of the CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances. | Not applicable as the Company doesn't have a CEO. | Not Applicable |
| B. Directors' Remuneration | | | |
| B.1 Remuneration Procedure | | | |
| B.1 | Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration. | Remuneration payable to the Executive Directors of the Company is recommended by the Remuneration Committee. Remuneration payable to the Non-Executive Directors of the Company is recommended by the Board as a whole. No Director is involved in deciding his own remuneration. | Complied |
| B.1.1 | To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed Terms of Reference, on the Company's framework of remunerating Executive Directors. (These also include Post-Employment Benefits as well as Terminal Benefits.) | The Remuneration Committee is responsible for recommending the remuneration payable to the Executive Directors. The Committee makes recommendations to the Board which is responsible for the final determination. | Complied |
| B.1.2 | Remuneration Committees should consist exclusively of Non-Executive Directors, and should have a Chairman, who should be appointed by the Board. | The Remuneration Committee appointed by the Board consisted of three (03) Non-Executive Directors. | Complied |
| B.1.3 | The Chairman and the members of the Remuneration Committee should be listed in the Annual Report each year. | Details of the Remuneration Committee are given on page 104 of this Report. | Complied |
| B.1.4 | The Board as a whole, or where required by the Articles of Association the shareholders, should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee, within the limits set in the Articles of Association. Where permitted by the Articles, the Board may delegate this responsibility to a sub-committee of the Board, which might include the CEO. | Remuneration payable to the Non-Executive Directors is decided by the Board as a whole. | Complied |
| B.1.5 | The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice from within and outside the Company, in discharging their responsibilities. | The Remuneration Committee consulted the Chairman and the Managing Director in providing recommendations regarding the remuneration of other Executive Directors. The Chairman or the MD is not remunerated by the Company. | Complied |



| Principle | Description | Comment | Extent of Compliance |
|--|---|--|----------------------|
| B.2 The Level and Make Up of Remuneration | | | |
| B.2 | Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance. | The remuneration package of both Executive and Non-Executive Directors is based on a variety of factors including their contribution to the Company, market rates of remuneration and their expectation. Portion of the remuneration of the Executive Directors' is linked to their performance. | Complied |
| B.2.1 | The Remuneration Committee should provide packages needed to attract, retain and motivate Executive Directors of the quality requires but should avoid paying more than is necessary for this purpose. | The Remuneration Committee considers the value addition of Executive Directors in structuring their remuneration packages so as to ensure that nothing is paid more than necessary. | Complied |
| B.2.2 | The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies. It should be aware what comparable companies are paying and should take account of relative performance, but should use such comparisons with caution, mindful of the risk that they can result in an increase of remuneration levels with no corresponding improvement in performance. | The Committee conducts an analysis of competitors in deciding the levels of remuneration of the Company. | Complied |
| B.2.3 | The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or Group of which it is a part, especially when determining the annual salary increases. | Companies within the Group operate in different industry and market sectors where the remuneration and employment conditions are substantially different to those of the Company. | Not Applicable |
| B.2.4 | The performance related elements of remuneration of Executive Directors should be designed and tailored to align their interest with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest level. | The extent of contribution and value addition towards achieving the set targets and objectives of a particular year is the key determinant in deciding the performance related element of the remuneration of the Executive Directors. | Complied |
| B.2.5 | Executive share options should not be offered at a discount (i.e less than market price prevailing at the time the exercise price is determined), save as permitted by the Listing Rules of the Colombo Stock Exchange. | Not applicable as there are no Executive share options in the Company. | Not Applicable |
| B.2.6 | In designing schemes of performance related remuneration, Remuneration Committee should follow the provisions set out in Schedule E. | Provisions of Schedule E of the Code were followed in designing schemes of performance related remuneration. | Complied |
| B.2.7 | Remuneration Committee should consider what compensation commitments (including pension contributions) their Directors contracts of service, if any, entail in the event of early termination. Remuneration Committees should in particular, consider the advantages of providing explicitly for such compensation commitments to apply other than in the case of removal for misconduct, in initial contracts. | There are no compensation commitments (including pension contributions) in Directors contracts of service. | Not Applicable |
| B.2.8 | Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committees should, within legal constraints tailor their approach in early termination cases to the relevant circumstances. The Board's aim should be, to avoid rewarding poor performance while dealing fairly with case where departure is not due to poor performance. | Not applicable as the Company's objective is to avoid early termination by all means. | Not Applicable |



| Principle | Description | Comment | Extent of Compliance |
|---|---|---|----------------------|
| B.2.9 | Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role taking in to consideration market practices. Remuneration for Non-Executive Directors should not normally include share options. If exceptionally options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the Non-Executive Director leaves the Board. Holding share options could be relevant to the determination of a Non-Executive Directors independence. | The remuneration of Non-Executive Directors reflects the degree of responsibilities and the level of time commitment extended by them in contributing to the Company's decision-making. The NEDs' do not have any share options in the Company. | Complied |
| B.3 Disclosure of Remuneration | | | |
| B.3 | The Company Annual Report should contain a Statement of Remuneration Policy and details of the Board as a whole. | Compensation paid to Key Management Personnel is given on page 176 of this Report. | Partly Complied |
| B.3.1 | The Annual Report should set out the names of Directors (or persons in the Parent Company's committee in the case of a Group Company) comprising the Remuneration Committee, contain a statement of remuneration policy and set-out the aggregate remuneration paid to Executive and Non-Executive Directors. | Names of the members of the Remuneration Committee and the remuneration policy of the Company are found in page 104 of this Report. The compensation paid to Key Management Personnel is given on page 176 of this Report. | Partly Complied |
| C. Relations with Shareholders | | | |
| C.1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings | | | |
| C.1 | Boards should use the AGM to communicate with shareholders and should encourage their participation. | The Company considers the AGM as the key tool of communication with shareholders. The Notice of Meeting inviting all shareholders is given on page 196 of this Report. | Complied |
| C.1.1 | Companies should count all proxy votes and should indicate the level of proxies lodged on each resolution and the balance for and against the resolution and withheld after it has been dealt with on a show of hands, except where poll is called. | Secretaries of the Company records and counts all Proxy Forms lodged on each resolution. | Complied |
| C.1.2 | Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts. | To receive and consider the Annual Report and Accounts is the first resolution adopted at every AGM. Further, the Company proposes separate resolutions on each substantially separate issue. | Complied |
| C.1.3 | The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration and Nomination Committees to be available to answer questions at the AGM relating to the adoption of the report and accounts. | The Chairmen of Audit and Remuneration Committees attended the 2nd AGM of the Company and answered questions as directed. | Complied |
| C.1.4 | Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting. | All related papers and the Notice of Meeting are sent to the shareholders 15 days before the AGM. | Complied |
| C.1.5 | Companies should circulate with every Notice of General Meeting a summary of the procedures governing voting at General Meetings. | Summary of procedures governing voting at the General Meeting is distributed with the Notice of Meeting. | Complied |
| C.2 Communication with Shareholders | | | |
| C.2 | The Board should implement effective communication with shareholders. | The AGM and the Annual Report are the primary means of communication with shareholders. Additionally, the Company makes disclosures on material and price sensitive matters from time to time to the CSE for dissemination among the public. | Complied |



Corporate Governance

| Principle | Description | Comment | Extent of Compliance |
|--|---|---|----------------------|
| C.2.1 | There should be a channel to reach all shareholders of the Company in order to disseminate timely information. | The AGM and the Annual Report are the primary means of reaching all shareholders. Additionally, the Company makes disclosures on material and price sensitive matters from time to time to the CSE for timely dissemination of information. | Complied |
| C.2.2 | The Company should disclose the policy and methodology for communication with shareholders. | Same as above | Complied |
| C.2.3 | The Company should disclose how they implement the above policy and methodology. | The Company held its 2nd AGM on 12th September 2012 and disseminated the circular to shareholders, Proxy Form, the Notice of Meeting and the CD containing the Annual Report fifteen (15) days before. | Complied |
| C.2.4 | The Company should disclose the contact person for such communication. | The point of contact is given on page 9 of this Report. | Complied |
| C.2.5 | There should be a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company. | The shareholders are free to correspond with the Board either directly or through the Company Secretary as they wish. The Directors can also be met by the shareholders on appointment. | Complied |
| C.2.6 | The Company should decide the person to contact in relation to shareholder matters. The relevant person with statutory responsibilities to contact in relation to shareholder matters is the Company Secretary or his/her absence should be a member of the Board of Directors. | Both the Company Secretary as well as Members of the Board act as contact points in relation to shareholder matters. | Complied |
| C.2.7 | The process for responding to shareholder matters should be formulated by the Board and disclosed. | Responses for shareholder queries directly sent to individual members of the Board are sent by the respective members. Queries directed to the Company Secretary are responded by the Directors via the Company Secretary. | Complied |
| C.3 Major and Material Transactions | | | |
| C.3 | Further to complying with the requirements under the Companies Act, Securities and Exchange Commission Law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered in to, would materially alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated group net asset base. | No material transactions were entered into by the Company during the financial year. | Not Applicable |
| C.3.1 | Prior to a Company engaging in or committing to a 'Major related party involving the acquisition, sale or disposition of greater than one-third of the value of the Company's assets or that of a subsidiary which has a material bearing on the Company and/or consolidated net assets of the Company, or a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities, of greater than one-third of the value of the Company's assets, Directors should disclose to shareholders the purpose and material facts of such transactions and obtain shareholders' approval by ordinary resolution at an Extraordinary General Meeting. It also applies to transactions which have the purpose or effect of substantially altering the nature of the business carried on by the Company. | No major related party transactions were carried out by the Company during the financial year. | Not Applicable |



| Principle | Description | Comment | Extent of Compliance |
|------------------------------------|---|--|----------------------|
| D. Accountability and Audit | | | |
| D.1 Financial Reporting | | | |
| D.1 | The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects. | Annual Report containing the Audited Financial Statements, performance, prospects and Interim Financial Reports were released to the CSE within the period stipulated by the CSE and other regulatory authorities. | Complied |
| D.1.1 | The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements. | Audited Financial Statements giving a true and fair view of the operations of the Company, Interim Financial Statements and other price-sensitive disclosures are made by the Company periodically and as and when required in accordance with the applicable rules and regulations. | Complied |
| D.1.2 | The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors. | The Annual Report of the Board of Directors on the Affairs of the Company making the relevant declarations is given on page 136 of this Report. | Complied |
| D.1.3 | The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements, together with a statement by the Auditors about their reporting responsibilities. Further, the Annual Report should contain a Report/Statement on Internal Control. | 'Directors responsibility for Financial Reporting' and 'Statement of Auditors' are given on pages 142 and 143 respectively. | Complied |
| D.1.4 | The Annual Report should contain a 'Management Discussion and Analysis'. | 'MD & A' is given on pages 13-92 of this Report. | Complied |
| D.1.5 | The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary. | Refer Note 2.2 'Basis of Measurement' of 'Notes to the Financial Statements'. | Complied |
| D.1.6 | In the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting of the Company to notify shareholders of the position and of remedial action being taken. | Not applicable as there was no serious loss of capital during the year. | Not Applicable |
| D.1.7 | The Board should adequately and accurately disclose the related party transactions in its Annual Report. | Refer Note 36 of 'Notes to the Financial Statements'. | Complied |
| D.2 Internal Control | | | |
| D.2 | The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, risk management and internal control is a process, affected by a company's Board of Directors and management, designed to provide reasonable assurance regarding the achievement of Company's objectives. | The Company operates with a sound system of internal control within an integrated risk management framework that is formulated and ratified by the Board. The Board is responsible for effective operation of the system of internal controls to ensure the achievement of objectives. | Complied |
| D.2.1 | The Directors should, at least annually, conduct a review of the risks facing the Company and the effectiveness of the system of internal controls, so as to be able to report to shareholders as required in D.1.3. This could be made the responsibility of the Audit Committee. | Annual review of risks faced by the Company is conducted by the Directors. The Audit Committee Charter of the Company authorizes the Audit Committee to ascertain the adequacy of internal controls and risk management processes. | Complied |
| D.2.2 | Companies should have an internal audit function. | The Company has an Internal Audit Function headed by the 'Chief Internal Auditor'. | Complied |



Corporate Governance

| Principle | Description | Comment | Extent of Compliance |
|----------------------------|--|--|----------------------|
| D.2.3 | The Board should require the Audit Committee to carry out reviews of the process and effectiveness of Risk Management and internal controls, and to document to the Board and Board takes the responsibility for the disclosures on internal controls. | Operation and review of internal controls is done by the Internal Audit function as a continuous and on-going process. These reports are forwarded to the Audit Committee which in turn presents it to the Board. The Board is responsible for making disclosures on internal controls. | Complied |
| D.2.4 | The responsibilities of Directors in maintaining a sound system of internal control and the contents of the Statement of Internal Control should be in accordance with the Schedule K. | Refer page 142 for the Statement of Directors' Responsibility. | Complied |
| D.3 Audit Committee | | | |
| D.3 | The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors. | Accounting policies and financial reporting principles of the Company are formulated so as to ensure compliance with all applicable standards, rules and other regulations. At times the guidance of the External Auditors is also sought in this process. The Board maintains cordial relationships with the External Auditors. | Complied |
| D.3.1 | The Audit Committee should be comprised of a minimum of two (02) Independent Non-Executive Directors (in instances where a Company has only two Directors on its Board) or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher. The Chairman of the Committee should be a Non-Executive Director appointed by the Board. | The Audit Committee comprises of three (03) Independent Non-Executive Directors and one (01) Non-Executive Director of the Board. The Chairman of the Committee is an Independent Non-Executive Director. | Complied |
| D.3.2 | The duties of the Audit Committee should include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors. Where the Auditors also supply a substantial volume of non-audit services to the Company, the Committee should keep the nature and extent of such services under review, seeking to balance objectivity, independence and value for money. | Charter of the Audit Committee specifies duties of its members one of which is assessing the independence and performance of External Auditors. | Complied |
| D.3.3 | The Audit Committee should have a written Terms of Reference, dealing clearly with its authority and duties. The Audit Committee's written Terms of Reference must address - <ul style="list-style-type: none"> • The Committees purpose • The duties and responsibilities of the Audit Committee | The Audit Committee Charter specifies the Committee's purpose, duties and responsibilities | Complied |
| D.3.4 Disclosures | | | |
| D.3.4 | The names of Directors (persons in the Parent Company's Committee in the case of a Group Company) comprising the Audit Committee should be disclosed in the Annual Report. The Committee should also make a determination of the Independence of the Auditors and should disclose the basis of such determination in the Annual Report. The Annual Report should contain a report by the Audit Committee, setting out the manner of compliance by the Company, in relation to the above, during the period to which the Annual Report relates. | The composition of the Audit Committee is given on page 123 of this Report. A statement on the 'Independence of Auditors' is given in the 'Annual Report of the Board of Directors'. The Audit Committee Report is given on page 123 of this Report. | Complied |



| Principle | Description | Comment | Extent of Compliance |
|--|---|--|----------------------|
| D.4 Code of Business Conduct and Ethics | | | |
| D.4 | Companies must adopt a Code of Business Conduct and Ethics for Directors and Key Management Personnel and must promptly disclose any waivers of the Code for Directors or others. | Directors and Key Management Personnel are expected to comply with the 'Code of Ethics' of the Company outlined on page 101 of this Report. Said individuals have not violated or waived from the said 'Code of Ethics' during the year. | Complied |
| D.4.1 | All companies must disclose whether they have a Code of Business Conduct and Ethics for Directors and Key Management Personnel and if they have such a Code, make an affirmative declaration in the Annual Report that all Directors and Key Management Personnel have declared compliance with such Code, and if unable to make that declaration, state why they are unable to do so. Each Company may determine its own policies in the formulation of such a Code. | The 'Code of Ethics' of the Company is given on page 101 of this Report. The affirmative declaration on compliance with this Code is given on page 140 of this Report. | Complied |
| D.4.2 | The Chairman must affirm in the Company's Annual Report that he is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics. | Refer page 140 of this Report. | Complied |
| D.5 Corporate Governance Disclosure | | | |
| D.5 | Directors should be required to disclose the extent to which the Company adheres to established principles and practices of Good Corporate Governance. | This Report on the Company's compliance with the ICASL/SEC 'Code of Corporate Governance' meets this requirement. | Complied |
| D.5.1 | The Directors should include in the Company's Annual Report a Corporate Governance Report, setting out the manner and extent to which the Company has complied with the principles and provisions of this Code. | Same as D.5 | Complied |

SECTION 02: SHAREHOLDERS

| Principle | Description | Comment | Extent of Compliance |
|--|---|--|----------------------|
| E. Institutional Investors | | | |
| E.1 Shareholder Voting | | | |
| E.1 | Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice. | Board encourages the active participation of institutional shareholders at the AGM. In addition, Executive Directors meet institutional shareholders upon their request to discuss about the Company's past performance and future strategies. | Complied |
| E.1.1 | Listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole. | The most structured and continuous dialogue Company has with the shareholders is the AGM. The Chairman is available to meet shareholders at the end of each AGM and can be met on appointment on other occasions. The Chairman then communicates the views and concerns of shareholders to the Board as a whole. | Complied |
| E.2 Evaluation of Governance Disclosure | | | |
| E.2 | When evaluating companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention. | Institutional investors are encouraged to give due weight to all relevant factors drawn to their attention in evaluating Company's governance arrangements. | Complied |



Corporate Governance

| Principle | Description | Comment | Extent of Compliance |
|---|---|--|----------------------|
| F. Other Investors | | | |
| F.1 Investing/Divesting Decisions | | | |
| F.1 | Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. | The Company encourages individual shareholders to carry out adequate analysis or seek independent advice in investing or divesting decisions. The Company facilitates this process by providing information necessary for the same on a timely and unbiased basis. | Complied |
| F.2 | Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights. | The Company encourages individual shareholders to participate in General Meetings and exercise their voting rights. | Complied |
| G. Sustainability Reporting | | | |
| G.1 Principles of Sustainability Reporting | | | |
| G.1.1 | Economic Sustainability The principle of economic sustainability governance recognizes how organizations take responsibility for impacts of their strategies, decisions and activities on economic performance and corporate citizenship in their sphere of influence (including geographic) and how this is integrated throughout the organization. | Refer page 193 of this Report for a full list of performance indicators relating to economic sustainability. | Complied |
| G.1.2 | The Environment Environmental Governance of an organization should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities, including pollution prevention, sustainable resource use, climate change, protection of environment, biodiversity and restoration of national resources. | Refer page 193 of this Report for a full list of performance indicators relating to the environment. | Complied |
| G.1.3 | Labour Practices Labour Practices Governance of an organization encompass all policies and practices relating to work performed by or on behalf of the organization. | Refer page 194 of this Report for a full list of performance indicators relating to labour practices. | Complied |
| G.1.4 | Society Society Governance encompasses support for and building a relationship with the community and striving for sustainable development including responsible public policy participation, fair competition and responsible community involvement. | Refer page 194 of this Report for a full list of performance indicators relating to the society. | Complied |
| G.1.5 | Product Responsibility Product Responsibility Governance includes manufacturing quality products and distributing them and ensuring that the products are safe for the consumers and the environment and also communicating clearly with consumers so that they can make an informed choice including factual unbiased information and fair contractual practices and consumer data protection and privacy. | All construction-related activities of the Company are carried out with highest quality in accordance with the best practices adopted. The QMS of the Company is also ISO 9001:2008 certified. | Complied |
| G.1.6 | Stakeholder identification, engagement and effective communication. | Refer page 8 of this Report on stakeholder engagement. | Complied |
| G.1.7 | Sustainability reporting is and disclosure should be formalized as a part of the Company's reporting processes and take place on regular basis. | Prior to 2013/14 the Company produced stand-alone Sustainability Reports. This Report is the Company's first Integrated Report. | Complied |



Report of the Audit Committee

ROLE OF THE AUDIT COMMITTEE

The Audit Committee's authority, responsibilities and specific duties have been formalized through an Audit Committee Charter. The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities for the integrity of the Financial Statements of the Company and the Group, the internal control and risk management systems of the Group and its compliance with legal and regulatory requirements, the External Auditors' performance, qualifications and independence.

Composition of the Committee

The Audit Committee of AEL is appointed by the Board of Directors and the present Committee comprises of three (03) Independent Non-Executive Directors and one (01) Non-Executive Director of the Board.

Members of the Audit Committee are as follows:

| | |
|---|------------------------------------|
| Mr. Niroshan Dakshina Gunaratne (Chairman) | Independent Non-Executive Director |
| Mr. Alexis Indrajit Lovell | Independent Non-Executive Director |
| Prof. Kulatilleke Arthanayake Malik Kumar Ranasinghe | Independent Non-Executive Director |
| Mr. Suresh Dilhan Perera (Appointed w.e.f. 1st January 2014) | Non-Executive Director |

Mr. Ranjan John Suriyakumar Gomez who served on the Committee resigned with effect from 1st January 2014 and I thank him for his valuable support given in discharging my duties. Mr. Suresh Dilhan Perera joined us with effect from 1st January 2014. While welcoming him, I'm confident that his wealth of experience will contribute to the effective functioning of the Committee.

Meetings and Attendance

The Committee met on the following occasions to discuss matters relating to the financial year of which the Members' attendance was as follows:

| Name | 2nd August 2013 | 5th November 2013 | 11th February 2014 | 22nd May 2014 |
|--|--------------------|----------------------|-----------------------|------------------|
| Mr. Niroshan Dakshina Gunaratne (Chairman) | ✓ | ✓ | ✓ | ✓ |
| Mr. Alexis Indrajit Lovell | ✓ | ✓ | – | ✓ |
| Prof. Kulatilleke Arthanayake Malik Kumar Ranasinghe | ✓ | ✓ | ✓ | ✓ |
| Mr. Ranjan John Suriyakumar Gomez (Resigned w.e.f. 1st January 2014) | – | ✓ | – | – |
| Mr. S D Perera (Appointed w.e.f. 1st January 2014) | – | – | ✓ | ✓ |

In addition to the committee members, the meetings were attended by the Director/COO, DGM - Finance, DGM - Commercial and the Chief Internal Auditor on invitation. The Company Secretaries were also present at every meeting.

**Activities**

The Committee performed the following tasks in relation to the financial year under review:

- Review and recommendation of the Audited and Interim Financial Statements of the Group/ Company to the Board of Directors prior to releasing same to the CSE.
- Review and of the 'Compliance Report' and its enforcement to ensure compliance with all legal and regulatory requirements.
- Review of the progress of the implementation of the Enterprise Resource Planning System.
- Oversight of the internal audit function and review of quarterly internal audit report.
- Review of the Internal Audit Plan for 2014/15.

Support to the Committee

The Committee received information and support from the management as required in enabling them to fulfil their responsibilities.

External Auditors

The Committee concurs with the declaration of the External Auditors of their independence in relation to the affairs of the Group. The Audit Committee has recommended the reappointment of Messrs KPMG as the External Auditors for the financial year 2014/15.

Conclusion

The Audit Committee is satisfied that the Company's accounting policies and operational controls are sufficient and provide reasonable assurance that the affairs of the Company are managed in accordance with the Group policies and that Group assets are properly accounted for and adequately safeguarded.

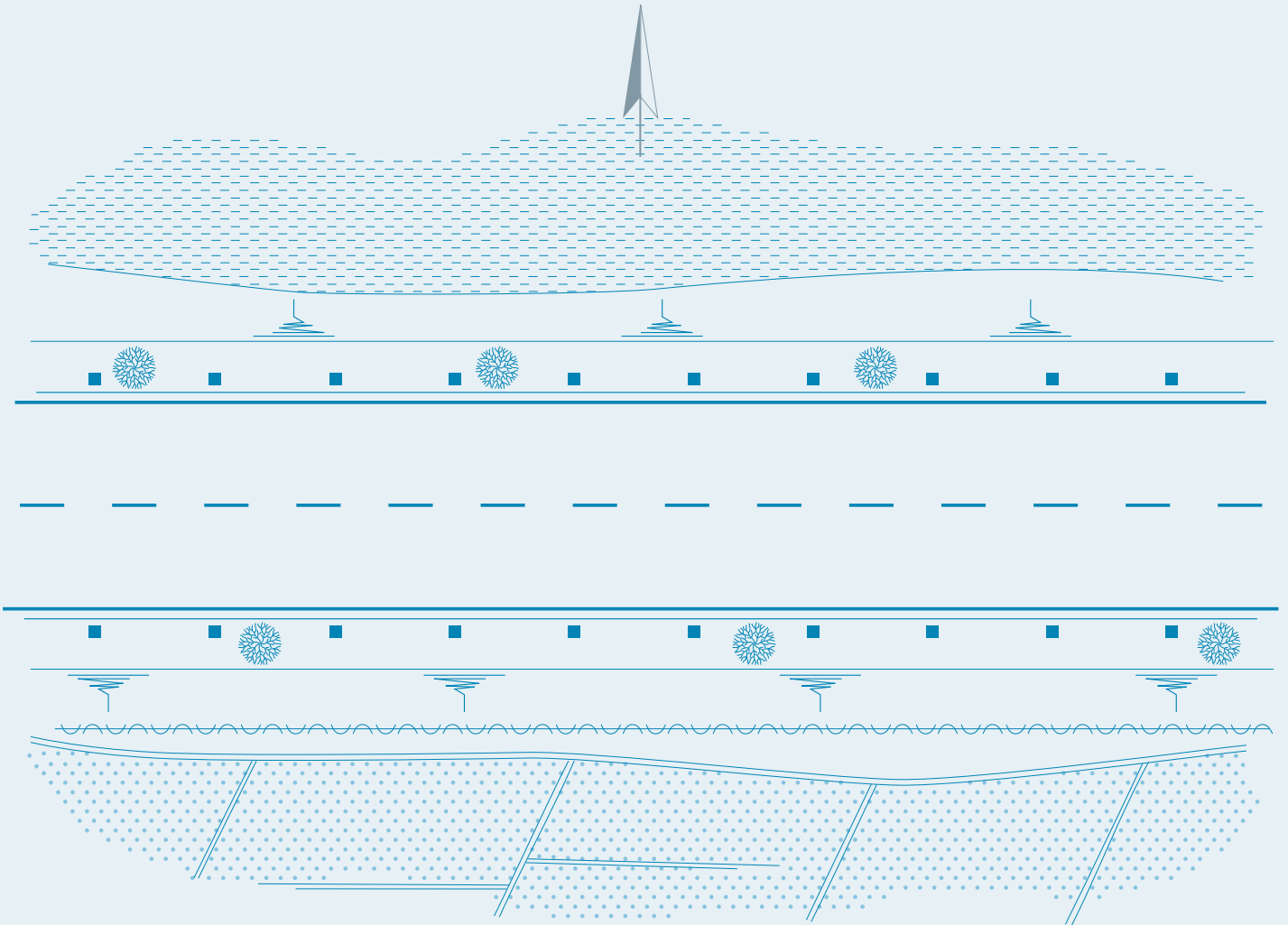
A handwritten signature in black ink, appearing to read 'N D Gunaratne'.

N D Gunaratne
Chairman

17th July 2014

A COMMITMENT TO SUCCESS

The pursuit of excellence, sustainability and value leads to success. That's the macro picture...and that's a statement of fact. More compelling yet, are the myriad achievements we've garnered along this journey that translate into...a successful track record.



Over the Past Three Years

- Company revenue was Rs. 6.9 Bn, Rs. 11.4 Bn and Rs. 13.2 Bn respectively.
- The average value of a road project has increased from Rs. 99 Mn to Rs. 520 Mn, road projects accounting for more than 50% of turnover at Company level.



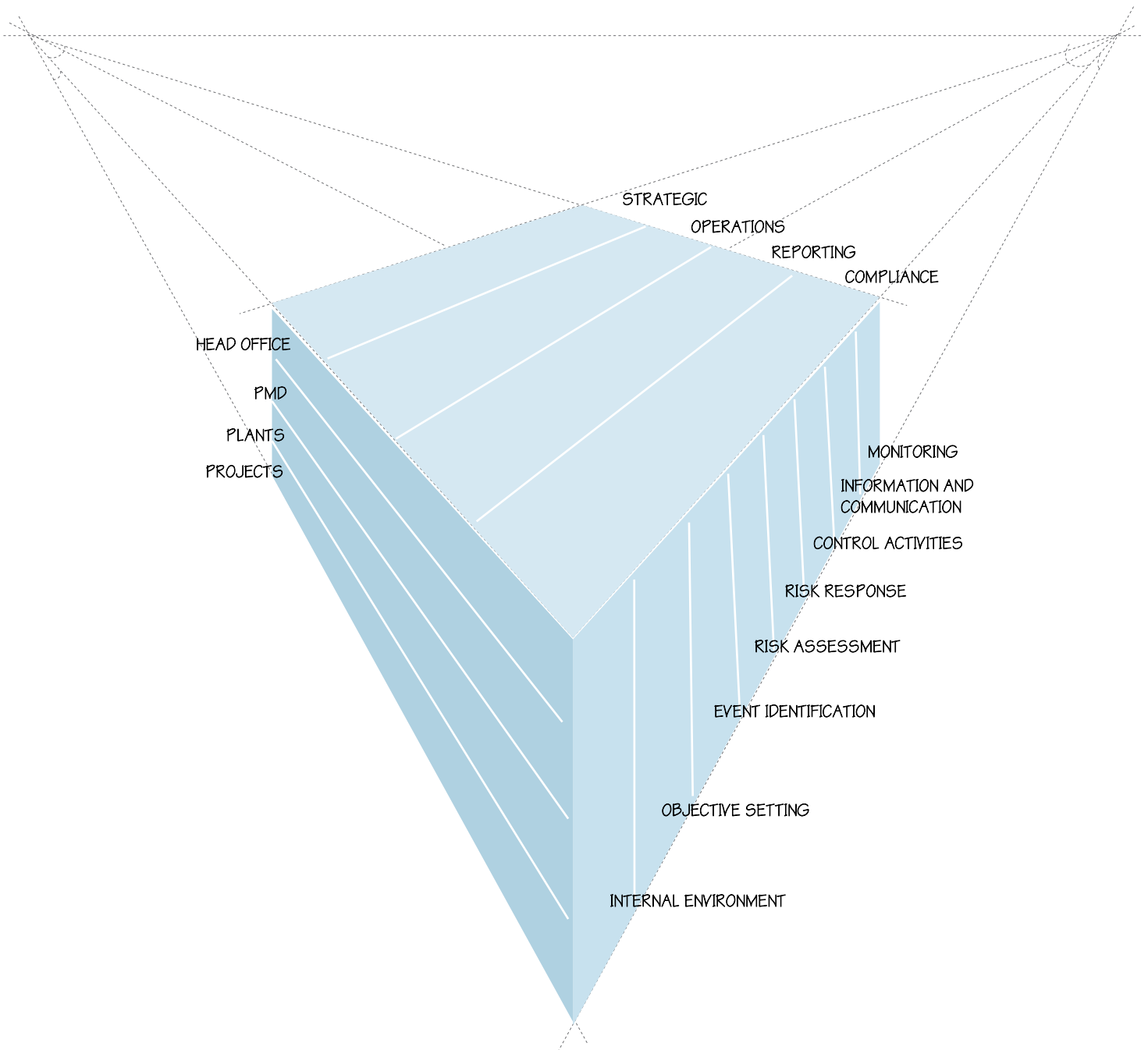
Kantale-Trincomalee Road



Enterprise Risk Management

At Access Engineering key risks are being effectively managed through the implementation of a robust risk management framework that operates in a positive, open and honest culture.

RISK MANAGEMENT FRAMEWORK AND PROCESS





1. Internal Environment

- Strategic decisions on risk management structure and policy from Board of Directors, Audit Committee, Corporate Management and Special Committees.
- Operational decisions on risk management processes.
- Determine reporting and compliance level.

2. Objective Setting

- Identify the objectives of each project of Access Engineering PLC and the Company as a whole.
- Identify the objectives of shareholders.
- Position the audit to evaluate current status of risk management process.
- Objective setting for risk management based on Company and shareholder objectives.
- Ensure that the risk management objectives are correlated to the Company's Vision and Mission.
- Determine the risk appetite of the organization.

Risk Appetite

Risk appetite is the correlation between risk and return of the organization.
(Attitude towards risk)

3. Identify Risks (Event Identification)

We identify the risks faced by the organization with possible categorization. The following categories are considered:

- Business and operational risks
- Financial risks
- Legal and regulatory risks
- Strategic risks

The following techniques can be used to identify risks:

- Interviews
- Trend analysis
- Research
- Predictions
- Past performances

4. Risk Assessment

4.1 Analyze Risks

Risk analysis is carried out by identifying a specific risk based on a significant activity of the Company. Risks identified in a risk portfolio which is mentioned below is then assessed based on likelihood of the occurrence and severity of the risk.

Risks are further analyzed by preparing Qualitative Risks Analysis and Quantitative Risk Analysis.

Qualitative Risk Analysis - Risk is analyzed based on the subjective evaluation of probability and impact. This method is quick and convenient due to pre-defined rating scale and flexibility. No sophisticated system would be required when carrying out this method.



Quantitative Risk Analysis - Risk is analyzed based on the probable estimate of time and cost. This method is time consuming due to the requirement of specific and large volumes of accurate information.

4.2 Evaluate Risks

This step includes risk prioritization and comparing the necessary course of action to be taken against existing internal controls.

In this process the feasibility of a course of action for prioritized risks is also evaluated in order to ensure effective allocation of resources for risk treatment.

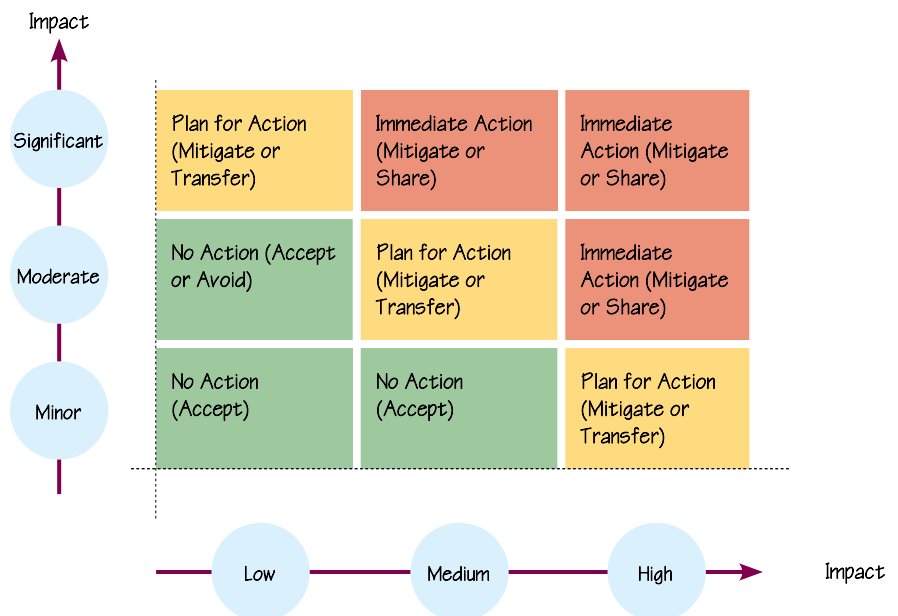
4.3 Risk Matrix for Risk Assessment

The following risk matrix is developed as a technique for analyzing and evaluating risk. This matrix mainly focuses on risk analysis based on qualitative perception.

The likelihood of occurrence of a risk is determined based on past experience, industry and organizational trends and judgment basis.

The severity of a risk is the potential financial or a non-financial loss/damage to the organization. This can also be determined based on experience, discussion, calculation, judgment etc.

Based on likelihood and severity, risks are categorized into three categories where relevant actions are proposed. Accordingly, risks need to be monitored, communicated or controlled. These three areas are identified based on the risk tolerance (appetite) limits agreed.





Assessing Likelihood of a Risk

| Value | Estimation | Descriptor | Indicator |
|-------|--|------------|-----------|
| 1 | Predictable. Very low likelihood. May have occurred in the past, Might be detected once or twice | Low | |
| 2 | Occurred in the past. Anticipate significant number of incidents in working life | Medium | |
| 3 | Occurs frequently. Anticipate higher number of incidents in working life | High | |

Assessing Severity of Risk Based on Consequence

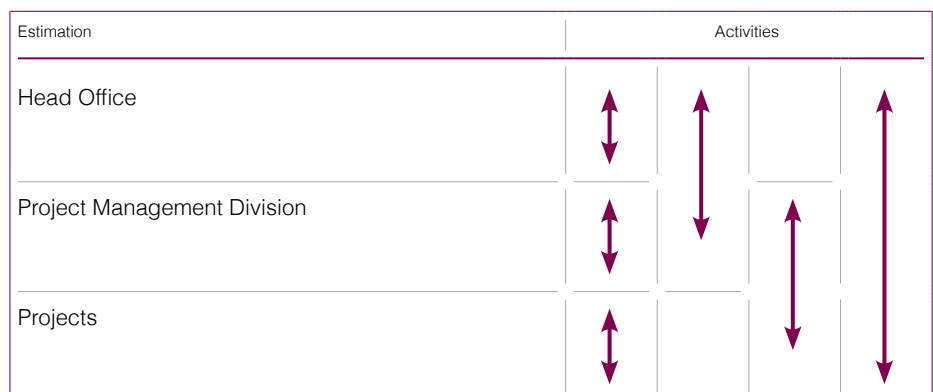
| Value | Estimation | Descriptor | Indicator |
|-------|--|-------------|-----------|
| 1 | Very little evidence for loss of business based on existing consequences. Or no impact is expected | Minor | |
| 2 | Significant evidence for loss of business due to existing impact | Moderate | |
| 3 | Loss of business due to higher impact | Significant | |

Plan of Action

| Value | Estimation | Descriptor | Indicator |
|-------|--|------------------|-----------|
| 1 - 2 | Accept the risk with no action or accept with monitoring risk while maintaining existing controls (Accept or Avoid) | No action | |
| 3 - 4 | Take action to amend the existing control processes as they are insufficient before incurring severe damage. (Mitigate or Transfer) | Plan for action | |
| 6 - 9 | Immediate and extensive action required due to inadequacy or ineffectiveness of current controls, with strict monitoring and controlling process (Mitigate or Share) | Immediate action | |

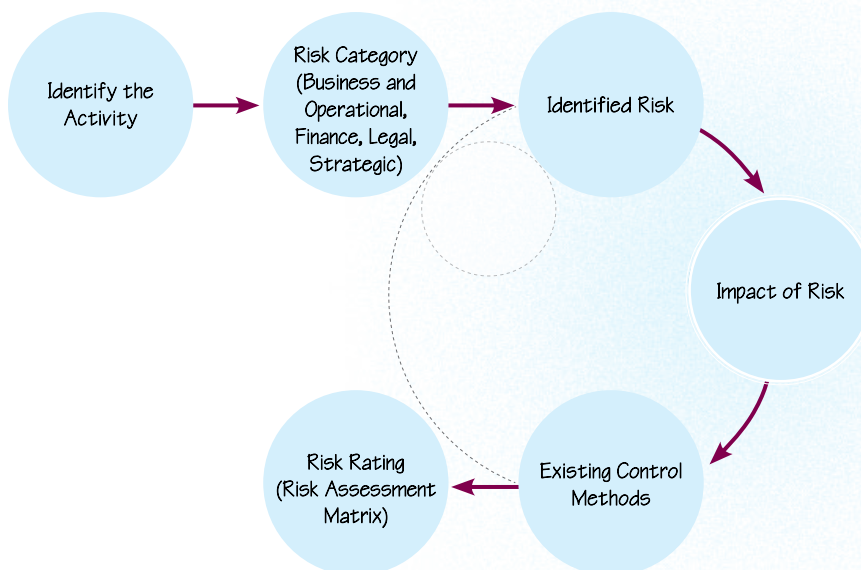
Summary of the Risk Analysis Process

Activities (Processes) of Access Engineering PLC





Risk Rating Process



5. Risk Response

Broad risk treatment approaches are identified through the risk matrix. General control approaches that can be used as Risk Treatment are -

Risk Avoidance - Avoid the risk due to unacceptability of identified risk. Not highly recommended due to correlation of risk and opportunity.

Acceptance - Risk is accepted due to insignificance, non-feasibility or ineffectiveness of an action plan. The level of risk is managed and monitored continuously.

Sharing or Transfer - One of the mitigation procedures where the risk is transferred to a third party.

Mitigation - Implementing feasible and effective strategic action plan to reduce the risk to an acceptable level.

6. Control Activities

Appropriate control methods have been taken based on the risk appetite of the Company.

7. Communicate and Consult

Effective communication is required in all stages of the Risk Management Process. Specific approaches for risk reporting need to be implemented, such as -

- Risk register
- Residual risk report
- Identify new types of Risks
- Sequent position audit
- Periodic reviews
- Feedback reports

8. Monitor and Review

The risk management structure/policy and framework is reviewed and updated regularly. The effectiveness of the process and actions taken is also reviewed to incorporate necessary changes.



Risk Identification

The list of risks faced by the organization on a regular basis, the consequences of the risk and current mitigation actions are mentioned in the following table. This is reviewed based on management feedback and sometimes new response action are decided based on the quantum of certain risks:

| Business and Operational Risks | Consequences | Responses |
|--|--|---|
| Project delays and cost over-runs | Could lead to penalties and negative image This could also negatively affect securing of future projects | Detailed project planning Project progress review meetings Customer relationship management |
| Quality | Faulty constructions or below standard output could lead to negative image, penalties and hazards to third parties. Also earnings could be negatively affected from possible reworks | Detailed project planning Adherence to quality and safety standards (ISO 9001-2008 QMS) Regular internal audits |
| Product portfolio (Less diversity in income streams) | This can lead to high income volatility | Venturing to areas identified as related and unrelated diversification |
| Dependence on clients | Dependence on a few clients could lead to them dictating terms and high income volatility | Customer relationship managers to communicate regularly with the client Approaching both private and public sector clients |
| Dependence on partners/subcontractors | Quality issues could arise and dependence could lead to unfavourable terms in contracting | Screening and review of subcontractors periodically Working with a reliable and diverse range of subcontractors Looking for new markets |
| Staffing issues | Project execution issues | Manpower planning |
| Health and safety of employees | Could lead to workplace accidents, penalties, negative image and hiring difficulties in future projects | OHSAS certification Providing necessary safety equipment to all sites Focused training on H&S to all employees Insurance coverage to mitigate unforeseeable risks |
| Environmental damages | Construction inherently results in changes to the natural environment. Damage of this nature will be viewed negatively by stakeholders | Green engineering philosophy Adherence to ISO 14001 R&D into new techniques in construction which cause less impact to the environment |
| Changes in technology | Obsolescence of machinery/systems etc. | R&D |
| Competition | Increased competition has the possibility of reducing market share and margins | Efforts to maintain industry positioning Practice of value engineering philosophy ensuring value addition to clientele Increasing efficiency through R&D Dedicated Business Development Teams continuously seeking new opportunities |
| IT systems | Information security and access to accurate information when required could be threatened | IT policy Scheduled backup system Regular maintenance of hardware |
| Procurement Risk | Low quality material Loss of competitive advantage Frauds | Conduct regular supplier evaluation Confirm the quality of material Appropriate segmentation and proper responsibility allocation |
| Human Resource Risk | Higher labour turnover Increase in wastage | Conduct regular evaluation and reward best performance Conduct time based training and development |



Enterprise Risk Management

| Business and Operational Risks | Consequences | Responses |
|---|---|--|
| Plant Breakdowns | <p>Delay in sales</p> <p>Possible penalty</p> <p>Idling cost</p> | <p>Conduct regular quality checks</p> <p>Preventive maintenance</p> |
| Wastage | Excess cash outflow | <p>Ensure appropriate storage methods</p> <p>Deliver proper instructions on material storage</p> |
| Asset Utilization | <p>Negative net present value</p> <p>Loss of assets</p> <p>Compensations due to unsuitable disposal methods</p> <p>Cost increases</p> | <p>Conduct a feasibility study prior to investment</p> <p>Maintain proper documentation on asset purchase, usage, depreciation, transfers and disposals.</p> <p>Evaluate appropriate disposal methods prior to disposal</p> |
| Vehicle machinery and equipment breakdown | <p>Issues in project completion</p> <p>Loss of productivity</p> | <p>Conduct regular quality checks</p> <p>Evaluate supplier selection criteria</p> |
| Financial Risks | Consequences | Responses |
| Forex risk | Impact on imports and potential for asset/liability translation risk | <p>Hedging (Forward contracts)</p> <p>Matching sales and purchases to same currency</p> |
| Interest rate risk | Potential high interest cost lowering net earnings and difficulty of financing new projects | <p>Maintaining low gearing</p> <p>Capital structure guidelines designed for each project at the planning stage</p> <p>Negotiations</p> <p>Use of various financial instruments to manage exposure</p> |
| Investment risk | New investments could have lower yields than expected. Also certain synergies planned will be difficult to execute due to issues of value alignment | <p>Board Committee for investment decisions Strategic Planning Committee</p> <p>Investment screening and adherence to predetermined criteria</p> |
| Liquidity risk | <p>Inability to honor short term liabilities and incurring of unnecessary finance cost</p> <p>Lenders/creditors losing trust on the Company</p> | <p>Cash flow forecasting and maintaining adequate cash and cash equivalent balance</p> <p>Agreed debtor/creditor settlement periods</p> <p>Closely monitoring project-wise net operating cash flow</p> <p>Maintaining cordial relationships with suppliers</p> <p>Secured and committed facilities from financial institutions</p> |
| Credit risk | Potential defaults and delay of payments and their negative impact on earnings | <p>Credit policy/approvals and regular reviews</p> <p>Creditworthy client base (mainly Government)</p> <p>Material payments being backed by Guarantees</p> <p>Entering to contractual agreements with clients</p> |
| Fraud and Error | Negative impact on earnings, image and a bad precedent for other employees | <p>Authority limits and internal controls</p> <p>Focused recruitment process</p> |
| Inflation | Lowering of margins | Agreeing on escalation provisions as required when contracting |



| Legal and Regulatory Risks | Consequences | Responses |
|------------------------------|--|---|
| Changes in Government policy | The industry is highly prone to these type of risks and adverse changes can lead to difficulties in project planning and execution | Monitoring of policy trends |
| Tax rates | Changes in tax rates might lead to possible reduction in earnings/margins | Forecasting and tax planning |
| Compliance | Non-compliance with applicable laws and contracts could lead to fines and a negative impact on the Company's corporate image | Adherence to corporate governance practices Careful review of agreements |

| Strategic Risks | Consequences | Responses |
|-----------------------------------|--|--|
| Corporate image | Loss of contracts and a negative effect on stakeholder engagement | Continuous effort in brand/image building |
| Business growth (Industry trends) | Inability to meet stakeholder requirements | Planning Continuous dialogue with stakeholders |
| Business relationships | Difficult to maintain industry positioning | High focus on credible business relationship management |
| Share price | Inability to achieve shareholder return targets leading to negative investor sentiment | Maintaining sound business fundamentals Investment screening Corporate communication |
| Talent management | Loss of business and strategy execution issues | Succession planning Focused reward management |

The significant impacts Access Engineering has on sustainability and associated challenges and opportunities are detailed below. Further explanation can be found on the HTML web version.

| Impacts | Challenges | Opportunities |
|---|--|---|
| Economic impacts | | |
| Growth in post-war infrastructure development | Securing adequate funds Securing resources including skilled labour | Creation of new business opportunities Creation of employment |
| Production of construction-related material | Cost and difficulty of securing construction plants Mass scale operations having a negative impact on the existing small scale businesses | Develop the existing businesses as part of the supply chain to improve the reliability and quality |
| High levels of borrowing relating to infrastructure development | Securing adequate funds to service capital and interest payments Possible devaluation of Rupee | None identified |
| Growth of supporting industries around construction | Maintaining acceptable levels of competition Funding and other resource requirements | Creation of business and employment opportunities National level initiative to provide start-up capital and know-how |
| Faulty constructions leading to damages and fines | Meeting quality standards and maintaining corporate reputation Rework and repair Payment of damages and fines | Strengthen quality management practices Use of innovative techniques in construction |



| Impacts | Challenges | Opportunities |
|---|--|---|
| Environmental impacts | | |
| Changes to eco-systems due to construction | Protecting the environment | Research and development (R&D) focusing on innovative techniques with less impact to the environment |
| Pollution of air, water and land | Protecting the balance of natural eco systems | Use of construction techniques that are less harmful R&D to improve products and services Recycling, re-using and reducing products & services |
| Usage of many non-renewable natural resources (sand, stones etc) | Depletion of non-renewable natural resources, sourcing material to future projects and price escalations | Invest in new technology for reducing material requirements Using alternative materials Recycling, re-using & reducing resource consumption wherever possible |
| Felling of trees to clear land for construction | Protecting trees | Trees planting campaigns Reforestation Raising awareness |
| Social impacts | | |
| Creation of many employment opportunities | Procuring employees of required skill on a continuous basis Prevention of child labour | Training and developing employees Raising the standards of living of people |
| Relocation of communities resulting from construction activities | Project planning Facilitating demands of pressure groups Finding suitable locations for relocation Financial compensation | Housing and infrastructure development projects for displaced communities Participation of pressure groups in project planning & execution |
| Health and safety of employees when engaging in risky operations | Training employees Providing safe working environments Maintaining reputation as a preferred employer in the industry | Investment in H&S programmes Raising awareness among staff Investment in new equipment and machinery |
| Professional development of employees and students involved in the industry | Establishing programmes for their professional development | CSR projects for mentoring and soft skills development CSR projects for industry specific skill development (masonry, carpentry) |

Financial Reports



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Financial Calendar

| | |
|------------------------------------|---------------------|
| 1st Quarter Report | 2nd August 2013 |
| 2nd Quarter Report | 5th November 2013 |
| 3rd Quarter Report | 2nd February 2014 |
| 4th Quarter Report | 21st May 2014 |
| 2nd Annual General Meeting | 12th September 2013 |
| First Interim Dividend for 2013/14 | 20th December 2013 |
| Final Dividend for 2013/14 | 28th July 2014 |



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

The Directors of Access Engineering PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2014.

This Annual Report of the Board on the affairs of the Company contains the information required in terms of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and is guided by recommended best practices.

GENERAL

Access Engineering PLC was incorporated in terms of the Companies Act No. 17 of 1982 on 31st July 2001 and was re-registered as per the Companies Act No. 07 of 2007 on 6th February 2008 with PB200 as the new number assigned to the Company. Thereafter, the Company obtained a listing on the Diru Savi Board of the Colombo Stock Exchange on 27th March 2012 and changed its name to Access Engineering PLC on 12th June 2012. The registration number of the Company changed to PB 200 PQ.

The Company is now listed on the Main Board of the Colombo Stock Exchange with effect from 8th January 2013.

PRINCIPAL ACTIVITIES OF THE COMPANY AND REVIEW OF PERFORMANCE DURING THE YEAR

The principal activities of the Company and its subsidiaries are referred to in Note 1.2 of the Notes to the Financial Statements. This report together with the Financial Statements reflect the state of affairs of the Company and its subsidiary.

FINANCIAL STATEMENTS

The Financial Statements of the Group prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures, duly signed by two Directors on behalf of the Board and the Auditors' are included in this Annual Report and forms part and parcel hereof.

INDEPENDENT AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company is given on page 143.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of Financial Statements of the Company and the Group are given on pages 149 to 156 of the Annual Report.

The Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards and the policies adopted thereof are given on pages 149 to 156 figures pertaining to the previous period have been re-stated where necessary to conform to the presentation for the year under review.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with requirements of the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

DIRECTORS

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on page 94.

**Executive Directors**

Mr. S J S Perera - Chairman
Mr. J C Joshua - Managing Director
Mr. D A R Fernando - Chief Operating Officer
Mr. S H S Mendis
Mr. T A G Fernando
Mr. S D Munasinghe

Non-Executive Directors

Mr. R J S Gomez
Mr. S D Perera (appointed w.e.f. 3rd December 2013)

Independent Non-Executive Directors

Prof. K A M K Ranasinghe
Mr. N D Gunaratne
Mr. A I Lovell

In terms of Article 88(i) of the Articles of Association Mr. N D Gunaratne shall retire by rotation and being eligible, is recommended by the Board for re-election at the forthcoming Annual General Meeting.

Mr. S D Perera who was appointed during the year shall retire in terms of Article 95 of the Articles of Association of the Company and being eligible, is recommended by the Directors for re-election.

Mr. T A G Fernando resigned from the Board and the Company on 30th September 2013.

Directors of subsidiary Companies are given in Annexure A of this Report.

INTERESTS REGISTER

The Company maintains an Interests Register in terms of the Companies Act No. 07 of 2007, which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interests Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors in the shares of the Company as at 31st March 2014 as recorded in the Interests Register are given in this Report under Directors' shareholding.

DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed under Key Management Personnel Compensation in Note 36.4 to the Financial Statements on page 176.

DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in contracts with the Company are stated below. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Except for the transactions referred to in Note 36 to the Financial Statements, the Company did not carry out any transaction with any of the Directors.

**AUDITORS**

Messrs KPMG, Chartered Accountants served as the Auditors during the year under review and also provided non audit/consultancy services. They do not have any interest in the Company other than that of Auditor and provider of tax related services.

A total amount of Rs. 1,805,000/- is payable by the Company to the Auditors for the year under review as audit fees. The Auditors did not provide any non-audit services during the year.

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

STATED CAPITAL

The Stated Capital of the Company is Rs. 9,000,000,000/- representing 1,000,000,000/- ordinary shares.

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31st March 2014 and 31st March 2013 are as follows:

| | Shareholding | |
|--------------------------|--------------------|-----------------|
| | 31st March 2014 | 31st March 2013 |
| Mr. S J S Perera | 250,000,000 | 250,000,000 |
| Mr. J C Joshua | 100,000,000 | 100,000,000 |
| Mr. R J S Gomez | 120,000,000 | 120,000,000 |
| Mr. D A R Fernando | 24,000,000 | 24,000,000 |
| Mr. S H S Mendis | 24,000,000 | 24,000,000 |
| Mr. S D Munasinghe | 24,000,000 | 24,000,000 |
| Prof. K A M K Ranasinghe | Nil | Nil |
| Mr. N D Gunaratne | Nil | Nil |
| Mr. A I Lovell | 16,000,000 | 16,000,000 |
| Mr. S D Perera | 2,000,000 | - |

SHAREHOLDERS

There were 2,196 shareholders registered as at 31st March 2014 (2,153 shareholders as at 31st March 2013). The details of distribution are given on page 69 of this Report.

MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on pages 69 to 72 under Investor Capital.

EMPLOYMENT POLICY

The Company's employment policy is totally non-discriminatory which respects individuals and provides carrier opportunities irrespective of the gender, race or religion.

As at 31st March 2014, 2,570 persons were in employment (3,245 persons as at 31st March 2013).

RESERVES

The reserves of the Company with the movements during the year are given in the Statement of Changes in Equity on page 146.

**LAND HOLDINGS**

Details of Property, Plant and Equipment and changes during the year are given in Note 15 of 'Notes to the Financial Statements'.

The extents, locations, valuations and the number of buildings of the Company's land holdings are given below:

| Location | Extent | | | Carrying Value of Revalued/Amortized Assets (Rs.) |
|---|--------|-----|-------|---|
| | A | R | P | |
| Access Engineering PLC | | | | |
| No. 336/1, Low Level Road, Jalthara, Ranala | - | 3.0 | 38.40 | 51,277,778 |
| No. 267, Dehiwala Road, Maharagama | - | 3.0 | 1.00 | 145,200,000 |
| No. 278, Alubogahalanda, Jalthara, Ranala | 3.0 | 3.0 | 4.86 | 53,333,333 |
| No. 117, Dehiwala Road, Boralesgamuwa | - | 2.0 | 37.00 | 100,000,000 |
| Dickowita - Hendala | 2.0 | 3.0 | 10.18 | 15,800,000 |
| Weliwita - Kaduwela | 2.0 | - | - | 40,000,000 |
| Access Realties (Private) Limited | | | | |
| Investment Property - Colombo 2 | 1.0 | - | 25.65 | 3,119,602,273 |
| Sathosa Motors PLC | | | | |
| Peliyagoda - Leasehold Land | 2.0 | - | 23.93 | 5,515,076 |
| Investment Property* | | | | 24,191,513 |

* Built on leasehold land

DIVIDENDS

An interim dividend of Rs. 0.25 per share was declared on 3rd December 2013 and paid to shareholders on 20th December 2013. Pursuant to resolution adopted on 8th July 2014, the Board of Directors of the Company approved the payment of a final dividend of fifty cents (0.50 cents) per share for the year ended 31st March 2014.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2014 are given in Notes 18, 19, 20 and 25 to the Financial Statements.

DONATIONS

The Company made donations amounting to Rs. 11,315,391/- in total, during the year under review. (2013 - Rs. 4,028,340/-).

RISK MANAGEMENT

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Enterprise Risk Management on pages 126 to 134.

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 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 Statement of Financial Position date have been paid or, where relevant provided for, except as specified in Note 37 to the Financial Statements covering commitments and contingencies.



CONTINGENT LIABILITIES

Except as disclosed in Note to the Financial Statements on page 177, there were no material Contingent Liabilities as at the Statement of Financial Position date.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Except for the matters disclosed in Note 38 to the Financial Statements on page 179. There are no material events as at the date of the Auditors' Report which require adjustment to, or disclosure in the Financial Statements.

CORPORATE GOVERNANCE

The Board of Directors confirm that the Company is compliant with section 7.10 of the Listing Rules of the CSE. The Chairman confirms that he is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics. Similarly the Board of Directors and the Key Management Personnel declare compliance with the Code of Business Conduct and Ethics of the Company.

An Audit Committee and a Remuneration Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows:

AUDIT COMMITTEE

Mr. N D Gunaratne - Chairman
Mr. A I Lovell
Prof. K A M K Ranasinghe
Mr. S D Perera

REMUNERATION COMMITTEE

Prof. K A M K Ranasinghe - Chairman
Mr. N D Gunaratne
Mr. S D Perera

STRATEGIC PLANNING COMMITTEE

Mr. S J S Perera - Chairman
Mr. J C Joshua
Mr. D A R Fernando
Mr. A I Lovell
Prof. K A M K Ranasinghe

The Corporate Governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 99 to 122 explains the measures adopted by the Company during the year.

CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility Programmes, details of which are set out on pages 84 to 86 of this Report.

ENVIRONMENTAL PROTECTION

After making adequate enquiries from the management, the Directors are satisfied that the Company operates in a manner that minimizes the detrimental effects on the environment and provides products and services that have a beneficial effect on the customers and the communities within which the Company operates.

**GOING CONCERN**

The Financial Statements are prepared on going concern principles. After making adequate enquires from the management, the Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future.

ANNUAL GENERAL MEETING

The Third Annual General Meeting will be on 28th August 2014.

The notice of the Annual General Meeting appears on page 196.

This Annual Report is signed for and on behalf of the Board of Directors by

S J S Perera
Chairman

J C Joshua
Managing Director

P W Corporate Secretarial (Private) Limited
Secretaries

17th July 2014
Colombo

ANNEXURE A TO THE ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

| Company Name | Name of Directors |
|-----------------------------------|--|
| Sathosa Motors PLC | <ul style="list-style-type: none"> • A de Zoysa - Chairman • A I Lovell - Deputy Chairman • S J S Perera - Managing Director • T D Gunasekara - Executive Director • M M N De Silva (Independent/Non-Executive Director) • J C Joshua (Non-Executive Director) • R J S Gomez (Non-Executive Director) • D A R Fernando • S H S Mendis • S D Munasinghe |
| Access Realties (Private) Limited | <ul style="list-style-type: none"> • S J S Perera • J C Joshua • R J S Gomez • D A R Fernando • S H S Mendis • S D Munasinghe • S D Perera |



Statement of Directors' Responsibility

This Statement sets out the responsibility of the Board of Directors in relation to the Financial Statements of the Company and its Subsidiaries. Responsibility of the Auditors in relation to the Financial Statements of the Company and its Subsidiaries is set out in the 'Independent Auditors' Report' given in page 143.

The Directors are responsible for the proper recording and maintenance of books of accounts of all transactions of the Company and its Subsidiaries under the provisions of the Companies Act No. 07 of 2007.

In terms of this Act the Directors are responsible for preparing Financial Statements that give a true and fair view of the state of the affairs of the Company and its Subsidiaries at the end of each financial year. These statements consist of the Statement of Comprehensive Income giving a true and fair view of the profit or loss of the Company and its Subsidiaries for the financial year, the Statement of Financial Position giving a true and fair view of the state of affairs of the Company and its Subsidiaries as at the end of the financial year, Statement of Changes in Equity, Cash Flow Statement and the Notes thereto.

In preparing these Financial Statements the Directors are required to ensure that -

- appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- Financial Statements are presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS); and reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected;
- Financial Statements provide the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange;
- The Company maintains with reasonable accuracy sufficient accounting records to disclose the financial position of the Company and the Group;
- Financial Statements have been prepared on a going concern basis and they are of the view that sufficient resources are available to justify it.

Further, the Directors confirm that they have taken reasonable measures to safeguard the assets of the Company and Group and in this regard have established appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The External Auditors were provided with all information and explanations necessary to enable them to form their independent opinion on the Financial Statements.

COMPLIANCE REPORT

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 reporting date have been paid or, where relevant, provided for, except as specified in Note 37 to the Financial Statements covering commitments and contingencies.

By Order of the Board,

P W Corporate Secretarial (Private) Limited
Secretaries

17th July 2014
Colombo



Independent Auditors' Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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Colombo 00300,
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Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF ACCESS ENGINEERING PLC Report on the Financial Statements

We have audited the accompanying financial statements of Access Engineering 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 31st March 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 144 to 187 of this annual report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion - Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2014 and the financial statements give a true and fair view of the financial position of the Company as at 31st March 2014, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion - Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31st March 2014, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

Chartered Accountants
17th July 2014
Colombo

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

| | | |
|---------------------------|-------------------------|----------------------------|
| M.R. Mihular FCA | P.Y.S. Perera FCA | C.P. Jayatilake FCA |
| T.J.S. Rajakarier FCA | W.W.J.C. Perera FCA | Ms. S. Joseph FCA |
| Ms. S.M.B. Jayasekara ACA | W.K.D.C. Abeyrathne ACA | S.T.D.L. Perera FCA |
| G.A.U. Karunaratne ACA | R.M.D.B. Rajapakse ACA | Ms. B.K.D.T.N. Rodrigo ACA |

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA



Statement of Comprehensive Income

Statement of Comprehensive Income

| For the year ended 31st March | Note | Group | | Company | |
|--|------|-------------------------|------------------|------------------------|-----------------|
| | | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| Revenue | 8 | 16,386,491,192 | 13,900,270,244 | 13,188,340,619 | 11,447,370,729 |
| Cost of Sales | | (12,202,397,985) | (10,839,078,865) | (9,962,269,665) | (8,888,056,454) |
| Gross Profit | | 4,184,093,207 | 3,061,191,379 | 3,226,070,954 | 2,559,314,275 |
| Other Income | 9 | 87,424,836 | 58,895,532 | 101,823,440 | 43,474,338 |
| Administrative Expenses | | (1,030,241,724) | (643,400,826) | (628,036,135) | (463,280,804) |
| Other Expenses | | (58,607,323) | (43,780,153) | (33,870,091) | (41,476,531) |
| Net Finance Income | 10 | 137,876,989 | 239,109,829 | 134,613,235 | 202,871,907 |
| Share of Result of Associate, Net of Tax | 19 | 6,676,920 | – | – | – |
| Profit Before Tax | | 3,327,222,905 | 2,672,015,761 | 2,800,601,403 | 2,300,903,185 |
| Income Tax Expense | 12.1 | (428,027,281) | (260,330,157) | (276,993,717) | (171,969,407) |
| Profit for the Year | | 2,899,195,624 | 2,411,685,604 | 2,523,607,686 | 2,128,933,778 |
| Other Comprehensive Income | | | | | |
| Actuarial Losses on Defined Benefit Plans | 31.1 | (5,403,622) | (13,662,377) | (6,964,120) | (14,735,788) |
| Revaluation of Land and Buildings | | 105,596,983 | – | 105,596,983 | – |
| Tax on Other Comprehensive Income | 12.3 | (3,687,840) | 1,738,794 | (3,894,670) | 1,768,295 |
| Other Comprehensive Income for the Year, Net of Tax | | 96,505,521 | (11,923,583) | 94,738,193 | (12,967,493) |
| Total Comprehensive Income for the Year | | 2,995,701,145 | 2,399,762,021 | 2,618,345,879 | 2,115,966,285 |
| Profit Attributable to: | | | | | |
| Owners of the Company | | 2,832,058,694 | 2,376,422,812 | 2,523,607,686 | 2,128,933,778 |
| Non-Controlling Interest | | 67,136,930 | 35,262,792 | – | – |
| Profit for the Year | | 2,899,195,624 | 2,411,685,604 | 2,523,607,686 | 2,128,933,778 |
| Total Comprehensive Income Attributable to: | | | | | |
| Owners of the Company | | 2,928,679,301 | 2,364,482,793 | 2,618,345,879 | 2,115,966,285 |
| Non-Controlling Interest | | 67,021,844 | 35,279,228 | – | – |
| Total Comprehensive Income for the Year | | 2,995,701,145 | 2,399,762,021 | 2,618,345,879 | 2,115,966,285 |
| Earnings Per Share | 13 | 2.83 | 2.38 | 2.52 | 2.13 |
| Dividend Per Share | 14 | 0.50 | 0.50 | 0.50 | 0.50 |

The Accounting Policies and Notes form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Financial Position

| As at 31st March | Note | Group | | Company | |
|---|------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| Assets | | | | | |
| Non-Current Assets | | | | | |
| Property, Plant and Equipment | 15 | 3,746,882,244 | 3,740,944,709 | 3,318,988,821 | 3,389,715,349 |
| Investment Properties | 16 | 2,832,038,473 | 2,716,841,871 | - | - |
| Intangible Assets | 17 | 622,827,454 | 550,966,479 | 73,482,597 | - |
| Investment in Subsidiaries | 18 | - | - | 3,893,474,047 | 3,893,133,400 |
| Investment in Associate | 19 | 62,142,330 | - | 55,465,410 | - |
| Other Long Term Investments | 20 | - | - | - | - |
| Other Non-Current Financial Assets | 24.1 | 37,290,000 | 570,236,228 | - | 570,236,228 |
| Total Non-Current Assets | | 7,301,180,501 | 7,578,989,287 | 7,341,410,875 | 7,853,084,977 |
| Current Assets | | | | | |
| Inventories | 21 | 1,948,527,587 | 1,860,313,844 | 1,189,084,233 | 963,328,741 |
| Trade and Other Receivables | 22 | 5,247,222,804 | 4,295,374,320 | 4,225,016,933 | 3,899,426,676 |
| Amount Due from Related Parties | 23 | 135,029,994 | 129,279,057 | 121,048,470 | 121,437,381 |
| Other Current Financial Assets | 24.1 | 2,842,842,251 | 662,710,445 | 2,840,624,043 | 660,874,175 |
| Short Term Investments | 25 | 43,627,205 | 41,543,907 | 43,627,205 | 41,543,907 |
| Short Term Deposits | 26 | 1,139,732,257 | 1,370,570,398 | 1,073,331,165 | 1,310,736,000 |
| Cash and Cash Equivalents | 27 | 1,521,490,044 | 703,183,829 | 1,480,494,797 | 578,211,615 |
| Total Current Assets | | 12,878,472,142 | 9,062,975,800 | 10,973,226,846 | 7,575,558,495 |
| Total Assets | | 20,179,652,643 | 16,641,965,087 | 18,314,637,721 | 15,428,643,472 |
| Equity and Liabilities | | | | | |
| Stated Capital | 28 | 9,000,000,000 | 9,000,000,000 | 9,000,000,000 | 9,000,000,000 |
| Revaluation Reserve | | 100,860,402 | - | 100,860,402 | - |
| Retained Earnings | | 5,813,793,089 | 3,486,097,670 | 5,158,202,617 | 3,140,717,140 |
| Equity Attributable to Owners of the Company | | 14,914,653,491 | 12,486,097,670 | 14,259,063,019 | 12,140,717,140 |
| Non-Controlling Interest | | 264,951,094 | 137,845,693 | - | - |
| Total Equity | | 15,179,604,585 | 12,623,943,363 | 14,259,063,019 | 12,140,717,140 |
| Non-Current Liabilities | | | | | |
| Deferred Grant | 29 | 6,801,041 | 7,020,430 | - | - |
| Interest-Bearing Borrowings | 30 | 967,690 | 1,933,464 | - | - |
| Employee Benefits | 31 | 119,720,592 | 92,755,886 | 95,347,263 | 67,499,119 |
| Deferred Taxation | 32 | 228,416,353 | 157,734,573 | 226,536,003 | 156,426,366 |
| Total Non-Current Liabilities | | 355,905,676 | 259,444,353 | 321,883,266 | 223,925,485 |
| Current Liabilities | | | | | |
| Trade and Other Payables | 33 | 2,744,716,537 | 1,886,581,039 | 1,924,974,358 | 1,230,884,840 |
| Amount Due to Related Parties | 34 | 27,277,919 | 22,393,072 | 36,676,247 | 22,604,032 |
| Other Financial Liabilities | 24.2 | 1,693,054,471 | 1,786,465,321 | 1,693,054,471 | 1,786,465,321 |
| Interest-Bearing Borrowings | 30 | 5,260,203 | 6,205,671 | 4,628,287 | 5,978,141 |
| Current Tax Liabilities | 35 | 148,981,055 | 42,770,404 | 71,235,762 | 5,243,652 |
| Dividend Payable | | 4,459,040 | 2,079,997 | 3,122,311 | 742,994 |
| Bank Overdraft | 27 | 20,393,157 | 12,081,867 | - | 12,081,867 |
| Total Current Liabilities | | 4,644,142,382 | 3,758,577,371 | 3,733,691,436 | 3,064,000,847 |
| Total Liabilities | | 5,000,048,058 | 4,018,021,724 | 4,055,574,702 | 3,287,926,332 |
| Total Equity and Liabilities | | 20,179,652,643 | 16,641,965,087 | 18,314,637,721 | 15,428,643,472 |

The Accounting Policies and Notes form an integral part of these Financial Statements.

The Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



P T N Priyadarshani
Deputy General Manager - Finance

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

Approved and signed for and on behalf of the Board of Directors of Access Engineering PLC.



J C Joshua
Managing Director
17th July 2014
Colombo



D A R Fernando
Chief Operating Officer



Statement of Changes in Equity

Statement of Changes in Equity

| Group | Attributable to Equity Holders of the Parent | | | | Non-Controlling Interest Rs. | Total Equity Rs. |
|--|--|----------------------------|--------------------------|-----------------------|---------------------------------|-----------------------|
| | Stated Capital Rs. | Revaluation Reserve Rs. | Retained Earnings Rs. | Total Rs. | | |
| Balance at 1st April 2012 | 9,000,000,000 | – | 1,670,218,070 | 10,670,218,070 | 162,457,153 | 10,832,675,223 |
| Profit for the Year | – | – | 2,376,422,812 | 2,376,422,812 | 35,262,792 | 2,411,685,604 |
| Total Other Comprehensive Income | – | – | (11,940,019) | (11,940,019) | 16,436 | (11,923,583) |
| Total Comprehensive Income for the Year | – | – | 2,364,482,793 | 2,364,482,793 | 35,279,228 | 2,399,762,021 |
| Dividend Paid | – | – | (500,000,000) | (500,000,000) | – | (500,000,000) |
| Dividend paid to Non-Controlling Interest | – | – | – | – | (5,506,985) | (5,506,985) |
| Adjustment Due to Change in Holding | – | – | (48,603,193) | (48,603,193) | (54,383,703) | (102,986,896) |
| Balance at 31st March 2013 | 9,000,000,000 | – | 3,486,097,670 | 12,486,097,670 | 137,845,693 | 12,623,943,363 |
| Profit for the Year | – | – | 2,832,058,694 | 2,832,058,694 | 67,136,930 | 2,899,195,624 |
| Total Other Comprehensive Income | – | 100,860,402 | (4,239,795) | 96,620,607 | (115,086) | 96,505,521 |
| Total Comprehensive Income for the Year | – | 100,860,402 | 2,827,818,899 | 2,928,679,301 | 67,021,844 | 2,995,701,145 |
| Dividend Paid | – | – | (500,000,000) | (500,000,000) | – | (500,000,000) |
| Dividend paid to Non-Controlling Interest | – | – | – | – | (4,699,274) | (4,699,274) |
| Non-Controlling Interest on Acquisition of SML Frontier Automotive (Private) Limited | – | – | – | – | 65,000,000 | 65,000,000 |
| Adjustment Due to Change in Holding | – | – | (123,480) | (123,480) | (217,169) | (340,649) |
| Balance at 31st March 2014 | 9,000,000,000 | 100,860,402 | 5,813,793,089 | 14,914,653,491 | 264,951,094 | 15,179,604,585 |

| Company | Stated Capital | Revaluation Reserve | Retained Earnings | Total |
|--|----------------------|---------------------|----------------------|-----------------------|
| | Rs. | Rs. | Rs. | Rs. |
| Balance at 1st April 2012 | 9,000,000,000 | – | 1,524,750,855 | 10,524,750,855 |
| Profit for the Year | – | – | 2,128,933,778 | 2,128,933,778 |
| Total Other Comprehensive Income | – | – | (12,967,493) | (12,967,493) |
| Total Comprehensive Income for the Year | – | – | 2,115,966,285 | 2,115,966,285 |
| Dividend Paid | – | – | (500,000,000) | (500,000,000) |
| Balance at 31st March 2013 | 9,000,000,000 | – | 3,140,717,140 | 12,140,717,140 |
| Profit for the Year | – | – | 2,523,607,686 | 2,523,607,686 |
| Total Other Comprehensive Income | – | 100,860,402 | (6,122,209) | 94,738,193 |
| Total Comprehensive Income for the Year | – | 100,860,402 | 2,517,485,477 | 2,618,345,879 |
| Dividend Paid | – | – | (500,000,000) | (500,000,000) |
| Balance at 31st March 2014 | 9,000,000,000 | 100,860,402 | 5,158,202,617 | 14,259,063,019 |

The Accounting Policies and Notes form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Cash Flow Statement

| For the year ended 31st March | Group | | Company | |
|--|------------------------|-----------------|------------------------|-----------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| Cash Flows from Operating Activities | | | | |
| Profit Before Tax | 3,327,222,905 | 2,672,015,761 | 2,800,601,403 | 2,300,903,185 |
| Adjustments for: | | | | |
| Depreciation and Amortization | 590,999,501 | 449,572,762 | 551,874,611 | 432,827,833 |
| Provision for Retirement Benefits | 30,771,517 | 20,533,064 | 26,229,557 | 15,281,491 |
| Provision/(Reversal) for Fall in Value of Investment | (2,083,298) | 7,462,291 | (2,083,298) | 7,462,291 |
| Provision for/Write-off of Bad and Doubtful Debts | 3,879,856 | 1,245,688 | 3,845,683 | - |
| Gain on Sale of Property, Plant and Equipment | (13,068,896) | (4,082,369) | (8,517,957) | (1,403,798) |
| Gain on Fair Value Changes in Unit Trust | (624,161) | (133,269) | (624,161) | (133,269) |
| Profit on Sales of Investment | - | (43,508) | - | (43,508) |
| Share of Results of Associate | (6,676,920) | - | - | - |
| Reversal of Provisions, Advances and Unclaimed Dividend | - | (13,137,149) | - | - |
| Dividend Income | (9,767,963) | (8,804,734) | (44,825,872) | (40,101,689) |
| Net Finance Income | (137,876,989) | (239,109,829) | (134,613,235) | (202,871,907) |
| | 3,782,775,552 | 2,885,518,708 | 3,191,886,731 | 2,511,920,629 |
| Changes in Working Capital | | | | |
| (Increase)/Decrease Inventories | (88,213,743) | (42,907,289) | (225,755,492) | 139,406,200 |
| (Increase)/Decrease Trade and Other Receivables | (955,728,341) | (1,452,139,898) | (329,435,936) | (1,195,798,954) |
| (Increase)/Decrease Other Current Financial Assets | (1,609,647,922) | (315,586,469) | (1,609,513,643) | (315,607,768) |
| (Increase)/Decrease Due from Related Parties | (5,750,937) | (69,056,408) | 388,911 | (16,531,237) |
| Increase/(Decrease) Trade and Other Payables | 860,514,541 | 454,098,649 | 696,468,835 | 580,766,790 |
| Increase/(Decrease) Other Current Financial Liabilities | (93,410,850) | 193,558,415 | (93,410,850) | 193,558,415 |
| Increase/(Decrease) Due to Related Parties | 4,884,847 | (1,495,947) | 14,072,214 | (1,172,232) |
| Cash Generated from Operating Activities | 1,895,423,147 | 1,651,989,761 | 1,644,700,770 | 1,896,541,843 |
| Interest Paid | (9,587,400) | (1,718,190) | (1,972,226) | (1,531,588) |
| Tax Paid | (254,822,690) | (346,312,881) | (144,786,641) | (269,906,810) |
| Gratuity Paid | (9,210,433) | (3,132,258) | (5,345,533) | (1,607,593) |
| Net Cash Flows from Operating Activities | 1,621,802,624 | 1,300,826,432 | 1,492,596,370 | 1,623,495,852 |
| Cash Flows from/(used in) Investing Activities | | | | |
| Acquisition of Property, Plant and Equipment | (498,323,755) | (1,211,885,944) | (379,585,259) | (1,197,715,093) |
| Investment in Intangible Assets | (74,225,421) | - | (74,225,421) | - |
| Investment in Other Non-current Financial Assets | (37,290,000) | (154,327,879) | - | (154,327,879) |
| Investment in Investment Properties | (110,865,448) | (28,597,185) | - | - |
| Proceeds from Sale of Property, Plant and Equipment | 28,915,557 | 13,818,979 | 24,364,618 | 11,139,979 |
| Proceeds from Sale of Investment | - | 252,342 | - | 252,342 |
| Investment in Unit Trust Fund | - | (100,000,000) | - | (100,000,000) |
| Investment in Subsidiaries | (340,647) | (102,986,895) | (340,647) | (102,986,895) |
| Contribution to Stated Capital by Non-controlling Interest | 65,000,000 | - | - | - |
| Investment in Associate | (55,465,410) | - | (55,465,410) | - |
| Withdrawal of/(Investments in) Short Term Deposit | 231,462,302 | (387,122,273) | 238,028,996 | (327,287,875) |
| Dividend Income | 9,767,963 | 8,804,734 | 44,825,872 | 40,101,689 |
| Interest Income | 147,464,389 | 240,828,019 | 136,585,461 | 204,403,495 |
| Net Cash flows from/(used in) Investing Activities | (293,900,470) | (1,721,216,102) | (65,811,790) | (1,626,420,237) |
| Cash Flows from/(used in) Financing Activities | | | | |
| Dividends Paid | (500,000,000) | (500,000,000) | (500,000,000) | (500,000,000) |
| Dividend Paid to Non-Controlling Interest | (4,699,274) | (5,506,985) | - | - |
| Repayment of Loan | (5,978,141) | (6,608,406) | (5,978,141) | (6,608,406) |
| Payment of Finance Lease Liabilities | (7,229,814) | (525,608) | (6,441,390) | - |
| Net Cash from/(used in) Financing Activities | (517,907,229) | (512,640,999) | (512,419,531) | (506,608,406) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 809,994,925 | (933,030,669) | 914,365,049 | (509,532,791) |
| Cash and Cash Equivalent at the beginning (Note 27) | 691,101,962 | 1,624,132,631 | 566,129,748 | 1,075,662,539 |
| Cash and Cash Equivalent at the End | 1,501,096,887 | 691,101,962 | 1,480,494,797 | 566,129,748 |

The Accounting Policies and Notes form an integral part of these Financial Statements.
Figures in brackets indicate deductions.



Notes to the Financial Statements

1. REPORTING ENTITY

Access Engineering PLC ('Company') is a company domiciled and operating in Sri Lanka and listed on the Colombo Stock Exchange. The Company's registered office and the principal place of business are located at 'Access Towers', 278, Union Place, Colombo 02.

The Consolidated Financial Statements of Access Engineering PLC as at and for the year ended 31st March 2014 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Financial Statements of all companies in the Group have a common financial year which ends on 31st March.

1.2 Principal Activities and Nature of Operations

Access Engineering PLC (AEL) is primarily involved in the business of construction activities and supply of construction related services and materials.

Access Realties (Private) Limited, a fully owned subsidiary of AEL engage in the development of high rise buildings and manage the same or otherwise (lease/rent/sale) in whole or in part.

Sathosa Motors PLC which is also a subsidiary of AEL with an 84.4% holding is in the business of importing and sale of motor vehicles and spare parts together with the repair and maintenance of such motor vehicles.

SML frontier Automotive (Private) Limited is a subsidiary of Sathosa Motors PLC with 50% holding and therefore indirect subsidiary of AEL with an effective holding percentage of 42.2% and is in the business of importing and sale of motor vehicles and spare parts together with the repair and maintenance of such motor vehicles.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company and those consolidated with such have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs & LKASs) as issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirement of the Companies Act No. 07 of 2007.

These Financial Statements include the following components:

- The Statement of Comprehensive Income: providing information on the financial performance of the Group and the Company for the year. (Refer page 144)
- The Statement of Financial Position: providing information on the financial position of the Group and the Company as at the year-end. (Refer page 145)
- The Statement of Changes in Equity: providing information on the movements of stated capital and reserves of the Group and the Company during the year under review. (Refer page 146)

- The Cash Flow Statement: providing information on the generating of cash and cash equivalents and utilization of the same. (Refer page 147)
- Notes to the Financial Statements: comprising accounting policies and other explanatory notes. (Refer page 148 to 187)

The Consolidated Financial Statements were authorized for issue by the Board of Directors in accordance with the resolution passed by the Board of Directors on 17th July 2014.

2.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

- Financial assets and financial liabilities that have been measured at fair value;
- Employee benefit liability recognized based on actuarial valuation (LKAS 19);
- Land and buildings stated at revalued amounts;
- Investment property measured at fair value.

The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of business.

2.3 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees (Rs.), which is the Group's functional currency.

2.4 Use of Estimates and Judgments

The preparation of the Group's Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. 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 financial year are disclosed below.

Revaluation of Property, Plant and Equipment and Investment Properties

The Group measures land and buildings at revalued amounts with changes in fair value being recognized in Statement of Other Comprehensive Income and in the Statement of Changes in Equity. In addition, it carries its investment properties at fair value, with changes in fair value being recognized in the Statement of Comprehensive Income.

The Group engaged an independent professional valuer to assess fair value of land and buildings and investment properties as at 31st March 2014 and 27th February 2012 respectively.



Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Valuation of the investment properties carried out on an open market value for existing use basis.

Taxes

Significant judgment was required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

Defined Benefit Plans

The employee benefit liability of the Group is based on the actuarial valuation carried out by an independent actuarial specialist. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the 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 31.

Fair Value Measurement of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments, are further explained in Note 40.

2.5 Comparative Information

The presentation and classification of the financial statement of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

3. SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise stated.

The Accounting Policies have been applied consistently by Group entities.

3.1 Basis of Consolidation

3.1.1 Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group also takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in Statement of Comprehensive Income.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships such amounts are generally recognized in Statement of Comprehensive Income. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3.1.2 Non-Controlling Interests

The total profit and loss for the year of the Company and its subsidiaries included in consolidation are shown in the Consolidated Statement of Comprehensive Income with the proportion of profit and loss after taxation pertaining to minority shareholders of subsidiaries being deducted as 'Non-controlling interest'. All assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the Consolidated Statement of Financial Position. The interest of minority shareholders of subsidiaries in the fair value of net assets of the Group is indicated separately in the Consolidated Statement of Financial Position under the heading 'Non-controlling interest'. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in Statement of Comprehensive Income.

**Notes to the Financial Statements****3.1.3 Subsidiaries**

Subsidiaries are entities controlled by the Group. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences, until the date that control ceases.

3.1.4 Investment in Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Statement of Comprehensive Income reflects the Group's share of the results of operations of the associate. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the Statement of Comprehensive Income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as 'Share of results of Associate' in the Statement of Comprehensive Income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in Statement of Comprehensive Income.

3.1.5 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign Currency**3.2.1 Foreign Currency Transactions**

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

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 assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is recognized in line with the gain or loss of the item that gave rise to the translation difference.

3.3 Assets and Bases of their Valuation

Assets classified as current assets in the Statement of Financial Position are cash and bank balances and those, which are expected to be realized in cash during the normal operating cycle, or within one year from the Reporting date, whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond one year period calculated from the reporting date.

3.3.1 Property, Plant and Equipment**3.3.1.1 Recognition and Measurement**

Property, Plant and Equipment are stated at cost/revaluation less accumulated depreciation and accumulated impairment losses.

3.3.1.2 Owned Assets

The cost of an item of Property, Plant and Equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs on qualifying assets.

Purchased software that is integrated to the functionality of the related equipment is capitalized as part of equipment.



When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted as separate items (major component) of Property, Plant and Equipment.

3.3.1.3 Leased Assets

Leases in terms of which the Group assumes substantially all the risk and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured and capitalized at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognized in the Group's Statement of Financial Position.

3.3.1.4 Subsequent Costs

The cost of replacing part of an item of Property, Plant and Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of Property, Plant and Equipment are recognized in profit or loss as incurred.

3.3.1.5 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition are recognized within other income in Statement of Comprehensive Income.

3.3.1.6 Revaluation

Revaluation is performed on freehold land and building by professionally qualified valuers using the open market value at least once in every three years. The valuation surplus is recognized on the net carrying value of the asset and is transferred to a revaluation reserve after restating the asset at the revalued amount. The revaluation reserve is transferred to retained earnings at the point of derecognition.

3.3.1.7 Depreciation

Depreciation is recognized in profit or loss on straight-line basis over the estimated useful lives of each part of item of Property, Plant and Equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale (or included in a disposal group that is classified as held-for-sale) and the date that the asset is derecognized. Depreciation is not charged on Freehold Land and Capital Work-in-Progress.

The estimated useful lives are as follows:

| Asset Category | Useful Life (Years) |
|----------------------|---------------------|
| Freehold Building | 10 - 25 |
| Leasehold Building | 50 |
| Plant & Machinery | 3 - 10 |
| Motor Vehicles | 4 - 8 |
| Office Equipment | 3 - 5 |
| Furniture & Fittings | 3 - 5 |
| Tools | 3 - 5 |

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

3.3.1.8 Capital Work-in-Progress

Capital expenses incurred during the year which are not completed as at the reporting date are shown as capital work-in-progress, whilst the capital assets which have been completed during the year and available to use have been transferred to Property, Plant and Equipment.

3.3.2 Investment Properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, using the production of supply of goods or services or for administrative purposes.

3.3.2.1 Recognition and Measurement

Investment properties are measured initially at cost. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and exclude the costs of day-to-day servicing of an investment property. Subsequently, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the year in which they arise. Fair values are evaluated at least once in every three years by an accredited external, independent valuer.

3.3.2.2 Derecognition

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the Statement of Comprehensive Income in the event of retirement or disposal.

Transfers are made from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.



Notes to the Financial Statements

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as Property, Plant and Equipment in the Consolidated Financial Statements, and accounted using Group accounting policy for Property, Plant and Equipment.

3.3.3 Intangible Assets

An intangible asset is recognized if it is probable that economic benefits are attributable to the assets will flow to the entity and cost of the assets can be measured reliably and carried at cost less accumulated amortization and accumulated impairment losses.

3.3.3.1 Leasehold Right - Land

Leasehold property comprises of land use rights and is amortized on a straight-line basis over the period of the lease in accordance with the pattern of benefits expected to be derived from the lease. Leasehold property is tested for impairment annually and is written down where applicable. The impairment loss if any is recognized in the Income Statement.

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

| Item | Useful Lives |
|------------------|-----------------------------------|
| Leasehold rights | 74 years (Remaining Lease Period) |

3.3.3.2 Goodwill

Goodwill is measured at cost less accumulated impairment losses.

3.3.3.3 Software

Purchased software is recognized as an intangible asset and is amortized on a straight-line basis over its useful life.

The estimated useful lives are as follows:

| Asset Category | Useful Lives |
|-------------------------------------|--------------|
| Enterprise Resource Planning System | 10 years |
| Other Software | 3 - 5 years |

3.3.4 Inventories

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

The cost of inventories is comprised of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the normal course of business less estimated cost of realization and/or cost of conversion from their existing state to saleable condition.

Inventory movement is reviewed at the end of reporting period by an expert to assess the recoverability of inventory and the items that are identified as irrecoverable are written off during the year.

Work-in-Progress

Contractual costs incurred for future work are recognized as an asset when it is probable that they will be recovered and such costs are classified as work-in-progress.

Variation and claims are recognized in contract revenue only when it is probable that the customer will approve the variation or claim and the amount of revenue can be reliably measured. Until recognized in revenue cost incurred for variations and claims are classified as work-in-progress.

3.3.5 Cash and Cash Equivalents

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

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

3.3.6 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in the Income Statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to Other Comprehensive Income. In this case, the impairment is also recognized in Other Comprehensive Income 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 recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously



recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Income Statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

3.3.7 Financial Assets

3.3.7.1 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 recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized 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 cash equivalent, short term deposits, trade and other receivables, loans and quoted equity instruments.

3.3.7.2 Subsequent Measurement

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

3.3.7.3 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. 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. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in finance income or finance costs in the Income Statement.

The Group evaluated its financial assets at fair value through profit and loss (held-for-trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these

financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset.

3.3.7.4 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 amortized cost using the effective interest rate method (EIR), less impairment. Amortized 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 amortization is included in finance income in the Income Statement. The losses arising from impairment are recognized in the Income Statement in finance cost.

3.3.7.5 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 amortized cost using the effective interest method, less impairment. Amortized 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 amortization is included in finance income in the Income Statement. The losses arising from impairment are recognized in the Income Statement in finance costs.

The Company has not designated any financial assets upon initial recognition as Held-to-Maturity Investments.

3.3.7.6 Available-for-Sale Financial Investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as Other Comprehensive Income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Income Statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognized in profit or loss.



Notes to the Financial Statements

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When 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 in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intention 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 out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized 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.

3.3.7.7 Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized 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 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, and has neither transferred nor retained substantially all risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Group's continuing involvement in it.

In that case, the Group also recognizes 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.

3.3.7.8 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.3.7.9 Financial Assets carried at Amortized Cost

For financial assets carried at amortized 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, recognized 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 assets 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current 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 recognized in the profit or loss. 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 realized. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized 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 profit or loss.



3.3.8 Financial Liabilities

3.3.8.1 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 recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

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

3.3.8.2 Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

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 recognized in the profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Income Statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that is an integral part of the EIR. The EIR amortization is included in finance costs in the Income Statement.

3.3.8.3 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, and the difference in the respective carrying amounts is recognized in the Income Statement.

3.3.9 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statement of Financial Position only if there is a current enforceable legal right to offset the recognized amounts and intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Income and expense will not be offset in the Consolidated Income Statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

3.3.10 Fair Value of Financial Instruments

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

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

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 39.

3.4 Provision, Contingent Liabilities, Contingent Assets

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 and a reliable estimate can be made of the amount of the obligation.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote.

Contingent assets are disclosed, where inflow of economic benefit is probable.



Notes to the Financial Statements

3.5 Post Employment Benefits**3.5.1 Defined Benefit Plans**

The liability recognized in the Statement of Financial Position in respect of defined benefit plan is the present value of defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using Project Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. Actuarial gains and losses for the defined benefit plans are recognized in full in the period in which they occur in Other Comprehensive Income.

The gratuity liability of Access Realties (Private) Limited is not externally funded, nor actuarially valued. The gratuity liability is valued using the Projected Unit Credit (PUC) method considering the assumptions required to arrive at the present value of defined benefit obligation.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity payment to an employee arises only after the completion of 5 years of continued service.

3.5.2 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution to a separate entity and will have no legal or constructive obligation to pay further amounts.

All employees who are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions are covered by relevant contributions funds in line with the relevant statutes. Employer's contributions to the defined contribution plans are recognized as an expense in profit or loss when incurred.

4. STATEMENT OF COMPREHENSIVE INCOME**4.1 Revenue**

Revenue represents the amounts derived from the provision of services, which fall within the Group's ordinary activities net of trade discounts and turnover related taxes.

4.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue and the associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes, and after eliminating sales within the Group. The following specific criteria are used for the purpose of recognition of revenue.

4.2.1 Construction Contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of

a construction contract can be estimated reliably, contract revenue is recognized in Statement of Comprehensive Income in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

4.2.2 Rental Income

Rental income from investment property is recognized in Statement of Comprehensive Income on a straight-line basis over the term of the lease.

4.2.3 Goods Sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

4.2.4 Services Rendered

Revenue for services rendered is recognized in the Statement of Comprehensive Income once all significant performance obligations have been provided.

4.2.5 Agency Commissions and Hire Income

Agency commissions are recognized in Statement of Comprehensive Income on an accrual basis.

4.2.6 Interest Income

For all financial instruments measured at amortized 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 Statement of Comprehensive Income.

4.2.7 Dividend Income

Dividend income is accounted when the shareholders' right to receive payment is established.

4.2.8 Other Income

Profits or losses from disposal of Property, Plant and Equipment recognized having deducted from proceeds on disposal, the carrying value of the assets and the related expenses.

Foreign currency gains and losses are reported on a net basis.



4.3 Expenditure Recognition

Construction Contracts

Contract expenses are recognized as incurred unless they create an asset to future contract activity. An expected loss on a contract is recognized immediately in Statement of Comprehensive Income.

Other Expenses

All expenditure incurred in the running of the business and in maintaining Property, Plant and Equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year.

For the purpose of presentation of Statement of Comprehensive Income the Directors are of the opinion that function of expenses method presents fairly the elements of the enterprises performance, hence such presentation method is adopted.

Recognition of Expected Losses

Expected losses are recognized as an expense when it is probable that the total cost pertaining to construction contracts will exceed its revenue.

Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred except those that are directly attributable to the construction or development of Property, Plant and Equipment which are capitalized as part of the cost of those assets during the period of construction or development.

4.4 Taxation

4.4.1 Current Taxes

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

The provision for income tax is based on the elements of income and expenditures reported in the Financial Statements and computed with in accordance with the provisions of the Inland Revenue Act.

The relevant details are disclosed in the respective notes to the Financial Statements.

4.4.2 Deferred Taxation

Deferred tax is provided, using liability method, providing for tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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.

Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except, where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities, in which case, the sales tax is recognized as a part of the cost of the asset or part of the expense items, as applicable and receivable and payable that are stated with the amount of sales tax included. The net amount of sales tax recoverable from or payable to the taxation authorities is included as a part of receivables or payables in the Statement of Financial Position.

5. SEGMENTAL REPORTING

Segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular Economic Environment (Geographical Segment), which is subject to risks and returns that are different from those of the segments. Segment information is presented in respect of the Group's Business and Geographical Segments. The Group's primary format for segmental reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The activities of the Group are located mainly in Sri Lanka. Consequently, the economic environment in which the Group operated is not subject to risks and rewards that are significantly different on a geographical basis. Hence disclosure by geographical region is not provided.

The relevant details are disclosed in the respective notes to the Financial Statements.

6. OTHER GENERAL ACCOUNTING POLICIES

6.1 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.

The relevant details are disclosed in the Note 36 to the Financial Statements.



Notes to the Financial Statements

6.2 Cash Flow

The Cash Flow Statement has been prepared using the 'indirect method' in accordance with Sri Lanka Accounting Standard - LKAS 7 - 'Statement of Cash Flows'. Cash and cash equivalent comprise cash in hand, cash at bank and short term investments that are readily convertible to known amount of cash and subject to an insignificant risk of change in value.

Interest received and dividends received are classified as investing cash flows, while dividend paid is classified as financing cash flow and interest paid is classified under the operating cash flows for the purpose of presentation of Statement of Cash Flows.

Bank overdrafts and short term borrowings that are re-payable on demand and forming an integral part of the Group's cash management are included as a component of cash and cash equivalent for the purpose of the Statement of Cash Flows.

6.3 Earnings per Share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

6.4 Events Occurring after the Reporting Period

Events after the reporting period are those events favourable and unfavourable that occurs between the end of the reporting period and the date when the Financial Statements are authorized for issue.

The materiality of the events occurring after the reporting period is considered and appropriate adjustments to or disclosures are made in the Financial Statements, where necessary.

7. SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company Financial Statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

a. SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39.

SLFRS 9 was issued in 2012 and become effective for the financial periods beginning on or after 1st January 2015. Accordingly, the Financial Statements for the year ending 31st March 2016 will adopt the SLFRS 9.

b. SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted.

This Standard is effective for annual periods beginning on or after 1st January 2014. Accordingly, the Financial Statements for the year ending 31st March 2015 will adopt the SLFRS 13.

In addition to the above, following Standards have also been issued and will be effective from 1st January 2014.

- SLFRS 10 - Consolidated Financial Statements
- SLFRS 11 - Joint Arrangements
- SLFRS 12 - Disclosure of Interests in Other Entities

The Group will adopt these Standards when they become effective. Pending a detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.



| For the year ended 31st March | Group | | Company | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 8. REVENUE | | | | |
| Highways Construction | 7,665,049,295 | 5,988,829,816 | 7,665,049,295 | 5,988,829,816 |
| Water and Drainage Construction | 869,093,743 | 841,591,432 | 869,093,743 | 841,591,432 |
| Bridge Construction | 761,627,868 | 241,410,589 | 761,627,868 | 241,410,589 |
| Building and Other Construction | 3,356,491,787 | 3,711,228,891 | 3,356,491,787 | 3,711,228,891 |
| Sale of Construction Related Material | 465,061,673 | 636,525,991 | 465,090,182 | 636,525,991 |
| Hiring Income | 17,648,260 | 7,596,308 | 18,470,214 | 7,596,308 |
| Fabrication Income | 52,517,530 | 20,187,702 | 52,517,530 | 20,187,702 |
| Rental Income | 131,453,790 | 124,573,716 | – | – |
| Service Charges | 13,557,540 | 17,569,677 | – | – |
| Vehicle Sales and After Sales Services | 3,053,989,706 | 2,310,756,122 | – | – |
| | 16,386,491,192 | 13,900,270,244 | 13,188,340,619 | 11,447,370,729 |
| 9. OTHER INCOME | | | | |
| Dividend Income | 9,767,963 | 8,804,734 | 44,825,872 | 40,101,689 |
| Gain on Fair Value Changes in Unit Trust | 624,161 | 133,269 | 624,161 | 133,269 |
| Rent Income | 2,855,550 | 405,000 | 350,000 | 405,000 |
| Profit on Disposal of Property, Plant and Equipment | 13,068,896 | 4,082,369 | 8,517,957 | 1,403,798 |
| Foreign Exchange Gain | 40,071,433 | 22,246,890 | 40,065,806 | 1,115,036 |
| Sundry Income | 21,036,833 | 23,179,762 | 7,439,644 | 272,038 |
| Profit on Sale of Shares | – | 43,508 | – | 43,508 |
| | 87,424,836 | 58,895,532 | 101,823,440 | 43,474,338 |
| 10. NET FINANCE INCOME | | | | |
| 10.1 Finance Income | | | | |
| Interest Income on Fixed Deposits | 127,929,870 | 168,742,150 | 122,442,665 | 165,577,571 |
| Interest Income on Repurchase Agreements | 13,130,475 | 66,965,537 | 9,545,573 | 33,705,592 |
| Interest Income on Retention Receivable | 53,357,336 | 33,709,268 | 53,357,336 | 33,709,268 |
| Interest Income on Trade Receivables | 60,290,834 | 57,074,061 | 60,290,834 | 57,074,061 |
| Interest Income on Staff Loan | 1,892,514 | 1,454,514 | 1,892,514 | 1,454,514 |
| Un-winding of Prepaid Mobilization Advance Expenses | 221,954,418 | 215,109,501 | 221,954,418 | 215,109,501 |
| Other Interest Income | 6,404,044 | 5,120,332 | 4,597,223 | 5,120,332 |
| Interest Income on Loan given to Subsidiary Company | – | – | – | 1,670,511 |
| Total Finance Income | 484,959,491 | 548,175,363 | 474,080,563 | 513,421,350 |
| 10.2 Finance Cost | | | | |
| Interest on Finance Leases | (711,196) | (186,602) | (484,172) | – |
| Interest on Bank Overdraft | (8,626,842) | (666,983) | (1,238,692) | (666,983) |
| Bank Loan Interest | (249,362) | (864,605) | (249,362) | (864,605) |
| Un-winding of Prepaid Retention Receivable Expenses | (53,357,336) | (33,709,268) | (53,357,336) | (33,709,268) |
| Un-winding of Prepaid Staff Loan Expenses | (1,892,514) | (1,454,514) | (1,892,514) | (1,454,514) |
| Un-winding of Prepaid Trade Receivables | (60,290,834) | (57,074,061) | (60,290,834) | (57,074,061) |
| Interest Expenses on Mobilization Advance | (221,954,418) | (215,109,501) | (221,954,418) | (215,109,501) |
| Un-winding of Prepaid Inter-Company Loan Expenses | – | – | – | (1,670,511) |
| Total Finance Cost | (347,082,502) | (309,065,534) | (339,467,328) | (310,549,443) |
| Net Finance Income | 137,876,989 | 239,109,829 | 134,613,235 | 202,871,907 |



Notes to the Financial Statements

| For the year ended 31st March | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 11. PROFIT BEFORE TAX | | | | |
| Is stated after charging all expenses including following: | | | | |
| Auditor's Remuneration - Statutory Audit | 3,864,000 | 2,844,000 | 1,805,000 | 1,600,000 |
| - Non-Audit Services | - | 522,160 | - | 522,160 |
| Provision for/(Reversal) of Fall in Value of Investments | (2,083,298) | 7,462,291 | (2,083,298) | 7,462,291 |
| Provision for/Write-off of Bad and Doubtful Debts | 3,879,854 | 1,245,688 | 3,845,682 | - |
| Donations | 11,709,088 | 4,096,740 | 11,315,391 | 4,028,340 |
| Depreciation and Amortization Cost | 590,999,501 | 449,572,762 | 551,874,611 | 432,827,833 |
| Personnel Cost Including | | | | |
| Defined Benefit Plan Costs - Gratuity | 30,771,517 | 20,533,064 | 26,229,557 | 15,281,491 |
| Defined Contribution Costs - EPF | 78,248,853 | 65,343,487 | 67,442,752 | 59,587,899 |
| - ETF | 19,551,074 | 16,279,025 | 16,856,899 | 14,840,127 |
| Directors' Emoluments and Fees | 41,602,800 | 24,063,700 | 32,910,000 | 18,480,000 |
| Staff Cost | 1,687,922,034 | 1,385,120,523 | 1,551,069,151 | 1,312,366,890 |
| Number of Employees | 2,801 | 3,396 | 2,570 | 3,245 |
| 12. INCOME TAX EXPENSES | | | | |
| 12.1 Current Tax Expense (Note 12.2) | 362,906,839 | 249,919,964 | 212,693,138 | 161,417,211 |
| Over Provision in Respect of Previous Year | (1,873,498) | (50,152,424) | (1,914,387) | (49,497,924) |
| Deferred Tax Expense (Note 12.3) | 66,993,940 | 60,562,617 | 66,214,967 | 60,050,120 |
| | 428,027,281 | 260,330,157 | 276,993,717 | 171,969,407 |
| 12.2 Reconciliation between Accounting Profit and Taxable Profit | | | | |
| Accounting Profit before Income Tax Expense | 3,327,222,905 | 2,672,015,761 | 2,800,601,403 | 2,300,903,185 |
| Aggregate Disallowed Items | 906,918,572 | 692,271,467 | 697,612,916 | 574,351,917 |
| Aggregate Allowable Items | (1,347,004,280) | (1,143,872,424) | (1,306,965,944) | (1,116,195,589) |
| Total Statutory Income | 2,887,137,197 | 2,220,414,804 | 2,191,248,375 | 1,759,059,513 |
| Exempted Income | (437,727,787) | (484,547,739) | (437,727,787) | (484,547,739) |
| Taxable Income | 2,449,409,410 | 1,735,867,065 | 1,753,520,588 | 1,274,511,774 |
| Tax on Revenue at 2% | 186,655,739 | 169,823,721 | - | - |
| Tax on Construction Income at 12% | 1,739,328,917 | 1,221,538,036 | 1,739,328,917 | 1,221,538,036 |
| Tax on Other Income at 28% | 523,424,754 | 344,505,308 | 14,191,671 | 52,973,738 |
| | 2,449,409,410 | 1,735,867,065 | 1,753,520,588 | 1,274,511,774 |
| Tax @ 2% | 3,733,115 | 3,396,474 | - | - |
| Tax @ 12% | 208,719,470 | 146,584,564 | 208,719,470 | 146,584,564 |
| Tax @ 28% | 146,558,931 | 96,461,486 | 3,973,668 | 14,832,647 |
| Dividend Tax | 3,895,323 | 3,477,440 | - | - |
| Current Income Tax Expenses | 362,906,839 | 249,919,964 | 212,693,138 | 161,417,211 |
| 12.3 Deferred Tax Expense | | | | |
| Statement of Comprehensive Income | | | | |
| Accelerated depreciation for tax purposes | 69,541,835 | 62,804,098 | 68,799,950 | 61,690,987 |
| Defined Benefit Obligation | (2,547,895) | (2,241,481) | (2,584,983) | (1,640,867) |
| | 66,993,940 | 60,562,617 | 66,214,967 | 60,050,120 |
| Other Comprehensive Income | | | | |
| Revaluation of Building to Fair Value | 4,736,581 | - | 4,736,581 | - |
| Defined Benefit Obligation | (1,048,741) | (1,738,794) | (841,911) | (1,768,295) |
| Total Deferred Tax Charge | 3,687,840 | (1,738,794) | 3,894,670 | (1,768,295) |
| | 70,681,780 | 58,823,823 | 70,109,637 | 58,281,825 |

To facilitate comparison, the prior year deferred tax attributable to actuarial losses on defined benefit obligation have been re-classified under Other Comprehensive Income.



12.4 Income Tax

Company

Under the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, the Company is liable for income tax at the concessionary rate of 12% on construction income, and 28% on other income.

Tax Exemption

As per Section 17A.2a of Inland Revenue (Amendment) Act No. 22 of 2011 and as amended by Act No. 08 of 2012, profits attributable to manufacturing of construction related material are exempted from Income Tax commencing from year of assessment 2011/12 for a period of 5 years.

Subsidiaries

Access Realties (Private) Limited

In accordance with the Section 17 of the Board of Investments Act No. 4 of 1978, the Company is exempted from Income Tax for a period of seven (07) years from the year of assessment in which the enterprise commences to make profits in relation to the transaction in that year or any year of assessment not later than five (05) years reckoned from the date of its operation whichever year is earlier.

Accordingly, the seven (07) years Income Tax exemption period was enforced from 01st April 2003 to 31st March 2010. Thereafter the Company is liable for a concessionary rate of Income Tax of 2% on its turnover for the period of fifteen years from the year of assessment 2010/11. However, the Company is liable to pay Income Tax at 28% on other income.

Sathosa Motors PLC

In accordance with the provision of the Inland Revenue Act No. 10 of 2006 and amendments thereto the Company is liable for Income Tax at 28% on its taxable profit.

SML Frontier Automotive (Private) Limited

In accordance with the provision of the Inland Revenue Act No.10 of 2006 and amendments there to the Company is liable for Income Tax at 28% on its taxable profit.

13. BASIC EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Access Engineering PLC by the weighted average number of ordinary shares outstanding during the year.

| For the year ended 31st March | Group | | Company | |
|--|----------------------|---------------|----------------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| Profit Attributable to Equity Holders of the Company (Rs.) | 2,832,058,694 | 2,376,422,812 | 2,523,607,686 | 2,128,933,778 |
| Weighted Average Number of Shares as at the Year end | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 |
| Earnings Per Share (Rs.) | 2.83 | 2.38 | 2.52 | 2.13 |

| For the year ended 31st March | Group/Company | |
|--|--------------------|-------------|
| | 2014 Rs. | 2013 Rs. |
| 14. DIVIDEND PER SHARE | | |
| Declared and Paid During the Year | | |
| Dividends on Ordinary Shares | | |
| Final Dividend* | 250,000,000 | 250,000,000 |
| Interim Dividend | 250,000,000 | 250,000,000 |
| Total Dividends | 500,000,000 | 500,000,000 |
| Dividend per Share | 0.50 | 0.50 |

*Previous years' final dividend paid in the current year.



Notes to the Financial Statements

| | Land Rs. | Building Rs. | Plant and Machinery Rs. | Motor Vehicles Rs. | Office Equipment Rs. |
|--|--------------------|--------------------|-------------------------------|-----------------------|-------------------------|
| 15. PROPERTY, PLANT AND EQUIPMENT | | | | | |
| 15.1 Group | | | | | |
| Cost or Valuation | | | | | |
| Balance at 1st April 2013 | 341,485,640 | 488,974,545 | 2,728,923,747 | 563,523,358 | 154,366,398 |
| Addition | - | - | 109,938,355 | 182,362,062 | 71,100,053 |
| Transfers | - | - | 3,074,414 | 415,002 | 31,156,017 |
| Disposals/Impairment/Derecognition | (2,000,000) | (23,353,440) | (27,892,000) | (11,315,000) | (30,543,882) |
| Revaluations | 66,125,471 | 39,471,512 | - | - | - |
| Balance at 31st March 2014 | 405,611,111 | 505,092,617 | 2,814,044,516 | 734,985,422 | 226,078,586 |
| Accumulated Depreciation | | | | | |
| Balance at 1st April 2013 | - | 57,074,943 | 417,656,590 | 158,469,820 | 121,949,297 |
| Charge | - | 20,606,044 | 343,490,869 | 110,875,478 | 30,619,899 |
| Transfers | - | - | 861,942 | 220,240 | 12,829,344 |
| Disposals/Impairment/Derecognition | - | (23,353,440) | (18,548,988) | (9,055,689) | (30,437,895) |
| Balance at 31st March 2014 | - | 54,327,547 | 743,460,413 | 260,509,849 | 134,960,645 |
| Carrying Value at 31st March 2014 | 405,611,111 | 450,765,070 | 2,070,584,103 | 474,475,573 | 91,117,941 |
| Carrying Value at 31st March 2013 | 341,485,640 | 431,899,601 | 2,311,267,157 | 405,053,538 | 32,417,101 |

| | Land Rs. | Building Rs. | Plant and Machinery Rs. | Motor Vehicles Rs. | Office Equipment Rs. |
|--|--------------------|--------------------|-------------------------------|-----------------------|-------------------------|
| 15.2 Company | | | | | |
| Cost or Valuation | | | | | |
| Balance at 1st April 2013 | 341,485,640 | 121,770,817 | 2,713,350,671 | 522,731,454 | 120,887,252 |
| Addition | - | - | 82,504,778 | 97,655,755 | 66,062,852 |
| Transfers | - | - | 3,074,414 | 415,002 | 31,156,017 |
| Disposals/Impairment/Derecognition | (2,000,000) | (23,353,440) | (27,892,000) | (5,586,000) | (30,543,882) |
| Revaluations | 66,125,471 | 39,471,512 | - | - | - |
| Balance at 31st March 2014 | 405,611,111 | 137,888,889 | 2,771,037,863 | 615,216,211 | 187,562,239 |
| Accumulated Depreciation | | | | | |
| Balance at 1st April 2013 | - | 15,812,609 | 402,509,298 | 129,320,948 | 92,650,328 |
| Charge | - | 7,540,831 | 339,775,520 | 93,242,145 | 28,824,024 |
| Transfers | - | - | 861,942 | 220,240 | 12,829,344 |
| Disposals/Impairment/Derecognition | - | (23,353,440) | (18,548,988) | (3,326,689) | (30,437,895) |
| Balance at 31st March 2014 | - | - | 724,597,772 | 219,456,644 | 103,865,801 |
| Carrying Value at 31st March 2014 | 405,611,111 | 137,888,889 | 2,046,440,091 | 395,759,567 | 83,696,438 |
| Carrying Value at 31st March 2013 | 341,485,640 | 105,958,208 | 2,310,841,373 | 393,410,506 | 28,236,924 |

Land and Building of the Company at the cost of Rs. 182,556,180/- had been revalued at Rs. 543,500,000/- by K T D Tissera, F I V (Sri Lanka), an independent professional valuer as at 31st March 2014. The surplus arising from the revaluation amounting to Rs. 105,596,983/- was transferred to Revaluation Reserve. The valuation has been conducted on the basis of current market value.

Group property, plant and equipment with a cost of Rs. 239.0 Mn (2013 - Rs. 214.6 Mn) have been fully depreciated and continue to be in use by the Group. The cost of fully depreciated assets of the Company amounts to Rs. 127.9 Mn (2013 - Rs. 126.2 Mn).



| Furniture & Fittings Rs. | Tools Rs. | Freehold | | Capital Work-in-Progress Rs. | Motor Vehicles Rs. | Leasehold | | Total Rs. |
|-----------------------------|--------------|-------------------------------------|--|---------------------------------|-----------------------|----------------------------|--|---------------|
| | | Other Construction Equipment Rs. | | | | Plant and Machinery Rs. | | |
| 87,651,762 | 201,204,699 | 77,815,639 | | 4,331,153 | 2,500,000 | - | | 4,650,776,941 |
| 57,155,997 | 35,956,927 | 42,054,523 | | - | - | 10,585,505 | | 509,153,422 |
| (30,790,851) | (3,854,582) | - | | (4,331,153) | - | - | | (4,331,153) |
| (6,729,506) | (5,774,752) | - | | - | - | - | | (107,608,580) |
| - | - | - | | - | - | - | | 105,596,983 |
| 107,287,402 | 227,532,292 | 119,870,162 | | - | 2,500,000 | 10,585,505 | | 5,153,587,613 |
| 61,482,769 | 78,844,630 | 13,885,436 | | - | 468,747 | - | | 909,832,232 |
| 8,443,124 | 51,610,500 | 21,836,321 | | - | 624,996 | 527,825 | | 588,635,056 |
| (12,858,046) | (1,053,480) | - | | - | - | - | | - |
| (6,489,348) | (3,876,559) | - | | - | - | - | | (91,761,919) |
| 50,578,499 | 125,525,091 | 35,721,757 | | - | 1,093,743 | 527,825 | | 1,406,705,369 |
| 56,708,903 | 102,007,201 | 84,148,405 | | - | 1,406,257 | 10,057,680 | | 3,746,882,244 |
| 26,168,993 | 122,360,069 | 63,930,203 | | 4,331,153 | 2,031,253 | - | | 3,740,944,709 |

| Furniture & Fittings Rs. | Tools Rs. | Freehold | | Leasehold | Total Rs. |
|-----------------------------|--------------|-------------------------------------|--|----------------------------|---------------|
| | | Other Construction Equipment Rs. | | Plant and Machinery Rs. | |
| 74,758,520 | 197,380,771 | 77,815,639 | | - | 4,170,180,764 |
| 55,930,356 | 35,861,167 | 42,054,523 | | 10,585,505 | 390,654,936 |
| (30,790,851) | (3,854,582) | - | | - | - |
| (6,729,506) | (5,774,752) | - | | - | (101,879,580) |
| - | - | - | | - | 105,596,983 |
| 93,168,519 | 223,612,604 | 119,870,162 | | 10,585,505 | 4,564,553,103 |
| 50,855,904 | 75,430,891 | 13,885,436 | | - | 780,465,414 |
| 7,897,621 | 51,487,500 | 21,836,321 | | 527,825 | 551,131,787 |
| (12,858,046) | (1,053,480) | - | | - | - |
| (6,489,348) | (3,876,559) | - | | - | (86,032,919) |
| 39,406,131 | 121,988,352 | 35,721,757 | | 527,825 | 1,245,564,282 |
| 53,762,388 | 101,624,252 | 84,148,405 | | 10,057,680 | 3,318,988,821 |
| 23,902,616 | 121,949,880 | 63,930,203 | | - | 3,389,715,349 |



Notes to the Financial Statements

Location and extent of Company's freehold lands at the reporting date are as shown below:

| Location | Extent |
|---|-----------------------------------|
| 1. Land depicted at No. 336/1, Low Level Road, Jalthara, Ranala | 3 Roots and 38.4 Perches |
| 2. Land depicted at No. 267, Dehiwala Road, Maharagama | 3 Roots and 1 Perche |
| 3. Land depicted at No. 278, Alubogahalanda, Jalthara, Ranala | 3 Acres 3 Roots and 4.86 Perches |
| 4. Land depicted at No. 117, Dehiwala Road, Boralesgamuwa | 2 Roots and 37 Perches |
| 5. Land depicted at Dickowita - Hendala | 2 Acres 3 Roots and 10.18 Perches |
| 6. Land depicted at Weliwita - Kaduwela | 2 Acres |

| As at 31st March | Group | |
|---|----------------------|---------------|
| | 2014 Rs. | 2013 Rs. |
| 16. INVESTMENT PROPERTIES | | |
| Balance at the beginning of the Year | 2,716,841,871 | 3,000,000,000 |
| Acquisition of Investment Property | 115,196,602 | 28,597,185 |
| Transfer due to Owner Occupation | - | (311,755,314) |
| Balance at the end of the Year | 2,832,038,473 | 2,716,841,871 |
| Rental Income Derived from Investment Properties | 188,855,738 | 169,823,721 |
| Direct Operating Expenses (Including Repair and Maintenance) Generating Rental Income | (31,249,400) | (23,343,430) |

16.1 Investment Property Belonging to Access Realities (Private) Limited

Location:

Access Towers and Land of Messrs Access Realities (Private) Limited, are located at Nos. 264/5, 266, 268 and 278, Dr. Colvin R De Silva Mawatha (Union Place), and Nos. 116 and 118, Dawson Street, Colombo 02.

Extent:

| | | |
|-------------------------------|-------------------------|---------------------------|
| (i) Lot 1 in plan No. 5754: | 1A - 0R - 07.87P | (0.4246 Hectares) |
| (ii) Lot 1 in plan No. 2824: | 0A - 0R - 04.50P | (0.01138 Hectares) |
| (iii) Lot 1 in plan No. 3021: | 0A - 0R - 13.28P | (0.03359 Hectares) |
| Total | 1A - 0R - 25.56P | (0.46957 Hectares) |

Floor Area:

The total gross floor area of the Access Towers is 216,718 sq.ft.

Valuation:

Based on the observation of Board of Directors, Company decided that sales price of comparative properties has not changed significantly during the year 2013/14. Therefore Company has decided that fair value of the investment property as at 31st March 2014 was similar to the carrying value as at previous reporting date and no need to recognize gain/(loss) on fair value adjustment based on Section 75 - e of the LKAS 40.

Fair value of the investment property was ascertained, by an independent valuation carried out by Mr. J K D Thissera - Chartered Valuation Surveyor, on an open market value for existing use basis as at 27th February 2012.

16.2 Investment Property Belonging to Sathosa Motors PLC

Location:

Building of Sathosa Motors PLC, is located at No. 25/11, New Nuge Road, Peliyagoda.

Floor area:

The total gross floor area of the building is 6,835 sq.ft.

**Valuation:**

During the year Directors' valuation was carried out for the investment property and the Directors are of the view that no significant changes in the value of property have taken place as at the reporting date.

Investment property is not revalued and construction cost of the building comprised the carrying amount of the investment property.

| As at 31st March | Group | | Company | |
|------------------------------|--------------------|-------------|-------------------|-------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 17. INTANGIBLE ASSETS | | | | |
| Leasehold Right (Note 17.1) | 116,756,756 | 118,378,378 | – | – |
| Goodwill | 432,588,101 | 432,588,101 | – | – |
| Software (Note 17.2) | 73,482,597 | – | 73,482,597 | – |
| | 622,827,454 | 550,966,479 | 73,482,597 | – |

| As at 31st March | Group | |
|--------------------------------------|--------------------|-------------|
| | 2014 Rs. | 2013 Rs. |
| 17.1 Leasehold Right | | |
| Balance at the beginning of the Year | 118,378,378 | 120,000,000 |
| Amortisation for the Year | (1,621,622) | (1,621,622) |
| Balance at the end of the Year | 116,756,756 | 118,378,378 |

Leasehold land disclosed above relate to the land at Peliyagoda acquired by Sathosa Motors PLC on a 99-years lease commencing from 1989. The leasehold right has been revalued by an independent valuer as at 31st March 2012. Valuation details are as follows:

Location:

The property persistently known and called as 'Sathosa Motors Workshop' is located at No. 25/11, New Nuge Road, Peliyagoda.

Extent:

The total gross area of the land is 343.93 perches.

Valuation:

Fair value of the leasehold right was ascertained, by an independent valuation carried out by Mr. R T K Sirisena - Incorporated Valuer. Valuation has been done based on the demand and supply factors, current evidence of values, improvements and infrastructures etc.

| | Group/Company |
|-----------------------------------|-------------------|
| 17.2 Software | |
| Cost | |
| Balance at 1st April 2013 | – |
| Additions | 74,225,421 |
| Balance at 31st March 2014 | 74,225,421 |
| Accumulated Amortization | |
| Balance at 1st April 2013 | – |
| Amortization | 742,824 |
| Balance at 31st March 2014 | 742,824 |
| Carrying Value at 31st March 2014 | 73,482,597 |



Notes to the Financial Statements

| As at 31st March | Company | | | |
|--|------------------|---------------------|----------------------|---------------|
| | Number of Shares | Effective Holding % | 2014 Rs. | 2013 Rs. |
| 18. INVESTMENTS IN SUBSIDIARIES | | | | |
| Sathosa Motors PLC | 5,093,745 | 84.42 | 1,196,572,767 | 1,196,232,120 |
| Access Realities (Private) Limited | 67,422,532 | 100 | 2,696,901,280 | 2,696,901,280 |
| | | | 3,893,474,047 | 3,893,133,400 |

| As at 31st March | 2014 Rs. | 2013 Rs. |
|---|----------------------|---------------|
| 18.1 Assessment of the Fair Value of Investments in Subsidiaries | | |
| Quoted Investment | | |
| Sathosa Motors PLC | 1,222,498,800 | 1,170,720,230 |
| Unquoted Investment | | |
| Access Realities (Private) Limited | 3,189,093,436 | 3,066,723,327 |
| | 4,411,592,236 | 4,237,443,557 |

Fair value of the quoted investment has been decided based on the market value of the shares as at the reporting date.

Fair value of the unquoted investment has been decided based on the net assets attributable for the respective investment.

| As at 31st March | Group | | | Company | |
|--------------------------------------|------------------|---------------------|-------------------|-------------|-------------|
| | Number of Shares | Effective Holding % | 2014 Rs. | 2013 Rs. | 2013 Rs. |
| 19. INVESTMENTS IN ASSOCIATE | | | | | |
| ZPMC Lanka Company (Private) Limited | 5,546,544 | 30 | 62,142,330 | – | – |
| | | | 62,142,330 | – | – |

The Group has a 30% interest in ZPMC Lanka Company (Private) Limited, which has entered into a contract with Colombo International Container Terminal to service and maintain the container handling equipment supplied by Shanghai Zhenhua Heavy Industries Company Limited of China (known as ZPMC).

The following table illustrates summarized financial information of the Group's investments in ZPMC Lanka Company (Private) Limited.

| As at 31st March | 2014 Rs. |
|--|-------------------|
| Share of the Associate's Statement of Financial Position: | |
| Current Assets | 65,877,028 |
| Non-Current Assets | – |
| Current Liabilities | (3,734,698) |
| Non-Current Liabilities | – |
| Equity | 62,142,330 |

| For the year ended 31st March | 2014 Rs. |
|--|-------------------|
| Share of the Revenue | 15,224,582 |
| Share of Profit, Net of Tax | 6,676,920 |
| Carrying Amount of the Investment | 62,142,330 |



| As at 31st March | Numbers of Shares | Group/Company | |
|--|-------------------|---------------|-------------|
| | | 2014 Rs. | 2013 Rs. |
| 20. OTHER LONG TERM INVESTMENTS | | | |
| Unquoted Investments | | | |
| Asia Pacific Golf Course Limited | | | |
| - Preference Shares | 6 | 1,500,000 | 1,500,000 |
| Less: Fair Value Adjustment | | (1,500,000) | (1,500,000) |
| | | - | - |

| As at 31st March | Group | | Company | |
|---|----------------------|---------------|----------------------|---------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 21. INVENTORIES | | | | |
| Inventories | 1,317,317,818 | 1,469,876,287 | 557,874,464 | 576,636,862 |
| Work-in-Progress | 631,209,769 | 390,437,557 | 631,209,769 | 386,691,879 |
| | 1,948,527,587 | 1,860,313,844 | 1,189,084,233 | 963,328,741 |
| 22. TRADE AND OTHER RECEIVABLES | | | | |
| Trade Receivables (Note 22.1) | 4,482,081,935 | 4,045,021,456 | 3,674,470,518 | 3,720,054,519 |
| Other Receivables (Note 22.2) | 103,316,733 | 104,370,414 | 24,946,243 | 37,871,548 |
| Advance and Prepayments (Note 22.3) | 661,824,136 | 145,982,450 | 525,600,172 | 141,500,609 |
| | 5,247,222,804 | 4,295,374,320 | 4,225,016,933 | 3,899,426,676 |
| 22.1 Trade Receivables | | | | |
| Trade Receivables | 4,486,768,530 | 4,046,252,476 | 3,678,316,200 | 3,720,054,519 |
| Less: Provision for Impairment of Receivables | (4,686,595) | (1,231,020) | (3,845,682) | - |
| | 4,482,081,935 | 4,045,021,456 | 3,674,470,518 | 3,720,054,519 |
| 22.2 Other Receivables | | | | |
| Interest Receivable | 11,758,638 | 23,688,773 | 9,355,627 | 22,330,543 |
| Margin on Bond | 6,619,807 | 192,424 | 6,619,807 | 192,425 |
| VAT Receivable | 21,911,211 | 40,767,274 | 8,970,809 | 10,436,120 |
| Other Receivable | 63,027,077 | 39,721,943 | - | 4,912,460 |
| | 103,316,733 | 104,370,414 | 24,946,243 | 37,871,548 |
| 22.3 Advances and Prepayments | | | | |
| Deposits and Prepayments | 20,102,095 | 22,681,057 | 13,582,964 | 19,988,062 |
| Advances | 625,144,294 | 108,454,866 | 497,241,307 | 108,454,866 |
| Refundable Deposit | 16,577,747 | 14,846,527 | 14,775,901 | 13,057,681 |
| | 661,824,136 | 145,982,450 | 525,600,172 | 141,500,609 |



Notes to the Financial Statements

| As at 31st March | Group | | Company | |
|---|----------------------|---------------|---------------|---------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 23. AMOUNTS DUE FROM RELATED PARTIES | | | | |
| China Geo - Salcon - Access JV | 58,446,604 | 58,446,604 | 58,446,604 | 58,446,604 |
| Access International (Private) Limited | 88,243 | 373,583 | 88,243 | - |
| Access International Projects (Private) Limited | 114,999 | 9,343 | - | - |
| Access Energy Solutions (Private) Limited | 9,580,263 | 72,670 | 9,042,864 | - |
| Access Industrial Systems (Private) Limited | 2,060,000 | - | 2,060,000 | - |
| ATSL International (Private) Limited | 244,028 | 827,498 | 244,028 | 827,498 |
| Access Realities 2 (Private) Limited | 24,889,836 | 7,336,895 | - | - |
| ECO Friendly Power Developers (Private) Limited | 38,140,883 | 62,163,279 | 38,140,883 | 62,163,279 |
| Access Agencies (Private) Limited | 1,465,138 | - | 1,465,138 | - |
| Asia Pacific Golf Course (Private) Limited | 13,843,107 | 13,843,107 | 13,843,107 | 13,843,107 |
| Access Real Estate (Private) Limited | - | 49,185 | - | - |
| Access Realities (Private) Limited | - | - | 11,560,710 | - |
| | 148,873,101 | 143,122,164 | 134,891,577 | 135,280,488 |
| Less: Provision for Impairment of Receivables | (13,843,107) | (13,843,107) | (13,843,107) | (13,843,107) |
| | 135,029,994 | 129,279,057 | 121,048,470 | 121,437,381 |
| 24. OTHER FINANCIAL ASSETS AND LIABILITIES | | | | |
| 24.1 Other Financial Assets | | | | |
| 24.1.a Other Non-Current Financial Assets | | | | |
| Loans and Receivables at Amortized Cost | | | | |
| - Trade Receivable - UDA | - | 431,954,967 | - | 431,954,967 |
| - Prepaid Trade Receivable Expenses - UDA | - | 138,281,261 | - | 138,281,261 |
| - Investment in Debenture | 37,290,000 | - | - | - |
| Total Other Non-Current Financial Assets | 37,290,000 | 570,236,228 | - | 570,236,228 |
| 24.1.b Other Current Financial Assets | | | | |
| Loans and Receivables at Amortized Cost | | | | |
| - Trade Receivable - UDA | 1,584,786,919 | - | 1,584,786,919 | - |
| - Retention Receivable | 939,892,583 | 562,078,612 | 939,892,583 | 562,078,612 |
| - Staff Loans | 17,322,761 | 15,742,327 | 15,104,553 | 13,906,057 |
| - Prepaid Trade Receivable Expenses - UDA | 181,323,892 | - | 181,323,892 | - |
| - Prepaid Retention Receivable Expenses | 114,482,027 | 81,413,397 | 114,482,027 | 81,413,397 |
| - Prepaid Staff Loan Expenses | 5,034,069 | 3,476,109 | 5,034,069 | 3,476,109 |
| Total Other Current Financial Assets | 2,842,842,251 | 662,710,445 | 2,840,624,043 | 660,874,175 |
| 24.2 Other Financial Liabilities | | | | |
| Other Current Financial Liabilities | | | | |
| Other Current Financial liabilities at Amortized Cost | | | | |
| - Mobilization Advance | 1,550,416,667 | 1,669,150,268 | 1,550,416,667 | 1,669,150,268 |
| - Prepaid Mobilization Advance Income | 142,637,804 | 117,315,053 | 142,637,804 | 117,315,053 |
| Total Other Current Financial Liabilities | 1,693,054,471 | 1,786,465,321 | 1,693,054,471 | 1,786,465,321 |



| As at 31st March | Number of Shares | Cost | | Market Value | |
|--|------------------|---------------------|--------------|-------------------|-------------|
| | | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 25. SHORT TERM INVESTMENTS | | | | | |
| Group/Company | | | | | |
| Quoted Investments | | | | | |
| Nation Lanka Finance PLC | 12,300 | 453,009 | 453,009 | 95,940 | 109,470 |
| Lanka Indian Oil Corporation PLC | 36,600 | 1,035,414 | 1,035,414 | 1,409,100 | 746,640 |
| Tess Agro Company PLC | 80 | – | – | 78 | 120 |
| Touchwood Investments PLC | 21,600 | 414,108 | 414,108 | 56,160 | 123,120 |
| Horana Plantation PLC | 7,500 | 538,464 | 538,464 | 171,750 | 198,750 |
| The Colombo Fort Land & Building Company PLC | 5,000 | 499,533 | 499,533 | 127,500 | 145,000 |
| Namunukula Plantations PLC | 3,300 | 527,231 | 527,231 | 276,540 | 252,780 |
| Richard Peiris & Co PLC | 50,000 | 798,848 | 798,848 | 330,000 | 330,000 |
| Free Lanka Capital Holdings PLC | 15,600 | 78,000 | 78,000 | 32,760 | 39,000 |
| Expo Lanka Holdings PLC | 89,100 | 1,247,400 | 1,247,400 | 775,170 | 605,880 |
| Commercial Bank of Ceylon PLC (N) | 39 | – | – | 4,797 | 4,407 |
| People's Merchant PLC | 100 | 1,976 | 1,976 | 1,690 | 1,350 |
| CIC Holdings PLC (N) | 204,000 | 23,517,007 | 23,517,007 | 9,282,000 | 12,444,000 |
| Softlogic Holdings PLC | 208,500 | 6,110,307 | 6,110,307 | 2,210,100 | 2,168,400 |
| Vallibel One PLC | 123,300 | 3,210,051 | 3,210,051 | 2,096,100 | 1,972,800 |
| Textured Jersey Lanka PLC | 889,500 | 13,467,501 | 13,467,501 | 14,054,100 | 8,806,050 |
| Central Investments & Finance PLC | 1,000,000 | 10,000,000 | 10,000,000 | 700,000 | 2,600,000 |
| People's Leasing Company PLC | 839,400 | 15,109,200 | 15,109,200 | 12,003,420 | 10,996,140 |
| Total | | 77,008,049 | 77,008,049 | 43,627,205 | 41,543,907 |
| (Less) Provision for Impairment | | (33,380,844) | (35,464,142) | – | – |
| Fair Value as at the End of the Year | | 43,627,205 | 41,543,907 | 43,627,205 | 41,543,907 |

| As at 31st March | Group | | Company | |
|--|----------------------|---------------|----------------------|---------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 26. SHORT TERM DEPOSITS | | | | |
| Fixed Deposits | 1,038,974,827 | 1,265,437,130 | 972,573,735 | 1,210,602,731 |
| Investment in Unit Trust | 100,757,430 | 100,133,269 | 100,757,430 | 100,133,269 |
| Investment in Treasury Bills | – | 4,999,999 | – | – |
| | 1,139,732,257 | 1,370,570,398 | 1,073,331,165 | 1,310,736,000 |
| 27. CASH AND CASH EQUIVALENTS | | | | |
| Favourable Balance | | | | |
| Cash at Bank | 1,057,833,280 | 530,143,275 | 1,020,106,307 | 461,221,061 |
| Cash in Hand | 22,096,945 | 37,040,554 | 20,388,490 | 36,990,554 |
| Investment in Repos | 441,559,819 | 136,000,000 | 440,000,000 | 80,000,000 |
| | 1,521,490,044 | 703,183,829 | 1,480,494,797 | 578,211,615 |
| Unfavourable Balance | | | | |
| Bank Overdraft | (20,393,157) | (12,081,867) | – | (12,081,867) |
| Cash and Cash Equivalent for the Purpose of Cash Flow Statement | 1,501,096,887 | 691,101,962 | 1,480,494,797 | 566,129,748 |

Land situated at No. 278/4, Union Place, Colombo 02, which is owned by Access Realities (Private) Limited (Subsidiary), has been mortgaged to Bank of Ceylon - Corporate Branch by Access Engineering PLC to increase the existing Overdraft facility (From Rs. 10 Mn to Rs. 30 Mn).



Notes to the Financial Statements

| As at 31st March | 2014 | | 2013 | |
|------------------------------|------------------|------------------------|------------------|------------------------|
| | Number of Shares | Value of Shares Rs. | Number of Shares | Value of Shares Rs. |
| 28. STATED CAPITAL | | | | |
| Issued and Fully Paid | | | | |
| At the beginning of the Year | 1,000,000,000 | 9,000,000,000 | 1,000,000,000 | 9,000,000,000 |
| At the end of the Year | 1,000,000,000 | 9,000,000,000 | 1,000,000,000 | 9,000,000,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.

| As at 31st March | Group | |
|--------------------------------------|-------------|-------------|
| | 2014 Rs. | 2013 Rs. |
| 29. DEFERRED GRANT | | |
| Balance at the beginning of the Year | 7,020,430 | 7,239,819 |
| Amortization | (219,389) | (219,389) |
| Balance at the end of the Year | 6,801,041 | 7,020,430 |

The above represents a Government grant received to Sathosa Motors PLC, for the construction of workshop at Peliygodda and are amortized over a period of fifty (50) years.

| As at 31st March | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 30. INTEREST-BEARING BORROWINGS | | | | |
| Payable Within One Year | | | | |
| Term Loan (Note 30.1) | – | 5,978,141 | – | 5,978,141 |
| Finance Lease Obligation (Note 30.2) | 5,260,203 | 227,530 | 4,628,287 | – |
| | 5,260,203 | 6,205,671 | 4,628,287 | 5,978,141 |
| Payable After One Year | | | | |
| Finance Lease Obligation (Note 30.2) | 967,690 | 1,933,464 | – | – |
| | 967,690 | 1,933,464 | – | – |

| As at 31st March | Group/Company | |
|--------------------------------------|---------------|-------------|
| | 2014 Rs. | 2013 Rs. |
| 30.1 Term Loan | | |
| Balance at the beginning of the Year | 5,978,141 | 12,586,547 |
| Obtained during the Year | – | – |
| Repayment during the Year | (5,978,141) | (6,608,406) |
| Balance at the end of the Year | – | 5,978,141 |
| Loan Payable within One Year | – | 5,978,141 |
| Loan Payable after One Year | – | – |
| | – | 5,978,141 |

| As at 31st March | Group | | Company | |
|---|-------------|-------------|-------------|-------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 30.2 Finance Lease Obligation | | | | |
| Balance at the beginning of the Year | 2,628,040 | - | - | - |
| Obtained during the Year | 11,500,000 | 3,153,648 | 11,500,000 | - |
| Repayments during the Year | (7,229,814) | (525,608) | (6,441,390) | - |
| | 6,898,226 | 2,628,040 | 5,058,610 | - |
| Less: Interest in Suspense | (670,333) | (467,046) | (430,323) | - |
| Balance at the end of the Year | 6,227,893 | 2,160,994 | 4,628,287 | - |
| Payable within One Year | 5,260,203 | 227,530 | 4,628,287 | - |
| Payable after One Year | 967,690 | 1,933,464 | - | - |
| | 6,227,893 | 2,160,994 | 4,628,287 | - |
| 31. EMPLOYEE BENEFITS | | | | |
| Balance at the beginning of the Year | 92,755,886 | 61,692,703 | 67,499,119 | 39,089,433 |
| Current Service Cost | 20,647,386 | 14,514,080 | 18,804,654 | 11,373,498 |
| Interest Cost | 10,124,131 | 6,018,984 | 7,424,903 | 3,907,993 |
| Actuarial Loss | 5,403,622 | 13,662,377 | 6,964,120 | 14,735,788 |
| | 128,931,025 | 95,888,144 | 100,692,796 | 69,106,712 |
| Less: Payments made during the Year | (9,210,433) | (3,132,258) | (5,345,533) | (1,607,593) |
| Balance at the end of the Year | 119,720,592 | 92,755,886 | 95,347,263 | 67,499,119 |
| 31.1 Expense Recognized in Statement of Comprehensive Income | | | | |
| Current Service Cost | 20,647,386 | 14,514,080 | 18,804,654 | 11,373,498 |
| Interest Cost | 10,124,131 | 6,018,984 | 7,424,903 | 3,907,993 |
| Expense Recognized in Comprehensive Income | 30,771,517 | 20,533,064 | 26,229,557 | 15,281,491 |
| Actuarial Losses Recognized in OCI | 5,403,622 | 13,662,377 | 6,964,120 | 14,735,788 |
| Total Provision for the Year | 36,175,139 | 34,195,441 | 33,193,677 | 30,017,279 |

31.2 Company

An independent actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2014 by professional actuaries - M/S K A Pandit, Professional Consultants and Actuaries.

The valuation method used by the Actuaries to value the Retirement Benefit Obligation is the 'Projected Unit Credit Method', the method recommended by the LKAS 19 - 'Employee Benefits'.

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

| | 2014 | 2013 |
|---|----------|----------|
| Discount Rate | 10% | 11% |
| Expected Annual Average Salary Increment Rate | 8.50% | 8.50% |
| Staff Turnover Factor | 1% | 1% |
| Retirement Age | 55 Years | 55 Years |

The Company will continue as a going concern.

31.3 Group

a. Sathosa Motors PLC

The actuarial valuation has been carried out by Actuarial & Management Consultants (Private) Limited, professional actuaries.

The valuation method used by the Actuaries to value the retirement benefit obligation is the 'Projected Unit Credit Method', the method recommended by the LKAS 19 - 'Employee Benefits'.



Notes to the Financial Statements

b. Access Realities (Private) Limited

The gratuity liabilities of Access Realities (Private) Limited calculated applying the Projected Unit Credit (PUC) method.

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

| | 2014 | 2013 |
|---|------------------|--------------|
| Discount Rate | 10% | 11% |
| Expected Annual Average Salary Increment Rate | 10% - 12% | 8.5% - 16.7% |
| Retirement Age | 55 Years | 55 Years |

The Company will continue as a going concern.

31.4 Sensitivity of Assumptions Used

A quantitative sensitivity analysis for significant assumptions used by the Company as at 31st March 2014 is as shown below:

| Effect on the Employee Benefit Obligation | Discount Rate | Salary Escalation Rate | Attrition Rate |
|---|---------------|------------------------|----------------|
| Increase by one percentage point | (10,981,124) | 13,194,917 | 947,743 |
| Decrease by one percentage point | 13,129,313 | (11,214,344) | (1,193,117) |

The sensitivity analysis above have been determined based on a method that extrapolates the impact on employee benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to the employee benefit obligation in future years:

| | |
|--|-------------------|
| Within the next 12 months (next annual reporting period) | 8,808,435 |
| Between 2 and 5 years | 18,768,687 |
| Beyond 5 years | 72,176,282 |
| Total expected payments | 99,753,404 |

| As at 31st March | Group | | Company | |
|---------------------------------------|--------------------|-------------|--------------------|-------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 32. DEFERRED TAXATION | | | | |
| Balance at the beginning of the Year | 157,734,573 | 98,910,750 | 156,426,366 | 98,144,541 |
| Provision during the Year (Note 12.3) | 70,681,780 | 58,823,823 | 70,109,637 | 58,281,825 |
| Balance at the end of the Year | 228,416,353 | 157,734,573 | 226,536,003 | 156,426,366 |

Deferred Tax Provision as at the year end is made up as follows:

| As at 31st March | 2014 | | 2014 | |
|---|----------------------|---------------------------------------|----------------------|---------------------------------------|
| | Temporary Difference | Tax Effect on Temporary Difference | Temporary Difference | Tax Effect on Temporary Difference |
| Group | | | | |
| Accelerated Depreciation for Tax Purposes | 1,890,325,322 | 240,806,400 | 1,395,117,542 | 171,264,565 |
| Revaluation of Building to Fair Value | 105,596,983 | 4,736,581 | - | - |
| Defined Benefit Obligation | (119,720,592) | (17,126,628) | (92,755,886) | (13,529,992) |
| | 1,876,201,713 | 228,416,353 | 1,302,361,656 | 157,734,573 |
| Company | | | | |
| Accelerated Depreciation for Tax Purposes | 1,863,610,358 | 233,326,210 | 1,371,052,167 | 164,526,260 |
| Revaluation of Building to Fair Value | 105,596,983 | 4,736,581 | - | - |
| Defined Benefit Obligation | (95,347,263) | (11,526,788) | (67,499,119) | (8,099,894) |
| | 1,873,860,078 | 226,536,003 | 1,303,553,048 | 156,426,366 |

**32.1 Company**

Provision has been made for deferred taxation under the liability method in respect of temporary differences arising from difference between accounting and tax base. Deferred tax has been computed at the rate of 12%.

32.2 Group**Access Realities (Private) Limited**

No provisions have been made for deferred taxation, since the Company is liable for income tax at 2% on its revenue for next fifteen (15) years after completing the seven (07) years of income tax exemptions. The tax exemption ends at the end of 2010/11 year of assessment.

Sathosa Motors PLC

Provision has been made for deferred taxation under the liability method in respect of temporary differences arising from difference between accounting and tax base. Deferred tax has been computed at the rate of 28%.

| As at 31st March | Group | | Company | |
|--|----------------------|---------------|----------------------|---------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 33. TRADE AND OTHER PAYABLES | | | | |
| Trade Creditors | 2,083,367,211 | 1,509,852,731 | 1,478,471,138 | 927,798,091 |
| VAT Payable | 14,448,512 | 1,729,962 | – | – |
| Accrued Expenses | 260,008,178 | 215,011,020 | 226,641,628 | 193,035,184 |
| Advances Received | 271,083,654 | 81,483,200 | 125,078,913 | 53,129,280 |
| Retention Payable | 94,782,679 | 56,922,285 | 94,782,679 | 56,922,285 |
| Security Deposit | 21,026,303 | 21,581,841 | – | – |
| | 2,744,716,537 | 1,886,581,039 | 1,924,974,358 | 1,230,884,840 |
| 34. AMOUNTS DUE TO RELATED PARTIES | | | | |
| Access International (Private) Limited | 19,794,845 | 15,905,634 | 19,794,845 | 15,905,634 |
| Access International Projects (Private)Limited | 2,093,203 | – | 2,093,203 | – |
| Access Agencies(Private) Limited | 880,725 | 3,221,209 | 880,725 | 3,221,209 |
| Access Energy Solution (Private) Limited | 4,138,963 | 2,299,700 | 4,138,963 | 2,299,700 |
| Access Realities (Private) Limited | – | – | 9,398,328 | 891,429 |
| Access Natural Water (Private) Limited | 370,183 | 121,750 | 370,183 | 102,558 |
| Access Projects (Private) Limited | – | 183,502 | – | 183,502 |
| Access Industrial Systems (Private) Limited | – | 661,277 | – | – |
| | 27,277,919 | 22,393,072 | 36,676,247 | 22,604,032 |
| 35. CURRENT TAX LIABILITIES | | | | |
| Balance at the beginning of the Year | 42,770,404 | 189,315,745 | 5,243,652 | 163,231,175 |
| Provision made during the Year | 359,011,516 | 246,442,525 | 212,693,138 | 161,417,211 |
| Adjustment for the prior Year | (1,873,498) | (50,152,425) | (1,914,387) | (49,497,924) |
| Payments Made during the Year | (230,875,624) | (318,561,570) | (130,000,000) | (250,000,000) |
| VAT Refund | (3,705,000) | – | – | – |
| Notional Tax | (2,302,216) | (3,370,559) | (954,557) | (3,370,559) |
| WHT Recoverable | (14,044,527) | (16,367,025) | (13,832,084) | (16,536,251) |
| ESC Recoverable | – | (4,536,287) | – | – |
| Balance at the end of the Year | 148,981,055 | 42,770,404 | 71,235,762 | 5,243,652 |



Notes to the Financial Statements

36. RELATED PARTY TRANSACTIONS**36.1 Company**

The following transactions were carried out with related party companies during the year ended 31st March 2014.

| Related Party Transaction | Names of the Directors | Nature of Interest | Nature of Transaction | Amount (Paid)/Received | |
|---|---|--|---|------------------------|---------------|
| | | | | 2014 Rs. | 2013 Rs. |
| Access International (Private) Limited | Mr. S J S Perera Mr. J C Joshua Mr. R J S Gomez Mr. D A R Fernando Mr. S H S Mendis Mr. S D Munasinghe | Chairman Director Director Director Director Director | Purchase of Plant Equipment and Tools | (827,691) | (17,638,590) |
| | | | Clearing Charges Paid | (535,983) | (142,171) |
| | | | Sub Contractor Charges | (28,890,560) | (22,173,256) |
| | | | Machinery Hiring Income | - | 808,608 |
| | | | Purchase of Gabion, Fibertex, Geo MX and Tie Wire | (21,337,507) | (19,090,055) |
| | | | Purchase of Reinforcement Steel Strips | - | (3,102,904) |
| | | | Purchase of DI Pipes and Fittings | - | (159,999,193) |
| | | | Sale of Readymix Concrete | 804,558 | - |
| | | | Short Term Loan Granted | 117,580,000 | - |
| Short Term Loan Repayment | (117,580,000) | - | | | |
| Access Realties (Private) Limited | Mr. S J S Perera Mr. J C Joshua Mr. R J S Gomez | Chairman Director Director | Loan Settlement | - | 47,500,000 |
| | | | Dividend Received | 12,136,056 | 9,102,042 |
| | | | Office Rentals and Service Charges | (46,641,737) | (31,631,360) |
| | | | Reimbursement of Telephone, Electricity and Air Conditioner Charges | (11,808,271) | (6,681,057) |
| | | | Reimbursement of Office Maintenance Charges | (533,200) | (904,663) |
| | | | Sub Contract Work - (Office Renovation) | (15,621,446) | - |
| | | | Reimbursement of Office Renovation Expenses | 11,560,710 | - |
| | | | Hiring of Scaffolding Items | 821,954 | - |
| | | | Sale of Readymix Concrete | 28,509 | - |
| Access Natural Water (Private) Limited | Mr. S J S Perera Mr. J C Joshua Mr. R J S Gomez | Chairman Director Director | Purchase of Water Bottles | (4,088,741) | (2,839,765) |
| | | | Purchases of Electronic Dispenser | (213,613) | (17,000) |
| | | | | | |
| Access Agencies (Private) Limited | Mr. S J S Perera | Chairman | Sub Contractor Charges | (6,142,871) | (12,900,977) |
| | | | Construction Related Material Purchases | - | (1,039,985) |
| | | | Machinery Hiring Income | 236,675 | - |
| | | | Sale of Readymix Concrete | 4,884,381 | - |
| | | | Hiring of Scaffolding Items | 197,450 | - |
| Access Projects (Private) Limited | Mr. S J S Perera | Chairman | Reimbursement of Electricity Bills | (731,580) | (1,158,831) |
| | | | Sale of Readymix Concrete | - | 274,176 |
| | | | Hiring of Scaffolding Items | 2,616,704 | - |
| Access Energy Solutions (Private) Limited | Mr. S J S Perera Mr. J C Joshua Mr. R J S Gomez | Chairman Director Director | Sub Contractor Charges | (3,663,415) | (22,017,084) |
| | | | Purchase of Electrical Items | - | (3,595,997) |
| | | | | | |
| Reprographics (Private) Limited | Mr. S J S Perera Mr. J C Joshua | Chairman Director | Purchase of Toner | (177,000) | (196,680) |
| | | | Photocopy Machine Spare Parts and Service | (166,850) | (233,125) |
| | | | Purchase of Photo Copy Machine | (660,000) | - |
| China Geo Salcon Access Joint Venture | Mr. J C Joshua Mr. S H S Mendis Mr. D A R Fernando | Partner Partner Partner | Guarantee Extension Commission | - | (4,837,168) |
| | | | | | |
| | | | | | |
| Eco Friendly Power Developers (Private) Limited | Mr. S J S Perera Mr. J C Joshua Mr. R J S Gomez Mr. D A R Fernando | Chairman Director Director Director | Construction Income | 2,467,516 | 132,027,069 |
| | | | Material Advances Received | - | 1,031,396 |
| | | | Mobilization Advance Received | - | 20,725,145 |
| | | | Mobilization Advance Recoveries | - | (16,260,364) |
| | | | Machinery Hiring Income | 87,783 | - |



| Related Party Transaction | Names of the Directors | Nature of Interest | Nature of Transaction | Amount (Paid)/Received | |
|---------------------------------------|------------------------|--------------------|------------------------------------|------------------------|-------------|
| | | | | 2014 Rs. | 2013 Rs. |
| ATSL International (Private) Limited | Mr. S J S Perera | Chairman | Purchase of Construction Materials | - | (1,360,788) |
| | Mr. J C Joshua | Director | Sale of Readymix Concrete | 876,333 | 2,372,540 |
| | Mr. R J S Gomez | Director | Machinery Hiring Income | 1,135,431 | - |
| Sathosa Motors PLC | Mr. S J S Perera | Chairman | Dividend Received | 22,921,853 | 22,194,914 |
| | Mr. J C Joshua | Director | Purchase of New Vehicle | - | (5,475,000) |
| | Mr. R J S Gomez | Director | Vehicle Repair and Maintenance | (11,996) | (890,787) |
| | Mr. D A R Fernando | Director | | | |
| | Mr. S H S Mendis | Director | | | |
| C R D S Development (Private) Limited | Mr. S D Munasinghe | Director | | | |
| | Mr. J C Joshua | Director | Land Rent | (6,000,000) | (2,000,000) |

36.2 Group

The following transactions were carried out between related party companies, within the Group.

| Related Party Transaction | Names of the Directors | Nature of Interest | Nature of Transaction | Amount (Paid)/Received | |
|--|--------------------------|--------------------|--|------------------------|-------------|
| | | | | 2014 Rs. | 2013 Rs. |
| Access Realities (Private) Limited | | | | | |
| Access Industrial System (Private) Limited | Mr. S J S Perera | Chairman | Lift and Repair Maintenance Charges | (2,457,396) | (1,189,668) |
| | Mr. J C Joshua | Director | | | |
| | Mr. R J S Gomez | Director | | | |
| | Mr. S D Perera | Director | | | |
| | Mr. C K Thambydorai | Director | | | |
| Access International (Private) Limited | Mr. S J S Perera | Chairman | Rental and Services Income made in the ordinary course of the business | 16,453,680 | 15,710,570 |
| | Mr. J C Joshua | Director | | | |
| | Mr. D D S Ferdinando | Director | | | |
| | Mr. T T B C Fernando | Director | | | |
| | Mr. R J S Gomez | Director | | | |
| | Mr. B P Obeysekara | Director | | | |
| | Mr. S D Perera | Director | | | |
| ATSL International (Private) Limited | Mr. S J S Perera | Chairman | Rental and Services Income made in the ordinary course of the business | - | 6,804,000 |
| | Mr. J C Joshua | Director | | | |
| | Mr. R J S Gomez | Director | | | |
| | Mr. K M B M Kumarasinghe | Director | | | |
| Access Real Estate (Private) Limited | Mr. S J S Perera | Chairman | Rental and Services Income made in the ordinary course of the business | 2,772,000 | 2,482,600 |
| | Mr. T T B C Fernando | Director | | | |
| | Mr. S D Perera | Director | | | |
| | Mr. S J S Perera | Director | | | |
| Access Natural Water (Private) Limited | Mr. S J S Perera | Chairman | Purchase of Mineral Water | (240,088) | (217,260) |
| | Mr. J C Joshua | Director | | | |
| | Mr. R J S Gomez | Director | | | |
| Access Energy Solutions (Private) Limited | Mr. S J S Perera | Chairman | Rental and Service Income made in the ordinary course of business | 4,320,000 | 1,800,000 |
| | Mr. J C Joshua | Director | | | |
| | Mr. R J S Gomez | Director | Purchase of Electrical Equipment | - | (943,495) |



Notes to the Financial Statements

| Related Party Transaction | Names of the Directors | Nature of Interest | Nature of Transaction | Amount (Paid)/Received | |
|---|---|--|---|------------------------------------|-------------|
| | | | | 2014 Rs. | 2013 Rs. |
| Access International Projects (Private) Limited | Mr. S J S Perera Mr. J C Joshua Mr. D D S Ferdinando Mr. T T B C Fernando Mr. R J S Gomez Mr. B P Obeysekara Mr. S D Perera | Chairman Director Director Director Director Director Director | Rental and Service Income made in the Ordinary Course of Business | 892,320 | 1,539,780 |
| Access Realities 2 (Private) Limited | Mr. S J S Perera Mr. J C Joshua Mr. R J S Gomez Mr. S H S Mendis Mr. D A R Fernando Mr. S D Munasinghe | Chairman Director Director Director Director Director | Loan Granted | 24,889,836 | – |
| Sathosa Motors PLC | | | | | |
| Access Natural Water (Private) Limited | Mr. S J S Perera Mr. J C Joshua Mr. R J S Gomez | Chairman Director Director | Purchase of Mineral Water Supply of Workshop Repair Services | (119,167) 101,523 | (93,135) |
| Access International (Private) Limited | Mr. S J S Perera Mr. J C Joshua Mr. R J S Gomez | Chairman Director Director | Supply of Workshop Repair Services and Sale of New Vehicles | 8,613,526 | 454,379 |
| Reprographics (Private) Limited | Mr. S J S Perera Mr. J C Joshua | Chairman Director | Purchase of Toners for Printers | 54,080 | 100,168 |
| SML Frontier Automotive (Private) Limited | Mr. S J S Perera Mr. T D Gunasekara Mr. S G A Fernando Mr. S D Munasinghe Mr. S H S Mendis Ms. R S Fernando | Chairman Director Director Director Director Director | Purchase of New Vehicle | (11,579,000) | – |

36.3 Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

This Note should be read in conjunction with Notes 23 and 34 to these Financial Statements.

36.4 Transactions with Key Management Personnel

LKAS 24 'Related Party Disclosures', Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive Directors) as Key Management Personnel of the Company/Group have been classified Key Management Personnel.

| | Group | | Company | |
|--|-------------------|-------------|-------------------|-------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| Compensation Paid to Key Management Personnel | | | | |
| Short Term Employee Benefits | 41,602,800 | 24,063,700 | 32,910,000 | 18,480,000 |
| Post Employment Benefits | 1,920,000 | – | 1,920,000 | – |
| Total Compensation Paid to Key Management Personnel | 43,522,800 | 24,063,700 | 34,830,000 | 18,480,000 |



37. COMMITMENTS AND CONTINGENCIES

37.1 Company

There were no material commitments and contingent liabilities as at the reporting date except for the following:

Legal Cases Filed Against the Company

Case No: CHC706/10/MR

The case of money recovery by GTB Colombo Corporation (Private) Limited Vs. Three defendants, namely, 1st defendant: Asia Pacific Golf Course Limited, 2nd defendant: Access Engineering PLC and 3rd defendant: Urban Development Authority. The claim is made against the three defendants jointly and/or severally in the High Court of Western Province for non-payment of material supplied and invoiced by the Plaintiff to the 1st defendant.

Access Engineering PLC is contesting the case, since the material purportedly supplied by the Plaintiff was not received by the 2nd defendant and not invoiced to the 2nd defendant. Further trial is on 01st August 2014.

Case No: 25455/M

The case of money recovery by S A Hansi Nadesha Madhushani, S A Devindi Thakshila Madhushani, S A Nahara Oshadi Madhushani appearing through D A Anusha Manel Dissanayake against two Defendants namely, 1st Defendant: Nalaka Priyantha Rajapaksha and 2nd Defendant: Access Engineering PLC. The claim is made against the 1st and 2nd Defendants jointly and/or severally in the District Court of Anuradhapura claiming damages for the death of the father S A Imesh Madhushan by an accident which took place in Alankulama. 1st and 2nd Defendants are contesting the case since there is no negligence and/or any fault whatsoever on the part of the 2nd Defendant and/or the 1st Defendant who is an employee of the 2nd Defendant. Further trial is on 24th July 2014.

Case No: 25409/M

The case of money recovery by D A Anusha Manel Dissanayake against two Defendants namely, 1st Defendant: Nalaka Priyantha Rajapaksha and 2nd Defendant: Access Engineering PLC. The claim is made against two Defendants jointly and/or severally in the District Court of Anuradhapura claiming damages for her husband S.A. Imesh Madhushan by an accident which took place in Alankulama. 1st and 2nd Defendants are contesting the case since there is no negligence and/or any fault whatsoever on the part of the 2nd Defendant and/or the 1st Defendant who is an employee of the 2nd Defendant. Further trial is on 24th July 2014.

Case No: 370/13

The claim of money recovery by Hamsarathani widow of Sinnarasa Sivarasa and Janarthai, Priyangan, Divyapriya, Thanalakshan, Loshan who are minors appearing through Murukananthavel Sivarani against 5 Defendants namely, 1st Defendant: Aviva NDB Insurance, 2nd Defendant: G G Athukorala, 3rd Defendant: Dasanayake Ariyadasa, 4th Defendant: Access Engineering PLC and 5th Defendant: Central Engineering Consultancy Bureau. The claim is made against 5 Defendants in the District Court of Malakkam claiming compensation for Sinnarasa Sivadasa who died in the accident occurred at Street AB 16 known as Kankesanthurai Street with a Water Bowzer. Plaintiffs claim compensation of Rs. 7,000,000/- from the 4th Defendant. 4th Defendant's position is that the Plaintiff should be dismissed in limine as the Plaintiff is contrary to provisions of Sections 40 (d) and/or 46(2) of the CPC the Plaintiff discloses a mis-joinder of parties and the Plaintiff does not disclose any cause of action against the 4th Defendant. Judgment of the case will announce on 19th August 2014.

Case No: 28310/06/2013

The claim is made by Koralage Nilan Daminda Perera against 11 Defendants namely, 1st Defendant: Access Engineering PLC, 2nd Defendant: Sumal Joseph Sanjeeva Perera, 3rd Defendant: Ranjan John Suriyakumar Gomez, 4th Defendant: Joseph Christopher Joshua, 5th Defendant: Shivantha Harindra Sudaraka Mendis, 6th Defendant: Anton Rahona Fernando, 7th Defendant: Anton Greshan Fernando, 8th Defendant: Saumya Dharshana Munasinghe, 9th Defendant: Malik Kumar Ranasinghe, 10th Defendant: Niroshan Dakshina Gunaratne and 11th Defendant: Alex Indrajith Lovell, Case filed in Magistrate Court of Colombo for stop payment of a cheque. This case was withdrawn by the Plaintiff on 9th June 2014 based on a settlement arrived between the Plaintiff and the 1st Respondent.



Notes to the Financial Statements

Legal Cases Filed by the Company**Case No: 456/13/MR**

The case of money recovery by Access Engineering PLC against 5 Defendants namely, 1st Defendant: V V K Karunaratne, 2nd Defendant: Udaya Karunaratne, 3rd Defendant: Susil Karunaratne, 4th Defendant: Mohan Karunaratna and 5th Defendant: T V T R Karunaratne. The claim is made against 5 Defendants jointly and/or severally for the non-payment of money for the works undertaken by the Plaintiff under the sub contract to complete 0.00 to 6.77 Kilometers stretch of the Velanai-Kyres Road. Access Engineering PLC is proceeding with the case since the Plaintiff has completed the designated work allocated to the Plaintiff under the sub contract to the entire satisfaction of the Defendants and the Defendants have failed and neglected to pay the Plaintiff the sum of Rs. 30,829,466.51 though obliged to do so. Further trial is on 25th September 2014.

Case No: B506/14

The Accused has been charged for fraudulently encashing a cheque for Rs. 3,600,000/- of Access Engineering PLC. The letter of demand has been sent to recovery of said amount to Bank of Ceylon, Union Place branch. Further trial is on 5th November 2014.

Bank guarantees issued by the banks on behalf of the Company are as follows:

| | Amount Rs. |
|---|----------------------|
| Bank | |
| Nations Trust Bank PLC | 234,330,491 |
| Hatton National Bank PLC | 1,043,408,085 |
| DFCC Bank | 199,624,963 |
| Sampath Bank PLC | 1,401,147,355 |
| Bank of Ceylon | 895,905,527 |
| Hongkong & Shanghai Banking Corporation | 181,956,107 |
| | 3,956,372,528 |

37.2 Group**Sathosa Motors PLC****Labour Tribunal Cases against the Company*****Ms. Sujatha Silva Vs. Sathosa Motors PLC [Ref. - Ct. 78 (02)]***

An Ex- Employee Ms. Sujatha Silva, who stood retired upon her attaining the age of 55 years lodged a complaint to the Termination of Employment unit of the Commissioner of Labour alleging that she has been unlawfully terminated. The Commissioner of Labour dismissed the application of Ms. Sujatha Silva. Subsequently she filed a Special Case in the District Court Colombo bearing No. D.S.P./00137/09. The Court delivered Order on 11th January 2011 in favour of Sathosa Motors PLC by dismissing the action with costs. The plaintiff has now filed an appeal and the lawyers received the notice of appeal on 27th January 2011. The lawyers have not received any notices from the Court thereafter.

Mr. W A Siriwardane Vs. Sathosa Motors PLC [Ref. - Ct. 78 (25)]

The above application was filed in the Labour Tribunal by an ex-employee Mr. W A Siriwardana who was a driver of the Company for terminating his services. He seeks reinstatement in service, monthly salary inclusive of the relevant allowances pending reinstatement in service. The Company filed answer on 25th June 2009. The Company is vehemently resisting the claim. The further trial is fixed for 29th May 2012. The trial is now concluded. The Tribunal has granted 6th May 2013 for filing of written submissions of both parties. As the new Judge was sitting the tribunal on the 6th May 2013 the Court reserved the date of delivering the Order. The Order was delivered on 25th August 2013 and the application of Mr. W A. Siriwardane was dismissed. The lawyers have not been notified of any appeal. As regards any gratuity dues, these would be payable according to law.

Other Cases against the Company***Customs Case No. POM/2280/2006***

The Customs Department has initiated an inquiry regarding the payment of Duty on dividend paid to Itochu Corporation of Japan, who is the exporter of vehicles to the Company.

Based on the above information and the current status of the above cases, the Company is not in a position to quantify the potential financial impact if any, as at the date of Statement of Financial Position.

***Consumer Affairs Authority vs. Sathosa Motors PLC [Ref. - Cg. 78 (36)]***

The above application was filed by Ms. C N Thilakarathne, Directress of the Consumer Affairs and Information complaining that the Company had published an advertisement in Lankadeepa Newspaper dated 2nd October 2013 in violation of Gazette Extraordinary No. 1687/45 of 7th January 2011 by omitting to mention the retail prices of the vehicles when advertising. The Court issued summons to appear in Court on 29th April 2014. On 29th April 2014 the Company pleaded not guilty and the trial has now been fixed.

Legal Cases filed by the Company***Default by Sooriyawewa Pradeshiya Sabha - Purchase of SANY Motor Grader - Cg. 78 (34)***

As per the notification that appeared in the 'Daily News' and 'Dinamina' of 9th May 2013 and the 'Thinekaran' the Pradeshiya Sabha of Sooriyawewa called for Bids for the supply of 1 No. Motor Grader;

Subsequent to complying with all conditions Sathosa Motors PLC and being awarded the contract, Sathosa Motors PLC took all necessary steps to import the said item and procured the same which has arrived in Sri Lanka and currently lying in our client's yard, awaiting delivery. In the meantime, Sooriyawewa Pradeshiya Sabha cancelled the said order temporarily referring to an alleged petition; they have received from Mr. Sarath Ranawaka saying that Sathosa Motors PLC is supposed to have given the same item for a lesser amount. Sathosa Motors PLC suffered much loss and damage as Sooriyawewa Pradeshiya Sabha has awarded the contract to SML and SML having imported the item, the same is now lying in its yard. Action is to be filed for same. The claim of Sathosa Motors PLC is Rs. 19,083,171.02 plus further damages.

Recovery of Outstanding sums from the JEDB/Vehicle No. 32-4334 (Trooper JEEP) - Cg. 78 (33)

The Vehicle ISUZU Trooper 32-4334 had been repaired by Sathosa Motors PLC as per estimates provided and approved by Janatha Estates Development Board and after the repairs were effected, the same was inspected and checked by Mr. Nanayakkara, Technical Officer who certified the same. However, the above two invoices for Rs. 2,357,539.97 and Rs. 93,600/- totalling to Rs. 2,451,139.97 were due owing and payable. Out of this sum, only a sum of Rs. One Million had been paid during the period August/September 2011 (by way of three payments for Rs. 500,000/-, Rs. 250,000/- and further Rs. 250,000/=) leaving a balance sum of Rs. 1,451,139.97 due owing and payable by Janatha Estate Development Board. The Vehicle is still lying in Sathosa Motors PLC's garage and takes up space and other expenses. A notice was sent to Janatha Estate Development Board that Sathosa Motors PLC will not be responsible for the security of the vehicle or any damage that may be caused accidentally. The sum outstanding is Rs. 951,139.97. Action to be filed for same. A provision of Rs. 840,913/- has been recognized on this regard.

38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date except for the following that would require adjustments to or disclosure in the Financial Statements.

38.1 Company

Pursuant to resolution adopted on 8th July 2014, the Board of Directors of the Company approved the payment of a final dividend of fifty cents (0.50 cents) per share for the year ended 31st March 2014.

As required by Section 56 (2) of the Companies Act No. 07 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. 07 of 2007, and has obtained a certificate from auditors, prior to declaring a final dividend.

In accordance with the LKAS 10, Events after the reporting period, the final dividends has not been recognized as a liability in the Financial Statements as at 31st March 2014.

38.2 Group**Sathosa Motors PLC**

Pursuant to a resolution adopted on 7th July 2014, the Board of Directors of the Company approved the payment of first and final dividend of five Rupees (Rs. 5/-) per share for the year ended 31st March 2014.

As required by Section 56 (2) of the Companies Act No. 07 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. 07 of 2007, and has obtained a certificate from auditors, prior to declaring a first and final dividend.

In accordance with the LKAS 10, Events after the reporting period, the first and final dividends has not been recognized as a liability in the Financial Statements as at 31st March 2014.



Notes to the Financial Statements

39. CONSOLIDATION OF UNAUDITED SUBSIDIARY

The Consolidated Financial Statements have been prepared by amalgamating the Financial Statements of the Company and its subsidiaries, Sathosa Motors PLC and SML Frontier Automotive (Private) Limited (SMLF). However, the Financial Statements of SMLF which was taken for the consolidation purpose were unaudited for the year ended 31st March 2014. SMLF has been incorporated during current financial year and effective holding percentage of AEL in SMLF is 42.21%. Summarized Financial Statements of SMLF are given below. The amounts involved are not material to the Group.

Statement of Comprehensive Income

| <i>For the year ended 31st March</i> | 2014 Rs. |
|--------------------------------------|---------------|
| Revenue | 619,686,440 |
| Cost of Sales | (298,995,489) |
| Gross Profit | 320,690,951 |
| Other Income | 1,410,614 |
| Administrative Expenses | (127,654,386) |
| Selling and Distribution Expenses | (68,662,691) |
| Other Expenses | (21,935,014) |
| Net Finance Income | (50,502) |
| Profit Before Tax | 103,798,972 |
| Income Tax Expenses | (49,736,486) |
| Profit for the year | 54,062,486 |

Statement of Financial Position

| <i>As at 31st March</i> | 2014 Rs. |
|-------------------------------|-------------|
| Assets | |
| Non-Current Assets | |
| Property, Plant and Equipment | 63,845,813 |
| Total Non-Current Assets | 63,845,813 |
| Current Assets | |
| Inventories | 137,043,422 |
| Trade and Other Receivables | 261,836,107 |
| Total Current Assets | 398,879,529 |
| Total Assets | 462,725,342 |
| Equity and Liabilities | |
| Stated Capital | 130,000,000 |
| Retained Earnings | 54,062,485 |
| Total Equity | 184,062,485 |
| Current Liabilities | |
| Trade and Other Payables | 219,795,127 |
| Income Tax Payable | 44,430,289 |
| Bank Overdraft | 14,437,441 |
| Total Current Liabilities | 278,662,857 |
| Total Equity and Liabilities | 462,725,342 |

**40. FINANCIAL INSTRUMENTS****40.1 Financial Assets and Liabilities by Categories**

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

| Financial Assets by Categories <i>As at 31st March</i> | Loans and Receivables (L&R) | | Financial Assets at Fair Value Through Profit or Loss (FVTPL) | | Available-for-Sale Financial Assets (AFS) | |
|---|-----------------------------|---------------|---|-------------|---|-------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 40.1.1 Group | | | | | | |
| Financial Instruments in Non-Current Assets | | | | | | |
| Other Non-Current Financial Assets | 37,290,000 | 570,236,228 | – | – | – | – |
| Financial Instruments in Current Assets | | | | | | |
| Trade and Other Receivables | 5,205,209,498 | 4,231,925,990 | – | – | – | – |
| Amount due from Related Parties | 135,029,994 | 129,279,057 | – | – | – | – |
| Other Current Financial Assets | 2,842,842,251 | 662,710,445 | – | – | – | – |
| Short Term Investments | – | – | 43,627,205 | 41,543,907 | – | – |
| Short Term Deposits | 1,038,974,827 | 1,265,437,130 | 100,757,430 | 100,133,269 | – | 4,999,999 |
| Cash and Cash Equivalents | 1,079,930,225 | 567,183,829 | – | – | 441,559,819 | 136,000,000 |
| Total | 10,339,276,795 | 7,426,772,679 | 144,384,635 | 141,677,176 | 441,559,819 | 140,999,999 |

The Group has not designated any financial assets upon initial recognition as Held-to Maturity Investments.

| Financial Liabilities by Categories <i>As at 31st March</i> | Financial Liabilities Measured at Amortized Cost | |
|--|--|---------------|
| | 2014 Rs. | 2013 Rs. |
| Financial Instruments in Non-Current Liabilities | | |
| Interest-Bearing Borrowings | 967,690 | 1,933,464 |
| Financial Instruments in Current Liabilities | | |
| Trade and Other Payables | 2,744,716,537 | 1,886,581,039 |
| Amount due from Related Parties | 27,277,919 | 22,393,072 |
| Other Financial Liabilities | 1,693,054,471 | 1,786,465,321 |
| Interest-Bearing Borrowings | 5,260,203 | 6,205,671 |
| Bank Overdraft | 20,393,157 | 12,081,867 |
| Total | 4,491,669,977 | 3,715,660,434 |



Notes to the Financial Statements

| Financial Assets by Categories <i>As at 31st March</i> | Loans and Receivables (L&R) | | Financial Assets at Fair Value Through Profit or Loss (FVTPL) | | Available-for-Sale Financial Assets (AFS) | |
|---|-----------------------------|---------------|---|-------------|---|-------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 40.1.2 Company | | | | | | |
| Financial Instruments in Non-Current Assets | | | | | | |
| Other Non-Current Financial Assets | - | 570,236,228 | - | - | - | - |
| Financial Instruments in Current Assets | | | | | | |
| Trade and Other Receivables | 4,202,463,160 | 3,869,002,494 | - | - | - | - |
| Amount due from Related Parties | 121,048,470 | 121,437,381 | - | - | - | - |
| Other Current Financial Assets | 2,840,624,043 | 660,874,175 | - | - | - | - |
| Short Term Investments | - | - | 43,627,205 | 41,543,907 | - | - |
| Short Term Deposits | 972,573,735 | 1,210,602,730 | 100,757,430 | 100,133,269 | - | - |
| Cash and Cash Equivalents | 1,040,494,797 | 498,211,615 | - | - | 440,000,000 | 80,000,000 |
| Total | 9,177,204,205 | 6,930,364,623 | 144,384,635 | 141,677,176 | 440,000,000 | 80,000,000 |

| Financial Liabilities by Categories <i>As at 31st March</i> | Financial Liabilities Measured at Amortized Cost | |
|--|--|---------------|
| | 2014 Rs. | 2013 Rs. |
| Financial Instruments in Non-Current Liabilities | | |
| Interest-Bearing Borrowings | - | - |
| Financial Instruments in Current Liabilities | | |
| Trade and Other Payables | 1,924,974,358 | 1,230,884,840 |
| Amount due from Related Parties | 36,676,247 | 22,604,032 |
| Other Financial Liabilities | 1,693,054,471 | 1,786,465,321 |
| Interest-Bearing Borrowings | 4,628,287 | 5,978,141 |
| Bank Overdraft | - | 12,081,867 |
| Total | 3,659,333,363 | 3,058,014,201 |

**40.2 Fair Value hierarchy**

The table below analyzes financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

| | Level 1 Rs. | Level 2 Rs. | Level 3 Rs. | Total Rs. |
|------------------------------|----------------|----------------|----------------|----------------|
| Group | | | | |
| As at 31st March 2014 | | | | |
| Fair value through P & L | 144,384,635 | – | – | 144,384,635 |
| Available-for-Sale | – | 441,559,819 | – | 441,559,819 |
| Loan and Receivables | 37,290,000 | 2,096,808,107 | 8,205,178,688 | 10,339,276,795 |
| As at 31st March 2013 | | | | |
| Fair Value through P & L | 141,677,176 | – | – | 141,677,176 |
| Available-for-Sale | – | 140,999,999 | – | 140,999,999 |
| Loan and Receivables | – | 1,795,580,405 | 5,631,192,273 | 7,426,772,678 |
| Company | | | | |
| As at 31st March 2014 | | | | |
| Fair Value through P & L | 144,384,635 | – | – | 144,384,635 |
| Available-for-Sale | – | 440,000,000 | – | 440,000,000 |
| Loan and Receivables | – | 1,992,680,042 | 7,184,524,163 | 9,177,204,205 |
| As at 31st March 2013 | | | | |
| Fair Value through P & L | 141,677,176 | – | – | 141,677,176 |
| Available-for-Sale | – | 80,000,000 | – | 80,000,000 |
| Loan and Receivables | – | 1,671,823,791 | 5,258,540,832 | 6,930,364,623 |

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has trade and other receivables, Other financial assets, short term investment and cash and short term deposits that arrive directly from its operations.

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

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

41.1 Credit Risk

Credit risk is the risk that a 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.

41.1.1 Trade Receivables

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.

The requirement for an impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data.



Notes to the Financial Statements

41.1.2 Short Term Deposits and Cash and Cash Equivalents

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy.

The Group held short term deposits and cash and cash equivalents of Rs. 2,661 Mn at 31st March 2014 (2013 - Rs. 2,074 Mn) which represents its maximum credit exposure on these assets.

As at 31st March 2014, 96% (2013 - 93%) of the favourable balance of bank and financial institution was rated 'A+' or better for the Company.

| | 2014 | | 2013 | |
|-------------------------------|----------------------|------------|----------------------|------------|
| | In Rs. | % | In Rs. | % |
| Fitch Rating - Company | | | | |
| AAA | 725,495 | 0 | 8,720,767 | 1 |
| AA+ | 1,919,676,034 | 96 | 1,562,515,829 | 93 |
| AA | 350,416 | 0 | 17,659,212 | 1 |
| AA- | 18,304,415 | 1 | 265,737 | 0 |
| A | 53,623,682 | 3 | 82,662,246 | 5 |
| Total | 1,992,680,042 | 100 | 1,671,823,791 | 100 |

41.2 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal or stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

To measure and mitigate liquidity risk, Company closely monitor its net operating Cash Flow, maintained a level of cash and cash equivalents and secured committed funding facilities from financial institutions.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

| | Carrying Amount | Contractual Cash Flows | 6 Months of Less | 6 - 12 Months | More than 1 Year |
|---|-----------------|------------------------|------------------|---------------|------------------|
| Non-Derivative Financial Liabilities - Group | | | | | |
| Trade and Other Payables | 2,744,716,537 | - | 2,744,716,537 | - | - |
| Amounts due to Related Parties | 27,277,919 | - | 27,277,919 | - | - |
| Other Financial Liabilities | 1,693,054,471 | - | - | 1,693,054,471 | - |
| Interest-Bearing Borrowings | 6,227,893 | - | 2,992,242 | 2,267,949 | 967,690 |
| Income Tax Payables | 148,981,055 | 148,981,055 | - | - | - |
| Dividend Payable | 4,459,040 | 4,459,040 | - | - | - |
| Non-Derivative Financial Liabilities - Company | | | | | |
| Trade and Other Payables | 1,924,974,358 | - | 1,924,974,358 | - | - |
| Amounts due to Related Parties | 36,676,247 | - | 36,676,247 | - | - |
| Other Financial Liabilities | 1,693,054,471 | - | - | 1,693,054,471 | - |
| Interest-Bearing Borrowings | 4,628,287 | - | 2,685,633 | 1,942,654 | - |
| Income Tax Payables | 71,235,762 | 71,235,762 | - | - | - |
| Dividend Payable | 3,122,311 | 3,122,311 | - | - | - |

**41.3 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 risk comprises of the following types of risk:

- i. Interest Rate Risk
- ii. Currency Risk
- iii. Commodity Price Risk
- iv. Equity Price Risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest Rate Risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

| As at 31st March | Group | | Company | |
|----------------------------------|----------------------|---------------|----------------------|---------------|
| | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| Fixed Rate Instruments | | | | |
| Financial Assets | 1,517,824,646 | 1,406,437,129 | 1,412,573,735 | 1,290,602,730 |
| Financial Liabilities | 6,227,893 | 8,139,135 | 4,628,287 | 5,978,141 |
| Variable Rate Instruments | | | | |
| Financial Liabilities | 20,393,157 | 12,081,867 | – | 12,081,867 |

41.4 Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions.

| As at 31st March | Group | | Company | |
|------------------|-------------|-----------|-------------|-----------|
| | 2014 % | 2013 % | 2014 % | 2013 % |
| Debt/Equity | 0.04 | 0.07 | 0.03 | 0.05 |



Notes to the Financial Statements

| | Access Engineering PLC | | | |
|--------------------------------------|------------------------|----------------|---|-----------------|
| | 2014 Rs. | Construction | Production of Construction-Related Material | |
| | | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| <i>For the year ended 31st March</i> | | | | |
| 42. SEGMENT INFORMATION | | | | |
| Segment Revenue | 12,723,250,437 | 10,810,844,738 | 2,648,863,495 | 2,360,192,684 |
| Inter-Segment Revenue | (821,954) | – | (2,183,801,822) | (1,723,666,693) |
| Revenue | 12,722,428,483 | 10,810,844,738 | 465,061,673 | 636,525,991 |
| Segment Results | 2,118,268,894 | 1,642,114,821 | 547,719,274 | 455,916,457 |
| Inter-Company Dividend | – | – | – | – |
| Consolidation Adjustment | – | – | – | – |
| Net Finance Income | 134,613,235 | 202,871,907 | – | – |
| Share of results of associate | – | – | – | – |
| Profit before Tax | 2,252,882,129 | 1,844,986,728 | 547,719,274 | 455,916,457 |
| Income Tax Expense | (276,993,717) | (171,969,407) | – | – |
| Consolidation Adjustment | – | – | – | – |
| Profit for the Period | 1,975,888,412 | 1,673,017,321 | 547,719,274 | 455,916,457 |
| Capital Expenditure | 471,483,308 | 1,114,879,991 | 8,378,083 | 82,835,103 |
| Depreciation and Amortisation | 471,333,472 | 365,000,079 | 80,541,139 | 67,827,754 |
| Consolidation Adjustment | – | – | – | – |
| | 471,333,472 | 365,000,079 | 80,541,139 | 67,827,754 |

| | Access Engineering PLC | | | |
|--------------------------------|------------------------|----------------|---|-------------|
| | 2014 Rs. | Construction | Production of Construction-Related Material | |
| | | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| <i>As at 31st March</i> | | | | |
| Segment Assets | 17,631,328,119 | 14,651,400,566 | 683,309,602 | 777,242,906 |
| Investment in Subsidiary | – | – | – | – |
| Consolidation Adjustment | – | – | – | – |
| Revaluation of Leasehold Right | – | – | – | – |
| Goodwill | – | – | – | – |
| Share of Results of Associate | – | – | – | – |
| Inter-Segment - Elimination | – | – | – | – |
| | 17,631,328,119 | 14,651,400,566 | 683,309,602 | 777,242,906 |
| Segment Liabilities | 3,907,821,147 | 3,117,655,016 | 147,753,555 | 170,271,316 |
| Inter-Segment - Elimination | – | – | – | – |
| | 3,907,821,147 | 3,117,655,016 | 147,753,555 | 170,271,316 |



| Access Realities (Private) Limited | | Sathosa Motors PLC | | Group Total | |
|------------------------------------|--------------|----------------------|---------------|------------------------|-----------------|
| 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 186,655,738 | 169,823,721 | 3,054,001,702 | 2,310,756,122 | 18,612,771,372 | 15,651,617,265 |
| (41,644,408) | (27,680,328) | (11,996) | - | (2,226,280,180) | (1,751,347,021) |
| 145,011,330 | 142,143,393 | 3,053,989,706 | 2,310,756,122 | 16,386,491,192 | 13,900,270,244 |
| 135,910,835 | 122,001,078 | 429,843,657 | 253,083,118 | 3,231,742,660 | 2,473,115,474 |
| - | - | - | - | (35,057,909) | (31,296,957) |
| - | - | - | - | (14,015,754) | (8,912,585) |
| 6,981,886 | 2,977,977 | (3,718,133) | 33,259,945 | 137,876,988 | 239,109,829 |
| - | - | - | - | 6,676,920 | - |
| 142,892,721 | 124,979,055 | 426,125,524 | 286,343,063 | 3,327,222,905 | 2,672,015,761 |
| (6,845,708) | (4,293,534) | (140,292,531) | (80,589,777) | (424,131,958) | (256,852,717) |
| - | - | - | - | (3,895,323) | (3,477,440) |
| 136,047,013 | 120,685,521 | 285,832,993 | 205,753,286 | 2,899,195,624 | 2,411,685,604 |
| 109,380,580 | 7,217,785 | 119,983,354 | 35,550,250 | 709,225,325 | 1,240,483,129 |
| 1,047,696 | 648,739 | 23,985,360 | 7,903,997 | 576,907,667 | 441,380,569 |
| - | - | - | - | 14,091,834 | 8,192,193 |
| 1,047,696 | 648,739 | 23,985,360 | 7,903,997 | 590,999,501 | 449,572,762 |

| Access Realities (Private) Limited | | Sathosa Motors PLC | | Group Total | |
|------------------------------------|---------------|----------------------|---------------|------------------------|-----------------|
| 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. | 2014 Rs. | 2013 Rs. |
| 3,258,083,515 | 3,125,162,076 | 1,989,897,935 | 1,443,378,976 | 23,562,619,171 | 19,997,184,524 |
| - | - | - | - | (3,893,474,047) | (3,893,133,400) |
| - | - | - | - | (22,130,852) | (8,115,098) |
| - | - | - | - | 114,332,390 | 114,332,390 |
| - | - | - | - | 432,588,101 | 432,588,101 |
| - | - | - | - | 6,676,920 | - |
| - | - | - | - | (20,959,040) | (891,430) |
| 3,258,083,515 | 3,125,162,076 | 1,989,897,935 | 1,443,378,976 | 20,179,652,643 | 16,641,965,087 |
| 66,498,499 | 58,438,929 | 898,933,897 | 672,547,892 | 5,021,007,098 | 4,018,913,153 |
| - | - | - | - | (20,959,040) | (891,429) |
| 66,498,499 | 58,438,929 | 898,933,897 | 672,547,892 | 5,000,048,058 | 4,018,021,724 |



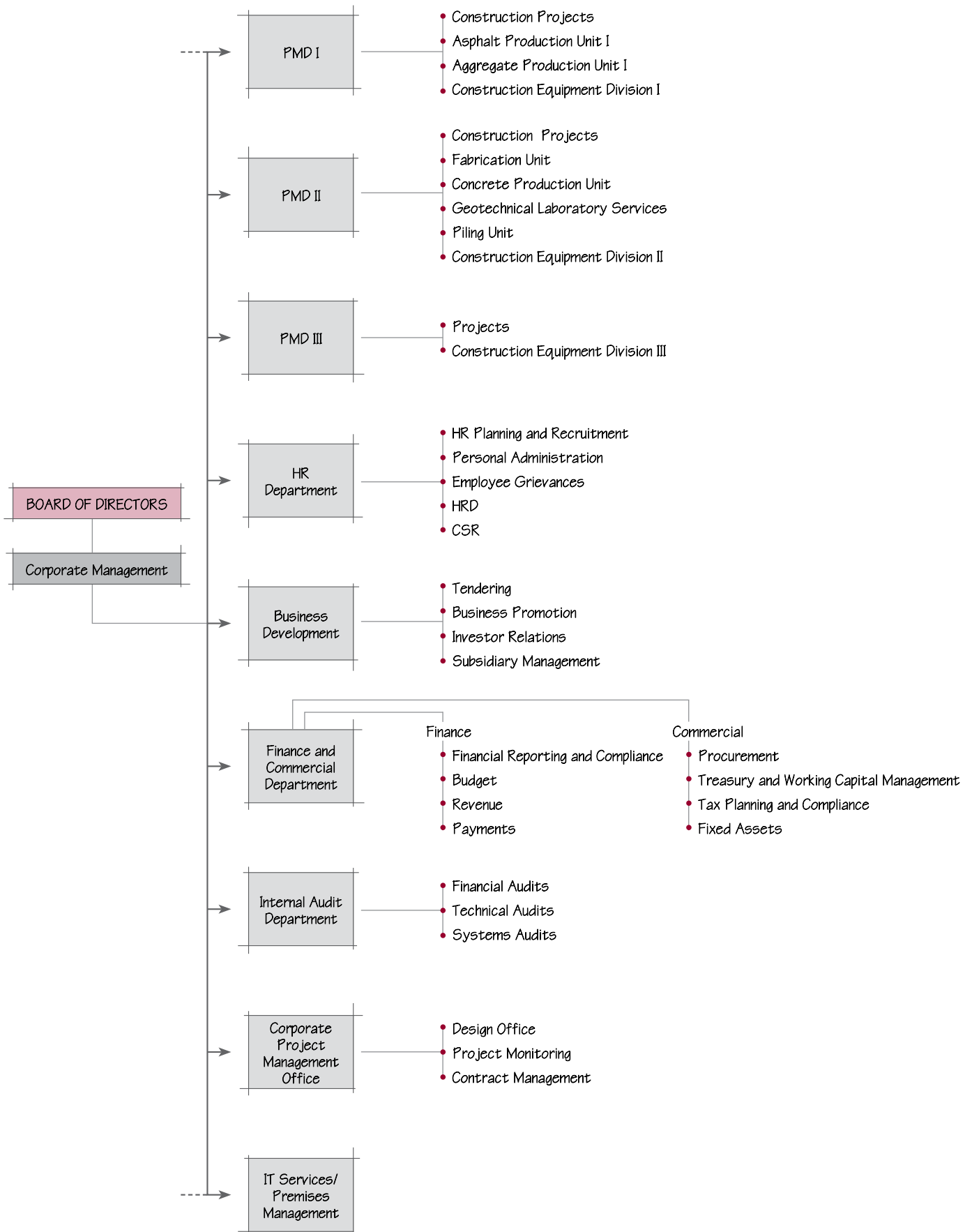
Five Year Summary

Five Year Summary

| As at 31st March | | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---|--------|---------|---------|---------|---------|---------------|
| | | Rs. | Rs. | Rs. | Rs. | Rs. |
| Statement of Comprehensive Income Highlights | | | | | | |
| Revenue | Rs. Mn | 3,175 | 3,651 | 7,320 | 13,900 | 16,386 |
| Gross Profit | Rs. Mn | 900 | 1,296 | 2,121 | 3,061 | 4,184 |
| EBITDA | Rs. Mn | 1,066 | 1,498 | 2,159 | 2,883 | 3,780 |
| EBIT | Rs. Mn | 957 | 1,359 | 1,931 | 2,433 | 3,189 |
| Net Finance Income | Rs. Mn | 31 | 22 | 102 | 239 | 138 |
| Profit After Tax | Rs. Mn | 850 | 1,167 | 1,737 | 2,412 | 2,899 |
| Profit Attributable to Owners | Rs. Mn | 808 | 962 | 1,733 | 2,376 | 2,832 |
| Statement of Financial Position Highlights | | | | | | |
| Property, Plant and Equipment | Rs. Mn | 355 | 1,229 | 2,672 | 3,741 | 3,747 |
| Total Non-Current Assets | Rs. Mn | 2,884 | 4,029 | 6,641 | 7,579 | 7,301 |
| Cash and Cash Equivalent | Rs. Mn | 491 | 225 | 1,641 | 703 | 1,521 |
| Short Term Deposits | Rs. Mn | 99 | 96 | 883 | 1,371 | 1,140 |
| Total Assets | Rs. Mn | 4,386 | 5,767 | 14,284 | 16,642 | 20,180 |
| Stated Capital | Rs. Mn | 1,000 | 3,000 | 9,000 | 9,000 | 9,000 |
| Retained Earnings | Rs. Mn | 1,954 | 1,144 | 1,670 | 3,486 | 5,814 |
| Equity to Owners | Rs. Mn | 2,954 | 4,344 | 10,670 | 12,486 | 14,915 |
| Interest Bearing Borrowings | Rs. Mn | 36 | 625 | 13 | 8 | 6 |
| Total Non Current Liabilities | Rs. Mn | 39 | 525 | 174 | 259 | 356 |
| Cash Flow Statement Highlights | | | | | | |
| Cash Flows from Operating Activities | Rs. Mn | 949 | 745 | 638 | 1,301 | 1,622 |
| Cash Flows From Investing Activities | Rs. Mn | (391) | (1,329) | (3,332) | (1,721) | (294) |
| Cash Flows From Financing Activities | Rs. Mn | (265) | 309 | 4,116 | (513) | (518) |
| Key Financial Ratios | | | | | | |
| EPS | Rs. | 1.01 | 1.20 | 1.83 | 2.38 | 2.83 |
| DPS | Rs. | 1.86 | 2.00 | 0.27 | 0.50 | 0.50 |
| Net Assets Per Share | Rs. | 3.69 | 7.24 | 10.67 | 12.49 | 14.91 |
| Dividend Payout | % | 184 | 167 | 15 | 21 | 18 |
| ROE | % | 27.4 | 22.1 | 16.2 | 19.0 | 19.0 |
| ROCE | % | 25.2 | 27.9 | 17.5 | 18.9 | 20.5 |
| Gearing | % | 1.2 | 14.4 | 0.1 | 0.1 | 0.04 |
| Current Ratio | times | 2.6 | 1.9 | 2.3 | 2.4 | 2.8 |
| Quick Ratio | times | 2.4 | 1.6 | 1.8 | 1.9 | 2.4 |
| Price Per Share | Rs. | | | 26.7 | 19.7 | 22.5 |
| Investor Highlights | | | | | | |
| Total Number of Shareholders | No. | | | 1,838 | 2,153 | 2,196 |
| % of Public Holding | % | | | 36.52 | 36.52 | 35.53 |
| Value of Shares Traded | Rs. Mn | | | 45 | 1,265 | 2,148 |
| Number of Trades | No. | | | 975 | 13,535 | 10,299 |



Operating Structure





Awards and Accolades

Awards and Accolades

NATIONAL AWARDS**National Business Excellence Awards 2013**

Overall Winner - Gold

Awarded by the NCCSL

National Business Excellence Awards 2013

Extra Large Category - Winner

Awarded by the NCCSL

National Business Excellence Awards 2013

Construction Sector - Winner

Awarded by the NCCSL

National Business Excellence Awards 2013

Excellence in Business & Financial Results - Winner

Awarded by the NCCSL

Best Corporate Citizen Sustainability Award 2013

Category of Ten Best Corporate Citizens

Awarded by The Ceylon Chamber of Commerce

Best Corporate Citizen Sustainability Award - 2013

Less than Rs. 15 Bn Turnover Category - 1st Runner Up

Awarded by The Ceylon Chamber of Commerce

Best Corporate Citizen Sustainability Award 2013

Certificate of Merit - Mentoring Programme at UoM

Awarded by The Ceylon Chamber of Commerce

Mahabimani 2013Award for Innovative Techniques in Construction
(Urgent Renovation at UCT - New North Pier in Colombo Port)

Awarded by ICTAD

Mahabimani 2013Construction Performance Award
(ADB Funded Eastern & North Central Provincial Roads Project - Phase 1)

Awarded by ICTAD

Mahabimani 2013Construction Performance Award
(Rehabilitation & Improvements to Ambepussa-Kurunegala-Trincormalee Road A06 from 157+000km to 167+280km & Kantale to Ganthalawa Road)

Awarded by ICTAD

Mahabimani 2013Construction Performance Award
(Construction, Completion & Commissioning of Gated Salinity Barrier Across Walawe River at Ambalanthota)

Awarded by ICTAD

Mahabimani 2013Construction Performance Award
(Urgent Renovation at UCT - New North Pier in Colombo Port)

Awarded by ICTAD

National Engineering & Technology Award 2013

Overall Performance - Gold

Awarded by IESL

National Engineering & Technology Award 2013

Silver Sponsor at Techno 2013

Awarded by IESL

Engineering Excellence Award 2013

Merit Award for Excellence in Engineering for Organizations

Awarded by IESL

Chartered Accountants - Annual Report Awards 2013

Construction Companies - Gold

Awarded by the Institute of Chartered

National Business Excellence Awards 2012

Excellence in Business & Financial Performance - Winner

Awarded by the NCCSL

National Business Excellence Awards 2012

Construction Sector - Winner

Awarded by the NCCSL

National Business Excellence Awards 2012

Extra Large Category - 2nd Runner Up

Awarded by the NCCSL

National Engineering & Technology Award - 2012

Best Display of Local Product - Gold

Awarded by IESL

National Engineering & Technology Award - 2012

Silver Sponsor at Techno 2012

Awarded by IESL

Engineering Excellence Award 2012

Excellence in Engineering for Organizations' in the 'Infrastructure - Construction' Category

Awarded by IESL

Chartered Accountants Annual Report Awards - 2012

Construction Companies - Gold

Awarded by The Institute of Chartered

Accountants of Sri Lanka

National Business Excellence Awards 2011

Best Knowledge Integrator

Awarded by the NCCSL

National Business Excellence Awards 2011

Construction Sector

Awarded by the NCCSL

National Business Excellence Awards 2011

Merit Award for Extra Large Sector

Awarded by the NCCSL

National Award for Construction Performance for the Year 2011

Regional Bridge Project Using British Government Finance Assistance - Construction of Nugegoda Flyover

Awarded by ICTAD

National Award for Construction Performance for the Year 2011

Construction of a Bridge Across Maoya on Pannala Maningamuwa-Mellawagedara Road

Awarded by ICTAD

National Award for Construction Performance for the Year 2011

Regional Bridge Project Using British Government Finance Assistance - Construction of Sangupiddy Bridge

Awarded by ICTAD

People Development Award 2013

Silver Award

Awarded by the SLITAD

Techno Exhibition 2011

Best Stall - Gold

Awarded by IESL

Techno Exhibition 2011

Silver Sponsor

Awarded by IESL



Milestones

April 2013

- Completed the construction of Gated Salinity Barrier across Walawe River at Ambalanthota
- Geotechnical & Laboratory Services Unit obtained an accreditation for mechanical testing from Sri Lanka Accreditation Board

September 2013

- Commencement of rehabilitation work on the Labugama Kalatuwawa Water Treatment Plants
- Commencement of rehabilitation work on Kadawatha Nittambuwa Road

February 2014

Commencement of piling work of Access Tower II

May 2013

Commencement of work on the first overseas project in Papua New Guinea

October 2013

Completion of flyover across Veyangoda railway crossing

July 2013

Completion of Eastern Province bridges

November 2013

- Received the 'Overall Gold Award' at the National Business Excellence Awards 2013
- Selected as a 'Top 10 Corporate Citizen' for 2013 by the Ceylon Chamber of Commerce
- People Development Award by the Sri Lanka Institute of Training & Development (SLITAD)

March 2014

Recorded the highest ever turnover of Rs. 13.2 Bn and Profit After Tax of Rs. 2.6 Bn

August 2013

Tie up with ZPMC

December 2013

- Received the 'Gold Award for Construction Companies' at the ICASL Annual Report Awards
- Launch of the SAP Enterprise Resource Planning System
- Completion of piling works of the Northern Section of the Outer Circular Highway



GRI Content Index

GRI Content Index

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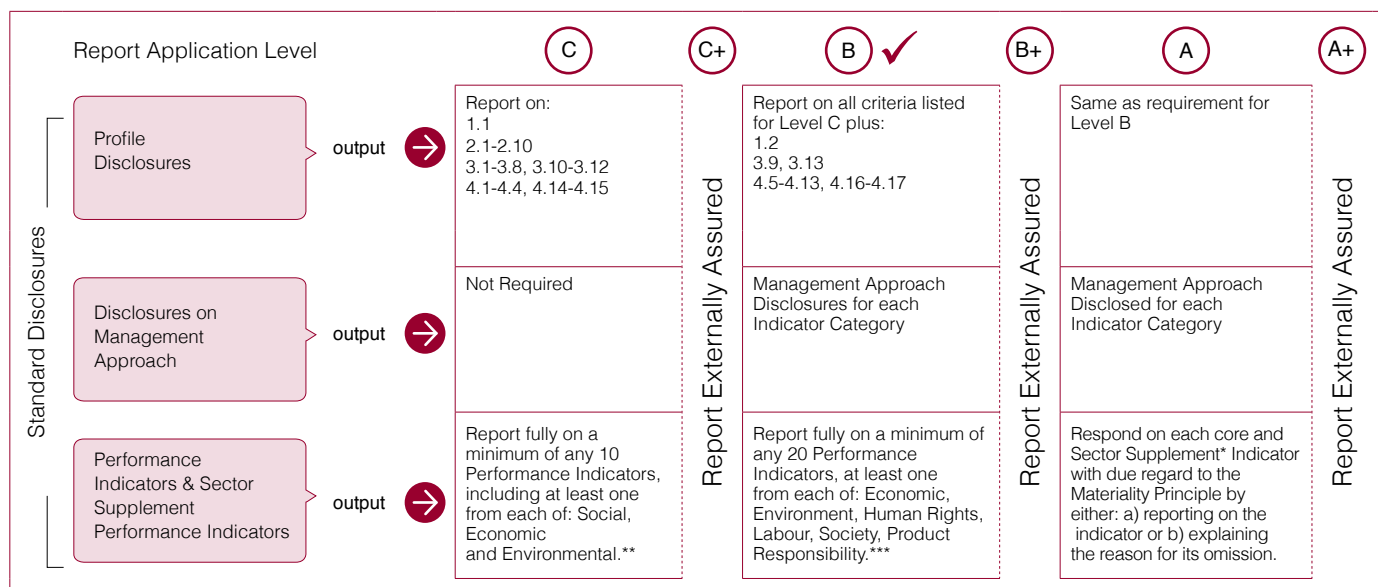


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| | <i>Principle 5</i> Businesses should uphold the effective abolition of child labour | HR 6 |
| | <i>Principle 6</i> Businesses should uphold the elimination of discrimination in respect of employment and occupation | LA2, LA13, HR4 |
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| | <i>Principle 8</i> Businesses should undertake initiatives to promote greater environmental responsibility | EN5, EN7, EN10, EN11, EN26, EN28, EN30 |
| | <i>Principle 9</i> Businesses should encourage the development and diffusion of environmentally-friendly technologies | EN5, EN7, EN10, EN26, EN30 |
| Anti-Corruption | <i>Principle 10</i> Businesses should work against corruption in all its forms, including extortion and bribery | SO2, SO3 |



* Sector supplement in final version

** performance Indicators may be selected from any finalized Sector Supplement, but 7 of the 10 must be from the original GRI Guidelines

*** Performance Indicators may be selected from any finalized Sector Supplement, but 14 of the 20 must be from the original GRI Guidelines



Notice of Meeting

Notice of Meeting

NOTICE IS HEREBY GIVEN that the third Annual General Meeting of Access Engineering PLC will be held at The Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha, Colombo 07 on Thursday 28th August 2014 at 2.00 p.m. and the business to be brought before the Meeting will be:

1. To receive and consider the Annual Report of the Board of Directors on the Affairs of the Company and the Financial Statements for the year ended 31st March 2014 and the Report of the Auditors thereon.
2. To re-elect as a Director Mr. N D Gunaratne who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company.
3. To elect Mr. S D Perera, who retires in terms of Article 95 of the Articles of Association, as a Director of the Company.
4. To authorize the Directors to determine donations for the ensuing year.
5. To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.

By Order of the Board

Access Engineering PLC

P W CORPORATE SECRETARIAL (PRIVATE) LIMITED

Director/Secretaries

17th July 2014

Colombo

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
2. A Proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 278, Union Place, Colombo 2, not less than thirty six (36) hours before the time fixed for the commencement of the Meeting.

Form of Proxy

I/We the undersigned NIC No.....

of

being a member/s* of Access Engineering PLC hereby appoint:

.....

of.....

- | | |
|--|----------------------------|
| Mr. Sumal Joseph Sanjiva Perera | of Colombo or failing him* |
| Mr. Ranjan John Suriyakumar Gomez | of Colombo or failing him* |
| Mr. Joseph Christopher Joshua | of Colombo or failing him* |
| Mr. Shevantha Harindra Sudhakara Mendis | of Colombo or failing him* |
| Mr. Dalpadoruge Anton Rohana Fernando | of Colombo or failing him* |
| Mr. Saumaya Darshana Munasinghe | of Colombo or failing him* |
| Prof. Kulatilleke Arthanayake Malik Kumar Ranasinghe | of Colombo or failing him* |
| Mr. Niroschan Dakshina Gunaratne | of Colombo or failing him* |
| Mr. Alexis Indrajit Lovell | of Colombo or failing him* |
| Mr. Suresh Dilhan Perera | of Colombo |

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 28th August 2014 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

| | For | Against |
|--|--------------------------|--------------------------|
| Resolution 1 To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2014 with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 To re-elect Mr. N D Gunaratne who retires in terms of Article No. 88 (i) of the Articles of Association of the Company, as a Director | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 To elect Mr. S D Perera who retires in terms of Article No. 95 of the Articles of Association of the Company, as a Director. | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 To authorize the Directors to determine donations for the ensuing year. | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5 To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company and authorize the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |

In witness my/our* hands this day of Two Thousand and Fourteen.

.....
Signature of Shareholder/s

**Please delete the inappropriate words.
Instructions as to completion appear on the reverse.*

INSTRUCTIONS AS TO COMPLETION

1. This Form of Proxy must be deposited at No. 278, Union Place, Colombo 2 not less than thirty six (36) hours before the time fixed for the Meeting.
2. In perfecting the Form of Proxy please ensure that all details are legible.
3. If you wish to appoint a person other than a Director of the Company as your proxy, please insert the relevant details in the space provided.
4. Please indicate with an 'X' in the space provided, how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.
5. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
6. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at The Secretaries' Office (i.e. P W Corporate Secretarial (Private) Limited, 3/17, Kynsey Road, Colombo 8) for registration.
7. In the case of joint holders the Form of Proxy must be signed by the first holder.

Corporate Information

NAME OF COMPANY

Access Engineering PLC

REGISTERED OFFICE

Access Engineering PLC
Access Towers
278, Union Place, Colombo 02
Sri Lanka.
Tel: +94 11 2302302
Fax: +94 11 2302333
Web: www.accessengsl.com
E-mail: investor.relations@accessengsl.com

LEGAL FORM

A public limited liability company incorporated in Sri Lanka on 31st July 2001 under the Companies Act No. 17 of 1982 and Re-registered under the Companies Act No. 07 of 2007 on 6th February 2008.

Ordinary Voting Shares are listed on the Main Board of the Colombo Stock Exchange.

COMPANY REGISTRATION NUMBER

PB 200 PQ

BOARD OF DIRECTORS

S J S Perera
J C Joshua
D A R Fernando
S H S Mendis
S D Munasinghe
R J S Gomez
A I Lovell
Prof. K A M K Ranasinghe
N D Gunaratne
S D Perera

AUDIT COMMITTEE

N D Gunaratne - Chairman
A I Lovell
Prof. K A M K Ranasinghe
R J S Gomez

REMUNERATION COMMITTEE

R J S Gomez - Chairman
Prof. K A M K Ranasinghe
N D Gunaratne

STRATEGIC PLANNING COMMITTEE

S J S Perera - Chairman
J C Joshua
D A R Fernando
A I Lovell
Prof. K A M K Ranasinghe

BANKERS

Bank of Ceylon
Nations Trust Bank PLC
Sampath Bank PLC
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
People's Bank
The Hongkong and Shanghai Banking Corporation Limited

SECRETARIES

P W Corporate Secretarial (Private) Limited
3/17, Kynsey Road,
Colombo 08.
Tel: +94 11 4640360
Fax: +94 11 4740588

AUDITORS

Messrs KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar Mawatha,
Colombo 03.
Tel: +94 11 2426426
Fax: +94 11 2445872



This Annual Report is Carbon Neutral

This Access Engineering PLC annual report has been produced by Smart Media The Annual Report Company, a certified carbon neutral organisation. Additionally, the greenhouse gas emissions resulting from activities outsourced by Smart Media in the production of this annual report, including the usage of paper and printing, are offset through verified sources.

This is an Integrated Annual Report

This Access Engineering PLC annual report has been prepared using the Smart Integrated Reporting Methodology™ of Smart Media The Annual Report Company.



Access Engineering PLC

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