

for  
*Engineering* Life





# Engineering <sup>for</sup> Life

WE CAN CLAIM TO BE ONE OF SRI LANKA'S TOP TIER ENGINEERING ENTERPRISES. WE CAN ATTEST TO THE CONSIDERABLE IMPACT AND VALUE ADDITION WE ENGENDER THROUGH A MULTITUDE OF IMPORTANT INFRASTRUCTURAL PROJECTS WE SPEARHEAD ACROSS THE COUNTRY. IN AND THROUGH OUR ENTERPRISE, WE "LIVE" THE DUALITY OF MEANING THAT OUR COVER CAPTION SUGGESTS...WE TRULY "ENGINEER LIFE" FOR MANY AND OUR PRODUCTS ARE "ENGINEERED FOR LIFE".



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GRI 102-2, 102-4, 102-6

## ABOUT US

### 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.

Access Engineering PLC (AEL), established in 2001, is the premier civil engineering firm in the Sri Lankan construction sector. Since our inception, we have extensively contributed to the construction landscape in Sri Lanka through numerous completed construction projects. We collaborate across disciplines and industries like energy and resource, environmental and water to bring highly diversified projects to life. Our project portfolio over the years include bridges and flyovers, roads and highways, harbours, water treatment plants and water supply projects, land drainage and irrigation schemes, telecommunication infrastructure projects, and more.

We have set ourselves apart from the competition by way of innovative, one-of-a-kind solutions combined with our end-to-end project and engineering know-how. Our workforce consists of staff and labour amounting to over 2,400. Managerial and professional staff account for over 150 and technical staff for about 400. We also possess an island-wide network of quarries, crusher plants, asphalt plants, and concrete batching plants along with the latest machinery.

Our local strength, knowledge, and relationships, coupled with our world-class expertise, have allowed us to provide advanced, yet personalised engineering solutions to our stakeholders. The "Access Engineering Promise" is to maintain the highest professional standards from planning and design to execution. Access

Engineering has been bestowed with recognition as a "Major and Specialist contractor" by the National Construction Association of Sri Lanka. It also has the highest CIDA grading across most number of disciplines of civil engineering. It is compliant to ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 accreditations for its quality, environmental, and health and safety management systems, and is a signatory to the UN Global Compact. AEL is also a TRACE member in good standing.

AEL has the following wholly-owned subsidiaries: Access Realities (Private) Limited, Access Realities 2 (Private) Limited, ARL Elevate (Private) Limited, and Horizon Holdings Ventures (Private) Limited.

Other subsidiaries are Sathosa Motors PLC, which is 84% owned by AEL, Access Projects (Private) Limited which is (80% owned), and Harbour Village (Private) Limited (60.83% owned). AEL has 50% joint ventures in Blue Star Realities (Private) Limited. Our associate company, ZPMC Lanka Company (Private) Limited, in which we have a 30% stake is a joint venture with Shanghai, Zhenhua Heavy Industries Company Limited (ZPMC) of China, the world's largest container handling equipment manufacturer.

GRI 102-11, 102-12, 102-46, 102-48, 102-49,  
102-50, 102-51, 102-52, 102-53, 102-54, 102-56

## ABOUT THIS REPORT

What you have before you is the sixth consecutive Integrated Annual Report of Access Engineering PLC. The Report provides an overview of the financial highlights, key functions, strategic investments, and the performance of the main business segments of the Company. The Report includes information regarding the value creation process of AEL and outlines the Company's short and long-term strategies, governance, performance, and the Company's efforts towards sustainability.

### Report content

We have disclosed only the key material aspects in the Annual Report 2018/19 to ensure the Report is comprehensive yet concise. These topics are selected based on the reporting principles of materiality, sustainability context, balance, completeness, and stakeholder inclusion. The value creation process is described under the six capitals of financial, manufactured, intellectual, human, social and relationship, and natural capitals.

### Report boundary and reporting period

The overall boundary of this Report includes both Access Engineering PLC (referred to as AEL or Company) and its subsidiaries as listed out in page 7 (collectively referred to as the "Group"). Financial aspects cover the entire Group while other aspects cover only Access Engineering PLC. Access Engineering PLC's Integrated Annual Report 2018/19 covers the period from 1 April 2018 to 31 March 2019.

There are no significant changes from previous reporting periods in the scope and aspect boundaries.

The most recent Annual Report covered the 12-month period ended 31 March 2018.

### Key frameworks and compliance

This integrated Annual Report draws on concepts, principles, and guidance given in the following, where applicable:

- ⌚ Companies Act No. 07 of 2007;
- ⌚ Global Reporting Initiative (GRI) Sustainability Reporting Guidelines GRI Standards ([www.globalreporting.org](http://www.globalreporting.org));
- ⌚ The International Integrated Reporting Framework (IIRC) ([www.theiirc.org](http://www.theiirc.org));
- ⌚ A Preparer's Guide to Integrated Corporate Reporting" issued by The Institute of Chartered Accountants of Sri Lanka;
- ⌚ Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka;
- ⌚ The Ten Principles of UNGC;
- ⌚ Sri Lanka Accounting Standards (SLFRS and LKAS)
- ⌚ Securities and Exchange Commission Regulations
- ⌚ Listing Rules of the Colombo Stock Exchange
- ⌚ Smart Integrated Reporting Methodology™ ([www.SmartAnnualReport.com](http://www.SmartAnnualReport.com)).

### Compliance

This Report presents financial aspects as well as the wider social and environmental impact of the Company's activities. This Report is prepared in accordance with the core criteria of GRI Sustainability Reporting Guidelines GRI Standards.

### External assurance

The Financial Statements were audited by Messrs KPMG Chartered Accountants while assurance on the sustainability reporting was also provided by Messrs KPMG.

### Precautionary principle

The Company applies the precautionary principle in relation to social and environmental sustainability. The Company is mindful of the impacts caused to society and environment by its operations and have taken necessary measures to mitigate any negative impacts and risks in operational planning and activities.

### Queries

Further queries regarding the Report or its content should be addressed to the Chief Operating Officer, Access Engineering PLC at [rohana@accessengsl.com](mailto:rohana@accessengsl.com)

Address: 12th Floor,  
Access Engineering PLC, Access Tower,  
Union Place, Colombo 2.

Phone: +94 117 606 606

The Report is available in both print and online versions. The latter may be downloaded from the Company's website [www.accessengsl.com](http://www.accessengsl.com)

## MILESTONES

### JANUARY

- Commissioning of the Kochchikade Bridge to the public
- Commencement of the commissioning work of ZPMC Ship to Shore and Rubber Tired Gantry Cranes to CICT and SAGT

### DECEMBER

- Recipient of the "Gold Award" in the Construction category and the "Silver Award" for CSR reporting at the CA Sri Lanka 2018 Annual Report Awards

### OCTOBER

- Commencement of the design and construction and financing works of the housing project at Cyril C Perera Mawatha, Bloemendhal

### MAY

- Commencement of the construction works of Anuradhapura North Water Supply Project – Phase 01

### MARCH

- Access Engineering PLC and Sathosa Motors PLC recorded the highest ever turnover
- Commencement of the Civil works of Construction of 100mw Semi Dispatchable Wind Farm in Mannar Island

### FEBRUARY

- Completion of the Piling works of Phase I – "Marina Square" of Harbour Village (Pvt) Ltd.

### NOVEMBER

- Ranked among Top 10 Corporate Citizens in Sri Lanka at the Best Corporate Citizen Sustainability Awards 2018
- Commencement of MEP works of Capital Heights by Blue Star Realities (Pvt) Ltd.

### APRIL

- Commencement of the construction works of ISUZU Workshop for Sathosa Motors PLC at Peliyagoda

2019

2018



## OUR GROUP STRUCTURE



### CONSTRUCTION AND CONSTRUCTION-RELATED MATERIALS



#### Access Engineering PLC

Parent

Construction and supply of construction-related services and materials



#### Access Projects (Private) Limited

80%

Construction and supply of construction-related services and materials



#### Access Realities (Private) Limited

100%

Commercial property development for lease and rental



#### Access Realities 2 (Private) Limited

100%

Commercial property development for lease and rental



#### Harbour Village (Private) Limited

60.83%

Residential and commercial property development (In partnership with China Harbour Engineering Company Limited and Mustafa's Pte. Ltd.)



### PROPERTY



#### Blue Star Realities (Private) Limited

50%

Residential property development



#### Horizon Holdings Ventures (Private) Limited

100%

Property development



#### ARL Elevate (Private) Limited

100%

Provision of conference, restaurant, and support facilities for Access Towers



#### Sathosa Motors PLC

84.42%

Authorised distributor for ISUZU in Sri Lanka



### AUTOMOBILE



#### SML Frontier Automotive (Private) Limited

42.21%\*

Authorised distributor for Jaguar and Land Rover in Sri Lanka



### MECHANICAL ENGINEERING



#### ZPMC Lanka Company (Private) Limited

30%

Commission, repair, and maintenance of port machinery

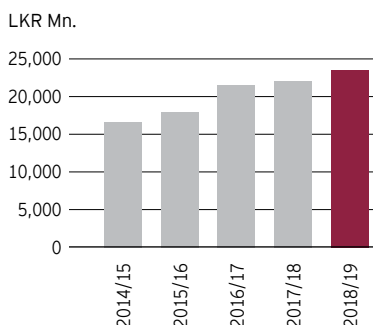
\* Effective Holding

GRI 102-7

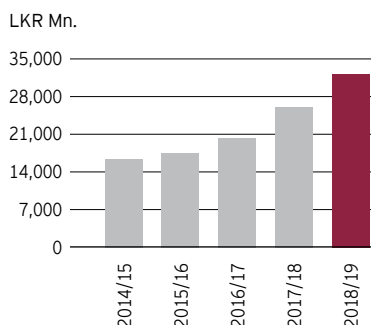
# HIGHLIGHTS

		2018/19		2017/18		Change (%)	
		Group	Company	Group	Company	Group	Company
<b>Earnings highlights and ratios</b>							
Revenue	LKR Mn.	32,277	19,356	26,056	17,937	23.9	7.9
Gross profit	LKR Mn.	5,184	3,173	4,061	2,811	27.7	12.9
EBITDA	LKR Mn.	4,891	3,912	5,677	3,697	-13.8	5.8
EBIT	LKR Mn.	4,173	3,184	5,044	2,990	-17.3	6.5
Earnings before tax	LKR Mn.	3,129	2,545	4,231	2,391	-26.1	6.4
Profit attributable to equity holders	LKR Mn.	2,150	1,962	2,507	1,908	-14.2	2.8
Dividend	LKR Mn.	500	500	1,200	1,200	-58.3	-58.3
Earnings per share	LKR	2.15	1.96	2.51	1.91	-14.3	2.7
Dividend per share	LKR	0.50	0.50	1.20	1.20	-58.3	-58.3
Dividend payout	%	23	25	48	63	-52.1	-60.1
<b>Statement of financial position</b>							
<b>Highlights and ratios</b>							
Total assets	LKR Mn.	48,062	34,621	44,439	32,989	8.2	4.9
Stated capital	LKR Mn.	9,000	9,000	9,000	9,000	0.0	0.0
Retained earnings	LKR Mn.	11,936	9,932	10,388	8,715	14.9	14.3
Total equity/Shareholders' funds	LKR Mn.	23,588	19,085	22,092	17,868	6.8	6.8
Total liabilities	LKR Mn.	24,474	15,536	22,346	15,122	9.5	2.7
Current assets	LKR Mn.	27,918	15,995	23,268	13,358	20.0	19.7
Current liabilities	LKR Mn.	16,941	9,635	14,818	9,165	14.3	5.1
Net asset per share	LKR	21.19	19.08	19.79	17.87	7.1	6.8
<b>Investor highlights and ratios</b>							
Price per share	LKR	-	13	-	20.50	0	-36.6
Gross profit margin	%	16.1	16.4	15.6	15.7	3.3	4.7
Net profit margin	%	7.0	10.1	9.5	10.6	-25.9	-5.0
Return on equity	%	9.5	10.3	11.15	10.7	-14.8	-3.5
Debt/Total assets	%	18.2	16.1	20.4	21.5	-11.1	-25.1
Debt/Equity	%	37.0	29.3	41.1	39.7	-10.1	-26.2
Current asset ratio	Times	1.6	1.7	1.6	1.5	5.9	13.9
Quick asset ratio	Times	1.3	1.5	1.2	1.3	8.6	17.9

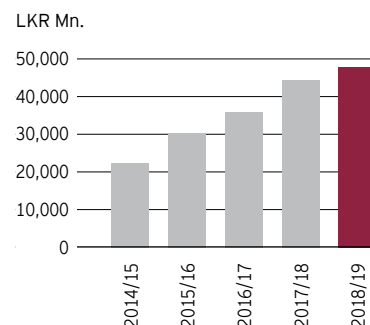
## NET ASSETS



## CONSOLIDATED REVENUE



## TOTAL ASSETS



**MANUFACTURED CAPITAL****LKR 705** Mn.

Investment in property, plant, and equipment

**LKR 286** Mn.

Invested in heavy machinery and equipment fleet

**INTELLECTUAL CAPITAL****LKR 20.5** Mn.

Invested to upgrade integrated information and planning systems

**HUMAN CAPITAL****529**

Total number of training hours

**LKR 5** Mn.

Investment on employee training and development

**2,458**

Staff and labourers

**2.38**

Lost time injury frequency rate

**SOCIAL AND RELATIONSHIP CAPITAL****100%**

Project completion ratio

**13,695**

Registered suppliers

**1,785**

Pairs of desks and chairs, distributed to 50 schools

**NATURAL CAPITAL****2,070**

Trees planted

**2,844** Litres

Water reused and recycled

**153,481** Cubic meters

Total water consumed

**290,014,952** Megajoules

Energy consumed

 **Project Highlights**


Commenced construction of 100 MW Wind Power Project, in Mannar, largest wind power project in Sri Lanka



Completed a major portion of Central Expressway Project Package - A Stage 2 from Mirigama to Riloluwa



Completed a major portion of the construction of Sathosa Motors PLC's ISUZU Work Shop at Peliyagoda



Commissioning of the Kochchikade Bridge to the public

**Awards**

- Winner of the Construction Sector Award at the Best Corporate Citizen Sustainability Awards 2018
- Ranked among the Top 10 Corporate Citizens in Sri Lanka at the Best Corporate Citizen Sustainability Awards 2018
- Recipient of the Silver Award for Corporate Social Responsibility Reporting at the CA Sri Lanka's 54th Annual Report Awards 2018
- Recipient of the Gold Award for Construction Companies at the CA Sri Lanka's 54th Annual Report Awards 2018
- Reaffirmed "(SL) A+ with a stable outlook" Entity Rating by ICRA Lanka Limited

GRI 102-14

## A MESSAGE FROM THE CHAIRMAN



*In 2018, we relied on the trust of our stakeholders, and internally, the strength and calibre of our corporate governance, our team, our investments in state-of-the-art technology, and our systems and processes to remain resilient in a challenging climate.*



## A MESSAGE FROM THE CHAIRMAN

We outperformed our expectations amidst a volatile environment recording the highest Company and Group turnover since incorporation, of LKR 19.4 Bn. and LKR 32.3 Bn. respectively with corresponding yearly growth rates of 8% and 24%.

Our outstanding financial performance has positioned us to confront the forthcoming demands in the construction sector to deliver value for all our stakeholders. During the year, tangible steps were taken to expand our core business lines and further develop our prospective and diversified business areas. This is evident from the fact that the biggest contributor to the growth experienced at Group level came from the automobile and the property arms. These ventures have widened our scope and cemented our position as a leading corporate entity in Sri Lanka.

Equipped with strong foundations, we envision creating value to the communities in which we operate and to the Nation at large, in the short, medium as well as long term. During the year, we completed infrastructure projects of national importance and continued large-scale projects both independently and in joint venture with international companies. As we look ahead, our focus is set on achieving our strategic goals, business continuity, and diversification to sustain our growth momentum.

### A CHALLENGING CONTEXT

Sri Lanka experienced a challenging year where a slow growth momentum in economic activity prevailed for the most part of the year. According to the CBSL Annual Report 2018, Sri Lanka recorded a subdued growth of 3.2% in 2018, much below the growth forecasts by CBSL, ADB, and IMF.

Though measures were taken by the CBSL to relieve the pressure on the exchange rate, the Sri Lankan Rupee depreciated by 19% against the US Dollar in 2018. This had a negative impact on all the imported raw materials and USD priced condominium units. Further, the Company's core construction business being taxed at 28% commencing 1 April 2018 will influence the sector as a whole.

Introduction of higher LC margin on motor car imports, cash margin requirement on selected consumer goods imports and lowering of the loan to value ratio on motor

vehicle-related financing coupled with the steep depreciation of the rupee had a profound impact on the automobile sector.

One of the main challenges the industry and our Company faced during the year was the lack of clear policy stability and slow approval processes which hindered growth. Further, the shortage of skilled labour, ambiguities in regulatory provisions, like the 15% VAT introduction from April 2019 on condominium apartments, the rising price of raw material, and a curtailed spending and consumption patterns were other significant challenges that impacted the industry during the reporting year.

### A COMMENDABLE PERFORMANCE

Our stellar performance in the year 2018/19, outlined in the joint statement of the Managing Director and the Chief Operating Officer, exemplifies our continuous leadership in the sector. Our core and subsidiary business lines have created a niche for themselves and continue to occupy market leadership positions in their respective sectors.

Over the recent history, we have consistently delivered value to our stakeholders embodying our principal ethos of value engineering in all our operations. Our diversified business portfolio that complements one another, the synergies derived from international partners, as well as our strong relationships with our principals and partners are some of our core strengths. The exceptional performance in 2018/19 is due to the leveraging of new technology in the industry, highly-skilled employees, high retention rate, best practices in management systems and processes, and the strong governance structures that are in place.

### DIVERSIFICATION IS THE KEY

A clear strategic direction is essential to the long-term sustainability of our Company. Thus, our medium-term strategy focuses on improving our core business lines. However, in the long term, we recognise that diversification and synergy between different business lines will be key to take the next step in our corporate journey. The subdued macro-economic conditions impacted our flagship real estate ventures "Capital Heights", Rajagiriya and the "Marina Square", Colombo in terms of sales.

Yet, substantial progress were made in the construction of both projects where the piling work was completed and excavation and shoring commenced in the Marina Square project and in Capital Heights, the major portion of its superstructure was completed within the year. The two projects will continue as planned with Capital Heights poised for completion in 2020 and Marina Square in 2023.

### OUTLOOK

We can claim of being the most innovative construction company in the sector with a diversified customer proposition and portfolio. During the coming years, we will follow our strategic framework to become the leader in our sector. The mega infrastructure projects that have been commissioned to us in the state and private sectors will spur growth potential in our core business line of construction. Our real estate ventures will also contribute to the Company growth, while the completion of Access Tower I and II have added A grade office spaces. The automobile sector is showing encouraging signs of recovery. Thus, despite economic headwinds, we remain optimistic about the immediate future. Our confidence is derived from the strong foundations that are in place, clear strategic direction that steers the Company, and the value of resilience that is embedded in our organisational culture.

### ACKNOWLEDGEMENTS

In conclusion, I wish to thank our highly-skilled team of professionals who form the lifeblood of this Company and who drive us towards innovative solutions. Further, my colleagues on the Board of Directors for their exemplary governance, guidance, and support. The Corporate Management Team led by the MD and the COO, deserves my gratitude for steering the Company towards success. Finally, I wish to thank our customers, business partners, investors and shareholders for their continued trust and loyalty in Access Engineering PLC.

**Sumal Perera**

Chairman

10 July 2019

## JOINT STATEMENT FROM THE MANAGING DIRECTOR AND THE CHIEF OPERATING OFFICER



*Access Engineering PLC remained resilient during a turbulent market setting to achieve the notable milestone of the highest turnover in the history of Company and the Group.*

**Rohana Fernando**  
Chief Operating Officer

**Christopher Joshua**  
Managing Director



## JOINT STATEMENT FROM THE MANAGING DIRECTOR AND THE CHIEF OPERATING OFFICER

Our key projects in the state and private sectors to develop much needed infrastructure continued over the reporting year. Our flagship project for the year 2018/19, the Mannar Wind Power project, the largest wind power project in the country, commenced its operations. Further, Access Tower II completed its first year of operations and we are already reaping the benefits of that investment. During the year, our primary ventures in real estate, Marina Square Colombo and Capital Heights Rajagiriya progressed according to expectations.

This year, our focus was mainly on streamlining of existing services and internal processes to improve the workflow, to save time which leads to efficiency. Moreover, the procurement process, one of the key areas of our business, was assessed and improved for better management of capital.

### **STRENGTHENED FINANCIAL PERFORMANCE**

Access Engineering PLC, remained resilient during a turbulent market setting to achieve the highest turnover in the history of the Group and the Company of LKR 19.4 Bn. and LKR 32.3 Bn. respectively with corresponding yearly growth rates of 8% and 24%. This was possible due to the passion and dedication of our team, performance of key business areas in line with our expectations, prudent internal governance, and the trust and support of all our stakeholders.

The Company's core construction business recorded a 19.44% year on year growth in the backdrop of construction-related activities that continued throughout the year. The growth of construction material segment was also impressive with 16.9% year on year growth, another first by Access Engineering in the country's civil engineering sector. Construction-related activities contributed 54.7% to the Group turnover, while 33.5% was contributed by automobile sector, 9.4% from sale of construction-related material and the rest being made up of leasing office space.

Profit after tax was LKR 2.2 Bn. and LKR 2 Bn. at the Group and at the Company levels. We also paid dividends amounting to LKR 500 Mn. during the year, compared to LKR 1.2 Bn. paid in 2017/18. The net asset value per share grew by 7.5% and 7% respectively at the Group and the Company levels.

### **AEL GROUP YIELDS FROM VERTICAL INTEGRATION AND DIVERSIFICATION**

The AEL Group continued to deliver steady operating performance during the year building on our previous year's performance and calibrating our portfolio and business operations towards sustainable value creation.

One of our principal strengths is our vertical integration of construction arm of the Group which has led to increasing market share, self-reliance, and strengthening our leadership position in the industry. Our integrated supply chain with engineering designs, piling operations, production plants, workshops which ensure timely delivery of projects with little disruption of operations. The capacity development initiatives instituted in the previous years are yielding positive benefits. The batching plants of Peliyagoda and Kandana and the asphalt plants of Kotadeniyawa, Ibbagamuwa, Vavuniyawa, and Mathugama are running at good capacity levels and have increased their contribution to revenue.

Our diversified business operations also yielded healthy results during the year. The automobile sector recorded a growth of 32.2%. Sathosa Motors PLC recorded considerable increases in sales of spare parts and new vehicles. Sathosa Motors PLC and SML Frontier Automotive (Private) Limited have increased their market share in their respective market segments. During the year 700 ISUZU vehicles and 200 new units of Jaguar Land Rover were sold. Further, we invested LKR 300 Mn. in the construction of a new workshop for Sathosa Motors PLC.

During the year two investments in Horizon companies were disposed and the Company intends to dispose Horizon Holdings Ventures during 2019/20. The reason for disposal was the long gestation period of the anticipated development and the better attractiveness of new investment options. We recorded a capital gain on this transaction.

The performance of our Associate ZPMC Lanka Company (30%) was exemplary with a 145% growth recorded during the year. Its operations were carried out both in the local and international markets. It contributed LKR 27 Mn. to the Group bottom line during the year, compared to LKR 11 Mn. in 2017/18.

### **LEVERAGING TECHNOLOGY FOR PROGRESS**

We are a forerunner in the application of innovative technology in the field and in the introduction of new and unconventional construction methods to the Sri Lankan industry. These value engineering solutions have resulted in time and cost saving. For example, the alternative beam casting method adopted for the Central Expressway Project has enabled us to remain ahead of schedule along with a reduction in construction cost. We also continued to use technologies such as HDD, Diaphragm walls, Micro trenching, Post tensioning, and others in our projects.

Our systems and internal controls are compliant with international best practices and we leverage the latest technology in the construction field. This has made Access Engineering an employer of choice possessing an above industry average retention rate in a market where there is dearth of skilled labour and a high turnover rate.



## JOINT STATEMENT FROM THE MANAGING DIRECTOR AND THE CHIEF OPERATING OFFICER

### NOTABLE PROJECTS IN 2018/19

The development of infrastructure is essential for sustainable economic development creating a healthy, happy, and thriving economic climate in communities. We possess diversified business operations across all sectors of civil engineering – we are one of the highest graded contractors by Construction Industry Development Authority (CIDA) and a leading civil engineering business in the industry.

During the year, we undertook a number of projects in the segments of transportation, water, urban infrastructure, and others, marking significant milestones in our project portfolio. Given below is an overview of the notable projects during 2018/19:

- ⊕ The construction work of the Mannar Wind Power Project commenced in partnership with the prime contractor, Vestas Asia Pacific A/S, the world's largest wind turbine manufacturer. Access Engineering has undertaken the civil engineering work in this 100 MW wind power plant project, which is the first of this scale.
- ⊕ Access Tower II with approximately 200,000 sq.ft. of "Grade A" office space was fully-occupied during the year. Access Tower II is now home to some of the world's leading multinational businesses and leading local enterprises.
- ⊕ Our flagship projects in real estate, Marina Square Colombo and Capital Heights Rajagiriya made substantial progress within the year.
- ⊕ A major portion of the Stage 2 of the Central Expressway Project was completed during the year. The project is due to be completed by 2020.
- ⊕ We carried out work in a number of commercial and residential projects which included the UDA Public Sector Housing project, UDA Phase II Urban regeneration housing project, the structural work of the Waterfront Integrated Resort Project, New Odel Mall Development project, Bloemendhal Housing project, new building for the Sri Lanka Institute of Nanotechnology etc.

⊕ Widening the Kandy-Colombo road from Kadawatha to Nittambuwa and carried our water supply projects in Deduruoya and Anuradhapura North.

⊕ Dialog and SLT Fiber Optic laying work during the year.

### SOCIAL RESPONSIBILITY INITIATIVES IN 2018/19

As a leading corporate entity in Sri Lanka, we have a responsibility to give back to the communities that we are operating in. We strive to create social value by engaging in sustainable practices that permeates across our operations, and also through our community development initiatives.

We continued to conduct vocational training programmes which leads to the creation of skilled labour. The mentoring programme in partnership with the University of Moratuwa continued this year. Furthermore, we continued the fabrication and donation of school desks and chairs initiative this year. Making use of scrap material, over 1,750 pairs of desks and chairs were fabricated and donated to 50 schools. Our tree-planting programme, launched over a decade ago, continued this year with over 2,000 trees planted during the year. A detailed description of our community development and sustainability initiatives can be found on page 99.

We made contributions to the newly-established Accident and Emergency Trauma Unit of the Teaching Hospital in Batticaloa and for the development of the proposed National Centre for Children with Disabilities spearheaded by The Faculty of Medicine, University of Kelaniya.

### FUTURE OUTLOOK

The future of Access Engineering as a diversified, integrated corporate citizen looks optimistic. The construction arm of the Group will remain its dominating business line. The sale of construction-related material too has a promising future with the high number of private and public sector infrastructure projects.

Our property arms Marina Square Colombo and Capital Heights Rajagiriya will make positive contributions to the Company profits in coming years. Access Tower I and Tower II will continue to contribute to revenue and profits. We expect both towers to maintain their full occupancy in the medium term.

The automobile arm is showing promise and will continue to contribute to the revenue and profits due to the superior brand performance of ISUZU, Jaguar, Land Rover and the exclusive clientele.

### ACKNOWLEDGEMENTS

We would like to recognise the contribution of our customers, principals, business partners, shareholders, and all other stakeholders for their trust and confidence. Further, we would like to extend our thanks to the members of the Board led by the Chairman and the Board of Directors for their guidance. Our dedicated Corporate Management team and employees must be praised and thanked for their commitment and continued passion. We will work together to continuously expand our position as an innovation leader in the industry, to create better value for all our stakeholders.

**Christopher Joshua**  
Managing Director

**Rohana Fernando**  
Chief Operating Officer

10 July 2019



# OUR STRATEGY

*Our strategy is founded on our vision “To be the foremost Sri Lankan business enterprise in value engineering” and our aim of creating sustainable value for all our stakeholders.*

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# OPERATING ENVIRONMENT

## GLOBAL ECONOMY AND THE GLOBAL CONSTRUCTION INDUSTRY

Global growth has moderated in 2018 and grew at an estimated 3.6% according to World Economic Outlook 2019 and is projected to decline to 3.3% in 2019. Global economic activity was impacted by trade tensions between China and the US, Brexit and its implications on Europe, and a strong US Dollar leading to a tightening of financial policy in the emerging markets. Global economic activity within the year was supported by advanced economies such as the US, UK, and Japan. The global economy was characterised by a softening of industrial production and slowing down of trade. Further, global energy prices declined by 17%.

The ongoing trade war between China and the US impacted both economies as well as the world as a whole. Japan's momentum was hindered by natural disasters and Canada grew at a robust pace largely due to its strong labour market. GDP growth in the UK expanded at a meagre pace. Euro zone markets decelerated due to social unrest in France and weak momentum in Germany. Brexit uncertainty too continue to influence all European markets.

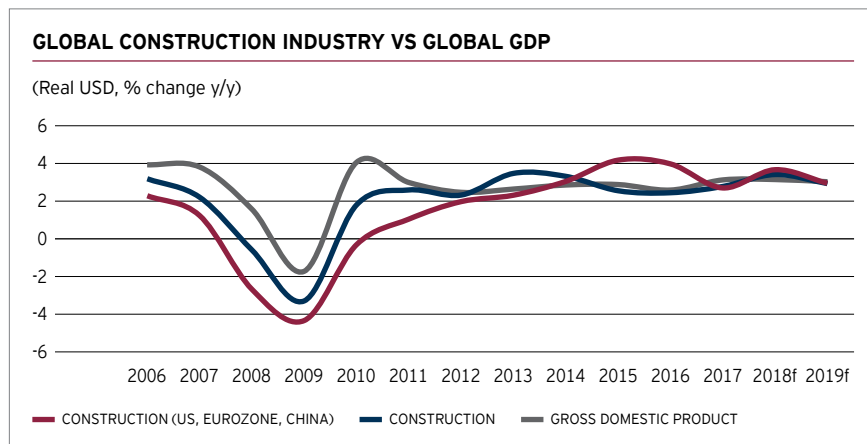
The Chinese economy is expected to slowdown due to the need of financial regulatory tightening and the ongoing trade war with the US. In the Emerging Market and Developing Economies (EMDEs), borrowing costs have increased. Central Banks in the EMDEs raised policy rates as a result of concerns about inflation effects from oil price increase and currency depreciation.

## GLOBAL CONSTRUCTION INDUSTRY

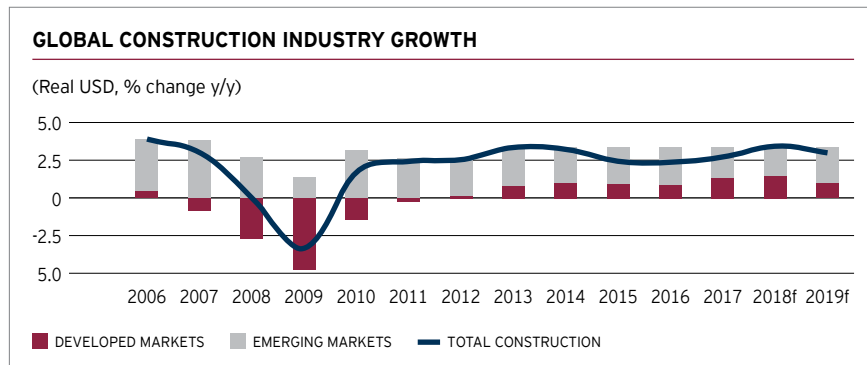
Global construction sector grew by 3.5% in 2018 from 2.7% in 2017, recording the fastest growth rate during the current construction cycle from 2008/18. It is forecasted to grow by 3.0 in 2019 after a gradual slowdown.

Over the past decade, most of the growth came from emerging markets (57% since 2008), while the developed markets have

not fully regained their pre-crisis volumes. The cyclical nature of the construction sector has strengthened over the past years, which suggests that the sector growth will be dragged down by the rising interest rates and tighter credit conditions in Western economies (with the Eurozone starting in H2 2019) and the economic growth slowdown in China.



Sources: OECD, National Statistical Offices, Allianz Research analysis



Sources: National Statistical Offices, Allianz Research analysis 2018

## Residential construction volumes growth – Top 20 largest construction markets

	2017 %	2018f %	2019f %
1. China	4	5	4
2. US	6	4	3
3. Japan	2	1	1
4. India	2	10	9
5. UK	9	2	2
6. Germany	2	2	3
7. France	4	2	2
8. Australia	-1	1	-4
9. Indonesia	6	6	5
10. Canada	5	4	2
11. Italy	2	1	2

	2017 %	2018f %	2019f %
12. Russia	-3	-4	2
13. Brazil	-5	-1	3
14. Mexico	2	0	0
15. Spain	7	6	4
16. South Korea	16	0	2
17. Turkey	8	4	2
18. UAE	-2	5	4
19. Saudi Arabia	-3	-2	2
20. Netherlands	12	9	2
Global	4.2	3.5	3

Sources: National Statistical Offices, Allianz Research analysis 2018

 OPERATING ENVIRONMENT

The sector risk rating points towards the deterioration of liquidity, demand, and profitability over the past four years. The elevated liquidity risk has led to delays and the sector remains one of the worst performing. Further, the volume of growth in the construction market in the developed economies is negative during the current construction cycle. Profitability has also been affected due to the rise of material costs and labour costs. The sector has also experienced skilled labour shortages that limit construction activity and increasing labour costs. The sector also records one of the highest rate of turnover among all sectors above 20%.

### SRI LANKAN ECONOMY AND THE SRI LANKAN CONSTRUCTION SECTOR

Sri Lanka underwent a challenging year with GDP growth reaching 3.2% for the year. The growth momentum in the first two quarters slowed down in the last two due to political instability. However, recovery in the agriculture and services sector and advances in the export and tourism sectors will drive growth in 2019. This growth was largely supported by services activities that expanded by 4.7% and the recovery in agriculture activities, which recorded a growth of 4.8%. Industry activities slowed down significantly to 0.9% during the year, mainly as a result of the contraction in construction. The per capita GDP was recorded at USD 4,102 in 2018, which was marginally lower than in the previous year.

Measures were taken by the CBSL to relieve the pressure on the exchange rate, however, the Sri Lankan Rupee depreciated by 19% against the US dollar in 2018. Further, Sri Lanka is reported to have USD 5.9 Bn. in external debt repayments in 2019, including an international sovereign bond of USD 1 Bn. which matured in January and was repaid. IMF forecast an expected growth of 3.5% for Sri Lanka in 2019. Activity will be supported by robust domestic demand as consumption rebounds following natural disasters, and investment is boosted by infrastructure projects.

The Government continued its major infrastructure projects in 2018 including the rehabilitation of the existing road network to uplift the country's infrastructure and to uplift the economic activity. Several major road development projects are implemented like the iRoad project, New Kelani Bridge, extension of the Southern Expressway, Section II of the Central Expressway, and other projects.

Construction activities, which accounted for 6.8% of GDP, contracted by 2.1% during 2018 compared to the expansion of 4.3% recorded in the previous year. In tandem with the decline in construction activities, mining and quarrying activities also contracted during the year. The subdued performance of large scale construction activities, especially related to infrastructure development projects during the year, slowed down the overall construction activities.

The growth in credit to the private sector granted by Licensed Commercial Banks (LCBs) for construction activities also slowed down to 14.1% in 2018, compared to 22.5% growth recorded in 2017. Particularly, the growth in credit granted for personal housing construction activities by LCBs slowed down to 13.1% in 2018, from 21.4% growth recorded in 2017. The corporate tax rate for construction was increased to 28% from 1 April 2018 negatively affecting the profitability of the sector.

Main challenges of the sector remain the shortage of skilled labour and the lack of proper policy initiatives from the regulatory bodies or slow decision making process which hinders the awarding and execution of projects. Further, funding constraints of the Government and the effects of national debt negatively affect the industry. However, in an encouraging sign, the Government has decided to remove the Nation Building Tax (NBT) on construction which will have a positive impact on the industry.

	2018/19	2017/18	Change %
<b>Comparison based on monetary value</b>			
Construction industry at current market prices as per CBSL 2018 Annual Report (LKR Mn.)	1,054,287	1,040,876	1.29
AEL Company turnover (LKR Mn.)	19,356	17,937	7.91
<b>Comparison based on employment</b>			
Total employment in construction, electricity, gas, steam and air conditioning supply, water supply, sewerage, waste management and remediation activities as per CBSL 2018 Annual Report ('000 persons)	713	688	3.64
Total workforce at AEL as at 31 March	2,458	2,670	(7.94)

## ↓ OPERATING ENVIRONMENT

The construction sector will be called upon to take on the development of the country's infrastructure through long-term projects such as the Section I of the Central Expressway, Port Access Elevated Highway, Light Rail Transit, the extension of the Marine Drive, projects under the Urban Regeneration Programme, other private-sector investment projects, as well as the construction of the Phase I of the Colombo Port City project will begin shortly. These long-term projects will be complemented with other projects such as rehabilitation of existing road network, the construction of flyovers and bridges to minimise traffic, improvements to existing water treatment plants and irrigation systems, and also the upgrading of the island-wide telecommunication infrastructure. These national construction projects and the private-sector infrastructure projects will be a huge boost to the national economy as well as the construction industry.

### SWOT analysis

#### STRENGTHS



- ⊙ Visionary leadership and support from the top management.
- ⊙ Past experience (Over 150 projects completed successfully).
- ⊙ Highly-reputed entity. Among the top 3 local construction companies.
- ⊙ Commitment to value engineering resulting in high quality construction, low cost, and speedy completion.
- ⊙ In-house service portfolio that complements construction projects including the designs office, piling division, production plants, workshops, etc.
- ⊙ The decentralised operating structure for project execution that results in high productivity and efficiency.
- ⊙ Having the highest CIDA grading across the most number of engineering disciplines.
- ⊙ Long-term relationships with clients, suppliers, and Government.
- ⊙ Having executed a large number of projects jointly with reputed international partners.
- ⊙ Possessing human capital that is best in the industry.
- ⊙ Use of latest information systems and communication platforms for decision making.

#### WEAKNESSES



- ⊙ Communication hindrances between distantly located project sites and the Head Office.
- ⊙ Limited overseas expansion.

#### OPPORTUNITIES



- ⊙ Diversification of the product portfolio (e.g. – wind power).
- ⊙ Overseas expansion with international partners.
- ⊙ Further strengthening presence in office space renting.

#### THREATS



- ⊙ Devaluation of the Rupee impacting margins.
- ⊙ Cultural mismatches in overseas expansions.
- ⊙ Competition from foreign construction firms.
- ⊙ Migration of Sri Lankan professionals and skilled staff creating a scarcity of potential employees.
- ⊙ Frequent changes in Government policy decisions negatively affecting infrastructure development.
- ⊙ Frequent changes in Government tax structures affecting profitability.

## ANALYSIS OF POLITICAL, ECONOMIC, SOCIAL, AND TECHNOLOGY FACTORS

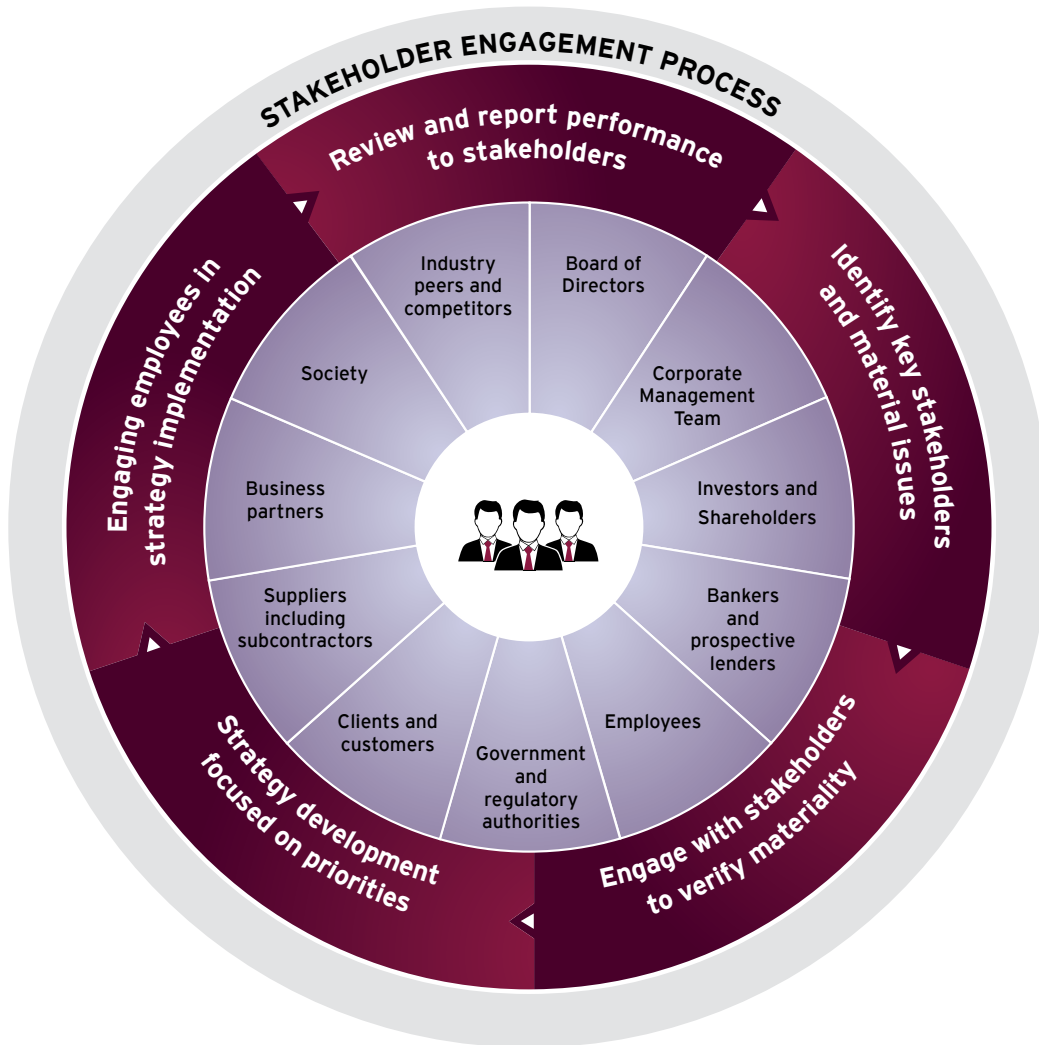
<b>Political</b>	
Ecological issues	Concerns on preventing environmental pollution (Air, water, and land pollution)  Continuation and renewal of operating licenses based on the stated rules and regulations of Central Environmental Authority (CEA) and Local Authorities
Current legislations	Laws stated by the Labour Authority relating to working hours, minimum wage rates, Employee Provident Fund, Employee Trust Fund, and health and safety of employees  Laws and regulations relating to obtaining construction licenses, approval of plans etc.
International legislations (Global influence)	The open economy policy adapted by Sri Lanka and the encouragement to improve Foreign Direct Investments has attracted the participation of international firms, especially in the construction sector  Local Companies including construction companies are bound by the International Treaties that Sri Lanka has pledged to uphold
Regulatory bodies and processes	All industry participants should confirm to the specifications stated by the Construction Industry Development Authority (CIDA)  The CIDA has specified grading for construction companies and the renewal of grading will occur by observing compliance with the established rules and regulations
Government policies, terms, and changes	Infrastructure development is heavily dependent on the policy directions set out by the GoSL
Funding, grants, and initiatives	The tendency to increasingly engage in multilateral and bilateral funded projects will improve the flow of foreign funds and grants to the country  Payment terms negotiated by the GoSL including the grace period, interest rate, etc. will have a direct impact on construction contracts
Market lobbying groups	The influence of market lobbying groups in determining: <ul style="list-style-type: none"> <li>➔ The sustainable utilisation of natural resources</li> <li>➔ Protection of human rights</li> <li>➔ Prevention of environmental damages through air, water, or land pollution</li> </ul>
Wars and conflicts	With the end of the three-decade war in 2009, Sri Lanka perceived a massive growth in infrastructure development
<b>Economic</b>	
National economies and trends	Construction industry experienced only a marginal 1.3% growth in 2018 and if this slow growth momentum continues local companies too could be affected  Funding constrains due to Treasury not having sufficient funds can also influence the progress of infrastructure development activities
General taxation issues	Construction activities are now taxed at 28% as opposed to the concessionary tax rate of 12% prior to 2018  Removal of NBT from construction activities as suggested by the 2019 budget will have a positive impact on projects
Seasonality or other weather issues	Extreme weather conditions affecting the progress of construction-related activities
Special sector factors	The emergence of the construction boom and high degree of attention towards condominium developments in the country will favour the building construction sector

 OPERATING ENVIRONMENT

Interest and exchange rates	Interest rate specifies the borrowing capacity and influences the investment process especially if the projects are debt financed  Depreciation of the Sri Lankan Rupee has led to foreign exchange losses and high cost of imports for raw materials such as cement and steel
International trade and monetary issues	Tendency to import construction-related material and machinery from low cost destinations like China will reduce the cost of construction  Free Trade Agreements, bilateral and multilateral agreements enhancing the potentials for engaging in international trade including the possibility of carrying construction projects overseas
<b>Social</b>	
Lifestyle trends	Increase in urbanisation has created opportunities for construction companies specially for construction of condominium apartments
Demographics	Ageing population creating limitations for the potential workforce especially engaging in construction-related works
Consumer attitudes and opinions	People becoming more concerned about the environment creating a tendency to demand for more sustainable construction methodologies
Media views	Influence of the public media by bringing to limelight pressing issues of the general public like housing, water, electricity, etc. is creating more opportunities for construction activities and companies
Image of the organisation	High degree of concern towards organisational reputation, brand image, adaption of good corporate governance practices
Consumer buying patterns	Increase in demand for condominium developments
Major events and influences	Promotion of Sri Lanka as a MICE destination is creating the need for new infrastructure developments and renovations
<b>Technology</b>	
Competing technology development	Development of modern techniques that: <ul style="list-style-type: none"> <li>➔ Reduce the use of natural resources and raw materials</li> <li>➔ Reduce pollution</li> <li>➔ Reduces cost and speeds up construction</li> </ul>
Associated/dependent technologies	Development of sophisticated software. Especially for the purposes of designing which in turn result in accuracy and speed.
Maturity of technology	The construction industry is moving from being a strictly labour incentive one to a more knowledge incentive one  Emerging technological advances used throughout the world to foster efficient construction are now introduced and used in Sri Lanka
Innovation potential	Heavy emphasis on research and development to further initiate technological advancements and construction materials
Maturity of organisation's products/services	Construction related products and services don't face the problem of having a shorter life cycle. Most of the products are perceived as long-term investments. However there is technological obsolescence of machinery and methods used in the construction processes.

# STAKEHOLDER ENGAGEMENT

Our Sustainable development depends on balancing short-term and long-term interests of our stakeholders. To achieve this, effective engagement of internal and external stakeholders is fundamental. In line with our strategic priorities, we adapt our policies and practices to the needs and expectations of our stakeholders and aid them in making business decisions proactively. Our approach to engaging with stakeholders is a continuous process as shown below:



## STAKEHOLDER ENGAGEMENT

### Identify key stakeholders and material issues

The process starts with the identification of key stakeholders and issues that are of material to them. This process involves analysis of internal and external environment while monitoring micro and macro facts and aligning them with our strategic objectives. The list of stakeholders identified is then analysed in groups, based on the power they can exert on AEL and their level of interest on AEL's operations and activities as shown below:



### Engage with stakeholders to verify materiality

Assessing the issues that are material is an ongoing process that includes consultation with internal and external stakeholders. This would enable AEL to assess the materiality of the issues accurately and engage them in an early stage of the decision-making process.

### Strategy development focused on priorities

After verification of issues with stakeholders appropriate engagement strategies are devised which are then prioritised. Prioritisation of the issues would make AEL to proactively attend to stakeholder concerns and direct the resources and management efforts to the issues at hand with a lower lead time.

### Engage employees in strategy implementation

Next stage of engagement is the implementation of prioritised strategies. AEL engages its employees cohesively in devising strategies addressing stakeholder issues and implements them depending on the interest and power each stakeholder group exerts. This process devises methods of engagement with stakeholders which involves utilising the responsive methods that enables fast decision-making.

### Review and report performance to stakeholders

AEL continuously and regularly reports outcomes of the engagement process to stakeholders. We also consider regulatory and statutory requirements which act as minimal criteria in deciding frequency of engagement.

AEL follows this process iteratively improving the engagement with stakeholders in each cycle and creating optimum value to them.



### OUR STAKEHOLDERS

- ④ Board of Directors
- ④ Corporate Management Team
- ④ Investors and shareholders
- ④ Bankers and prospective lenders
- ④ Employees
- ④ Government and regulatory bodies
- ④ Clients and customers
- ④ Suppliers including subcontractors
- ④ Business partners
- ④ Society
- ④ Industry peers and competitors










 STAKEHOLDER ENGAGEMENT

Our rationale behind engaging with the stakeholder groups identified above is as follows:

Stakeholder group	Rationale for engagement and expectations
<b>BOARD OF DIRECTORS</b> 	<p>The Board is mainly responsible for:</p> <ul style="list-style-type: none"> <li>➔ Setting corporate objectives, formulating strategies and policies</li> <li>➔ Reviewing the performance of corporate management</li> <li>➔ Representing the views of the Company to the outside world</li> <li>➔ Protecting Company assets and shareholder interests</li> <li>➔ Establishing a sound system of governance</li> </ul>
<b>CORPORATE MANAGEMENT TEAM</b> 	<p>The Corporate Management Team is responsible for implementing the objectives, strategies, and policies set forth by the Board and for effective functioning of the Company.</p>
<b>INVESTORS AND SHAREHOLDERS</b> 	<p>As the Government of Sri Lanka (GoSL) is not able to finance all planned infrastructure development projects, investors play a key role in funding projects.</p> <p>The investors of mega infrastructure projects expect us to provide them a reasonable return on their investment in the long term and to honour contractual obligations.</p> <p>Shareholders provide equity capital and approve/reject company strategic decisions while expecting a reasonable return on their investment. They also expect us to provide periodic updates about our Company, our key financial figures and our long-term business strategy/direction. As the custodians of their wealth the shareholders expect us to build a growing and sustainable business while being a good corporate citizen. The long-term strategy of AEL is to increase its market value to shareholders.</p>
<b>BANKS AND PROSPECTIVE LENDERS</b> 	<p>Banks play a major role in the following areas:</p> <ul style="list-style-type: none"> <li>➔ Financing infrastructure development projects of the country</li> <li>➔ Processing day-to-day monetary transactions of the Company</li> <li>➔ Providing funding arrangements enabling effective working capital management</li> <li>➔ Providing investment opportunities through accepting deposits</li> </ul>
<b>EMPLOYEES</b> 	<p>The industry we operate-in is highly labour intensive. Thus to remain competitive in the market we need to have the best talent pool and human capital in the industry. A fully-engaged workforce that is highly satisfied will go an extra mile for the benefit of the Company to achieve its goals and objectives.</p> <p>In return for their commitment the employees expect us to provide them with a safe working environment, equal opportunities, individual career growth, opportunities for training and development, reward their performance, and to promote work-life balance.</p> <p>Similarly our vision towards sustainability is driven by our employees, who need the most up-to-date information to make a valuable and informed contribution.</p>








## ↓ STAKEHOLDER ENGAGEMENT

Stakeholder group	Rationale for engagement and expectations
<b>GOVERNMENT AND REGULATORY BODIES</b> 	<p>Maintaining cordial relationships with GoSL is very important to the Company since most infrastructure projects are initiated by the Government. Thus building confidence is paramount to business operations and our continuity.</p> <p>The Government expects us to create direct and indirect employment opportunities, engage in investment opportunities and drive economic growth while complying with all their laws and regulations. We act as a source of revenue to the Government by paying direct taxes and channelling indirect taxes.</p> <p>Regulatory authorities play a vital role in approving and reviewing completed, on-going and future infrastructure development projects. They also expect us to fully comply with all their rules and regulations.</p>
<b>CLIENTS AND CUSTOMERS</b> 	<p>Maintaining cordial relationships with clients is important since most of the repeat orders are based on this. Similarly client satisfaction through effective project implementation is important in securing future business. Hence, client interaction is one of most important factors of our success.</p> <p>We also carry out a substantial amount of engineering projects and services at the client's premises and need customers to continually subscribe to our engineering products and services in order to generate business.</p>
<b>SUPPLIERS INCLUDING SUBCONTRACTORS</b> 	<p>Construction industry is heavily dependent on raw material and, therefore, suppliers play a key role in the achievement of business objectives and timely completion of projects. While enabling us to deliver innovative value engineering solutions to various clients they also help us to make our processes more efficient. We also need subcontractors who are capable of carrying out work in an uninterrupted manner, who are trustworthy, competitive in terms of prices, quality of service offered and flexibility, easy to communicate with, have a good past track record and adhere to ethical conduct.</p> <p>In carrying out our projects and services they expect us to build progressive long-term relationships while honouring all contractual obligations.</p>
<b>BUSINESS PARTNERS</b> 	<p>For us to be a leader in knowledge-based value engineering, we need to liaise with companies specialising in particular areas enabling a valuable knowledge transfer process. They also collectively expect us to safeguard their interests honouring their obligation on time while building progressive sustainable relationships.</p>
<b>SOCIETY</b> 	<p>The end user of almost all our products, i.e., construction projects, is the general public. Hence they expect us to build infrastructure and provide services that are of high quality and safe to use while being sustainable economically, socially and environmentally. Being a responsible corporate citizen adhering to social norms and culture and maintaining a positive public image is very important to succeed in this industry. The general public also expects us to create direct and indirect employment generation.</p>
<b>INDUSTRY PEERS AND COMPETITORS</b> 	<p>Fostering and engaging in fair competition while promoting ethical business practices is vital for the development of the industry. The peers expect us to actively promote and uplift the standard of the industry as a whole through our active participation in various industry initiatives.</p>


 STAKEHOLDER ENGAGEMENT







GRI 102-44

The following table illustrates in detail the Company's approach and processes for stakeholder engagement by stakeholder group:

Stakeholder group	Method of engagement	Frequency of engagement
<b>BOARD OF DIRECTORS</b> 	<ul style="list-style-type: none"> <li>→ Board meetings</li> <li>→ Board Committee meetings</li> <li>→ Independent evaluation of performance</li> </ul>	Continuous with at least a meeting every quarter Annual
<b>CORPORATE MANAGEMENT TEAM</b> 	<ul style="list-style-type: none"> <li>→ Corporate Management meetings</li> <li>→ Progress review meetings</li> <li>→ Performance review meetings</li> </ul>	Continuous Monthly
<b>INVESTORS AND SHAREHOLDERS</b> 	<ul style="list-style-type: none"> <li>→ Periodic meetings to ascertain/review project progress</li> <li>→ Business promotion meetings</li> <li>→ Annual Report and General Meeting</li> <li>→ Interim Financial Statements</li> <li>→ Extraordinary general meetings</li> <li>→ Updated website and dedicated investor relations e-mail</li> <li>→ Newspaper articles and other publications</li> <li>→ Road shows and Investor Forums</li> <li>→ CSE Disclosures and Announcements</li> <li>→ Research reports of the stock broking community</li> <li>→ Telephone communication</li> <li>→ Email and other written correspondence</li> </ul>	When required Annual Quarterly When required Continuous
<b>BANKS AND PROSPECTIVE LENDERS</b> 	<ul style="list-style-type: none"> <li>→ Timely settlement of dues</li> <li>→ Providing periodic financial information</li> <li>→ Responding to lenders' queries</li> </ul>	Continuous When required
<b>EMPLOYEES</b> 	<ul style="list-style-type: none"> <li>→ Periodic management-employee meetings</li> <li>→ Open-door policy</li> <li>→ Training and development</li> <li>→ Maintaining transparency in all activities</li> <li>→ CSR initiatives</li> <li>→ Staff welfare activities</li> <li>→ AEL News Portal</li> <li>→ Exit interviews</li> <li>→ "News Within" quarterly newsletter</li> <li>→ Performance appraisal and rewarding</li> <li>→ Employee satisfaction surveys</li> <li>→ Annual get-together and staff outing</li> <li>→ Sports carnival</li> <li>→ Joint communication from MD and COO via mail to every employee at the beginning of each year</li> <li>→ AEL "Core Team" meeting</li> </ul>	Continuous Annual







## ↓ STAKEHOLDER ENGAGEMENT

Stakeholder group	Method of engagement	Frequency of engagement
<b>GOVERNMENT AND REGULATORY BODIES</b> 	<ul style="list-style-type: none"> <li>→ Public Private Partnership projects</li> <li>→ Timely feedback through submission of reports, tax returns, updates etc.</li> <li>→ Ensuring compliance</li> <li>→ Participation at various forums, meetings, discussions organised by the Government and regulatory authorities</li> <li>→ Continuous membership in industry associations</li> </ul>	Continuous
<b>CLIENTS AND CUSTOMERS</b> 	<ul style="list-style-type: none"> <li>→ Publication of the Integrated Report</li> <li>→ Proactive business development</li> <li>→ Progress review meetings</li> <li>→ Updated web site</li> <li>→ Relationship Managers for each major customer</li> <li>→ Regular correspondence during defect liability period (DLP)</li> </ul>	Annual Continuous
<b>SUPPLIERS INCLUDING SUBCONTRACTORS</b> 	<ul style="list-style-type: none"> <li>→ Subcontractor/supplier evaluation</li> <li>→ Regular progress review meetings</li> <li>→ Updated website</li> <li>→ Contract negotiation and communication</li> <li>→ Procurement Committee meetings</li> </ul>	Continuous
<b>BUSINESS PARTNERS</b> 	<ul style="list-style-type: none"> <li>→ Regular visits to/from business partners</li> <li>→ Updated website</li> <li>→ Regular written communication and periodic meetings for ongoing projects</li> <li>→ Relationship Managers for each major customer</li> </ul>	Continuous
<b>SOCIETY</b> 	<ul style="list-style-type: none"> <li>→ Updated website</li> <li>→ Regular media and other communications with public</li> <li>→ Participation/sponsoring trade exhibitions</li> <li>→ Providing employment and internship opportunities</li> <li>→ Various Corporate Social Responsibility projects</li> <li>→ Consultation of local communities in project planning and execution</li> </ul>	Continuous
<b>INDUSTRY PEERS AND COMPETITORS</b> 	<ul style="list-style-type: none"> <li>→ Membership in industry associations</li> <li>→ Joint execution of infrastructure projects with peers</li> <li>→ Industry advancement workshops, discussion forums and CSR projects</li> </ul>	Annual Continuous








 STAKEHOLDER ENGAGEMENT

## Key topics and concerns raised through stakeholder engagement

Stakeholder group	Key concerns raised during the year	Company response
<b>BOARD OF DIRECTORS</b> 	<p>Facilitation of meetings with the Chairman without the presence of Executive Directors</p> <p>Rationalisation of business activities</p> <p>Consolidation of core business</p>	<p>Meetings between the Chairman and Independent Non-Executive Directors are held as and when required</p> <ul style="list-style-type: none"> <li>➔ Divested investments made in Horizon Holdings Private Limited and Horizon Knowledge City Limited during the year. Divestment of Horizon Holding Ventures will be completed in 2019/20.</li> <li>➔ Scrutinised and strengthened the monitoring of subsidiary performance. To this effect a new Management was appointed at Sathosa Motors PLC and was brought under close supervision of the parent.</li> <li>➔ Based on the success of Access Tower I and II and the demand for high quality office space, the Company progressed in obtaining necessary approvals for the development of Access Tower III.</li> <li>➔ Further, capacity was added at Sathosa Motors PLC with the addition of a new workshop at an investment of LKR 300 Mn.</li> </ul> <p>Continued with infrastructure development projects while extending the product/service portfolio via the introduction of new construction techniques. A new vertical of construction was added with the launching of Mannar Wind Power Project during the year.</p>
<b>CORPORATE MANAGEMENT TEAM</b> 	<p>Improving efficiency and productivity</p>	<ul style="list-style-type: none"> <li>➔ Rationalised the procurement function including those of Project Management Divisions to achieve cost and quantity savings</li> <li>➔ Strengthened cost and project management functions</li> </ul>
<b>INVESTORS AND SHAREHOLDERS</b> 	<p>Timely securing of projects</p> <p>Provision of a monetary return on their investment</p> <p>Providing up-to-date information about the affairs of the Company</p>	<p>Vigilant and pro-active business development efforts</p> <p>Declared and paid LKR 500 Mn. in dividends</p> <ul style="list-style-type: none"> <li>➔ Press releases featuring every project at three stages of the life cycle (commencement, execution and completion), earnings reviews and other publications such as the Annual Integrated Report</li> <li>➔ Frequent release of research reports about the Company via stock broker companies</li> <li>➔ Participation at investor forums both local and foreign</li> <li>➔ One-to-one meetings with institutional investors, stock broker firms, research companies, etc.</li> </ul>
<b>BANKS AND PROSPECTIVE LENDERS</b> 	<p>Mitigating the negative effects of high interest regime</p>	<p>Negotiated better rates with financial institutions and strengthened Treasury management functions at the Group level</p>



## ↓ STAKEHOLDER ENGAGEMENT

Stakeholder group	Key concerns raised during the year	Company response
<b>EMPLOYEES</b> 	<p>Need of recognising and rewarding high performers</p> <p>Need to enhance the competence of staff</p> <p>Need to provide staff with more up-to-date information about the Company</p>	<p>Continued the performance-based reward system</p> <p>Provided training and development opportunities to staff members with the main area of focus during the year being health and safety</p> <p>→ "AEL News" email based information dissemination system</p> <p>→ "Access Within" quarterly newsletter</p>
<b>GOVERNMENT AND REGULATORY BODIES</b> 	<p>Need to participate in the infrastructure development drive/initiatives of the Government</p> <p>Need to comply with all Government regulatory requirements and payment of dues such as taxes, rates, etc.</p>	<p>→ Carried out infrastructure development projects throughout the country</p> <p>→ Participated at various industry-related forums, discussions spearheaded by the GoSL</p> <p>Complied with all applicable rules and regulations of the Government with timely payment of all dues</p>
<b>CLIENTS AND CUSTOMERS</b> 	<p>Speedy delivery of projects at a lesser cost</p> <p>Need for high quality construction</p>	<p>Provided solutions that are less costly and speedy such as the diaphragm wall, prefabricated bridges, post-tensioning, HDD, micro trenching, etc. during the year</p> <p>Completed projects with least number of defects</p>
<b>SUPPLIERS INCLUDING SUBCONTRACTORS</b> 	<p>Timely settlement of dues</p>	<p>Settled all dues on time with zero fines or penalties for delayed payments</p>
<b>BUSINESS PARTNERS</b> 	<p>Need to maintain sound business relationships</p>	<p>→ Carried out projects in partnership with foreign principles</p> <p>→ Continuous training for business development staff</p>
<b>SOCIETY</b> 	<p>Addressing the timely needs of the public</p> <p>Enhancing the knowledge base of the industry</p>	<p>→ Carried out various social responsibility initiatives</p> <p>→ Offered direct and indirect employment opportunities</p> <p>→ Offered internships for 249 students</p> <p>→ Introduced innovative solutions to the industry during the year</p>
<b>INDUSTRY PEERS AND COMPETITORS</b> 	<p>Need to jointly execute mega-scale infrastructure development projects</p>	<p>Continued construction of a section of the Central Expressway in partnership with two local contractors</p>

GRI 102-47, 103-1, 103-2, 103-3,

# MATERIALITY

Determining materiality and identifying material matters are important aspects of our integrated business model. These topics are analysed according to their importance to the Company as well as the stakeholders by the Board and the Management. AEL has identified aspects that are material to the Company's stakeholders and AEL in the context of its economic, environmental, and social agenda for sustainable value creation.

The topics AEL considers to be important are thus rated as low, moderate, and high as tabulated next. AEL has used GRI Sustainability Reporting Guidelines GRI Standards in this process.

Our materiality determination process is given below:

#### Internal factors

- ➔ Strategic direction mapped out and the outcomes derived from Board meetings, Board Committee meetings, and Corporate Management meetings
- ➔ Annual Core Team meeting
- ➔ Results of engagement with employees
- ➔ Results of internal audits and management system audits carried out
- ➔ Key focus areas of Company policies, values, ethics, AEL Code of Conduct, and the risk management process

#### External factors

- ➔ Political, economic, social, technological, environmental, and legal/regulatory developments in the local and global space
- ➔ External initiatives such as UNGC the Company is committed to
- ➔ Results of our engagement with external stakeholders

The materiality matrix illustrated below shows the aspects that were identified to be material to AEL as well as stakeholders based on the determination process adopted above.

GRI Aspect	Significance to AEL	Significance to stakeholders	Internal/external
<b>ECONOMIC</b>			
201 - Economic performance	High	High	Internal
202 - Market presence	Moderate	High	Internal
203 - Indirect economic impacts	High	High	External
204 - Procurement practices	High	High	Internal
205 - Anti-corruption	High	Moderate	Internal
206 - Anti-competitive behaviour	Moderate	Moderate	External
<b>ENVIRONMENTAL</b>			
301 - Materials	Moderate	Moderate	Internal
302 - Energy	High	High	Internal
303 - Water	High	High	Internal
304 - Biodiversity	High	High	Internal
305 - Emissions	High	High	Internal
306 - Effluents and waste	Low	Low	External
307 - Environmental compliance	Moderate	Moderate	External
308 - Supplier environmental assessment	Low	Low	Internal
<b>SOCIAL</b>			
401 - Employment	High	High	Internal
402 - Labour/management relations	Moderate	Low	Internal
403 - Occupational health and safety	High	High	Internal
404 - Training and education	High	High	Internal
405 - Diversity and equal opportunity	High	High	Internal
406 - Non-discrimination	High	High	Internal
407 - Freedom of association and collective bargaining	Low	Low	Internal
408 - Child labour	Low	Low	Internal
409 - Forced and compulsory labour	Low	Low	Internal
410 - Security practices	Low	Low	Internal
411 - Rights of indigenous people	Low	Low	External
412 - Human rights assessment	Low	Low	External
413 - Local communities	High	High	External
414 - Supplier social assessment	Moderate	Moderate	External
415 - Public policy	Low	Low	External
416 - Customer health and safety	Moderate	High	External
417 - Marketing and labelling	Low	Low	Internal
418 - Customer privacy	Low	Low	Internal
419 - Socioeconomic compliance	High	High	External

↓ MATERIALITY

SIGNIFICANCE TO STAKEHOLDER	HIGH		202 416	201 203 204 302 303 304 305 401 403 404 405 406 413 419
	MODERATE		206 301 307 414	205
	LOW	306 308 407 408 409 410 411 412 415 417 418	402	
		LOW	MODERATE	HIGH
		SIGNIFICANCE TO AEL		

We evaluate suppliers through a stringent screening process and as a part of our engagement with the local community, we strive to utilise as many local suppliers as possible. We also consider health and safety of the general public to be of utmost importance. We follow strict health and safety guidelines in all our operations. Our infrastructure is built following all required health and safety guidelines.

**Anti-corruption and anti-competitive behaviour**

Access Engineering has taken every possible measure to prevent corruption from taking place. We educate our employees and evaluate our Company through annual financial reports, audits, and other controlling measures. We also understand that anti-competitive behaviour can affect the industry as a whole. We have always maintained cordial relationships with our competitors and wish to maintain professionalism in our dealing with the external world.

**MANAGEMENT APPROACH**

**Economic performance**

We consider economic viability to be one of the most significant material topics to our Company and a prime driver of stakeholder wealth maximisation. We strive for organic and inorganic growth through engaging in various economic activities, acquisitions and mergers, and entering into new ventures. Our continuous investments made in construction plants, equipment, and machinery are our means of supporting organic growth. Where necessary we add new business verticals within our core construction activities in order to gain new experience in diversified fields of engineering. The latest addition to this was the Mannar Wind Power Project which was a completely new area of operation. We also acquire lucrative business ventures, make prudent investments, and move into related diversification to support our inorganic growth. While retaining sufficient resources to fuel our sustainable growth prospects we also maintain our dividend payout at approximately 40% to 50% thus giving a return on their investment. All financial matters are in accordance with

local and global reporting/accounting principles and accounting and auditing standards. We clearly communicate internal control procedures and standard operating procedures that govern all financial matters. The annual financial audit, the annual assurance engagement, and the random and continuous audits carried out by the Internal Audit Department are our main methods of evaluation. The Audited Financial Statements are the ultimate method of communicating our financial performance to the public. As a public quoted Company we are also governed by the Rules and Regulations of the Colombo Stock Exchange and need to adhere to the best practices of corporate governance.

**Procurement practices and customer health and safety**

Our procurement policy clearly outlines AEL's policy on sustainable procurement practices. Throughout the years, we have established long term, healthy relationships with suppliers and subcontractors.

**Energy**

We are aware that the construction industry is energy intensive, with high electricity and fuel consumption. We take all the necessary measures to minimise our consumption through energy saving practices. This includes but are not limited to:

- ⊕ Use of renewable energy such as solar power wherever possible
- ⊕ Use of and investment in energy efficient construction methodologies, equipment and latest technology
- ⊕ Recording, monitoring and improving energy consumption
- ⊕ Educating employees on the importance of being energy efficient

Further, each business unit is given a target on energy consumption and our Management Systems Team monitors energy usage through periodic evaluations.

**Water**

Our core business is a heavy consumer of water and our operations also have the potential to pollute water and water resources. Thus, we have implemented





various strategies to minimise and save water usage where possible. These practices include but are not limited to:

- ④ Use of innovative construction techniques that consume less amounts of water
- ④ Budgeting water consumption for each activity/project and rigorous monitoring of same
- ④ Reusing and recycling water wherever possible. i.e., such as in our workshop
- ④ Educating employees on the importance of saving water
- ④ Each business unit is given a target on water consumption

Further, targets to be achieved on water consumption are communicated to each business segment and monitored by our Management Systems Team.

### Emissions, environment, and biodiversity

Our sustainable construction practices have led to a minimal negative impact on the environment. The first step of any project is to carry out an Environmental Impact Assessment by relevant authorities. Our environmental performance is also monitored through the Environmental Management System (EMS). The EMS is also externally verified. We set an annual target for emissions at the beginning of each financial year and conduct audits. Importance of preserving biodiversity is communicated across the Company through system audits and site visits by our Management Systems Team. Impacts on biodiversity are periodically reported to the client as well as included in project process review meetings. We also conduct employee awareness programmes and strictly monitor environmental performance through regular EMS audits. The Company environment policy, environmental laws and regulations, and the requirements of the Environment Management System (EMS) are the primary means of communication on biodiversity issues. We also plant trees and have implemented a regular, annual tree planting programme to offset the impact of our emissions.

### Employees: Labour management relations, occupational health and safety, market presence, and non-discrimination

Human capital is the quintessential element of Access Engineering. Our highly trained, skilled workforce is the secret to our success through which we have gained a competitive advantage within the industry. We hope to be the “most preferred employer” among the potential candidates. We keep our employees incentivised through training programmes, monetary and non-monetary rewards, performance-based remunerations, welfare activities, and other benefits. We offer internal and external training programmes to all our employees regardless of their grade. There is a clear career progression path that is performance driven and based on merit. We also have created a healthy, safe working environment to our employees and conduct an OHSAS audit as well as set specific objectives each year. AEL is reputed in the industry as an equal opportunity employer. We do not discriminate on the grounds of race, religion, gender, class, or disability. Though due to the nature of the industry, our workforce is made-up principally of male workers, we take every possible effort to recruit females. We, as a responsible corporate, adhere to all local labour laws and regulations. We have prepared an employee handbook which communicates the benefits, rules and regulations, administrative matters, company policies that are applicable to all employees and by which they are bound. In our recruitments, we give priority to hiring locally since they possess local knowledge. All our Senior Management is hired locally and we comply with all the necessary regulations in remuneration and other benefits. We also conduct annual performance appraisals which monitor and evaluate employee performances. Discussions take place about performance management in meetings.

### Training and education

In an industry where there is a dearth of highly skilled labour, we have recognised the importance of training and development programmes. We offer both internal and external programme to employees: staff as well as worker categories.

We conduct a training needs analysis through performance evaluations and recommendations of managers. AEL formulates a training calendar for every year. Once training programmes are complete, a formal evaluation is conducted by the HR Department which helps with gap analysis and also the feedback leads to improvements.

### Diversity and equal opportunity

Access Engineering family welcomes those from different backgrounds. We are also a diverse, equal opportunity employer. Though most of our staff is made-up of males, we take all possibilities to decrease the gap in gender by employing females. Our rewards schemes, promotions, recruitments are all conducted in a highly transparent, and a non-discriminative manner. The employee handbook is used to formally communicate information regarding equal opportunity at AEL.

### Local communities: Socio-economic compliance and indirect economic impacts

We recognise that our projects may have a major impact on the communities that we operate in. We support the local communities by creating direct and indirect economic benefits which include generation of employment, sourcing material locally, and engaging in community building initiatives. We have built meaningful relationships with the communities we operate in. Our projects have the potential to affect the local communities. We contribute to the communities that we operate in by offering employment opportunities to people from the locality, sourcing material, machinery, and other resources locally, and carrying out CSR programmes. Our sustainability policy and strategy are our primary means of communicating our commitment to the community. Our Integrated Annual Report also form an important part of communicating our work to uphold communities. Our CSR programmes are constantly reviewed and are evaluated at monthly progress meetings and performance review meetings. In all our operations we comply with the applicable laws and regulations.

## STRATEGIC DIRECTION

In a highly volatile, evolving business landscape, a prudent strategic framework is needed for any organisation to thrive. Our strategy is founded on our vision, “To be the foremost Sri Lankan business enterprise in value engineering”. Through our strategy we aim to create sustainable value for all our stakeholders. We take an inclusive, company-wide approach in the formulation of our strategy.

### ENSURING SUSTAINABILITY IN ALL OPERATIONS

We are a Company focused on and committed to the triple bottom line delivering sustainable economic and financial growth through organic and inorganic means. Organically we expand by strengthening the internal systems and processes and externally, we acquire lucrative businesses that have potential. Preserving the environment in all our operations is a top priority at Access Engineering PLC. We ensure that all our operations are conducted in a sustainable, accountable manner throughout every stage of the operation from project planning to execution and delivery. Further, we have nurtured long term, progressive, and mutually beneficial relationships with all our stakeholders which has led to repeat business. Our comprehensive stakeholder engagement process is directed towards maintaining these relationships. We support local communities through engagement programmes and initiatives that focus on community development. We understand that the sustainability of AEL rests on our highly-skilled, loyal workforce. We continue to attract and recruit the best talent in the industry. We support our employees by any means possible to create a safe and healthy engaging working environment.

#### KPIs

1. Revenue and profit growth
2. Reduction in emissions and use of materials
3. Investment in and number of CSR programmes conducted
4. Staff retention ratio

### WINNING HIGH-QUALITY CONTRACTS IN OUR CHOSEN MARKETS AND FIELDS

Winning high-quality contracts in the industry supports our brand and is fundamental to the sustainability of our business. Our leadership in the sector is a result of consistent, continued trust placed on us by our clients. We follow a stringent process in the selection of contracts and bid for projects only with a minimum guaranteed rate of return. We maintain a strong construction capability and capacity in the local market and have positioned ourselves as an industry leader through offering core engineering solutions and expansion beyond our shores through strategic partnerships. In order to consistently win high-quality contracts, we have recognised the need to embrace new technologies and review the market to anticipate changes. Further, we continue to extend integrated service offering utilising synergies/skills between services and construction projects and have identified to expand and diversify our portfolio.

#### KPIs

1. Orders secured during the period
2. Project pipeline
3. New product/service offerings

### DELIVERING CONTRACTS SAFELY, SUSTAINABLY, AND TO BEST-IN-CLASS STANDARDS

Through prudent project planning and execution, we deliver exceptional, world-class service to our clients. Our internal processes work at the optimal levels in order to prevent any unforeseen circumstances. Stakeholder engagement at every stage of the project has helped us successfully execute our projects. We have also maintained leadership in the sector in quality, environment management, health and safety, and sustainability. We also continue to raise the bar in terms of time, cost, and quality performance. Our use of cutting-edge technology and the adoption of modern construction techniques have enhanced our productivity.

#### KPIs

1. Revenue growth
2. Operating margin
3. EPS
4. Lost Time Injury Frequency Rate (LTIFR)
5. Saving in electricity consumption
6. Amount of water recycled and reused
7. Number of processes certified

### BEING THE PREFERRED PARTNER AMONG INTERNATIONAL CONTRACTORS

Our reputation in the local industry as a thought leader has led to multiple business partnerships. It has also led to a number of key partnerships with international contractors. Our strong work ethic and our delivery of exceptional, world-class service have contributed to the continuation of such partnerships. Our objective is to establish long-term business links through delivering sustainable value. These synergies have led to knowledge sharing, knowledge transfer, and exposure to the best practices in construction at the global stage. We have continued long term, interdependent partnerships which has led to the growth of the relationship from a subcontractor, to a JV partner, and an investment partner.

#### KPIs

1. Revenue generated through foreign partnerships
2. Number of foreign principals

### DEVELOPING AND ATTRACTING EXCELLENT PEOPLE AND CAPABILITIES

Our goal has always been to attract the best in the sector and become the most preferred employer to outperform the competition. In an industry with a high turnover rate and a dearth of skilled labour, we focus on employee retention by investing in our workforce. We conduct leadership programmes (both technical and non-technical) at all levels. Our programmes for university students, apprentices, and interns are all directed towards building skills. We have also focused on enhancing our governance process to create a value-based culture. Over the years, we have successfully been able to retain talent within our Organisation.

#### KPIs

1. Staff retention ratio
2. Employee satisfaction ratio
3. Gender ratio
4. Number of training hours per employee/ Cost of training per employee
5. Staff welfare and benefits



## CAPITAL TRADE-OFFS

We consider resource allocation to be critical in the implementation of corporate strategy. We prudently allocate our resources in the form of capitals, financial, manufactured, intellectual, human, social and relationship, and natural to create sustainable value for our stakeholders.

The capitals interact with one another and work interdependently in the process of transforming the inputs into outputs and outcomes. This process is illustrated in our value creation model on page 34. Our overall strategy is geared to achieving equitable resource allocation across all capitals taking a macro view of the trade-offs in the allocation of financial and other forms of resources to create value.

For example, we invest in community development initiatives to create social value. Thus, financial capital is used to fund these various activities that contribute to the development of the community. While it will improve the corporate image of the Company, it will reduce profits generated for financial capital. Yet in the long term, being a socially-responsible corporate citizen will boost the image of the Company and help gain potential business that would generate income for the Company. Our Company recognises the significance of equitable resource allocation and capital trade-offs and their impact to the Company, its capitals, and its operations as a whole.

## OUR VALUE CREATION MODEL

### ↓ INPUTS



#### FINANCIAL CAPITAL

- ⊕ Base of over 7,226 equity shareholders
- ⊕ LKR 23.58 Bn. equity employed
- ⊕ LKR 8.74 Bn. obtained from banks and financial institutions

Refer page 68



#### MANUFACTURED CAPITAL

- ⊕ LKR 286 Mn. invested in heavy machinery and equipment
- ⊕ LKR 1.9 Bn. fleet of machinery
- ⊕ 18 production plants in Sri Lanka

Refer page 78



#### INTELLECTUAL CAPITAL

- ⊕ LKR 20.5 Mn. invested to upgrade integrated information and planning systems
- ⊕ The AEL Brand

Refer page 79



#### HUMAN CAPITAL

- ⊕ 186 internal and external training programmes conducted
- ⊕ Total staff and labourers 2,458
- ⊕ AEL organisational culture

Refer page 82



#### SOCIAL AND RELATIONSHIP CAPITAL

- ⊕ Network of 13,695 suppliers

Refer page 87



#### NATURAL CAPITAL

- ⊕ Energy consumption 290,014,952 joules
- ⊕ Water use 153,481 litres

Refer page 101

### ↓ OUTCOMES VALUE CREATED FOR STAKEHOLDERS

#### Investors and shareholders

- ⊕ Financial growth and stability
- ⊕ Shareholder wealth maximisation
- ⊕ Improved creditworthiness and rating
- ⊕ Better retention and attraction of shareholders

#### Suppliers and business partners

- ⊕ Long-term relationships with suppliers and business partners
- ⊕ Strategic alliances that strengthen AEL's position within the industry
- ⊕ Suppliers and partners who follow AEL's values and code of conduct

#### Clients and the Government

- ⊕ A diverse, innovative product portfolio
- ⊕ A vibrant business entity that is resilient to changing client needs
- ⊕ At the forefront of technological advancements
- ⊕ An exemplary culture of compliance
- ⊕ Public Private Partnerships leading to projects of National importance

#### Employees

- ⊕ Employer of choice in the industry
- ⊕ Employee engagement and satisfaction
- ⊕ Safe working environment
- ⊕ A workforce committed to achieve sustainable growth
- ⊕ A culture of learning and knowledge to provide value engineering

#### Society and local community

- ⊕ Infrastructure development driving local economic growth
- ⊕ Development of the local community
- ⊕ A corporate citizen committed to sustainable development

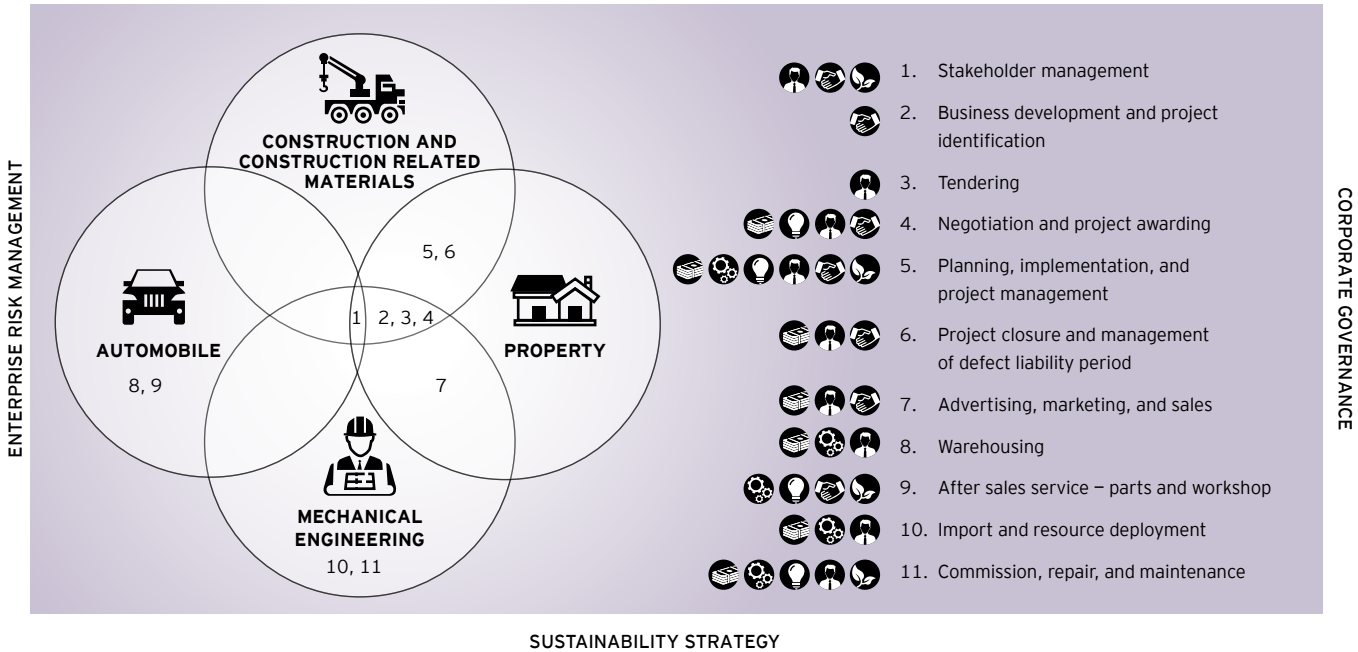
#### Environment

- ⊕ Mitigating the negative impact of our business on the environment
- ⊕ Responsible, efficient energy and natural resource management
- ⊕ Responsible practices in waste management
- ⊕ Sustainable and green development

OUR VALUE CREATION MODEL

VALUE CREATION PROCESS

VISION AND MISSION



OUTPUTS



- Profit after tax of LKR 1.96 Bn.
- LKR 744 Mn. interest paid to financial institutions
- LKR 3 Bn. generated from operations
- LKR 500 Mn. dividends declared



- Development of much-needed public infrastructure to fuel economic growth



- Upgraded Standard Operating Procedure (SOP)
- 707 employees with over five years of experience



- LKR 2.4 Bn. paid and distributed among employees
- LTIFR ratio of 2.38
- 249 industrial placements offered



- 1,785 pairs of desks and chairs distributed to 50 schools
- LKR 5.2 Bn. paid to subcontractors
- LKR 1.8 Bn. spent on local suppliers
- LKR 11.1 Bn. worth of projects executed in joint-venture partnerships



- 2,070 trees planted
- 1,579 kg of wastepaper recycled
- 315.8 kg reduction in GHG emissions

## OUR BUSINESS PORTFOLIO

### COLOMBO



- Design and construction of Beira Lake Bridge and Associate works for Waterfront Integrated Resort Development Project



- Nanotechnology Building Phase IB – Homagama
- Construction of 608 Housing Units for Government Servants – Borella

- Waterfront Integrated Resort Project – Colombo 02

- Design, construction and financing of Housing Project at 601 Watta, Cyril C Perera Mawatha, Bloemendhal

- Piling works of Bauer Service Center – Kadawatha

- Relocation of underserved settlement project – 941 low cost housing units at Henamulla – Phase II

- Proposed hostel building for SLTC – Padukka



- Piling works for “Eliot Place” Condominium Development at Borella by Urban Development Authority

- Substructure, piling and diaphragm wall construction of ODEL Mall – Town Hall

- Piling works for “Marina Square” Condominium Development by Harbour Village

- Piling works of Ambatale storm water pumping station

- Construction of guide wall and piling work for Havelock City – Phase III

- Piling works for “Access Residencies” condominium development – Thalawathugoda

- “Sherwood Apartments” condominium development by Complement Investments at Battaramulla

- Stabilisation of cuts slopes at Nugagahapura below CMC land using soil nailing technique – Phase 2

- Piling works for “Capital Heights” by Blue Star – Rajagiriya

- Piling works of Senok Head Office – Colombo 05



- Construction of proposed ring road along west bank of West Beira Lake



- Towns East of Colombo District Water Supply Project – Padukka, Seethawaka



- Mechanical workshop – Kaduwela

- Design unit – Union Place

- Central equipment division – Kaduwela



- SLT new subscriber connection project

### MANNAR



- Civil Works of construction of 100 MW Semi Dispatchable Wind Farm – Mannar Island

### GAMPAHA



- ISUZU workshop for Sathosa Motors PLC – Peliyagoda



- Rehabilitation and improvements to Colombo-Kandy Road section from Kadawatha to Nittambuwa

- Construction of the proposed Package – A of the Central Expressway Project Section II from Mirigama to Riloluwa



- Reconstruction of Kochchikade Bridge (Bridge No. 38/3) on Peliyagoda-Puttalam Road (A003)



- Concrete Batching Plant – Kandana

- Asphalt Plant – Kotadeniyawa

- Concrete Batching Plant – Mabima

- Quarry – Mirigama

### KALUTARA



- Asphalt Plant – Mathugama

- Quarry – Wallavita

- Crusher – Mathugama



- Dialog Optical Fiber Backbone Network – Phase VII – Bentota and Bandaragama

### GALLE



- SLT new subscriber connection project



Bridges and flyovers



Road and highways



Telecommunication



Buildings



Water and Wastewater



Workshops\*



Piling



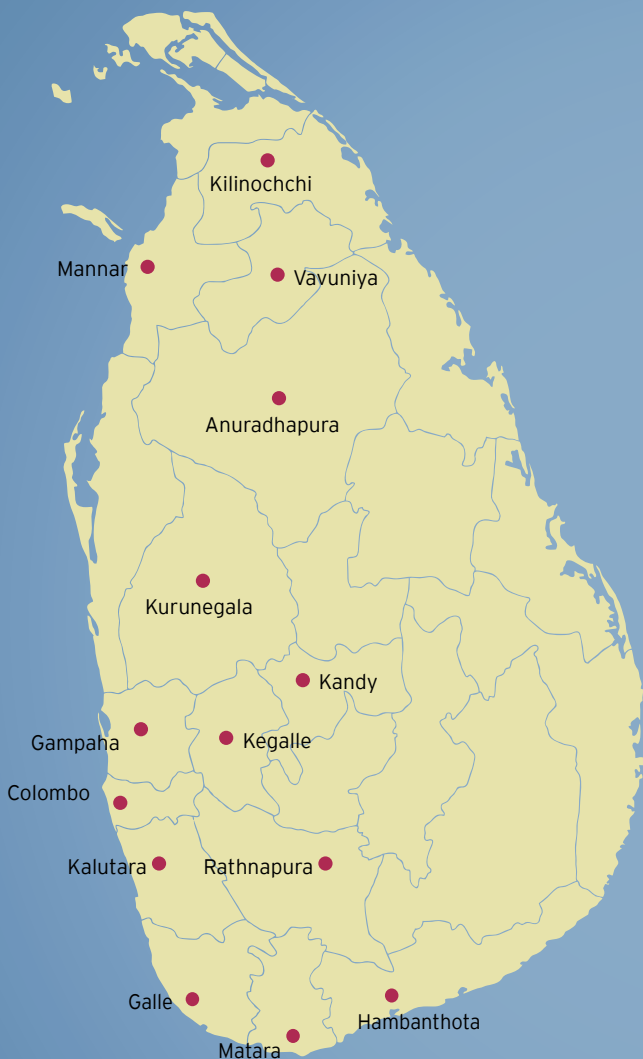
Irrigation and land drainage



Plants\*

\* Internal units

OUR BUSINESS PORTFOLIO



**KILINOCHCHI**



- Rehabilitation of downstream and upstream dam embankments of Iranamadu reservoir (Package I and II)

**VAVUNIYA**



- Asphalt Plant – Vavuniya
- Quarry – Vavuniya

**ANURADHAPURA**



- Anuradhapura North Water Supply Project – Phase I

**KURUNEGALA**



- Asphalt Plant – Ibbagamuwa
- Crusher Plant – Nagollagama
- Concrete Batching plant – Deduruoya



- Deduruoya Water Supply Project – Contract 1 and 2

**KANDY**



- Quarry – Mailapitiya

**KEGALLE**



- Crusher Plant – Warakapola

**MATARA**



- SLT new subscriber connection project
- Dialog Optical Fiber - Weligama

**HAMBANTHOTA**



- SLT new subscriber connection project

**RATNAPURA**



- SLT new subscriber connection project



GRI 203-1, 203-2



# CONSTRUCTION

ROADS AND HIGHWAYS





 OUR BUSINESS PORTFOLIO


Status  
**Ongoing**

Location  
**Kadawatha to Nittambuwa on Colombo-Kandy Road-A001**

Client  
**Road Development Authority**

Project value  
**LKR 6,956 Mn.**

Funded by  
**Government of Sri Lanka**

Role in contract  
**Main contractor**

Start date  
**11 September 2013**

End date  
**30 September 2019**

### Rehabilitation and improvements to Colombo-Kandy Road section from Kadawatha to Nittambuwa

As a part of the National Road Rehabilitation Plan, rehabilitation and improvement of existing Colombo-Kandy Road from Kadawatha to Nittambuwa was initiated by Road Development Authority (RDA) with the assistance of local bank funding and the rehabilitation and improvement works were awarded to Access Engineering PLC.

The 23 km, two-lane stretch from Kadawatha (17+000 km) - Nittambuwa (40+000 km) is rehabilitated and improved to a four lane standard carriageway where the width of a single lane would be 3.7 m. The scope also includes extensive land acquisition and utility shifting, widening and improvements to existing cross drainage structures, elevated footwalks and centre median/islands as necessary, rehabilitation and improvement of road pavement structure, improvement of the existing drainage system. The scope of the project also includes town improvements of Imbulgoda, Balummahara, Yakkala, and Thihariya junctions and widening of four bridges to which includes the bridges over Balummahara Oya and Uruwal Oya. Two major RCC girder bridges are to be widened and rehabilitated to 25 m and 22 m widths.



 OUR BUSINESS PORTFOLIO


### Construction of the proposed Package – A of the Central Expressway Project Section II from Mirigama to Riloluwa

The Central Expressway, a much-needed expressway for enhancing the development and economical transportation was spearheaded by the Road Development Authority with the funds from local banks of Sri Lanka. The Central Expressway from Kadawatha-Dambulla and the link Expressway from Pothuhera-Galagedara with the highway link to Ambepussa is the 4th Expressway of Sri Lanka. The Central Expressway (CEP) spreads along a total length of 169.53 km and is executed under four sections namely, Sections I: Kadawatha (0.0 km) to Mirigama (37.1 km), Section II: Mirigama (37.1 km) to Kurunegala (76.8 km), Section III: Pothuhera (0.0 km) to Galagedara (32.5 km) and Section IV: Kurunegala (76.8 km) to Dambulla (137.1 km).

The Section II was subdivided into four subsections and each section was awarded to contractor consortiums which were selected from the pre-qualified local contractors. Package – A of CEP-2 which is 9.71 km was entrusted to the contractor consortium; ICC-ACCESS – (NAWALOKA-KDESH JV). Out of the total stretch of 9.71 km, the construction of CH 38+927 to CH 40+430 and CH 40+730 to CH 46+800 was entrusted to Access Engineering. The work scope of AEL includes construction of earthen roadway together with 1.23 km long viaducts to accommodate asphalt concerted four traffic lanes with several culverts, underpasses and a bridge. Access Engineering is progressing according to the plan and expecting to complete the project on time while fulfilling the expectation of RDA.

Status  
**Ongoing**

Location  
**Mirigama to Riloluwa**

Client  
**Road Development Authority**

Project value  
**LKR 9,378 Mn.**

Funded by  
**Local banks of Sri Lanka**

Role in contract  
**Main contractor**

Start date  
**16 January 2017**

End date  
**20 January 2020**



Status

**Completed**

Location

**Along the west bank of West Beira Lake, Colombo**

Client

**Colombo Municipal Council**

Project value

**LKR 418 Mn.**

Funded by

**Government of Sri Lanka**

Role in contract

**Main contractor**

Start date

**15 May 2017**

End date

**30 August 2018**

### **Construction of proposed ring road along west bank of West Beira Lake**

In order to anticipate the new developments of hotels and condominiums in and around the Beira Lake area, the Colombo Municipal Council funded by the Government of Sri Lanka initiated the construction of the new by pass and access road along the west bank of the Beira Lake. The scope of the projects was to construct a 1.15 km long four lane carriageways where the width of a single lane was 3.3 m. The construction work was entrusted to Access Engineering PLC.

The road was constructed along with a 1.8 m wide footpath on right side and a 0.75 m wide footpath on left side and a 7 m wide two lane connection road connecting to the Galle-Colombo Road. The scope of the work also involved several soft ground treatments as some of the ground areas have previously been swamps with demolished road debris. The works are completed and have been handed over to Colombo Municipal Council.

 OUR BUSINESS PORTFOLIO

## Design and construction of Beira Lake Bridge and Associate works for Waterfront Integrated Resort Development Project

Access Engineering PLC recently completed the project for the design and construction of Beira Lake Bridge and Associated Works under the Waterfront Integrated Resort Project, one-of-a-kind iconic mix development project of Water Front Properties (Private) Limited, a subsidiary of John Keells Holdings.

The 35 m wide and 50 m long connection Bridge for the newly constructing Waterfront Integrated Resort consists of six lanes, with aluminium claddings on either side, flower troughs, high mast light towers and decorative lamps while the deck was constructed of pre cast concrete slabs and in-situ concrete finished with asphalt concrete. The deck, which rises from the side of Justice Akbar Mawatha, subsequently diverges into two key lanes which give easy access to the hotel development and condominium development. The design and supply of the steel superstructure was undertaken by Centunion S A of Spain and the design and construction of the substructure and related works was done by AEL.

Status

**Completed**

Location

**Justice Akbar Mawatha, Colombo 02**

Client

**Waterfront Properties (Private) Limited,  
A subsidiary of John Keells Holdings PLC**

Project value

**LKR 689.39 Mn.**

Funded by

**John Keells Holdings PLC**

Role in contract

**Main contractor**

Start date

**21 July 2016**

End date

**5 December 2018**



BRIDGES





OUR BUSINESS PORTFOLIO



Status	<b>Completed</b>
Location	<b>Bridge No. 38/3 on Peliyagoda-Puttalam Road (A003) across Mahaoya River</b>
Client	<b>Road Development Authority</b>
Project value	<b>LKR 695 Mn.</b>
Funded by	<b>Government of Sri Lanka</b>
Role in contract	<b>Subcontractor</b>
Start date	<b>24 July 2016</b>
End date	<b>19 December 2018</b>

**Reconstruction of Kochchikade Bridge (Bridge No. 38/3) on Peliyagoda-Puttalam Road (A003)**

The new bridge replaces the existing bridge (Bridge No. 38/3) on Mahaoya River which has been built around the year 1936. Road Development Authority initiated a project together with the financial aids from the Government of Austria to construct a new bridge and the design and construction works were entrusted to Messrs Bilfinger MCE GmbH of Austria and Access Engineering PLC with the objective of widening the bridge with four traffic lanes while discarding the existing steel bridge.

The scope of the project was to construct a pre fabricated steel bridge, 150 m long three span bridge with spans of 30 m, 45 m and 30 m. The bridge is 19 m wide and has two separate carriageways. Each abutment of the bridge comprises of 11 Number of bored piles and each pier comprises of 10 Number of bored piles. The deck of the bridge was built out of reinforced concrete with asphalt paving on the top. All the piles are of 1.2 m diameter and around 21 m in depth. The approximate lengths of newly built approach roads are 140 m towards Negombo and 110 m towards Chilaw. The project was completed ahead of the planned completion date and now is opened for the use of the public.

WATER AND WASTEWATER





 OUR BUSINESS PORTFOLIO


Status

**Ongoing**

Location

**Anuradhapura**

Client

**National Water Supply and Drainage Board**

Project value

**LKR 3,650 Mn.**

Funded by

**National Water Supply and Drainage Board**

Role in contract

**Main contractor**

Start date

**14 May 2018**

End date

**13 April 2020**

### Anuradhapura North Water Supply Project – Phase I

The objective of the Project is to provide safe drinking water and increase water supply coverage by constructing a water supply system in Anuradhapura North where the people depend on unsafe ground water which causes dental and skeletal fluorosis, thereby contributing to improving hygienic status and health condition in the area. The Project is implemented by National Water Supply and Drainage Board with the funds provided by Japan International Corporation Agency (JICA). Construction works of the project were awarded to Access Engineering.

The scope of the project includes the construction of an intake facility, flow control structures, Water Treatment Plants, three ground reservoirs, four elevated water towers and associate building works and electro-mechanical works. The project is being executed in six locations; Mahakanadarawewa, Rambewa, Medawachchiya, Isinbassagala, Ethakada, Pihimbiyagollawa (East Rambewa).





## OUR BUSINESS PORTFOLIO



### Towns East of Colombo District Water Supply Project

The Towns East of Colombo District Water Supply Project is implemented by National Water Supply and Drainage Board and funded by local banks. The project is to cover a total of 116 Sq km area which includes 40 Grama Niladhari Divisions under Seethawaka, Padukka, and Horana Divisional Secretariat Divisions. The project which aims to provide pipe borne water supply to an estimated population of 373,000 in the eastern part of the Colombo District is implemented through three contract packages. The contract Package I which was awarded to Access Engineering PLC includes supply and laying of 1000 mm diameter DI transmission pipes for a length of 4 km from Meepe to Meegoda and HDPE pipes of variable diameter as distribution mains for 200 km. Final stage of the project is in progress and is expected to be completed by end of this year.

Status

**Ongoing**

Location

**Padukka, Seethawaka DS Area**

Client

**National Water Supply and Drainage Board**

Project value

**LKR 4,390 Mn.**

Funded by

**Government of Sri Lanka**

Role in contract

**Main contractor**

Start date

**4 January 2015**

End date

**30 September 2019**

# IRRIGATION AND LAND DRAINAGE →



 OUR BUSINESS PORTFOLIO


Status

**Ongoing**

Location

**Ridi Bendi Ela, Maho**

Client

**National Water Supply and Drainage Board**

Project value

**LKR 1,984.5 Mn.**

Funded by

**Government of Sri Lanka and Government of South Korea**

Role in contract

**Subcontractor**

Start date

**12 June 2017**

End date

**31 March 2020**

### Deduruoya Water Supply Project – Contract 1 and 2

Recognising the urgent requirement to control the growing threat of chronic diseases rapidly spreading across the areas of Nagollagama, Maho, and Polpithigama. National Water Supply and Drainage Board spearheaded the said project together with Kolon Global Corporation of Korea in order to provide safe drinking water to the surrounding communities.

A major part of the construction work was subcontracted to Access Engineering and the scope of works awarded includes construction of an intake pump station (16,500M<sup>3</sup>/day capacity) at the left canal bank of Deduru Oya Reservoir, Potuwewa water treatment plant (15,000 m<sup>3</sup> per day capacity), water towers at Maho (1,000 m<sup>3</sup> capacity) and Nagollagama (750 m<sup>3</sup> capacity) and laying of 500 mm diameter 3.5 km long raw water main DI pipeline, laying of 26 km long clear water transmission line and installation of distribution network for 164 km of diameters by 100 mm - 300 mm (PVC and HDPE).



BUILDINGS



 OUR BUSINESS PORTFOLIO


Status  
**Ongoing**

Location  
**Pitipana, Homagama**

Client  
**Ministry of Science, Technology and Research**

Project value  
**LKR 3,088 Mn.**

Funded by  
**Government of Sri Lanka**

Role in contract  
**Main contractor**

Start date  
**19 March 2018**

End date  
**29 December 2019**

### Nanotechnology Building Phase IB

Sri Lanka Institute of Nanotechnology (SLINTEC) is a recognised pioneer in Nanotechnology and Advanced technology research in Sri Lanka which offers significant opportunities to nurture young entrepreneurs in the pursuit of scientific discovery. Being the first public-private research institute in Sri Lanka, it has made significant progress over the past several years.

SLINTEC is based at Pitipana, Homagama is currently undergoing an expansion of its facility there under the direction of the Ministry of Science, Technology and Research with the intention of widening the limited research facilities into a world-class laboratory facility complex with state-of-the-art equipment, incubation spaces and pilot plant facilities. The expansion work of phase IB which involves expansion of the main laboratory, accommodation building and new gate house with canteen building was awarded to Access Engineering PLC.

The scope of the work awarded to AEL includes the construction of a hexagonal shaped G+4 building of 11,500 m<sup>2</sup> with two basements adjacent to the existing hexagonal shaped three storey building on a pile foundation for the main laboratory building, construction of a G+6 building of 3,300 m<sup>2</sup> with 44 bed rooms and eight studio apartments on a pile foundation for accommodation and construction of a G+1 1,650 m<sup>2</sup> to house a canteen and a gate house.





 OUR BUSINESS PORTFOLIO


### Construction of 608 Housing Units for Government Servants at Borella

Initiated by the Ministry of Megapolis and Western Development under the guidance of UDA, this project ensures the Government's initiative in making housing more accessible to the public sector employees of Sri Lanka. This is a contract where the contractor has to finance the project during design and construction stage.

The work scope of the contract awarded to Access Engineering, includes investigation, design and construction of G+24 storey building that accommodates 608 residential housing units. 638 parking slots spread across five parking floors provide parking slots for each unit. The complex will comprise 2/3 bedroom apartments of 658 sq. ft. to 870 sq. ft. (approx.) floor areas along with arranged spaces for living, pantry, and modern bathroom facilities. These residential buildings will include a swimming pool, gymnasium, restaurant, and shopping complex to ensure comfortable living in the middle of the city. The facilities provided at the development also includes electrical supply with backup power system, water supply, fire protection, eight numbers of elevators, wastewater and sewerage system, storm water system, car charging points, provisions for disabled car parking, solid waste collection, gas supply system, and internal roads and beautifully landscaped common areas.

Status

**Ongoing**

Location

**Lesley Ranagala Mawatha,  
Serpentine Road, Borella**

Client

**The Urban Development Authority**

Project value

**LKR 4,889 Mn.**

Funded by

**Public-Private Partnership  
Model-Government of Sri Lanka and AEL**

Role in contract

**Main contractor**

Start date

**19 March 2016**

End date

**19 October 2019**

 OUR BUSINESS PORTFOLIO

### Design, construction and financing of Housing Project at 601 Watta, Cyril C Perera Mawatha, Bloemendhal

This housing project to upgrade the living standards of the underserved communities is implemented by the Ministry of Megapolis and Western Development under the guidance of UDA. The scope of project is to design, construct and finance for a 15 storied (G+14) building consisting of 500 sq. ft. carpet area housing units.

Number of housing units shall be 450 and each housing unit includes two bed rooms, living area, kitchen, dining area, balcony, and toilet and bath. The scope includes provision of electricity, water supply, sewage, wastewater disposal system, solid waste disposal system, internal roads, and drainage system.

Initial stages of piling and preliminary works are now completed and the project is in progress as per schedule.

Status  
**Ongoing**

Location  
**601 Watta, Cyril C Perera Mawatha, Bloemendhal**

Client  
**The Urban Development Authority**

Project value  
**LKR 2,737 Mn.**

Funded by  
**Public Private Partnership Model-Government of Sri Lanka and AEL**

Role in contract  
**Main contractor**

Start date  
**15 October 2018**

End date  
**15 April 2021**

### Proposed hostel building for SLTC at Padukka

Sri Lanka Technological Campus (SLTC) functions as a fully owned subsidiary of Sri Lanka Telecom (SLT). SLTC offers Engineering Degree programmes and they are fully accredited by the Ministry of Higher Education and Highways and recognised by the University Grants Commission (UGC).

SLTC is expanding its hostel facilities and related construction works were awarded to Access Engineering with funds by SLTC. The project is to design and construct a G+3 storied hostel building in a short period of five months. Main structure works are currently in progress as scheduled in order to complete the project in time.

Status  
**Ongoing**

Location  
**Padukka**

Client  
**Sri Lanka Technological Campus (SLTC)**

Project Value  
**LKR 486.18 Mn.**

Funded by  
**Sri Lanka Technological Campus (SLTC)**

Role in contract  
**Main contractor**

Start date  
**1 March 2019**

End date  
**31 August 2019**



Status

**Completed**

Location

**Peliyagoda**

Client

**Sathosa Motors PLC**

Project value

**LKR 313.6 Mn.**

Funded by

**Sathosa Motors PLC**

Role in contract

**Main contractor**

Start date

**14 March 2018**

End date

**15 June 2019**

### **ISUZU workshop for Sathosa Motors PLC at Peliyagoda**

With the acquisition of Sathosa Motors PLC by Access Engineering PLC as a subsidiary, the need of a more spacious and user-friendly workshop was identified in order to expand the current services and facilities. The project was to construct a 2-storey steel workshop building and an administration building with four stories. The new workshop is equipped with 32 repair bays, 8 service bays and a body and paint shop equipped with state-of-the-art equipment.



 OUR BUSINESS PORTFOLIO

**POWER** 

### Civil Works of Construction of 100 MW Semi dispatchable Wind Farm in Mannar Island

Mannar wind power project is an electrical power generation project, which will utilise energy in the wind to produce electrical energy. Ceylon Electricity Board is to build and operate a semi-dispatchable wind farm of 100 MW capacity as the first phase of harnessing the available wind electric potential in the Mannar region. The state-of-the-art wind energy conversion systems (WECS) would be selected for the proposed wind farm to generate clean electrical energy in a sustainable manner. The proposed Wind Power Park will be located in the southern part of Mannar Island from Thoddaveli to a length of about 12 km along the coast. The first row of 33 turbines will be installed and the second row of 6 turbines will be located at a distance about 1 km from the shore.

Funded by the Asian Development Bank and spearheaded by the Ceylon Electricity Board the main contract was awarded to Vestas Asia Pacific A/S. The civil construction works are subcontracted to Access Engineering where the subcontract scope includes design and construction of foundations and hardstands for the wind turbines, building the access road networks, construction of the administration and accommodation buildings with utility and other supportive structures, cable trenching for MV electrical cable and fibre optic cable line, supply of the employer's supportive vehicles, miscellaneous works/supplies for social safeguard commitments including dug wells and toilets.

Status

**Ongoing**

Location

**Mannar Island**

Client

**Ceylon Electricity Board**

Project Value

**LKR 4,156 Mn. and 1.56 Mn. USD**

Funded by

**Asian Development Bank**

Role in contract

**BoP Subcontractor**

Start date

**18 March 2019**

End date

**8 September 2020**
**TELECOMMUNICATION** 

### Dialog Optical Fibre Backbone Network – Phase VII

Access Engineering PLC which has long been a catalyst of growth in the telecommunication infrastructure development sector was actively engaged in the deployment of the Optical Fibre Backbone Network and an Optical Fibre Sprouts Connectivity Project for Dialog Broadband Networks (Pvt) Ltd. The National Optical Fibre Backbone Network Project was introduced in order to enhance and develop the current internet penetration levels by introducing the state-of-the-art wireless technology for broadband internet delivery. The projects is to be conducted under several phases and up to Phase VII was completed recently. Optical Fibre Sprouts Connectivity Project involves the supply of services related to the deployment of Dialog Optical Fibre Network in urban areas and the project

was carried out across the island installing an approximate total of over 200 km of fibre cables. The coordination between the utility agencies, road authorities, and general public was extremely challenging and executing work in urban areas was a tough task when the cables were required to be installed underground along the busy roads. Yet the Horizontal Directional Drilling technology and Micro Trenching technology employed by the Company assured the work progressed with minimum damage to the road surfaces and least disturbances to the traffic and pedestrians.

Status

**Completed**

Location

**Multiple locations**

Client

**Dialog Broadband Networks (Pvt) Ltd.**

Project value

**LKR 186 Mn.**

Funded by

**Dialog Broadband Networks (Pvt) Ltd.**

Role in contract

**Main contractor**

Start date

**13 April 2018**

End date

**23 October 2018**

### SLT new subscriber connection project

Sri Lanka Telecom executes a FTTH implementation project to provide high speed internet and related facilities to households around the country using optical fibre cables. The project entrusted to us is carried out in three main areas; Southern Province, Sabaragamuwa Province and in Metro region Colombo. Access Engineering work scope includes installation of new telephone line connections, PEO TV connections, Fibre to the Home (FTTH) connections, fault rectification and maintenance. In addition, we also conduct MSAN installation and development and expansions of the optical fibre networks in the said areas. The contract is a unit rate contract and is renewed annually depending on the performance of the installation teams employed by AEL. In the SLT Service Excellence Awards 2017/18 Access Engineering was awarded runners-up (best overall performance – contractor category).



Status

**Ongoing**

Location

**Multiple locations**

Client

**Sri Lanka Telecom PLC**

Project Value

**Unit rate contract**

Funded by

**Sri Lanka Telecom PLC**

Role in contract

**Main contractor**

Start date

**1 October 2013**

End date

**31 December 2019**

Status

**Ongoing**

Location

**Multiple locations**

Client

**Dialog Broadband Networks (Pvt) Ltd.**

Project value

**LKR 1,547.3 Mn.**

Funded by

**Dialog Broadband Networks (Pvt) Ltd.**

Role in contract

**Main contractor**

Start date

**5 September 2013**

End date

**31 December 2019**

### Dialog Optical Fibre Sprouts Connectivity Project

This project involves the supply of services related to the Deployment of Dialog optical fibre network including pre-installation survey, supply of ducts, network deployment (Including indoor works), installation of ducts, manholes and handholes, road reinstatement, installation of cables, splicing and testing and commissioning the project. The project is carried out in Colombo and island wide. Horizontal Directional Drilling technology and Micro Trenching technology are employed mainly in urban areas. The project commenced in September 2013 and the projected date of completion is in December 2019. A total of 336.5 km was laid in Colombo and island wide with connectivity at 750 sites.



**ACCESS PROJECTS  
(PRIVATE) LIMITED** →



Access Projects, a member of the AEL Group, was established in 2002 to provide architectural and engineering building solutions to a spectrum of clients. The Company has made its imprint primarily in the leisure industry for construction, refurbishment, and renovation. It also has a significant market share in the aluminium and ceiling segment in Sri Lanka. The Company is the sole franchiser of Aluk Italy proprietary aluminium doors, windows, and curtain wall systems. The Quality Management System (QMS) and the Environment Management System (EMS) of Access Projects are ISO 9001 and ISO 14001 certified. The workforce of Access Projects (Private) Limited exceeds over 100, comprising professionally qualified engineers, quantity surveyors, draftsmen, marketers, accountants, etc. focused to deliver excellence to clients and services of the highest standard.

**STAFF COMPOSITION**

Staff category	Staff as at 31 March 2019
Managerial	33
Operational	67
Clerical and supportive	31

 OUR BUSINESS PORTFOLIO

Access Realties is a fully-owned subsidiary of Access Engineering PLC. It is the proprietor and managing agent of Access Tower I (North), a 12-storey office complex providing more than 125,000 sq. ft. of office space completed with slick captivating design, corporate amenities, and contemporary resources. Access Tower I was completed in 1998 and at present is home to a number of tenants. It also functions as the headquarters of AEL.

### STAFF COMPOSITION

Staff category	Staff as at 31 March 2019
Managerial	3
Operational	5
Clerical and supportive	23

Access Realties 2 is a fully-owned subsidiary of Access Realties. Its premier project: Access South Tower is a high-rise office building. The G+29 storey modern office complex provides approximately 200,000 sq. ft. of A Grade, state-of-the-art office space. Located in close proximity to the urban centre, Access Tower II (South) is an ideal location to grow and develop a business. The location is also blessed with breathtaking views of the Indian Ocean, Beira Lake, and the Colombo Skyline. The Tower has a diverse range of occupants from a wide-variety of sectors.

### STAFF COMPOSITION

Staff category	Staff as at 31 March 2019
Managerial	-
Operational	1
Clerical and supportive	10

 **PROPERTY**
**ACCESS REALTIES  
(PRIVATE) LIMITED**



PORCELANOSA  
VENIS

**ACCESS REALTIES 2  
(PRIVATE) LIMITED**




## ARL ELEVATE (PRIVATE) LIMITED



Elevate is situated on the 28 and 29 floors of Access Tower II. It boasts of an exclusive member's lounge, private dining, a wellness centre, a restaurant, conference hall, and meeting rooms which offer personalised services to any visitor. Elevate is the perfect choice for professional meetings, leisure, bespoke and customised events comprising of the finest amenities, event management services and state-of-the-art technology offering a unique experience in the heart of Colombo.

### STAFF COMPOSITION

Staff category	Staff as at 31 March 2019
Managerial	10
Operational	96
Clerical and supportive	6

## HORIZON HOLDINGS VENTURES (PRIVATE) LIMITED



Horizon Holdings Ventures is the owner of a property of land in extent of over 4 acres located in Malabe. During 2018/19 Access Engineering PLC entered into a share sale and purchase agreement for the disposal of the Company in its entirety. The disposal will be completed and the Company will be transferred in 2019/20.





## OUR BUSINESS PORTFOLIO

Blue Star Realities' flagship project Capital Heights, Rajagiriya is a unique real estate venture comprising 242 apartments. It goes beyond a residential apartment complex with its offering of a refined lifestyle as well as a long-term investment. It is situated in the residential capital of Rajagiriya that has recently been transformed into a beautiful lake city replete with quiet neighbourhoods, landscaped parks, serene waterways, and a natural bird sanctuary. Capital Heights has the privilege of these peaceful surroundings that belie its close proximity to the city.

## STAFF COMPOSITION

Staff category	Staff as at 31 March 2019
Managerial	9
Operational	6
Clerical and supportive	6

BLUE STAR REALTIES  
(PRIVATE) LIMITED →

Harbour Village is a joint venture formed between Access Engineering PLC, China Harbour Engineering Company Limited (CHEC), and Musthafa's Singapore (Private) Limited. This Company was formed with the objective of seizing opportunities in the real estate sector in Sri Lanka. Its mixed-development project, five-towered, Marina Square, Colombo with 1,068 units and 150,000 sq. ft. of commercial space is equipped with finest finishes, modern amenities and sweeping views of the Indian Ocean and Colombo Port.

## STAFF COMPOSITION

Staff category	Staff as at 31 March 2019
Managerial	7
Operational	11
Clerical and supportive	1

HARBOUR VILLAGE  
(PRIVATE) LIMITED →



# AUTOMOBILE

## SATHOSA MOTORS PLC

Sathosa Motors PLC (SML) is the official dealer for Isuzu vehicles and spare parts manufactured by Messrs Isuzu Motors Limited. SML offers sale of new vehicles, spare parts, and workshop services. It has capitalised on the niche market of reliable, low maintenance transportation solutions. The value proposition and unmatched after care service that SML offers has created a loyal customer base. SML will further expand its position as a trusted leader in the automotive industry.

### STAFF COMPOSITION

Staff category	Staff as at 31 March 2019
Managerial	12
Operational	68
Clerical and supportive	95





## SML FRONTIER AUTOMOTIVE (PRIVATE) LIMITED →

SMLF is the only authorised distributor of Jaguar and Land Rover in the country operating in the highly competitive premium automobile segment. SMLF is a growing company, bolstered by strength of international automobile brands, that has increased its market share in the sector since its inception in 2012.

### STAFF COMPOSITION

Staff category	Staff as at 31 March 2019
Managerial	20
Operational	43
Clerical and supportive	36





# MECHANICAL ENGINEERING

ZPMC LANKA COMPANY (PRIVATE) LIMITED



ZPMC Lanka Company is a joint venture between Shanghai Zhenhua Heavy Industries Company Limited of the People's Republic of China and Access Engineering PLC. Currently, ZPMC Lanka provides services to all the container terminals in Sri Lanka, including maintenance contract for container handling equipment and facility maintenance for Colombo International Container Terminals (CICT). It also conducts special repairs and spare parts supply for the South Asia Gateway Terminals (Private) Limited of Port of Colombo, Sri Lanka Ports Authority, King Abdullah Port of KSA, Gwadar International Container Terminals Limited of Pakistan, Pakistan International Container Terminal of Pakistan and Qasim International Container Terminal of Pakistan.

ZPMC Lanka recently commenced the commissioning work of ZPMC Ship to Shore and Rubber Tired Gantry Cranes to CICT and SAGT.

## STAFF COMPOSITION

Staff category	Staff as at 31 March 2019
Managerial	10
Operational	125
Clerical and supportive	4



# VALUE CREATION

*Our capitals interact with one another to create long-term, sustainable value for all our stakeholders in a highly-competitive, evolving business context.*

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FINANCIAL  
CAPITAL

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MANUFACTURED  
CAPITAL

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INTELLECTUAL  
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HUMAN  
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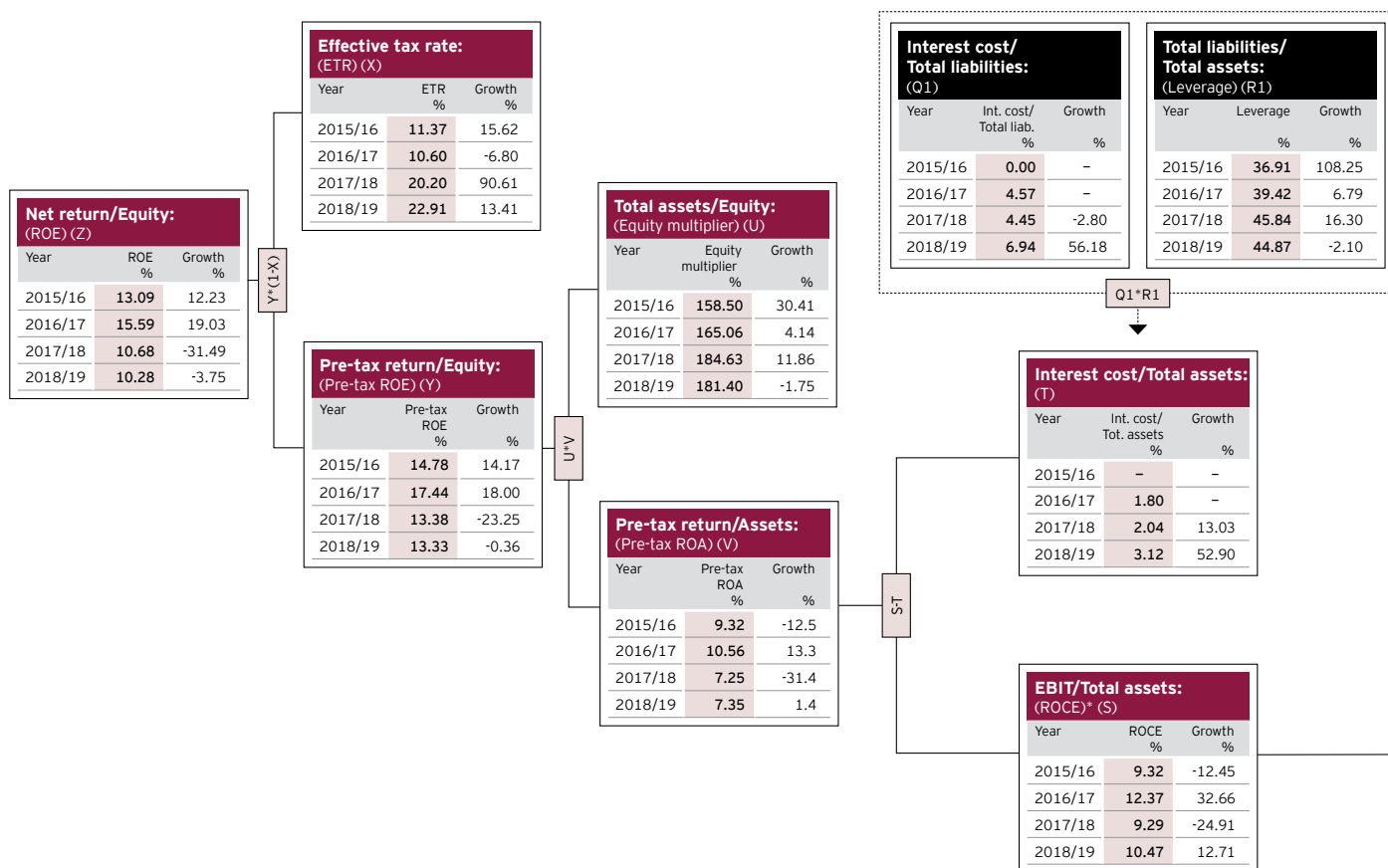
INDEPENDENT  
ASSURANCE  
REPORT TO AEL

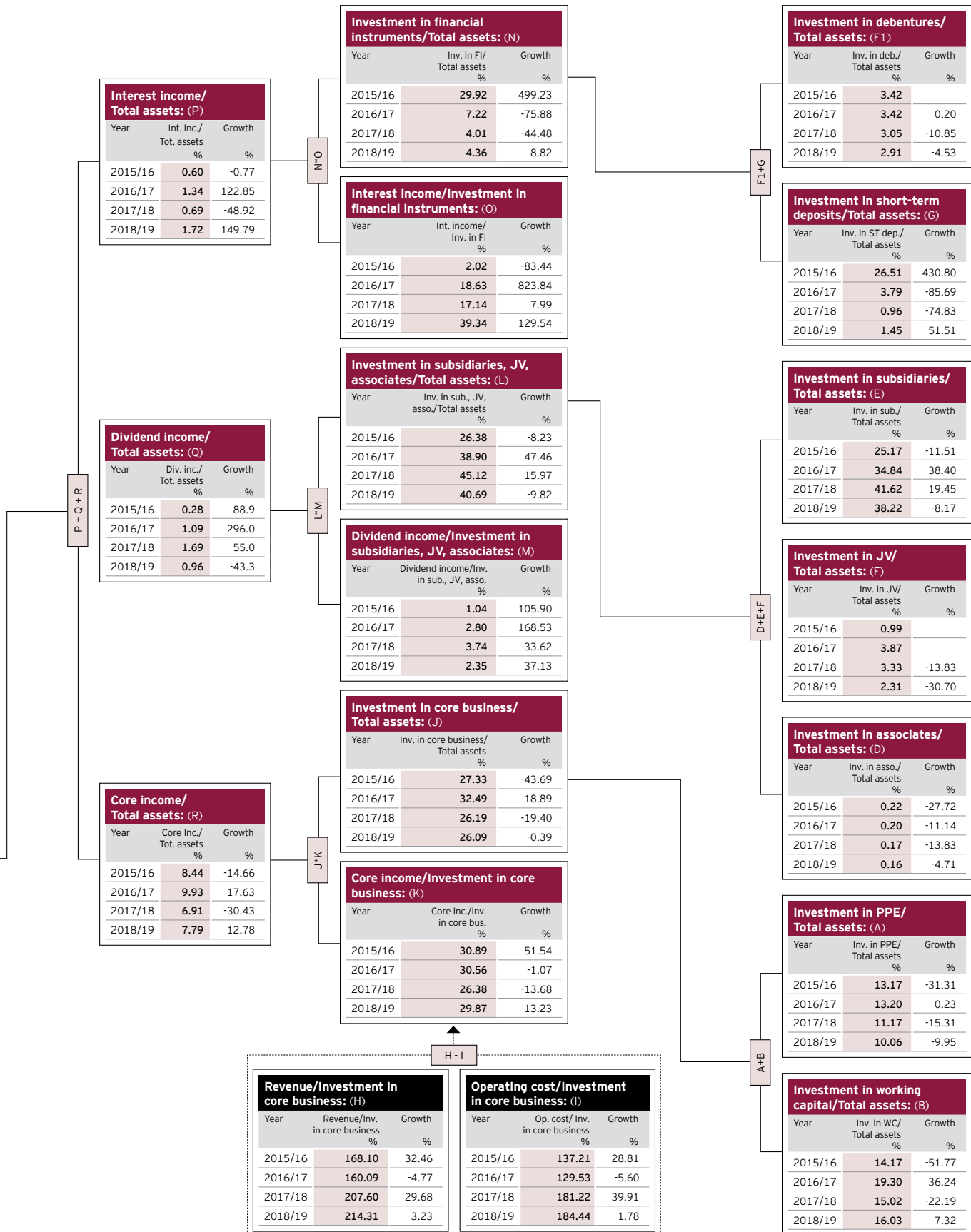
# FINANCIAL CAPITAL

The following review of financial capital and financial performance elaborates how the Group and the Company met the shareholders' expectations while mitigating the industry level risks and challenges through operational efficiency, effective utilisation of assets and optimal capital structure.

The diagram below depicts the breakdown of Du-Pont Analysis designed to identify all the key drivers behind asset utilisation, operating efficiency with profitability, and capital structure and how each of these drivers contribute towards the annual ROE.

(Follow from right to left)



 FINANCIAL CAPITAL


 FINANCIAL CAPITAL

## ACCESS ENGINEERING PLC – BALANCE SHEET (COMPANY)

	Horizontal analysis				Vertical analysis			
	2018/19	2017/18	2016/17	2015/16	2018/19	2017/18	2016/17	2015/16
	%	%	%	%	%	%	%	%
Property, plant and equipment	-6.20	-7.37	14.70	-5.04	8.86	9.91	12.42	12.19
Investment properties	0.00	89.00	26.15	0.00	1.20	1.26	0.77	0.69
Intangible assets	-10.90	-14.82	-14.38	-12.58	0.14	0.16	0.22	0.29
Investments in subsidiaries	-3.63	38.63	55.75	22.43	38.22	41.62	34.84	25.17
Investments in joint venture	-27.27	0.00	340.00	0.00	2.31	3.33	3.87	0.99
Investment in associate	0.00	0.00	0.00	0.00	0.16	0.17	0.20	0.22
Other non-current financial assets	0.19	3.47	12.76	0.00	2.91	3.05	3.42	3.42
<b>Total non-current assets</b>	<b>-5.12</b>	<b>23.89</b>	<b>46.01</b>	<b>24.06</b>	<b>53.80</b>	<b>59.51</b>	<b>55.74</b>	<b>42.97</b>
Inventories	-10.99	65.99	16.05	-9.58	4.16	4.90	3.43	3.33
Trade and other receivables	18.29	26.02	48.19	0.72	29.18	25.89	23.84	18.10
Amount due from related parties	72.95	-82.68	191.88	-15.55	1.18	0.72	4.81	1.85
Current tax assets	-100.00	0.00	0.00	0.00	0.00	0.18	0.00	0.00
Other current financial assets	22.66	25.45	18.46	29.91	7.13	6.10	5.64	5.36
Short-term investments	-27.53	-1.36	-10.74	-36.80	0.07	0.11	0.13	0.16
Short-term deposits	70.01	-73.19	-84.33	684.95	1.37	0.85	3.67	26.35
Cash and cash equivalents	86.42	-26.04	63.77	-68.60	3.11	1.75	2.74	1.89
<b>Total current assets</b>	<b>19.74</b>	<b>6.18</b>	<b>-12.67</b>	<b>51.50</b>	<b>46.20</b>	<b>40.49</b>	<b>44.26</b>	<b>57.03</b>
<b>Total assets</b>	<b>4.95</b>	<b>16.06</b>	<b>12.54</b>	<b>38.35</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Stated capital	0.00	0.00	0.00	0.00	26.00	27.28	31.66	35.63
Revaluation reserve	0.00	-16.91	82.17	0.00	0.44	0.46	0.65	0.40
Retained earnings	13.97	8.43	17.59	15.45	28.69	26.42	28.28	27.06
Equity attributable to owners of the Company	6.81	3.75	8.07	6.09	55.13	54.16	60.58	63.09
<b>Total equity and liabilities</b>	<b>6.81</b>	<b>3.75</b>	<b>8.07</b>	<b>6.09</b>	<b>55.13</b>	<b>54.16</b>	<b>60.58</b>	<b>63.09</b>
Interest-bearing borrowings	-	-	-	-	14.99	15.73	18.25	20.55
Employee benefits	8.51	42.97	4.33	6.23	0.56	0.54	0.44	0.47
Deferred taxation	-12.12	131.16	24.93	-15.77	1.50	1.79	0.90	0.81
<b>Total non-current liabilities</b>	<b>-1.47</b>	<b>6.98</b>	<b>0.99</b>	<b>1451.64</b>	<b>17.05</b>	<b>18.06</b>	<b>19.59</b>	<b>21.83</b>
Trade and other payables	18.15	30.14	53.66	25.94	24.64	21.88	19.51	14.29
Amount due to related parties	787.69	-55.31	130.21	161.46	0.81	0.10	0.25	0.12
Interest-bearing borrowings	-	-	-	-	1.16	5.77	0.00	0.00
Current tax liability	-	-	-	-	1.19	0.00	0.04	0.65
Unclaimed dividend	33.40	42.59	83.78	72.93	0.04	0.03	0.02	0.01
Bank overdrafts	-	-	-	-	0.00	0.00	0.00	0.00
<b>Total current liabilities</b>	<b>5.14</b>	<b>62.62</b>	<b>47.97</b>	<b>32.23</b>	<b>27.83</b>	<b>27.78</b>	<b>19.83</b>	<b>15.08</b>
<b>Total liabilities</b>	<b>2.74</b>	<b>34.97</b>	<b>20.18</b>	<b>188.12</b>	<b>44.87</b>	<b>45.84</b>	<b>39.42</b>	<b>36.91</b>
<b>Total equity and liabilities</b>	<b>4.95</b>	<b>16.06</b>	<b>12.54</b>	<b>38.35</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>





## ACCESS ENGINEERING PLC – INCOME STATEMENT (COMPANY)

	Horizontal analysis				Vertical analysis			
	2018/19	2017/18	2016/17	2015/16	2018/19	2017/18	2016/17	2015/16
	%	%	%	%	%	%	%	%
Revenue	7.91	21.30	27.42	3.20	100.00	100.00	100.00	100.00
Cost of sales	6.99	32.89	25.89	4.96	-83.61	-84.33	-76.98	-77.92
<b>Gross profit</b>	<b>12.88</b>	<b>-17.43</b>	<b>32.84</b>	<b>-2.58</b>	<b>16.39</b>	<b>15.67</b>	<b>23.02</b>	<b>22.08</b>
Other income	-10.63	51.64	89.91	1,416.55	3.35	4.04	3.23	2.17
Administrative expenses	14.38	-5.81	27.12	-21.07	-3.96	-3.73	-4.81	-4.82
Other expenses	-13.83	-25.86	-25.85	-50.04	-0.13	-0.16	-0.26	-0.45
Net finance income	8.78	244.85	-184.82	37.28	-2.51	-2.49	-0.87	1.31
<b>Profit before tax</b>	<b>6.43</b>	<b>-20.37</b>	<b>27.52</b>	<b>21.12</b>	<b>13.15</b>	<b>13.33</b>	<b>20.31</b>	<b>20.29</b>
Income tax expenses	20.69	51.78	18.85	40.05	-3.01	-2.69	-2.15	-2.31
<b>Profit for the period</b>	<b>2.81</b>	<b>-28.92</b>	<b>28.64</b>	<b>19.06</b>	<b>10.13</b>	<b>10.64</b>	<b>18.15</b>	<b>17.98</b>

## REVIEW OF FINANCIAL PERFORMANCE

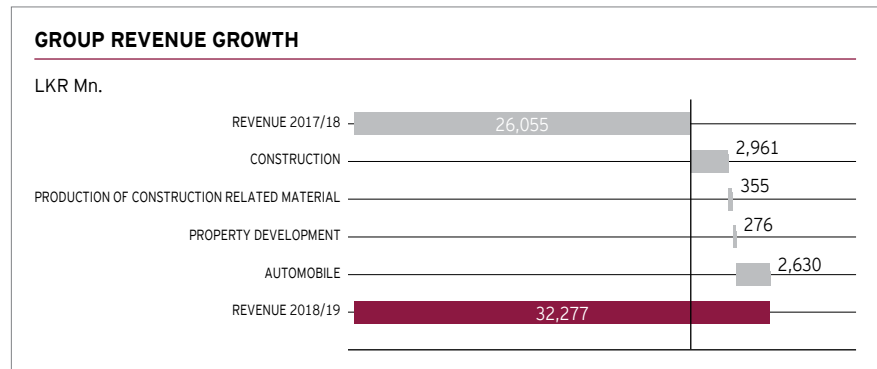
Review of financial performance covers aspects of improving the Return on Equity (ROE) via operational efficiency (Net Profit Margin) and effective utilisation of assets (Asset Turnover).

## TURNOVER

In the year under review, the Company and the Group recorded highest ever turnover of LKR 19.4 Bn., and LKR 32.3 Bn. with corresponding growth rates of 7.91% and 23.88% respectively.

At Group level, Property Development of (+55.59% YOY) and Automobile (+32.21% YOY) segments made the biggest contribution to the turnover. Construction (+19.99% YOY) and Production of Construction-related Materials (+13.78% YOY) segments too achieved significant growth in turnover.

Details of the increase in revenue from 2017/18 to 2018/19 are shown in the chart below:



## PROPERTY

First full year of operation of the Access Tower II since its opening in August 2017 and the consequent increase in Rental Income (+55.92% YOY) enabled the Property segment to make the highest contribution to the Group Turnover, Access Tower II was fully booked/leased out even prior to completion and added approximately 200,000 sq.ft. of premium "A" grade office space.

## AUTOMOBILE

The second highest contribution for the overall increase in Group revenue was made by the Automobile segment (+32.21% YOY), which operates under 84.42% owned subsidiary of Sathosa Motors PLC. Considerable increase in the sale of spare parts and over 700 new ISUZU vehicles sold in 2018/19 are the key drivers behind this Growth.

## ↓ FINANCIAL CAPITAL

### CONSTRUCTION

Road and Highway construction – Significant revenue growth was mainly fueled by the Stage 2 of the Central Expressway which was in full swing during the year with a major portion of work being completed. We completed around 65% of our scope of work during the year and the project is due to be completed and handed over by 2020.

Water and Drainage construction – Anuradhapura North and Daduru Oya Water Supply Projects are the key contributory factors for the significant 52.19% YOY growth in revenue during the period.

Building and Other – Housing Project for Government Employees in Borella and the structural works of the Water Front Integrated Resort development along with new projects of Nanotechnology Centre and Bluemendhal Project that started work during the year helped boost revenue of the Building Sector.

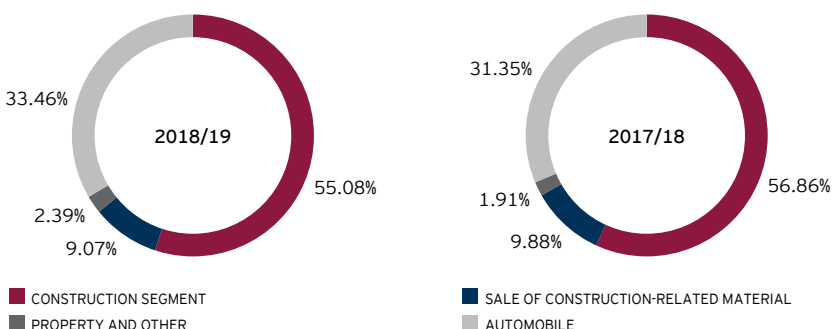
### CONSTRUCTION-RELATED MATERIAL

Sale of construction-related materials increased by 13.78% YOY as a result of capacity development initiatives which were completed in the previous years. It was mainly the batching plants in Peliyagoda and Kandana and the asphalt plants of Kotadeniyawa, Ibbagamuwa, Vavuniyawa and Mathugama that increased their contribution to revenue.

### YOY GROWTH OF REVENUE COMPONENTS

	2018/19	2017/18	YOY
	LKR Mn.	LKR Mn.	%
Highways construction	7,714	2,979	159.0
Water and drainage construction	1,943	1,277	52.19
Bridge construction	314	1,754	-82.1
Building and other construction	7,688	8,677	-11.4
Hiring income	104	71	47.3
Fabrication income	13	57	-77.8
Construction segment	17,777	14,815	19.99
Sale of construction-related material	2,929	2,574	13.78
Rental income	772	495	55.92
Service charges	1	2	-48.88
Property and other	773	497	55.59
Automobile	10,799	8,168	32.21

### YOY GROWTH OF REVENUE COMPONENTS



### PROFITABILITY

Overall Gross Profit Margins of the Company and the Group marginally improved to 16.39% (2017/18: 15.67%) and 16.06% (2017/18: 15.59%) despite the macro level challenges faced by the industry in the previous financial year continuing to affect the industry in the current period under review too.

Positive impact of significant boost in the revenue towards the gross profit has been offset by the increased cost of sales at the same pace, leading the Group and, the Company to report gross profit of LKR 5,184 Mn., and LKR 3,173 Mn. respectively.

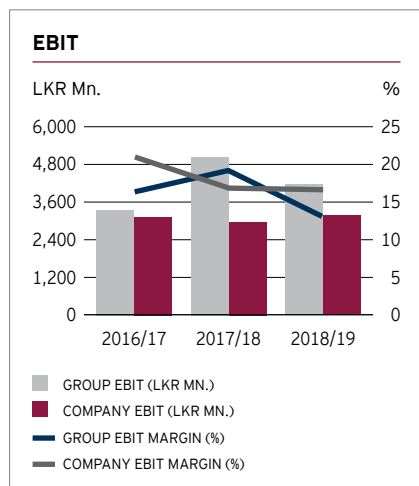
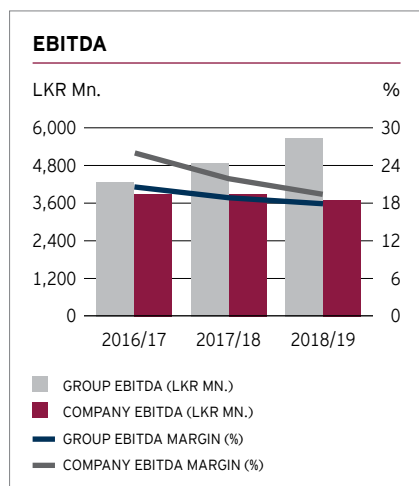
Despite the growth in the operational activities with higher revenue reported, at the Company level, administration and other expenses as a percentage of revenue remained at 4.09% (2017/18: 3.9%) which is an increase of 13.21% YOY. This emphasised the Management effort on reducing the Company's overall overhead costs by improving the efficiency and productivity of operations via efficiently managing the micro factors of the Company with special focus on improving efficiency of "procurement activities" for better working capital management.

 FINANCIAL CAPITAL

Despite the increase in activities of the subsidiaries, at Group level, administration and other expenses decreased by -3.60% YOY. Again, this indicated that it is not only at the Company level that Management has given more focus towards the efficiency and cost savings but it has been done across the Group.

At Group level, other Income was only LKR 482 Mn. against the LKR 2,519 Mn. reported in 2017/18 which was supported by a revaluation of investment property.

The Group and the Company level EBIT stood at LKR 4,173 Mn. and LKR 3,184 Mn. with corresponding growth rate of growth rates of -17.27% and 6.49% respectively.

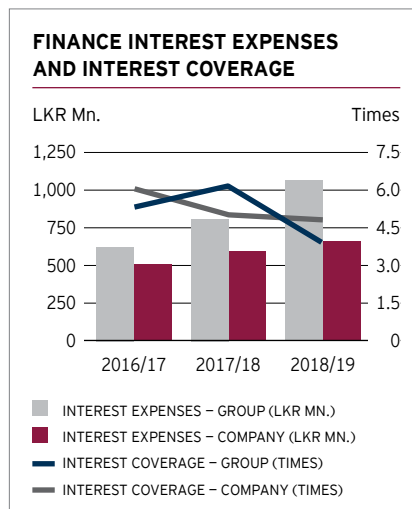


## FINANCE EXPENSES

Interest expenses of the Group and the Company increased from LKR 914 Mn. and LKR 672 Mn. to LKR 1,520 Mn., and LKR 1,079 Mn. respectively mainly as a result of the Interest expenses identified on mobilisation advance given (As per the Accounting Standard SLFRS 15) in addition to the increase in interest on bank loans due to frequent utilisation of short-term loan facilities.

Similarly, interest income of the Group and the Company also increased from LKR 531 Mn. and LKR 227 Mn. to LKR 869 Mn. and LKR 594 Mn. respectively due to the interest income on contract liability (As per the Accounting Standard SLFRS 15). Interest income on fixed deposits reduced at the Group level by LKR 85 Mn. due to the utilisation of funds in subsidiaries to support the increase in the operational activities.

Reduction in EBIT at the Group level compared to the previous year coupled with the decline in interest income and the increase in interest expenses caused the interest coverage ratio of the Group to decline from 6.22 to 3.90 times.



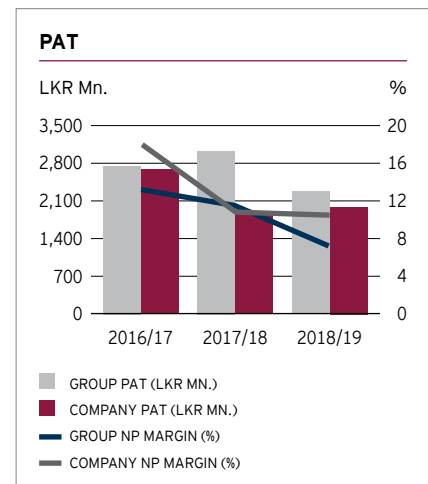
## TAXATION

The effective tax rates for 2018/19 remained at 28% and 23% respectively at the Group and the Company level as opposed to 42% and 20% respectively in 2017/18. Group level effective tax rate deduction compared to the previous year was due to the deferred tax provision accounted for in the previous year relating to the property revaluation.

## PROFIT AFTER TAX (PAT)

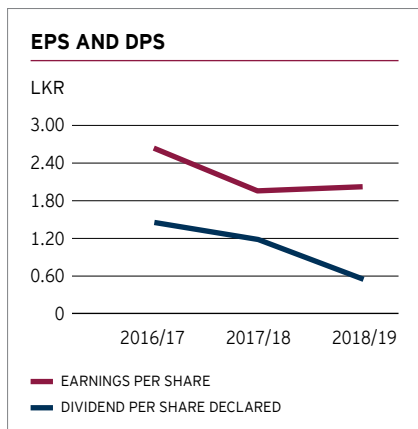
The profit after tax for the year ended 31 March 2019 was recorded at LKR 2,245 Mn. and LKR 1,962 Mn. respectively at the Group and the Company level. Highest contribution to the Group PAT was from the Construction segment followed by the contribution from ARL I and II Towers.

Horizon Holdings Ventures (Private) Limited, Horizon Knowledge City Limited and Harbour Village (Private) Limited generated a combined marginal profit of LKR 36 Mn. mainly in the form of Interest Income.



Earnings per ordinary share was recorded at LKR 2.15 (2017/18: 2.51) and LKR 1.96 (2017/18: LKR 1.91) at the Group and the Company level respectively.

## ↓ FINANCIAL CAPITAL



In the year under review, the Directors have approved two interim dividends of LKR 0.25 per share for the year totaling to LKR 500 Mn. in addition to LKR 1.2 Bn. paid in 2017/18.

At the Company level, improving the efficiency and productivity of operations remained a key priority during the year and further savings in cost and time can be achieved through this.

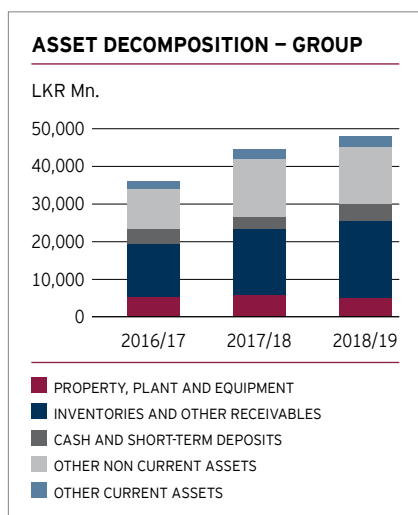
Another key focus area was improving efficiency of "procurement activities" for better working capital management. We continue to explore more areas of improving procurement.

These strategies helped the Management to keep reasonable profit margin and ROE despite the continuity of industry challenges from the previous year to the current year too.

At the Group level, more focus was given on streamlining the core functions of SML. This was essential for the development and sustainability of this business. There is close supervision and monitoring with a new Management put in place and the new structure has started to yield better results.

## REVIEW OF FINANCIAL POSITION

Total non-current asset base of the Group and the Company decreased by 4.85% and 5.12% to LKR 20 Bn. and LKR 19 Bn. respectively, primarily due to the disposal of its investment in the two Horizon companies during the year. The reason for disposal was the long gestation period of the anticipated horizon development and the better attractiveness of new investment options.



Despite the significant growth in the revenue during the year at the Group and the Company level, property, plant and equipment values remained at 16.10% and 15.85% of revenue which are less than those of the previous reporting period. This is another positive indication of proper utilisation of the existing asset base with more focus on streamlining the processes.

With the commencement of new operational activities of subsidiaries, the Group current asset base also stood at LKR 28 Bn., a growth of 19.99% YOY while the Company's operating current asset base increased by 19.74% YOY.

LKR 4.5 Bn. increase in the Group operating current assets was partially offset by LKR 2.4 Bn. increase in the Group operating current liabilities\* which resulted in net operating working capital to increase by only LKR 2.1 Bn.

GRI 201-3

## DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS

Employees are eligible for the defined contribution plans of Employees' Provident Fund (EPF) and the Employees' Trust Fund (ETF) at the rate of 20% (Employer – 12% and Employee – 8%) and 3% on salary. Employees are also entitled to retirement gratuity. The defined benefit liability of the Company as at 31 March 2019 was LKR 193 Mn. (31 March 2018 – LKR 178 Mn.).

GRI 201-4

## FINANCIAL ASSISTANCE RECEIVED FROM THE GOVERNMENT

The concessionary tax rate of 12% on construction income was removed with effect from 1 April 2018.

The income tax concession given for the manufacturing of construction-related material ended on 31 March 2018.

Hence, the Company did not receive any special financial assistance from the Government.

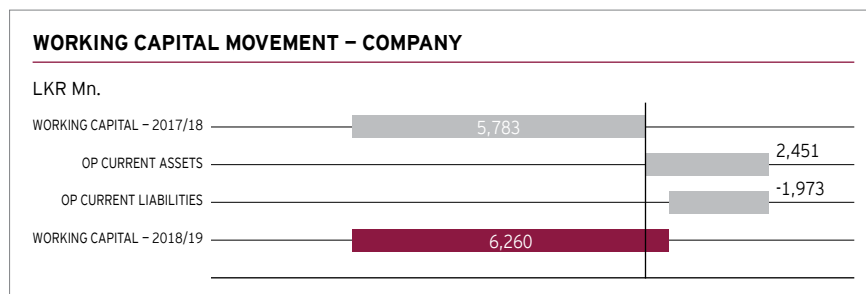
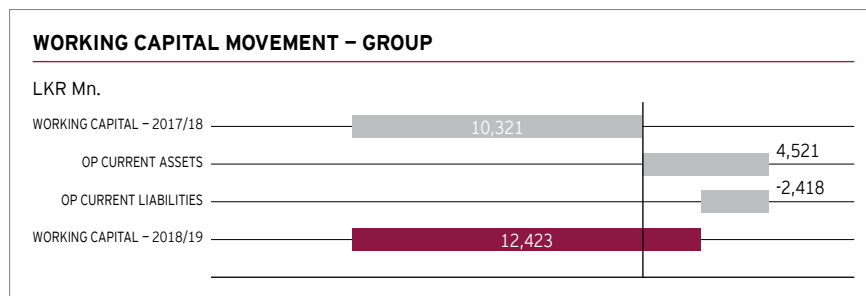
## YOY growth of key working capital components

Group	2018/19	2017/18	% of Growth
	LKR	LKR	
<b>Group</b>			
Inventory	6,578,633,179	6,085,842,007	8.10
Trade and other receivables	13,784,379,147	11,249,413,659	22.53
Trade and other payables	12,491,096,071	10,116,721,429	23.47
<b>Company</b>			
Inventory	1,440,013,027	1,617,818,301	-10.99
Trade and other receivables	10,101,674,043	8,539,769,405	18.29
Trade and other payables	8,528,943,819	7,218,909,464	18.15

At Company level, total increase in current assets was partially been offset by the increase in current liabilities which resulted in only a LKR 477 Mn. increase in total net working capital, which is another positive indicator of the Company's efficient operational management.

\* Operating current assets = current assets – Short-term investments – Short-term deposits

\* Operating current liabilities = current liabilities – Short-term borrowings

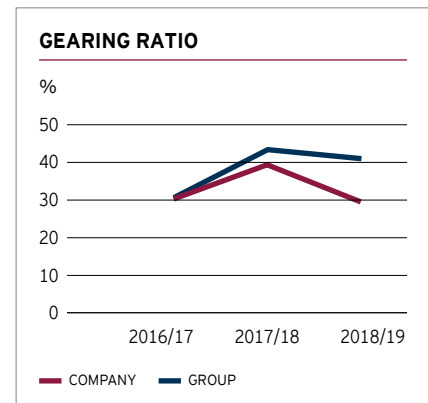


The liquidity position remains strong with approximately LKR 4.6 Bn. at the Group level held in short-term deposits and cash mainly due to unutilised funds of subsidiaries until they commence full operation in addition to the cash generated from the disposal of investment in the two Horizon companies.

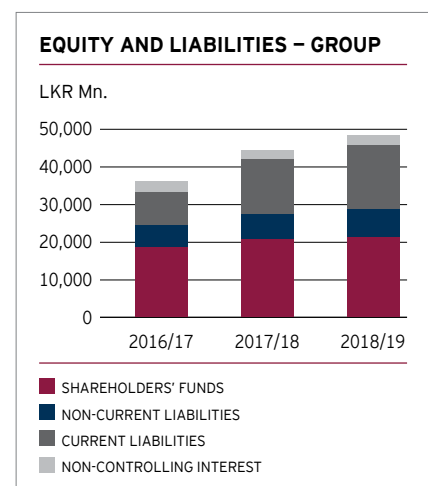
## CAPITAL STRUCTURE

The gearing ratio, which is calculated as a proportion of the total interest-bearing liabilities to equity, has improved from 43.72% and 39.70% to 41.21% and 29.29% at the Group and the Company level respectively.

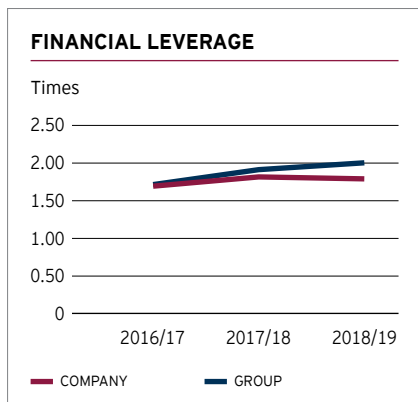
Though the short-term borrowings reduced from LKR 1,900 Mn. to LKR 400 Mn. at the Company level with the completion of the projects, at the Group level, borrowings reduced only marginally due to increase in short-term borrowings of Sathosa Motors from LKR 2,018 Mn. to LKR 3,224 Mn.



At the Group level and the Company level, the majority of assets were funded by equity at 49% and 55% respectively which resulted in lower financial leverage compared to the previous reporting period which further augmented the benefit of competitive borrowing rates.



## ↓ FINANCIAL CAPITAL



	Group		Company	
	2018/19	2017/18	2018/19	2017/18
Current ratio (times)	1.65	1.57	1.66	1.46
Quick ratio (times)	1.30	1.20	1.51	1.30
Asset turnover (times)	0.67	0.59	0.56	0.54
Total debt/equity ratio (%)	0.37	0.41	0.29	0.40
Total debt/total assets (%)	0.18	0.20	0.16	0.22
Interest coverage	3.90	6.22	4.78	4.99

## SUMMARY – REVIEW OF FINANCIAL PERFORMANCE AND FINANCIAL POSITION

ROE is the final barometer of financial performance and the financial position. Amidst continuity of the macro challenges similar to the previous reporting period, as a forerunner in the use of value engineered construction technologies and innovations with more focus towards improving the efficiency and productivity, Company has reported a positive increase of the overall ROE.

With the strategies implemented to ensure proper asset utilisation via procurement strategies and with the expected increase of dividend income from subsidiary companies, ROE is expected to trend upwards in the future.

For a further analysis of the ROE, please refer the Annual ROE Decomposition Tree.

	ROE (Company) = Net profit margin X Asset turnover X Financial leverage			
	Net profit margin	Asset turnover	Financial leverage	
2018/19	10.28%	0.56	1.81	
2017/18	10.68%	0.54	1.85	
2016/17	15.59%	0.52	1.65	

## SUBSIDIARY – CONSOLIDATED REVIEW OF FINANCIAL PERFORMANCE AND FINANCIAL POSITION

### Access Realities (Private) Limited (ARL)

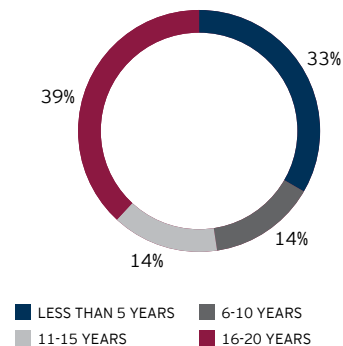
The Company's fully owned subsidiary Access Realities (Pvt) Ltd., which is the owner and the managing agent of Access Tower I and Tower II reported a turnover of LKR 1,083 Mn. and LKR 274 Mn. respectively at Group and Company level during the year.

With gross profits amounting to LKR 842 Mn. and LKR 235 Mn. respectively at Group and Company level the Company enjoyed high margins of 86%.

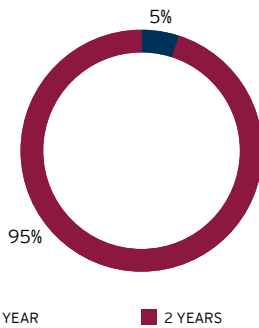
Access Tower II with approximately 200,000 sq. ft. of "Grade A" office space was 100% occupied throughout the year and continued to give us a good yield. With the Access Tower II completed its first full year of operation since its launch, Other Income of Company level increased from LKR 132 Mn. to LKR 622 Mn. due to the dividend income from Access Realities 2 (private) Limited.

Addition to this Access Elevate (Pvt) Ltd. which is 100% owned by Access Reality (Pvt) Ltd. contributed by LKR 237 Mn. to the Total Turnover of the Group as Restaurant, Banquet and Membership Fee.

### TENANT ANALYSIS OF ACCESS TOWER I



### TENANT ANALYSIS OF ACCESS TOWER II



### Sathosa Motors PLC

During the year under review Sathosa Motors PLC which has the franchise in Sri Lanka for ISUZU motors vehicles and spare parts manufactured by ISUZU Motors Limited of Japan generated a top line of LKR 11,126 Mn. and LKR 4,033 Mn. at Group and Company level, a growth of 36.06% at Group level. AEL holds approximately 84.4% of SML which is a Public Quoted Company.

The Company's gross profit margins at Group and Company level were 11.87% and 17.30% respectively.

Further, Sathosa Motors PLC is engaged in the construction of a new workshop at Peliyagoda and LKR 300 Mn. was invested in this. SML will reap the benefits of this investment in the years to come.

The sale of spare parts has recorded a considerable increase and is projected to increase further. New vehicle sales at SML showed good results with over 700 new ISUZU vehicles sold in 2018/19.

### Access Projects (Private) Limited (APL)

Top line for the financial year 2018/19 was recorded at LKR 1,886 Mn., with a gross profit of LKR 231 Mn. the margin was 12%. The Company's finance expenses record at LKR 48 Mn. mainly on account of short term borrowings taken for working capital requirements. The Company's net profit for the period was LKR 98 Mn.

## FUTURE OUTLOOK

We will continue to provide the highest return on investment to our shareholders as a reward for their trust and loyalty they have placed on Access Engineering. We plan to achieve a higher profit after tax to invest in tax-free ventures with a view to declare tax free dividends. Our dividend policy of declaring 40% to 50% out of Company profits will remain unchanged. With a view to better manage the working capital, we will strengthen the treasury management system in the Company. Further, we will strengthen internal control procedures and closely monitor the performance of our subsidiaries and our investments.

GRI 201-1

## DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

	2018/19	2017/18
	LKR	LKR
<b>Value created</b>		
Gross revenue	19,356,105,575	17,937,033,665
(-) Cost of goods and services (Excluding Depreciation and remuneration to employees)	(13,236,742,742)	(12,299,905,201)
Value added from operations	6,119,362,833	5,637,128,464
Other income	647,816,174	724,888,499
Finance income	154,440,941	153,621,910
<b>Total value created</b>	<b>6,921,619,948</b>	<b>6,515,638,874</b>
<b>Value distributed</b>		
Operating costs	370,523,697	275,380,132
Remuneration to the employees	2,429,645,077	2,297,187,793
Directors' fees and remuneration	24,790,000	23,190,000
Community investments	12,563,806	12,626,624
Government levies	2,597,831	2,736,726
Corporate taxes	652,117,427	185,750,576
Interest cost	666,142,500	599,432,728
Non-controlling interest	-	-
Dividends	500,000,000	1,200,000,000
<b>Total value distributed</b>	<b>4,658,380,337</b>	<b>4,596,304,579</b>
<b>Total value retained</b>	<b>2,263,239,611</b>	<b>1,919,334,295</b>
<b>Total value distributed and retained</b>	<b>6,921,619,948</b>	<b>6,515,638,874</b>
<b>Value retained</b>		
Profit retained	1,380,965,724	1,058,857,711
Depreciation and amortisation	882,273,887	860,476,584
<b>Total value retained</b>	<b>2,263,239,611</b>	<b>1,919,334,295</b>

## MANUFACTURED CAPITAL

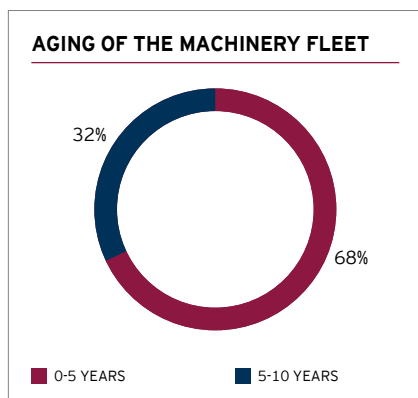
Manufactured capital is the collection of physical and technological infrastructure that are available for use in the provision of services and the smooth running of our operations. It entails our physical assets such as the land bank, buildings, our production plants, the quarries we have leased, our heavy vehicle machinery and equipment fleet, furniture and fittings. The manufactured capital is integral to our success since the proper management of these assets will directly contribute to operational efficiency and profitability. We also use the latest IT infrastructure including our ERP system.

### HEAVY CONSTRUCTION VEHICLES, EQUIPMENT AND MACHINERY

The heavy construction vehicles, equipment and machinery we possess enable the smooth operation of our core business. They also help us to generate additional revenue in the form of hiring income. The machinery is maintained through regular service and supervision. There is a designated team to ensure the safe operation of the machinery, equipment, and vehicles.

They include but are not limited to piling machines, grab machines, crawler and tower cranes, pavers, pump cars, drilling machines, form work systems, mobile cranes, motor graders, excavators, Kelly bars, wheel loaders, micro trenching machines, HDD machines, concrete mixers, silos, desanders, rollers, shotcrete machines, compactors, loaders, trailers, grouting machines, cable blowing machines, weigh bridge systems, air compressors and other construction equipment we continuously use in the day-to-day business.

During the year we invested over LKR 286 Mn. in our heavy machinery and equipment fleet. Bulk of this investment was towards upgrading our piling fleet including new additions to desanders, mobile cranes, piling rigs, winch machines and a new aluminium formwork system.



### IT Infrastructure

Our centralised advanced IT infrastructure and system applications, such as latest servers, storages, firewalls, backup systems and the Company ERP systems have enabled us to perform functions faster with improved efficiencies. Continuous investment in our IT infrastructure has allowed us to have a competitive edge in the sector. The state-of-the-art IT infrastructure has contributed to accelerating the decision-making process.

### Production plants

Access Engineering is the leader in the production of construction-related materials. Our extensive network of production plants located at strategic locations allows us to execute our projects efficiently. Understanding the market and demand potential for construction material we have taken conscious decisions to further invest in production plants to cater to ever increasing demand. We are currently one of the leading asphalt and concrete producers in the country.

Our production plants were located in the following areas:

- ⊕ Asphalt plants located in Kotadeniyawa, Mathugama, Mailapitiya and Vavuniyawa. The total installed capacity was 456 TPH.
- ⊕ Crusher plants were located at Mirigama, Vavuniyawa and Mathugama. The total installed capacity was 340 TPH.

- ⊕ Concrete batching plants were located in Kandana, Mabima, Peliyagoda, Deduruoya, and Nagollagama with a total installed capacity of 285 m<sup>3</sup>/H.
- ⊕ Quarries were located in Vavuniyawa, Mathugama, Hakmana, Mailapitiya, Wallallavita and Mirigama.

*Our extensive network of production plants located at strategic locations allows us to execute our projects and our service delivery*

### FUTURE OUTLOOK

We see investments in manufactured capital as necessary to remain competitive in a highly saturated market. We plan to invest to strengthen our vertical integration efforts and take further control of the supply chain. We have selected strategic locations for the expansion of production plants and workshops to increase their capacity to meet future demands of infrastructure development. We recognise that our heavy machinery and equipment require regular maintenance for longevity. Therefore, to ensure the proper management and utilisation of the fleet we will further streamline internal processes. We will regularly invest in our IT systems and processes which not only saves time in the decision-making process but lead to process improvement, information security, and improved efficiency.



## INTELLECTUAL CAPITAL

Our intellectual capital comprises important sources of business advantage like the accumulated internal knowledge base and internal systems and processes that lead to improvement in operational excellence. Our investments in intellectual capital have helped us to reduce the inefficient use of resources while being on par with the top players and trends in the industry. The efficient use of the intellectual capital enables us to be proactive and be future-ready through innovation and enhance efficiency. It comprises intangible elements such as corporate culture, systems and processes, knowledge bases, brand value, ethics and integrity.

### THE ACCESS ENGINEERING BRAND

Over the years, our brand has developed into one of the most trusted brands in Sri Lanka integrating diversified business operations and civil engineering disciplines. In a highly competitive landscape, we have become one of the most sought after and a preferred partners among the international contractors in Sri Lanka. Thus, our brand and reputation have moved offshore, and our partners hail from China, Hungary, Australia, United Kingdom, USA, Japan, Malaysia, Korea, Spain and others. We also possess the highest market capitalisation in the construction and engineering sector in the Colombo Stock Exchange. We were the only company from the construction and engineering sector which was a constituent of the S&P SL 20 index of the CSE during the 2018/19.

We are a “Major and Specialist contractor” accredited by the National Construction Association of Sri Lanka. We are a forerunner in the application of innovative technology in the field and in the introduction of unconventional construction methods to the Sri Lankan market such as Horizontal Directional Drilling (HDD) and micro trenching method of cable installation in telecommunication works, use of post tensioning and the aluminium formwork system in high rise building construction and diaphragm wall for basement construction among several others.

The numerous accolades bestowed on Access Engineering cements the position of our brand within the industry as well as the country. We were the only construction company to be selected to the category of “10 Best Corporate Citizens” by the Ceylon Chamber of Commerce for two consecutive years 2017 and 2018. We were adjudged as one of the “Most Admired Companies of Sri Lanka” in 2018 by the International Chamber of Commerce (ICC) and CIMA UK.

Further, we are the only civil engineering company in Sri Lanka who is a signatory to the United Nations Global Compact and to be a member in good standing of Trace International, UK for anti-bribery compliance. We are a Patron Member of the Business and Biodiversity Platform of the Ceylon Chamber of Commerce, a member in good standing of the National Chamber of Commerce and one of the very few companies accredited by the Institute of Engineers of Sri Lanka to train engineers for their professional charter review.

We are one of the most accredited civil engineering companies as per the accreditations given by the Construction Industry Development Authority (CIDA) possessing the highest accreditation across the most number of disciplines:

No.	Field name	Grade
1	Highways	CS – 2
2	Water supply and sewerage	CS – 2
3	Buildings	CS – 2
4	Bridges	C – 1
5	Irrigation and drainage canals	C – 1
6	Dredging and reclamation	C – 1
7	Maritime construction	C – 1
8	Piling	GP – B1
9	Soil nailing and stabilisation	SP – 1
10	Electrical installations (Low Tension)	EM – 1
11	Heavy steel fabrication	EM – 1

### SYSTEMS AND PROCESSES

We are focused on continuously improving all aspects of our operations, which includes ensuring the right systems, rigid internal controls, and efficient processes in place, as well as the utilisation of relevant resources that contributes to operational excellence. We have developed systems in areas such as business controls, information management, digital construction, strategic sourcing, and partnerships that contributes to establishing a more structured approach to delivering world-class projects.

## INTELLECTUAL CAPITAL

Our SAP system cover critical operations such as finance and controlling, material management, sales and distribution, project systems, production planning, plant maintenance, equipment, and tool management. ERP system works on mobile devices and has improved the approval process. We also possess an internal team that oversees the SAP system who are capable of doing system modifications and enhancements where necessary to make operations smoother.

We have an "AEL News" platform which keeps all employees updated on project progress, financial news and any other important information. Further, "Access Engineering News Within" which is a quarterly newsletter provides information about construction projects, sustainability initiatives, technological advancements, human capital, and financial performance of Access. Our in-house library is a valuable resource to technical and managerial personnel (on paper and electronic media) on civil engineering and project management. We have also improved our IT systems by keeping them up to date. They are equipped with the latest hardware and software, firewalls, servers, and backups.

The following systems were introduced, implemented, or completed during the year:

- ➔ The implementation of the Document Management System was completed during the year. This system is used to track, manage, store documents and to reduce the usage of paper.
- ➔ The implementation of "SAP Fiori", which provides a set of applications on compatible hand-held devices enabling to perform certain business functions, was also completed during the year. "SAP Fiori" is user friendly, more secured, and more efficient compared to the existing system. It facilitates a faster approval process and hence decision-making.

- ➔ We are in the process of introducing digital notice boards to reduce the usage of paper. These notice boards will feature project information and updates, Company announcements and notices, and information on financial performance.

### QUALITY AND ENVIRONMENTAL CERTIFICATIONS

Access Engineering has always complied with the necessary environmental standards and has gone beyond the expected standards in quality. Over the years, we have earned our certifications through efficiencies in our systems and by working towards specific goals. We ensure that we upgrade to the latest standards in order to be on the forefront of the industry.

*Through our vertical integration strategy, we have increased our internal suppliers for ready-mixed concrete, aggregate-base course, and asphalt-concrete which has reduced costs and emission*

GRI 102-16

### CORPORATE CULTURE

Our corporate culture has developed since the inception of our Company and is guided by our Mission, Vision, and core Values. The practice of value engineering and striving to achieve excellence are the pillars of our culture and has enabled us to consistently deliver value to our customers through efficient, effective, durable, less costly, and faster means.

We have also created a culture where we take responsibility for our impact on the community, environment, and society as a whole. The value of transparency and responsible corporate practices form the basis of the corporate culture persisting at Access Engineering. We ensure that we comply with all the necessary regulations and strive to provide the best possible service to our clients.

Sustainability has been embedded in all our practices such as the use of environmentally friendly solutions in construction, use of innovative and unconventional construction methods, use of renewable energy, and our corporate social responsibility projects. Our commitment to sustainability has enabled us to continuously deliver superior performance despite being in a challenging industry.

We possess a culture of learning and development where continuous professional development is facilitated through research, knowledge transfers through our joint ventures with international bodies, the drive to use the latest innovative, unconventional methodologies, and others.

There exists a culture of rewarding performance through various means such as: monetary rewards in the form of increments, profit sharing schemes, and incentives and non-monetary rewards in the form of promotion, recognition, training and development.

We maintain high standards of ethics and integrity being an example to the whole community. We have a zero tolerance policy for corruption and unethical behaviour. Our policy in this regard is clearly laid down in the AEL code of ethics. All new employees are given an orientation programme where they are introduced to the Company culture and our values, systems, and processes. Further, our policy on disciplinary management and annual core team meeting headed by the MD reinforces the addressing of ethical issues, disciplinary issues, and conflicts of interest.

 INTELLECTUAL CAPITAL

Anti-corruption forms an integral part of our culture. We combat corruption through internal audits, systems audit, effective whistle-blowing policy, audits by principal partners, the annual renewal of TRACE membership where an annual surveillance is carried out, and through our Compliance Committee.

### **PROCUREMENT POLICY**

We have a fair, transparent, and stringent procurement policy in place. As a leading player in the industry, a sound procurement policy is needed to manage our extensive suppliers and supply chain. We procure all material, such as concrete, steel and wood, and subcontractor services such as the services of crafts trades through our supply chain. Further, sustainability plays a vital role in the procurement process.

Through our vertical integration strategy, we have increased our internal suppliers for ready-mixed concrete, aggregate-base course, and asphalt-concrete which has reduced costs and emission. Since most of our contracts are with government entities which include additional regulations and requirements, we have a screening process in place for suppliers. Thus, through our screening process, we ensure that our suppliers comply with all the necessary environmental and construction-sector regulations. Further information about our screening process and assessment of the environmental and social impact of our suppliers will be provided under natural capital in page 101 and in financial capital in page 68.

GRI 205-1, 205-2, 205-3

### **COMPLIANCE**

The effective operation of all the components discussed in the intellectual capital has driven Access Engineering to conduct business in an open and a transparent manner complying with all the necessary regulatory requirements. We are happy to report that there were no incidents of non-compliance reported within the year.

### **NEW TECHNOLOGIES AND PROCESSES**

We are currently in the process of developing a new Human Resource Management system that will provide integrated HR information. This system will improve the efficiency of the HR department, enhance employee experience, increase accuracy while making data collection and data analysis easier. This system is expected to be implemented in 2019/20.

Our health and safety management system is currently certified for OHSAS 18001:2007 and we are in the last phase of upgrading our health and safety management system to meet the requirements in the international standard ISO 45001:2018. We aim to be certified during the financial year 2019/20.

### **FUTURE OUTLOOK**

Our involvement in projects of national importance and large-scale private infrastructure development projects undertaken with foreign partners lead to the consistent improvement of our intellectual capital. We have already made a name for ourselves as pioneers of new and unconventional methods to improve our existing processes. Our knowledge base improves every year and at the completion of every major project. We will leverage our brand and our reputation as a market leader to enter into strategic partnerships with local and international entities. Moreover, we continue to improve our product offering venturing into novel fields of engineering. We will also improve and upgrade our internal management systems to improve environmental, quality, and health and safety performance.

GRI 102-8, 102-41, 402-1, 405-2, 406-1

## HUMAN CAPITAL

Our employees function as ambassadors of Access Engineering and we are blessed with a team of motivated, committed, and well-rounded professionals who are at the heart of all our operations. We in turn give the utmost priority to our employees by investing in them and empowering them to grow and excel in a rapidly changing business environment.

There is a healthy engagement between our team and the Management where our employees are aligned with our corporate values to fulfil our strategic objectives. We empower our employees by fostering learning and development within the workplace to spur collaboration that cuts across traditional boundaries.

All our employees are offered equal opportunities based on their skills. As an equal opportunity employer, we do not discriminate based on gender, race, religion, or ethnicity. Further, we maintain an equal ratio of basic salary remuneration between men and women. AEL employees are not covered under the collective bargaining agreement and there are no trade unions operating within AEL. We take into account the views of our employees when implementing significant operational changes and have in place a minimum notice period which is specifically mentioned in the employee handbook.

We have made safety as a top priority every single day and have created safety culture that is deeply rooted within all our operations. Further, we provide benefits to our employees to keep them incentivised and happy.

GRI 405-1

### WORKFORCE PROFILE

#### Total workforce by age and gender

Age category	Male	%	Female	%	Total	%
< 30	479	30	73	4	552	34
30 to 50	896	55	58	4	954	59
> 50	113	7	3	–	116	7
<b>Total</b>	<b>1,488</b>	<b>92</b>	<b>134</b>	<b>8</b>	<b>1,622</b>	<b>100</b>

In addition to our staff, there were 836 labourers who were part of our workforce in 2018/19 bringing the total number of workforce to 2,458.

#### Total staff by category (excluding labour)

Category	Total
Management and professional	156
Technical	418
Clerical and supportive (Operational)	413
Skilled and unskilled	635
<b>Total</b>	<b>1,622</b>

GRI 202-1, 202-2

### RECRUITMENT AND RETENTION

Our proactive recruitment and remuneration policy and our employee proposition attract talent and make Access Engineering a desirable place to work. We operate in an intensively competitive industry with a high rate of turnover. Therefore, our recruitment policy is implemented effectively to recruit the top talent in the market. We offer positions without biases, and our remuneration follows industry standards. The stringent process consists of three policies namely, Employee interview and selection guide, Guideline on employee induction, and Policy on staff recruitment, selection, placement. There were a total of 249 industrial placements offered during the period.

GRI 401-1

#### New recruitments by gender (excluding labour)

Male	%	Female	%	Total	%
340	91	35	9	375	100

#### New recruitments by category (excluding labour)

Category	Total
Management and professional	22
Technical	88
Clerical and supportive (Operational)	93
Skilled and unskilled	172
<b>Total</b>	<b>375</b>

In addition to our staff, there were 857 labour recruitments during the 2018/19 Financial Year.

#### Employee turnover by gender (excluding labour)

Male	%	Female	%	Total	%
417	94	28	6	445	100

#### Employee turnover by category (excluding labour)

Category	Total
Management and professional	16
Technical	142
Clerical and supportive (Operational)	68
Skilled and unskilled	219
<b>Total</b>	<b>445</b>

In addition to our staff, there was 988 of labour turnover during the 2018/19 Financial Year.

### SENIOR MANAGEMENT HIRED FROM LOCAL COMMUNITY

Recruitment for our Senior Management is done locally. The existing Senior Management Team are all hired from the local community. There were no recruitments for Senior Management during the year.

GRI 404-1

## TRAINING AND DEVELOPMENT

We operate in a highly competitive landscape where our peers in the sector offer similar employment propositions. Further, due to increasing digitalisation of the construction sector and research and development, new innovations, while revolutionising the industry have a disruptive effect. As a pioneer in the industry adopting the latest methodologies and investing in state-of-the-art equipment, we have to make sure that Access Engineering and our employees are equipped to handle the latest technology and methods. Therefore, we continue to invest in professional development to enhance our value proposition and to achieve institutional excellence.

We conducted a number of training programmes to match the needs of the respective units, and the diverse needs targeting employees at all levels. A total of LKR 5.1 Mn. was invested on training and development. There was a total of 64 external and 122 internal training programmes conducted during the reporting year with a participation of 4,101 employees. The number of total training hours stood at 529 hours. There was an average of 2.9 hours for staff and 2.83 hours for labourers.

There is a significant reduction of training hours compared to last year. This was due to the introduction of a Training Mechanism in 2018/19 where a Steering Committee was established for each discipline: Engineering, business development, IT, HR, etc. The task of the Steering Committee was to identify and design training programmes for their respective team members based on the results of the Training Needs Analysis (TNA). Training programmes were both technical and non-technical. Because of a delay in the implementation of this mechanism, average training hours per employee dropped in the reporting year. However, this systematic mechanism will yield positive, and productive results in the future.

Our training programmes are divided to two main categories of internal and external. We evaluate training programmes using Feedback forms, questionnaires, annual performance analysis, and by feedback analysis. These methods have helped the Steering Committee to identify gaps and address training needs.

We also faced several challenges in the execution of our training programmes such as employee engagement where it is difficult with the busy workload to get learners to attend, actively participate, and follow through. Moreover, there are practical issues such as geographical location of projects and plants to deliver consistent training. Finally, it is difficult to quantify the effectiveness of training and to incorporate these findings into post-training assessments.

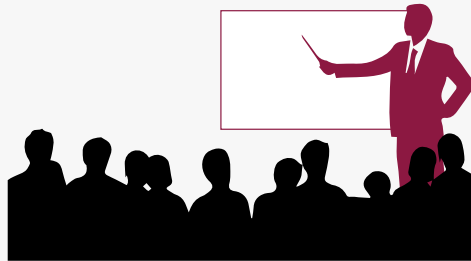
→ **64** EXTERNAL AND **122**  
INTERNAL TRAINING PROGRAMMES

→ **4,101** PARTICIPANTS

→ **249**  
INDUSTRIAL PLACEMENTS  
IN 2018/19

→ **LKR 5.1 Mn.**  
COST OF TRAINING  
PROGRAMMES IN 2018/19

→ **2.88** AVERAGE  
TRAINING HOURS PER  
EMPLOYEE



### TRAINING HOURS BASED ON GENDER



MALE

**2.7**  
HOURS



FEMALE

**5.4**  
HOURS

### TRAINING HOURS BASED ON CATEGORY



STAFF

**2.9**  
HOURS



LABOUR

**2.8**  
HOURS

GRI 404-2

## Training programmes overview

### Internal training programmes

Training area/Focus	Number of training programmes conducted	Total participants	Training hours
Health and safety	79	1,974	103
Technical	38	675	100
Steering committee	5	58	3
<b>Total</b>	<b>122</b>	<b>2,707</b>	<b>206</b>

## ↓ HUMAN CAPITAL

### External training programmes

Training area/Focus	Number of training programmes conducted	Total participants	Training hours
Health and safety	12	580	46
Technical	26	537	161
Communication skills	7	119	40
Linguistic skills	19	158	76
<b>Total</b>	<b>64</b>	<b>1,394</b>	<b>323</b>

GRI 401-2

### EMPLOYEE BENEFITS

In a competitive market, we offer benefits that both attract and retain talent. Employee benefits impact the level of engagement and happiness of employees. The benefits that we offer to our employees keep our team motivated and help us achieve objectives.

#### List of benefits available to full-time employees

- Performance-based recognition
- Career development
- Annual bonus
- Performance-based incentives
- Surgical and hospitalisation coverage (extended to the whole family)
- Festival advance
- Morning and evening tea with snacks
- Annual trips
- Sports day
- Christmas carnival
- Providing meals and transport when working extended hours/on holidays
- Library facilities
- Corporate T-shirts
- Personal loans with 5% interest rate
- Personal accident and death insurance coverage
- Death donations

#### List of benefits available to temporary or part time employees

- Surgical and hospitalisation coverage (extended to the whole family)
- Personal accident and death insurance coverage
- Accommodation facilities
- Target-based allowances

GRI 401-3

### PARENTAL LEAVE

As per the Shop and Office Act, all female employees are entitled to maternity leave. We provide 84 working days leave for all child births.

#### Parental leave during 2018/19

	Total
Number of employees entitled to parental leave	134
Number of employees that took parental leave	9
Number of employees that returned to work after parental leave ended	9
Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	9

### WORK-LIFE BALANCE

We promote work-life balance to ensure that our employees are paying attention to all aspects of their lives and not just their employment. The type of work is often labour intensive that can be physically and psychologically exhausting. The activities that we promote have a positive effect on increasing cohesion and productivity of our team where they feel as they belong to the Access Engineering family. We organise staff trips, a Christmas carnival, and a sports carnival every year and we have also opened a cafeteria and gymnasium in Access Tower II.

*To promote the spirit of volunteerism and the ideal of giving back, we encourage our employees to take an active part in our CSR activities*

### INVOLVEMENT OF EMPLOYEES IN CSR ACTIVITIES

To promote the spirit of volunteerism and the ideal of giving back, we encourage our employees to take an active part in our CSR activities. CSR activities are endorsed by the Board and the Senior Management is involved in their execution which motivates all employees to take part. There is also a separate budget available for CSR projects and cross functional teams are put in charge of managing them. We also consider employee participation in CSR activities at their performance appraisals. We are happy to report that our employees proactively involved in our projects during the year with great enthusiasm.

GRI 404-3

## PERFORMANCE EVALUATION

Through our fair and transparent Performance Management System, we evaluate our employees.

Further, we are in the process of drafting a Performance Measurement Policy that will further streamline the process.

The Performance Management System at Access Engineering serves two purposes: It acts, firstly as an evaluation system, and secondly as a feedback system. The primary aim of the evaluation system is to identify strengths of the person and performance gaps while the main aim of the feedback system is to inform the employee about the quality of his/her performance.

We conduct performance evaluation discussions and our employees are continually appraised during the year. Every employee is given an opportunity to conduct a self-evaluation against their and their department's KPIs. A preliminary evaluation is done by the immediate supervisor which will be reviewed by the Head of the Department/Project Manager with HR personnel and technical personnel. These reviews will be forwarded to the SGM and Director and they will approve and recommend promotions and increments in discussion with the Corporate Management.

## HEALTH AND SAFETY

We understand that safety in the workplace begins with a proper safety plan that is put into place by Management and observed by all employees. In our line of work, safety precautions and measures must be strictly adhered to while working on sites to prevent work-related accidents and other occupational hazards. We have made workplace safety our top priority for our employees as well as our subcontractors and suppliers. The Company health and safety management system is currently certified for OHSAS 18001:2007 and we are in the end of the process of upgrading our health and safety management system to meet the requirements in the international standard ISO 45001:2018, and to be certified by June 2019.

GRI 403-2

## Health and safety parameters in 2018/19

Total safety hours	7,984,856
Fatalities	0
Major accidents*	8
Minor accidents	11
Frequency of major accidents	1
Frequency of minor accidents	1.38

\* A major accident is defined as one where the worker is unable to report to work for 3 or more consecutive days due to the accident.

During the year all workers who met with major accidents reported to work after undergoing treatment. No permanent disabilities have been caused due to the said major accidents that occurred during the year.

The Health and Safety policy at Access Engineering has outlined the following objectives:

ZERO

- OCCUPATIONAL DISEASE RATE**
- FATALITIES**
- MAJOR INJURY RATE**
- MINOR INJURY RATE OF BELOW FOUR ANNUALLY**

To achieve the objectives mentioned about we carried out numerous initiatives throughout the year. The following is a list of measures carried out under the health and safety policy:

- ⊕ Conducting frequent safety awareness programmes and safety training programmes (both internal/external)
  - ⊕ Conducting safety inductions (videos/presentations)
  - ⊕ Identifying health and safety hazards and assessing risks associated with such hazards
  - ⊕ Establishing and practising operational controls based on the results of risk assessment
- (Eg. working at heights, working with electricity, welding, operating heavy vehicles and machinery, etc.)
- ⊕ Identification of Personal Protective Equipment (PPE) needs based on the activities carried out, appropriate usage, and monitoring its effectiveness
  - ⊕ Display of safety signage  
Adhering to OHSAS 18001 Health and Safety Management System and strictly monitoring it
  - ⊕ Health and safety audits by the Management Systems team and by external assurance providers
  - ⊕ Providing first-aid training to all site staff
  - ⊕ Identifying and conducting emergency mock drills to ensure that pre-determined responses are adequate and effective
  - ⊕ Site trainings and awareness to work safely with minimum impact to health
  - ⊕ Selection of best "Safety Performer" among the employees to cultivate a safety culture
  - ⊕ Ensure the competencies of workers prior to the assignment of high-risk activities
  - ⊕ Review of health and safety performances monthly in the activity centre and annually at Head Office

## ↓ HUMAN CAPITAL

### EMPLOYEE GRIEVANCE HANDLING

We understand the importance of a systematic mechanism to handle grievances in a timely, proactive manner before they escalate into an issue. We, at Access Engineering, address grievances in a fair and equitable manner and all parties concerned are given an open, fair hearing. There were no grievances reported during the year.

GRI 406-1

### INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN

There were no reported incidents of discrimination on grounds of race, sex, religion, political opinion, or social origin, or other relevant forms of discrimination involving internal/external holders during the year.

### CHILD LABOUR AND LABOUR RISK

The internal audit team carries out a risk assessment where child labour is one of the aspects it focuses on. Our stringent recruitment policy, implemented by the HR, strictly adheres to the labour laws of Sri Lanka. The HR department closely monitors all hires in the Company to prevent any malpractices. In recruitments the NIC/Birth Certificate is mandatory and age is cross checked before the offering of employment. There are external audits like site visits by the District Labour Commissioner or Team at least twice an year.

### REMUNERATION BASED ON GENDER

Our remuneration policy does not discriminate between gender or any other biases. We maintain an equal ratio of basic salary remuneration between men and women.

### INITIATIVES IN 2018/19

At present, employees look for more than a fair salary and the usual set of benefits. They want to be part of something that makes a positive change to the community and environment as well as a Company that motivates, engages, and promotes well-being. We have transitioned, through the use of innovative technology in the sector, to provide a more holistic experience to our employees. Therefore, our investment in human capital as well as the latest tech in the industry have created a company that our employees are happy to be a part of.

We continue to attract and retain talent in a highly competitive business environment and an industry with a high turnover rate. There are processes in place that recognise our employee capabilities which facilitate their progression within the Company.

During the year we have strived to develop a more integrated process for talent acquisition, training and development, performance management, incentives and rewards, and other aspects of human capital. This integrated system will help us to face future needs and challenges.

### FUTURE OUTLOOK

#### Recruitment and retention

We will continue our recruitment drive by developing our brand to offer a better employee value proposition. We will also continue to focus on attracting talent graduating from the local universities. Our social media channels have impacted the way our brand and people management is perceived. Therefore, we will strengthen the human capital aspect through our social media channels to attract the best possible talent to Access Engineering. We have always focused on retaining our best employees by providing various benefits and above-average remuneration packages. Further, our strong leadership and prudent governance structure with their clear sense of direction have assured our employees of a stable, sustainable business entity.

#### Innovation

We shall further our efforts towards enhancing innovation and creativity of our employees. Our open door policy and project-specific quality circles have led to feedback and creative ideas that can effectively tackle a solution. Employees also relish the opportunity to propose their suggestions, ideas, and opinions some of which will be implemented.



## SOCIAL AND RELATIONSHIP CAPITAL

### CUSTOMER CAPITAL

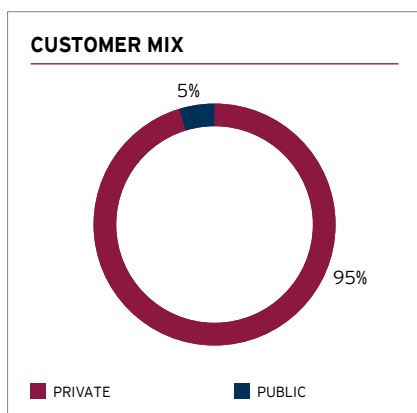
Access Engineering is at the forefront of sustainability supported by global trends in urbanisation and demographics. Our ethos of value engineering prioritises flexibility, innovation, and quality. Guided by our drive to create value for our customers, we offer competitive solutions for our broad customer base from both simple and the most complex assignments.

Our service proposition includes the delivery of tailor-made, personalised service in the design and implementation of our projects. Through our international partnerships that enable knowledge sharing, we are up to date on the latest trends and methodologies in the industry.

Our diversified business portfolio includes state-of-the-art solutions that serve all customer needs. Our primary objective is to serve our customers by continuous engagement and exceeding their expectations. Our focus on sustainable development and lowering carbon output have helped up to deliver sustainable solutions to our customers that help meet their own carbon and energy objectives.

### CUSTOMER MIX

A large number of our customers are private due to the bulk of customers purchasing asphalt concrete, ready mix concrete and aggregate products being private.



### VALUE ENGINEERING SOLUTIONS

We deliver value engineering of the highest standard to our customers. Further, in addition to the number of projects we execute in the island, we possess an integrated portfolio of engineering services that include geotechnical investigation, designs, production of construction materials, piling, and workshops.

We possess a knowledge base and utilise the experience accumulated over the years in the delivery of value. We have acquired the highest CIDA accreditation across several fields of civil engineering which enables us to bid for projects and easily pass the pre-qualification phase. We also leverage the latest technology in the industry across all engineering fields.

Our long-standing, international partnerships have enabled joint-ventures, knowledge sharing, raising capital, and to take our operations beyond our shores. Further, our fleet of machinery and our employees who are well-trained in new methods and unconventional, practical solutions allow us to undertake projects of any magnitude. Our venturing into real estate continue to drive collaborations between and within business units resulting in operational and financial synergies.

Our ISO certified Quality Assurance and Management Systems ensure that all regulations regarding safety, health, and quality are met. We focus on going beyond compliance when meeting the standards of safety and quality. We conduct a minimum of three audits during a project, at commencement, execution, and upon completion. *Ad hoc* audits are also carried out on a needs basis. Through these mechanisms we have ensured the delivery of value engineering to all our customers.

GRI 416-2

We also value health and service of our customers and take the utmost care to ensure our projects once executed pose no health or safety risk to our customers or whoever might be using our services. There were no incidents of non-compliance concerning health and safety impact to our customers reported during the year.

### ENGINEERING SERVICES

#### Engineering design

Innovation, is at the heart of Access Engineering and it boosts competitiveness and drives added value. The progress we make through innovation helps set us apart and signals our head start in a market undergoing transformation. We are equipped to execute cutting-edge engineering designs on a par with international standards. Building on our unique, design-build positioning, we cope with the shifting landscape by moving up the value chain to deliver strong, lasting and potentially disruptive solutions for our customers.

In 2018/19, we commenced Phase I of Mannar Wind Power Project. The design of the foundation work for this project follows internationally-accepted Euro codes.

There are also a number of engineering design projects continued from the previous year, most notably the design and construction "Marina Square" a proposed mixed-development project comprising 1,068 apartment units and commercial space. The development is considered one of the largest mixed development projects in Sri Lanka. In the proposal for the design we were able to achieve a substantial cost saving from the pile foundation.

Another such project is the Urban Regeneration Project – Colombo: Construction of 608 housing units for Government servants at Borella. Our Design Division uses design software such as ETAB, STAADPRO, SAP 2000, SAFE, Auto Cad, ADAPT BUILDER, and ADAPT.

 SOCIAL AND RELATIONSHIP CAPITAL

The following table outlines the design projects carried out by the Design Division of AEL:

No.	Project name	Description of work carried out	Type	Status as of 31 March 2019	Date of commencement	Expected/ Actual date of completion	Client
1	Proposed Housing complex for UDA at 601 Watta, Bloemendhal	Design of 15 story building with 450 apartments units, including pile foundation, sumps and superstructure	Building	Ongoing	November 2018	April 2021	Urban Development Authority
2	Mannar Wind Power Project Phase 1 – Construction of 100 MW semi dispatchable wind farm	Design of– 1. Pile foundation for 33 Numbers of wind turbines/generators 2. Design of admin building, accommodation buildings, security houses, sport complex, boundary walls and water tanks. 3. Design of main access road, access roads 1, 2 and 3, turbine access roads, community roads and internal roads	Building, Tower Foundation, Roads	Ongoing	December 2018	August 2019	Ceylon Electricity Board
3	Proposed warehouse facility for Camso Loadstar (Pvt) Ltd., Ekala	Design of single storey steel warehouse building of 426,000 sq.ft. with a mezzanine floor including steel portal frames	Steel Building	Ongoing	December 2018	August 2020	Camso Loadstar (Pvt) Ltd.
4	Urban Regeneration Project - City of Colombo: Construction of 608 housing units for Government servants at Borella	Design of two 25 storey buildings comprising 608 apartment units. Scope of work includes design of pile foundation, sumps, pools, and the superstructures	Building	Ongoing	March 2016	October 2019	Urban Development Authority
5	“Marina Square” – Proposed mixed development at No. 250, Srimath Ramanathan Mawatha, Colombo 15	Design of five 40 storey buildings comprising 1,068 apartment units including the commercial complex and swimming pools	Building	Ongoing	March 2017	March 2023	Harbour Village (Pvt) Ltd.

 SOCIAL AND RELATIONSHIP CAPITAL

## Piling

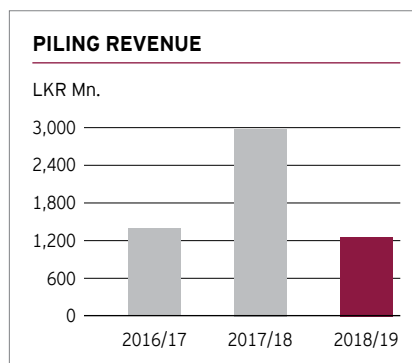
We specialise in piling work that is a fundamental requirement to maintain safety in multistory buildings. AEL has undertaken major projects within the year which include piling works. The Piling Division is well-equipped with the latest machinery including piling machines, a hydraulic grab, crawler cranes, excavators, mobile cranes, and desanders.

In 2018/19, three static load tests were carried out at the Central Expressway Project (CEP) using Pre-stressed Ground Anchoring system. This system is different from the conventional static load testing methodology and was first used in the piling works of Capital Heights Rajagiriya apartment development project. It requires less space and is safer than the conventional testing method. The conventional system requires a quite large foundation to transfer its dead load to the ground whereas this system has the capability to conduct the test even in a loose soil strata. Further, in CEP project the conventional method could not be applied due to its loose geological formation in top most soil formation and the condition of pilot roads in rainy season is not safe for logistic arrangements of approximately 1,000 Ton dead weight. Hence, the pre-stressed Ground Anchoring System was used.

The following major projects were carried out during the year by the Piling Division:

- ⊕ Piling works of the Central Expressway Project (CEP-2) "Package A" from Mirigama to Riloluwa
- ⊕ Piling works of proposed low cost housing project at Bloemendhal
- ⊕ Piling works of proposed housing project at Elliot Place, Borella
- ⊕ Piling works of Nanotechnology Centre of Excellence (Phase 1B)
- ⊕ Piling works of the proposed Ambassador Resort and Spa at Mirissa
- ⊕ Piling works of the Ambathale storm water pumping station
- ⊕ Piling works of Marina Square mix development at No. 250, Srimath Ramanathan Mawatha, Colombo 15
- ⊕ Piling works and diaphragm wall construction of ODEL Commercial Complex

*Our focus on sustainable development and lowering carbon output have helped up to deliver sustainable solutions to our customers that help meet their own carbon and energy objectives*



There is a substantial YoY drop in revenue generated from piling activities due to the major portion of piling works of Havelock City Phase III Mix Development ending in 2017/18.

## HDD and telecommunication services

The Telecommunications Division undertakes the development and construction of HDD and telecommunication infrastructure in the country which form an essential part of economic development linking the rural areas to the urban. The Division is equipped with Horizontal Directional Drilling (HDD) machines, Cable Blowing machines, Micro Trenching machines, and Optical Fibre Splicing machines. We have been a trusted partner to major telecommunication companies in the country and our contribution was recognised at the SLT Service Excellence Awards 2017/18 where we were selected as the first runner-up (Best overall performance – contractor category).

The Division carried out the following works during 2018/19:

- ⊕ Total HDD distance – Approximately 2.1 km
- ⊕ Total cable blowing distance – Approximately 54.7 km
- ⊕ Total Optical Fiber Network Development distance – Approximately 113.4 km
- ⊕ Total sites connected during the year – 103 Nos.
- ⊕ New subscriber connections – 5,022 connections
- ⊕ PEO TV connections – 4,174 connections
- ⊕ Fibre to the Home (FTTH) new Subscriber connections – 1,005 connections
- ⊕ Fibre to the Home (FTTH) Network Development – 4,000 new ports

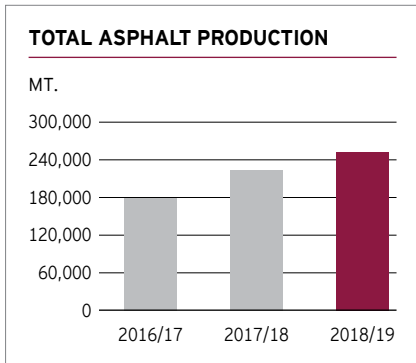
↓ SOCIAL AND RELATIONSHIP CAPITAL

**PRODUCTION PLANTS**

**Asphalt plants**

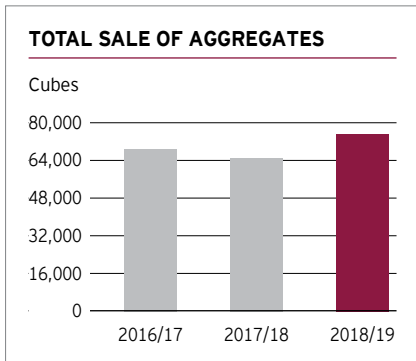
Our asphalt plants are located in Kotadeniyawa, Mathugama, Mailapitiya, and Vavuniya.

The total installed capacity was 456 TPH.



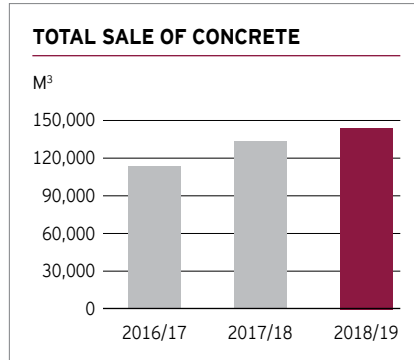
**Crusher plants**

Our crusher plants are located in Mirigama, Mathugama, and Vavuniyawa. The total installed capacity was 340 TPH.



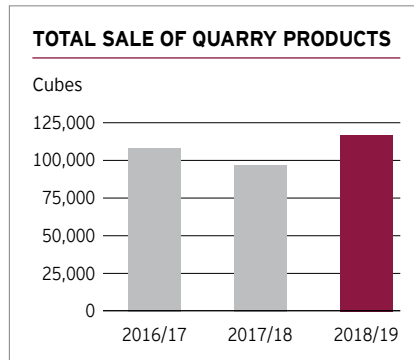
**Batching plants**

Batching plants were located in Mabima, Peliyagoda, Kandana, Deduru Oya, and Nagollagama. The total installed capacity was 285 m<sup>3</sup>/H.



**Quarry operations**

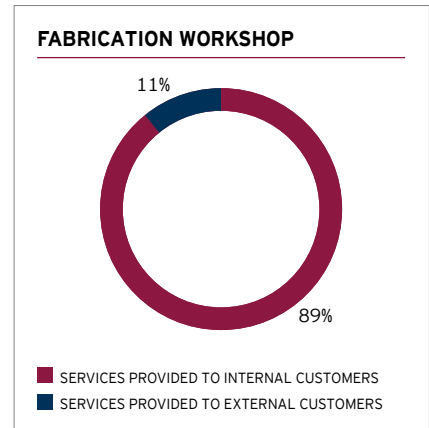
During the year Access Engineering had quarries operated in Vavuniyawa, Mathugama, Hakmana, Mailapitiya, Wallallavita, and Mirigama.



**WORKSHOPS**

**Fabrication workshop**

The purpose-built fabrication workshop offers efficient production and fabrication of quality steel components for machinery and construction projects. The qualified and specialist team at the fabrication workshop provides with cutting-edge solutions for design and fabrication of steel and metal components including plant and machinery components, structural steel and other steel elements for diverse requirements. The fleet of equipment at the workshop enables the team to take full control on the time and quality matrices of the projects in progress.



## CUSTOMER SERVICE AND ENGAGEMENT

We provide world-class service to our customers and maintain continuous dialogue with them at each stage of project implementation. A dedicated Business Development Manager is assigned for our priority customers which ensures that their concerns are addressed within a short period of time. The following diagram illustrates our customer engagement process at every stage of a project:

Stage in the project	Medium of dialogue	Typical dialogue content
Pre-contract	Pre-bid meeting	<ul style="list-style-type: none"> <li>⊕ Description of the project and key deliverables</li> <li>⊕ Obtaining of bidding documents</li> </ul>
	Site visits	<ul style="list-style-type: none"> <li>⊕ Understanding of the actual ground situation</li> <li>⊕ Gathering vital information/technical data for preparing bidding documents</li> </ul>
	Queries and clarifications	Follow-up queries and clarifications are sought from the customer where required
	Formal bidding	<ul style="list-style-type: none"> <li>⊕ Submission of formal bid together with the technical and financial proposal</li> <li>⊕ Submission of guarantees/bonds as required</li> </ul>
	Negotiations	Once shortlisted the client commences negotiations and further clarifications are sought if required
	Implementation	Kick-off meeting
	Progress review meeting	<ul style="list-style-type: none"> <li>⊕ Every two weeks at the site where the project progress is discussed at length</li> <li>⊕ Site challenges and proposed actions</li> </ul>
	Special meetings	If and when required
	Substantial completion or taking over	Formal handing over of the site and completed project to the client/customer
Defect Liability Period (DLP) – (Usually for one year)	Inspection	Regular visits are made by the client/customer during the DLP to identify any defects or errors and same is communicated for rectification
	Performance certificate	Issued after the expiry of the DLP

### Customer grievance handling

As an essential component of the service we offer, we handle customer grievances and complaints before they escalate into an issue. A standard policy is set up in place to handle grievances. Project Managers, Plant Managers, Activity-Centre Manager, and Departmental Heads follow this policy while the Management Systems Manager monitors its implementation. At all the locations we operate, a Complaint Register is kept to track, record, and respond to customer complaints.

### Customer grievance handling process

<b>01</b>	Each Project Manager, Plant Manager, Activity Centre Manager, and Departmental Head nominates an officer to record customer complaints
<b>02</b>	The relevant officer records the complaint and communicates it to responsible people according to the nature of complaint
<b>03</b>	The relevant officer reviews the complaint and takes immediate actions to rectify the issue raised, if possible
<b>04</b>	Subsequently the relevant officer shall investigate and determine the root cause(s) and record in the customer complaint register
<b>05</b>	Corrective actions are taken to avoid recurrence by eliminating the root causes identified
<b>06</b>	Effectiveness of actions are evaluated within a reasonable time period
<b>07</b>	Finally feedback is obtained from the complainer and further actions are taken if required

## ↓ SOCIAL AND RELATIONSHIP CAPITAL

### Responsible advertising, promotions, or direct customer sales systems

We operate in a B2B market and we don't engage in large-scale marketing operations. A significant percentage of our work projects are obtained through the public sector. All large infrastructure development projects in both public and private sectors are awarded through a competitive and transparent bidding process. Marketing efforts play no role in this process.

However, we provide a large range of services targeted at private sector customers. This requires us to engage in marketing activities at a minimal scale. Such activities involve producing of Point of Sales (POS) materials for the purpose of marketing construction materials such as ready mix concrete, aggregate, asphalt, and others.

All such materials are produced in-house or in liaison with a responsible advertising agency. All materials are approved by the Director Business Development prior to being produced and all design and production work is monitored by a dedicated Manager Corporate Communication whose scope of the work involves ensuring responsible advertising.

Nevertheless we are engaged in regular and proactive brand building activities such as:

- Frequent updating of our web-site
- Regular press publications on projects
- Outdoor advertising such as display of banners, pennants, etc.
- Vehicle branding
- Work-wear branding
- Advertisements
- Sponsorships

### INVESTOR CAPITAL

Almost 90% of AEL's share capital is owned by a few major shareholders, many of whom have long-standing ties with the Company. However, our structure of good corporate governance and transparency ensures that interests of smaller shareholders are also safeguarded.

### INVESTOR CAPITAL STRUCTURE

From	To	Number of shareholders	Number of shares	Percentage (%)
1	1,000	3,531	1,331,677	0.13
1,001	10,000	2,396	10,101,404	1.01
10,001	100,000	977	32,002,664	3.20
100,001	1,000,000	263	74,967,230	7.50
Over 1,000,000		59	881,597,025	88.16
		7,226	1,000,000,000	100.00

### CATEGORIES OF SHAREHOLDERS

	Number of shareholders	Number of shares	Percentage (%)
Local individuals	6,765	759,566,457	75.96
Local institutions	372	167,849,752	16.78
Foreign individuals	64	4,979,726	0.50
Foreign institutions	25	67,604,065	6.76
	7,226	1,000,000,000	100.00

### DIRECTORS' SHAREHOLDING AS AT 31 MARCH 2019

Name of the Director	Number of shares held	Percentage (%)
Mr S J S Perera	250,000,000	25.00
Mr J C Joshua	101,000,000	10.10
Mr R J S Gomez	75,130,325	7.51
Mr S H S Mendis	24,000,000	2.40
Mr D A R Fernando	24,000,000	2.40
Mr S D Munasinghe	24,000,000	2.40
Mr S D Perera	2,000,000	0.20
Mr K A M K Ranasinghe	100	0.00
Mr N D Gunaratne	Nil	Nil
Mr D S Weerakkody	10,000	0.00

 SOCIAL AND RELATIONSHIP CAPITAL

## SHARE PRICES FOR THE YEAR

Market price per share	2018/19	2017/18
	LKR	LKR
Highest	21.00 (9 April 2018)	27.00 (3 August 2017)
Lowest	12.70 (27 March 2019)	20.20 (28 March 2018)
As at end of year	13.00	20.50

## PUBLIC HOLDING

The shares that are held publicly account for 41.934% of the total shareholding comprising 7,206 shareholders.

The float adjusted market capitalisation of the Company was LKR 5,451.4 Mn. The float adjusted market capitalisation of the Company falls under option three of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

## TWENTY MAJOR SHAREHOLDERS

Name of shareholder	31 March 2019		31 March 2018*	
	Number of shares	Percentage (%)	Number of shares	Percentage (%)
1 Mr S J S Perera	250,000,000	25.000	250,000,000	25.000
2 Mr J C Joshua	101,000,000	10.100	100,000,000	10.000
3 Mr R J S Gomez	75,130,325	7.513	75,130,325	7.513
4 Mrs R M N Joshua	70,000,000	7.000	70,000,000	7.000
5 Mr S J S Perera	50,811,814	5.081	50,233,000	5.023
6 Mrs D R S Malalasekera	45,000,000	4.500	45,000,000	4.500
7 Foresight Engineering (Pvt) Ltd.	30,000,000	3.000	30,000,000	3.000
8 Mr D A R Fernando	24,000,000	2.400	24,000,000	2.400
9 Mr S H S Mendis	24,000,000	2.400	24,000,000	2.400
10 Mr S D Munasinghe	24,000,000	2.400	24,000,000	2.400
11 Employees' Provident Fund	20,478,289	2.048	20,478,289	2.048
12 SEB AB – Tundra Sustainable Frontier Fund	19,282,027	1.928	-	-
13 Citibank Newyork S/A Norges Bank Account 2	16,241,069	1.624	29,118,188	2.912
14 Access Medical (Pvt) Ltd.	13,000,000	1.300	13,000,000	1.300
15 Nuwara Eliya Property Developers (Pvt) Ltd.	8,102,042	0.810	8,102,042	0.810
16 Mr M J Fernando	7,102,869	0.710	6,102,869	0.610
17 Amaliya Private Limited	6,579,648	0.658	-	0.000
18 RBC Investor Services Bank S.A. – Blackfriars Developing Markets Funds PLC – Blackfriars Oriental Focus Fund	6,000,000	0.600	6,000,000	0.600
19 Deutsche Bank AG – National Equity Fund	5,850,000	0.585	5,850,000	0.585
20 Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	5,072,312	0.507	5,072,312	0.507
	801,650,395	80.165	786,087,025	78.609
Others	198,349,605	19.835	213,912,975	21.391
<b>Total</b>	<b>1,000,000,000</b>	<b>100.000</b>	<b>1,000,000,000</b>	<b>100.000</b>

\* Comparative shareholdings as at 31 March 2018 of the twenty largest shareholders as at 31 March 2019.

## ↓ SOCIAL AND RELATIONSHIP CAPITAL

### INVESTOR RELATIONS

Clear, consistent communication with our investors is a top priority for us. Providing accurate and timely information has always led to building long-standing relationships with them. The trust that we have built over the years with our investors have helped gain investor confidence.

All material and price sensitive information is communicated to the Colombo Stock Exchange immediately. The Company website is also frequently updated with price sensitive information. Real-time trading information, Financial Statements and Company research reports are freely available online on [www.accessengsl.com](http://www.accessengsl.com). The Company also participates in investor forums organised by stock broker firms. We also maintain a dedicated investor relations mail. In addition, any shareholder could meet with Directors by prior appointment.

### Release dates of interim Financial Statements – 2018/19

Quarter	Due date	Actual release date
1	15 August 2018	14 August 2018
2	15 November 2018	07 November 2018
3	15 February 2019	07 February 2019
4	31 May 2019	30 May 2019

### Release date of Annual Reports – 2017/18

	Due date	Actual release date
Annual Report	31 August 2018	27 August 2018
AGM	30 September 2018	19 September 2018

### DIVIDEND POLICY

The dividend policy of the Company remains unchanged. An interim dividend of LKR 0.25 per share was declared for 2018/19 on 30 November 2018 and paid in full by the Company on 20 December 2018. A second interim dividend of LKR 0.25 per share was declared for 2018/19 on 25 February 2019 and paid in full by the Company on 18 March 2019.

### Earnings and dividends

	2018/19		2017/18		2016/17		2015/16		2014/15	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
EPS (LKR)	2.15	1.96	2.51	1.91	2.71	2.68	2.47	2.09	2.35	1.75
DPS (LKR)	0.50	0.50	1.20	1.20	1.50	1.50	0.75	0.75	1.00	1.00
Payout (%)	23	25	48	63	55	56	30	36	43	57

### Performance of shares relative to ASPI

	31 March 2019	1 April 2018	Change (%)
AEL Price (LKR)	13.0	20.4	(36.27)
ASPI	5,557.24	6,449.9	(13.84)
S&P SL 20	2,738.95	3,634.03	(24.63)
Construction and engineering sector	1,327.76	2,067.04	(35.77)

### Trading statistics

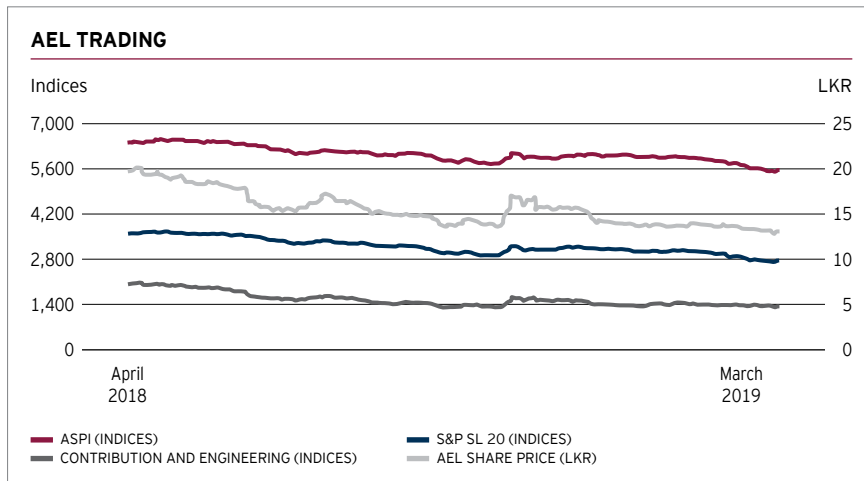
	31 March 2019	31 March 2018	31 March 2017	31 March 2016	31 March 2015
Number of shares traded	102,113,697	108,091,199	146,979,343	199,334,867	476,248,674
Value of shares traded (LKR)	1,637,455,435	2,728,514,261	3,624,740,014	4,570,150,971	14,900,355,246
Number of days traded	240	236	242	241	239
Number of trades	24,276	10,750	25,709	36,018	49,154



 SOCIAL AND RELATIONSHIP CAPITAL

## DETAILS OF THE DEBENTURE ISSUE

In November 2015, AEL issued 50 Mn. rated, senior, unsecured, redeemable debentures with tenures of five to eight years raising LKR 5 Bn. The debentures were listed on the Colombo Stock Exchange on 23 November 2015, but were not traded on the CSE in the year under review. The debentures were rated "(SL) A+ with a stable outlook" by ICRA Lanka Limited.



GRI 206-1

## BUSINESS PARTNER CAPITAL

As a trusted business entity operating in Sri Lanka for over a decade, we have established long-lasting, interdependent business partnerships with a number of partners who share our values to deliver sustainable returns to our stakeholders. We consider our partners to be essential cogs in the Access Engineering machine. In our delivery of value engineering, we work closely with consultants, suppliers, subcontractors, joint-venture partners, and others. We take a 360-degree management approach to projects that ensures the engagement of partners from the early stages to consider financial, social, and environmental aspects. Following our Code of Conduct and stringent selection process, we take sustainability, ethical practices, and environmental preservation into account formulating our agreements with all partners.

There were no reported incidents of anti-competitive behaviour within the reporting year. Our partners follow our values and high standards when it comes to quality and execution of projects. We

engage with a range of suppliers such as subcontractors, material suppliers, labour suppliers, machinery suppliers, and stationary/utility suppliers.

## TYPES OF BUSINESS PARTNERSHIPS

- ➔ Subcontractor
- ➔ Joint Venture Partner
- ➔ Partner of a Consortium
- ➔ Public Private Partnership

## VALUE DERIVED FROM PARTNERSHIPS

We deliver and derive value from numerous interdependent partnerships we have entered since our inception. Our Company has gone from strength to strength through the business partnerships we have established, the supplier base we work with, and the strategic partnerships effected with local and international entities. We generate business from our partners via repeat orders and through joint ventures. They allow us to venture overseas and to expand into other markets. The consortium

projects allow the industry to advance and to share knowledge with reputed, international entities. The PPP (Private and Public Partnerships) model has eased the constraints on the Government Treasury. Further, partnerships make it possible to address pertinent issues of the industry through collective lobbying. During the year under review, the Central Expressway project progressed where Access Engineering was a partner of a consortium. The only PPP project that we continued during the year was the Housing Project for Government Employees at Borella.

The following table illustrates in monetary terms the value that we have derived from such business partnerships:

Partner status	2018/19 LKR	2017/18 LKR	2016/17 LKR
As a subcontractor	4,054.50	2,707.13	4,244.68
In Public Private Partnerships (PPP)	1,710.42	2,102.70	854.95
As a Partner of a Consortium	5,354.63	1,226.50	40.53
<b>Total</b>	<b>11,119.55</b>	<b>6,036.33</b>	<b>5,140.16</b>

GRI 102-9, 102-10

## Type of supplier

Type of supplier	Number of suppliers as at 31 March 2019
Local	13,193
Foreign	395
Internal	107
<b>Total</b>	<b>13,695</b>

## ↓ SOCIAL AND RELATIONSHIP CAPITAL

### SELECTION AND EVALUATION OF SUPPLIERS

We follow a systematic, stringent process in the selection and evaluation of suppliers. The process differs according to the project and customer. For instance, our contracts with public authorities require to fulfil additional requirements imposed by the Government. In addition, we consider the compliance of our partners and suppliers with environmental, labour regulations, the use of child or forced labour, and other regulations in the selection of our partners. Further, we procure material from suppliers that has the highest cumulative weighted average score across quality and environmental criteria. After our evaluation, we give regular feedback and share knowledge with our partners for improving their standards. The following provides an overview of the section and evaluation process:

Management criteria	Evaluation criteria	Description
Quality	Price	Price offered by the supplier as opposed to other suppliers
	Delivery time	Track record of delivering goods on time
	Responsiveness and flexibility	Degree of responsiveness and openness to change
	Quality of material	Percentage of goods rejected upon supply
	Credit facility	Credit facility granted
Environmental	Packaging	Degree of conformance with specifications
	Legislation	Conformance with applicable legislations
	Waste management	Soundness and quality of waste management practices adopted
	Test reports	Availability of test reports for inspection
	ISO 14001 Certification	Availability of ISO 14001 Certification

### Labour and environment standards applied to suppliers

Labour and environment standards vary from supplier to supplier. As a general practice, all labour and environment standards and regulations that are applicable to AEL are also applicable to our subcontractors who are equally liable to all laws that are applicable to us. In this regard the following laws and regulations can be considered as important:

Labour	<p>The following list is in addition to EPF, ETF and Gratuity related Acts:</p> <ul style="list-style-type: none"> <li>Wages Boards Ordinance</li> <li>Factories Ordinance</li> <li>Workmen's Compensation Ordinance</li> <li>Employment of Women, Young Persons and Children Act</li> <li>Shop and Office Employees act</li> <li>Industrials Disputes Act</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>Regulations imposed by the National Environment Act</li> <li>Regulations imposed by the Mines and Minerals Act</li> <li>Regulations imposed by the Coast Conservation Act</li> <li>Regulations imposed by the Marine Pollution Prevention Act</li> <li>Regulations imposed by the Fauna and Flora Protection Ordinance</li> <li>Regulations imposed by the Forest Ordinance</li> <li>Regulations imposed by the Soil Conservation Act</li> <li>Regulations imposed by the State Land Ordinance</li> <li>Regulations imposed by the Explosives Principle Act</li> </ul> <p>Under above regulations the suppliers are required to obtain the following where applicable:</p> <ul style="list-style-type: none"> <li>Environmental Protection License (EPL)</li> <li>Mining License</li> <li>Archaeology Clearance</li> <li>UDA Clearance</li> </ul>

 SOCIAL AND RELATIONSHIP CAPITAL

GRI 204-1

**SPENDING ON LOCAL SUPPLIERS**

Province	Material purchases (LKR)	CAPEX (LKR)	Total (LKR)	Local purchases made from the budget (%)
Western	1,326,923,123	23,902,332	1,350,825,455	56
North Central	253,028,284	12,542,217	265,570,502	147
North Western	172,678,463	2,509,723	175,188,186	61
	1,752,629,870	38,954,272	1,791,584,142	62

**ENVIRONMENTAL CRITERIA USED BY THE COMPANY**

AEL is committed to protect the environment and has obtained Environment Management Certification ISO 14001:2015, which provides a framework for environment protection. Criteria defined by this certification have to be adhered by all suppliers. The following environmental criteria are used by the Company.

Management criteria	Evaluation criteria	Description
Environmental	Legislation	Conformance with applicable legislations
	Process adaptation	Use of technology and methodologies to preserve resources  Reduce impact on environment due to construction works (dust control, noise level, dispose of chemical and hazardous materials)
	Use of environmentally friendly materials	Reduce water, air, and soil pollution using environmentally friendly materials
	Waste management	Soundness and quality of waste management practices adopted
	Environmental transportation	Located in strategic geographical locations
	ISO 14001 Certification	Availability of ISO 14001 Certification

*Our Company has gone from strength to strength through the business partnerships we have established, the supplier base we work with, and the strategic partnerships effected with local and international entities*

At present the Company is following a vertical integration strategy focused on environment protection. This has led to the increase use of internal suppliers for ready-mixed concrete, aggregate base course and asphalt concrete. Further, the production plants are located in strategic locations minimising the need for long run transportation between the project site and plant. This results in lower emission. All our plants follow the Company's environmental policy while certain rules are imposed by Central Environmental Authority and local government institutes.

AEL prefers suppliers who utilise sea freight rather than air freight since air-travel is more expensive and carbon intensive.

Mode of transportation	2018/19 Percentage (%)
Air-freight	32
Sea-freight	68

## ↓ SOCIAL AND RELATIONSHIP CAPITAL

### NEW SUPPLIER SCREENING PROCESS

Our screening process is based on the compliance with the requirements specified by our Standard Operating Procedures and requirements imposed by Environmental Management Systems ISO 14001:2015 and Occupational Health and Safety Assessment Series OHSAS 18001:2007 Standards. Apart from this we perform periodical supplier evaluations such as reviewing samples, conducting factory visits, collecting test reports, discussion with suppliers and trade agencies, and participating in open trade forums both locally and internationally. The screening process in place for suppliers considers factors that are weighted on priority basis.

#### New suppliers in 2018/19

Type of supplier	New suppliers added during 2018/19
Local	1,664
Foreign	61
Internal	11
<b>Total</b>	<b>1,736</b>

### NEW AND CONTINUED PARTNERSHIPS IN 2018/19

During the year AEL entered into a number of strategic alliances that have strengthened AEL's position in the construction industry. During the year we entered into a partnership with Vestas Wind Systems A/S of Sweden as their local partner in Mannar Wind Power project to construct a 100 MW semi dispatchable wind farm. We also completed the construction work of Kochchikade Bridge with Bilfinger of Austria. Further details about our business partnerships and joint Projects with local, governments, foreign entities can be found on the projects section on pages 38 to 59.

Our strategic alliance with China Harbour Engineering Company and Mustafa's Singapore for the development of Marina Square continued in 2018/19. Further, our partnership with ZPMC China for the commissioning, repair, and maintenance of port machinery also continued during the year.

### POSSIBILITIES OF SUBCONTRACTING FROM LARGE FOREIGN CONTRACTORS

The Sri Lankan government often employs large foreign contractors for infrastructure projects of national importance. In such instances, bilaterally and multilaterally funded projects are awarded to foreign contractors who subcontract work to local companies. There are other occasions where the primary contractor is foreign but there needs to be a local contractor within the project.

The working relationships of Access Engineering with foreign principles have evolved over the years where we tend to jointly execute projects with them rather than subcontracting work. This has enabled AEL to be on par with them as a joint venture partner.

GRI 102-13

### NATIONAL REGISTRATIONS

No.	Organisation	Information
1	Construction Industry Development Authority (CIDA)	Refer page 79 for CIDA gradings
2	National Construction Association of Sri Lanka	Member
3	Institute of Engineers Sri Lanka	Recognition of Organisation for Training of Graduate Engineers for Corporate Membership (Civil Design Engineering)
4	Institute of Engineers Sri Lanka	Recognition of Organisation for Training of Graduate Engineers for Corporate Membership (Civil Construction Engineering)
5	Chamber of Construction Industry Sri Lanka	Corporate member
6	Institute of Chartered Accountants of Sri Lanka	Approved Training Institution for Certificate Level
7	International Chamber of Commerce Sri Lanka	Organisational membership
8	Condominium Association – Ceylon Chamber of Commerce	Ordinary member
9	Ceylon Chamber of Commerce Business and Biodiversity Platform	Patron member
10	National Chamber of Commerce	Corporate Member, Serving for Engineering and Construction Committees
11	Employer Federation of Ceylon	Member



## SOCIAL CAPITAL

As a responsible corporate member of the community, we are extremely conscious of the impact of our operations on the local community. Being a leading player in the construction sector, we make a substantial impact on the communities we operate. Our national infrastructure projects and our projects with private partners have contributed to economic development and community upliftment as well as urbanisation and raising standards of living. We consider social responsibility and sustainability as an integral part of our operations. Our understanding of sustainability is based on the concept of systematically reconciling economy, ecology, and community in all our business activities.

### GRI 419-1

In all our dealings with the larger community that we operate in, we ensure that we follow all the necessary regulations. We are happy to report that we have complied with all the necessary regulations in social and economic areas. We also fund community development projects throughout the year. A CSR Committee selects, reviews, and executes potential CSR projects. All our CSR projects are carefully evaluated before implementation. We take into consideration our CSR policy, the CSR budget, and project objectives. Our Managing Director together with the CSR Committee has been involved in monitoring and guiding the CSR projects. This reflects the commitment of our Senior Management which has contributed significantly to the success of our CSR initiatives. All our CSR initiatives concerning the preservation of the environment are given in Natural Capital section (page 101).

During 2018/19 we carried out CSR activities under three different categories:

- ➔ Local community development projects
- ➔ Human capital building projects
- ➔ Environmental stewardship projects (Refer to Natural Capital page 101)

*Our national infrastructure projects and our projects with private partners have contributed to economic development, community upliftment, urbanisation, and raising standards of living*

## ACCESS ENGINEERING SOCIAL RESPONSIBILITY POLICY

We have set up a policy which forms the basis of all our CSR activities. Our social policy revolves around complying with legal norms and business ethics and building trusting relationships with our stakeholders by strictly adhering to professional standards of activity. We are cognisant of the impact of our operations and through extensive review we strive to minimise and manage them through professional mediation. The CSR activities were incorporated into several platforms and policies were drawn up for each platform as described below:

### GRI 413-1

#### Local community development policy

We will actively work to support the well-being of the community, contribute to the enrichment of the society and make a tangible contribution to economic and social development of the localities where our projects and plants are located; mitigate health and safety impacts of infrastructure, hazardous materials, emissions, and discharges; counteract social impacts of involuntary resettlement, physical and economic displacement and livelihood disturbances, and honour the local culture and cultural heritage.

#### Human capacity building policy

We will build human capacity and develop human resources in the society, including our own employees and their families, focusing our attention on formal preschool, school, technical and tertiary education as well as informal education and social interaction and dialogue by means of transferring knowledge, mentoring and coaching, apprenticeships, scholarships, and other financial contributions.

#### Industry advancement policy

We will take leadership in the advancement of the construction industry to take up future challenges through the introduction of modern technology, development of human resources and dissemination of best practices in construction management.

#### Environmental stewardship policy (Refer to Natural Capital page 101)

We will contribute to sustain natural resources and the environment for future generations, through initiatives to ensure that our business is in compliance with all applicable environmental regulations. We will conserve resources by using them efficiently and recycling appropriately, and protect and enhance wildlife habitats around our businesses. We will limit the amount of hazardous wastes produced and disposed, and improve the efficiency of our operations to reduce the amount of waste generated. We will also support local environmental projects and activities.



## SOCIAL AND RELATIONSHIP CAPITAL

### FABRICATION AND DONATION OF SCHOOL DESKS AND CHAIRS

In an effort to contribute towards the development of rural schools and the uplifting of rural education, AEL has been donating school desks and chairs to underprivileged schools in the country since 2016/17. The objective behind the project was to improve the learning environment of rural schools.



The project was implemented in three different phases:

- Phase I: Make better use of the scrap/waste materials disposed from the construction sites.
- Phase II: Industry advancement through facilitation of monetary support and other support to the trainees at Homagama Technical College.
- Phase III: Facilitation of rural education through provision of required classroom infrastructure.

Following the project, tons of scrap materials were collected and traded to an external party. These funds were directly transferred to the CSR fund.

Simultaneously a Vocational Training Programme was developed in collaboration with Homagama Technical College for the purpose of industry advancement through facilitation of training and development to rural youth. All material and equipment were provided for the training programme and to the trainees at the Homagama Training College.

A special incentive scheme was also arranged to encourage participation and to sustain the carpentry and the welding Industry. Trainees in return have fabricated desks and chairs adhering to strict specifications issued by the Ministry of Education. As at 31 March 2019, we have distributed 1,785 pairs of desks and chairs among a selection of 50 schools around the island.

### BLOOD DONATION PROGRAMME

With the objective of creating awareness on the significance of donating blood and to help maintain an adequate supply of blood to save the lives of those who are in need, a Blood Donation Camp was organised at Kaduwela.

The programme was conducted by the National Blood Transfusion Service and we were able to garner many donors from inside and outside the company and collected a 110 pints of blood at the conclusion of the camp.



### NATIONAL CENTRE FOR DISABLED CHILDREN

According to the latest estimates, 20% of Sri Lankan children are born with some form of disability.

Access Engineering contributed to the "Ayati Trust Sri Lanka", a fund formed by the faculty of medicine in the university of Kelaniya to build a national centre for children with disabilities. The Centre is being built on a land provided by the Faculty of Medicine, located at Ragama.

The proposed National Centre will play an integral role in assisting children with disabilities and help them integrate to the community.

### BATTICALOA EMERGENCY ACCIDENT PROJECT

Access Engineering contributed to the National Health Development Fund to assist the Project BEAP (Batticaloa Emergency Accident Project) which is a non-profit project initiated under the foundation supporting national trauma services in Sri Lanka.

While the project BEAP is formed to augment Sri Lanka's regional medical services, the Foundation also teaches and trains surgeons around the island and assists with infrastructure requirements in teaching hospitals.

### FUTURE OUTLOOK

Our efforts to give back to the communities that we are operating in and to create tangible social value will continue while we diligently work towards improving our relationships with customers, business partners, and investors. The improvements to our product portfolio and existing value engineering solutions will lead to customer satisfaction, loyalty, and repeat businesses. We will also streamline our procurement process which will lead to better procurement practices and improvements in quality. We will work towards increasing our engagement with business partners and investors through digital means. Guided by our core values, we will continue to give back to the community by way of focused CSR initiatives. With a clear perception of the social, economic needs of the communities, we will continue to create long-term value and drive towards economic, and social sustainability in the future.

## NATURAL CAPITAL

As a socially responsible business entity, we are aware of our role of contributing to sustainable development. We have stringent systems and processes in place to evaluate our environmental performance that meet the needs of customer requirements in a competitive landscape while preserving the environment. Further, we are conscious of the nature of our industry that is fuel intensive and our operations and projects related to infrastructure development have the potential to significantly affect the environment.

Thus, we place great importance in reducing our environmental footprint by sustainable construction techniques, proper waste management, prudent resource allocation, energy saving initiatives, and other such measures that contribute to minimising our impact.

### GRI 307-1

We are happy to report that during the year there were no incidents of non-compliance with environmental laws and regulations. The following section provides extensive information on our environmental policies and management, outlining the steps we have taken to reduce usage or emissions of energy, carbon, materials, and water.

***We place great importance in reducing our environmental footprint by sustainable construction techniques, proper waste management, prudent resource allocation, energy saving initiatives, and other such measures that contribute to minimising our impact***

### ENVIRONMENT STEWARDSHIP

As mentioned in the social and relationship capital, our CSR activities come under several categories. We have included below our CSR activities towards the preservation of the environment.

#### Tree planting programme

Trees also build soil and offer energy-saving shade that reduces global warming and creates habitat for thousands of different species and help reduce ozone levels in urban areas. Intending to mitigate the environmental consequences of its business operations, we have initiated a programme to plant trees in different location across the country. Tree planting is a tradition that we have upheld over the years to preserve natural vegetation wherever possible. During the year, close to 2,070 trees were planted under the programme.



### GRIEVANCE HANDLING

Since we operate in urban and rural settings all over the country, disputes and concerns may arise over the environmental impact of our operations and activities. We have a grievance handling mechanism in place to handle grievances through a timely, effective manner. Reported complaints are recorded in the Complaint Register. If serious complaints are recorded, a thorough investigation takes place to determine the nature of the issue and then the grievance is addressed through a transparent process. We regard complaints as opportunities for learning and growth and to improve our sustainability.

Grievances filed, addressed, and resolved during the period	23
Filed prior to the reporting period that were resolved during the period	-
Filed during the period and under processing	7
<b>Total</b>	<b>30</b>

 NATURAL CAPITAL

## OUR ECO-FRIENDLY MEASURES

### Access Engineering focuses on creating a culture that values the environment



#### ENERGY PRESERVATION

- ⊕ Anticipating and addressing concerns during the design stage which leads to reduction in energy consumption and consequently GHG emission in the long term.
- ⊕ Thermal insulations for roofs to control heating, so that the need for air conditioning is minimised.
- ⊕ Usage of CFL and LED bulbs for lighting and other electric equipment that consume less energy.
- ⊕ Usage of renewable energy (solar) wherever practical.
- ⊕ Avoid oversized electrical equipment.
- ⊕ Procuring energy efficient machinery/equipment.
- ⊕ Providing natural ventilation and lighting whenever possible in construction site offices, rest rooms, and meal rooms.
- ⊕ Dividing the lighting system into several zones with separate switches.
- ⊕ Installing power factor correction capacitors for three phase connection to improve energy efficiency.
- ⊕ Limiting operation time for AC (in selected areas).
- ⊕ Isolating locations (such as meeting rooms) from central AC system.
- ⊕ Usage of solar powered lighting, wherever feasible.
- ⊕ Motivating users to save energy via displaying posters.



#### FUEL CONSUMPTION

- ⊕ Procuring fuel efficient vehicles and machinery.
- ⊕ Annual maintenance and assessment of vehicles and machinery and performing scheduled services on time.
- ⊕ Disposing of or cease operations of aged machinery.
- ⊕ Monitoring fuel consumption against the mileage of the vehicles and machineries, and troubleshoot any deviations.
- ⊕ Monitoring fuel consumption against the production of the plant.
- ⊕ Avoid oversized generators for electricity generation and other fuel-driven equipment.



#### EMISSION

- ⊕ Measuring emissions of generators, vehicles, and other machinery to identify any abnormal compositions in the emission.
- ⊕ Emissions in fuel-driven equipment such as generators are measured and appropriate action such as filter replacement or servicing is done to rectify any anomalies.





## PREVENTING POLLUTION

- Noise generated during the operation of machinery is assessed and actions are taken appropriately.
- High noise generating equipment is isolated or is replaced with equipment that generate a less amount of noise (e.g. sound proof generators).
- Using a hydraulic bullet removing machine at the piling workshop to eliminate high noise generation during the conventional method of hammering.
- To reduce noise generated from crusher and asphalt noise barriers are made with trees or GI sheets along the boundary of plants. Wherever practical eco-friendly material/methods such as dry coconut leaves, green belts, etc. are used.
- Lubricants, oil, and fuel are stored with secondary containment to avoid spillage and hence soil pollution. For larger quantities permanently built secondary tanks are used and for smaller quantities secondary trays are used.
- In crusher plants, heavy dust pollutes the air. This is drastically reduced by covering the plant with a material which is wetted using water sprinklers. Further in other projects several methods such as water spraying, vehicle speed limiting is used to minimise air pollution.
- Installing a dust collector to the micro-trenching machine which reduces dust spreading during the operation.



## WATER CONSERVATION/TREATMENT

- Waste water is treated and reused at production plants and the workshop wherever possible.
- Budgeting water consumption based on project activities for more realistic consumption (construction and day-to-day), and monitor consumption accordingly.
- Cement contaminated water generated in the batching plant is sent through a sedimentation process and reused to wash truck mixtures, vehicles, etc.
- Re-using water at all our construction sites as much as possible.
- Usage of concrete curing agents, so that water consumption for concrete curing is reduced.
- Monitoring of water consumption by the Head Office.
- Motivating users to save water via posters and spreading awareness.



## ENVIRONMENT PRESERVATION

- Reusing materials during construction and production (e.g. de-sander, re-claimer, mivan formwork, etc.).
- Excavated soil is used for backfilling to minimise the environmental disturbance made to the ecosystem.
- Use of properly sized equipment.
- Placement of project/plant office buildings and other facilities in a way that conserves trees.
- Tree planting with the main objective being to trade-off carbon footprint due to our operations.
- Not using materials which are hazardous to environment, such as asbestos, lead content paints, etc.
- Constructing rock walls to minimise soil erosion.

 NATURAL CAPITAL


### WASTE DISPOSAL TECHNIQUES

- ⊕ Every site has its own Waste Management Plan addressing controls to minimise the generation of waste and methods of disposal.
- ⊕ Bentonite wastes are disposed as per the CEA/MC recommended methods only in approved locations.
- ⊕ Domestic waste collected onsite are segregated at the time of collection (E.g. iron, glass, steel, paper, polythene, etc.).
- ⊕ Hazardous waste generated at site (burnt oil, oil filters, etc.) are disposed via CEA approved agents for recycle and reusing purposes.
- ⊕ Electronic wastes are collected and disposed via a CEA-approved agent.
- ⊕ Non-hazardous construction and demolishing debris are used for landfills.
- ⊕ Following are collected and sent to CEA approved agents for recycling and reusing purpose:
  - ⊕ Waste papers
  - ⊕ Barricade tapes
  - ⊕ HDPE wastes
  - ⊕ Used batteries
  - ⊕ Glass wool
- ⊕ Sludge accumulated in the concrete batching plant is used for back filling on public requests after approval from the relevant authorities.
- ⊕ Storage techniques are used to avoid material wastages and material storages are covered.
- ⊕ Construction techniques that minimise wastage are used.
- ⊕ Procurement of quality material at every stage of a project to eliminate wastage due to rejections.
- ⊕ Reinforcement scraps are used to erect chairs in the cafeteria, carts to move materials and buckets to be used for the crane.
- ⊕ A DMS (Document Management System) was introduced to reduce paper consumption.



### OTHER TECHNIQUES

- ⊕ Throughout construction, the Company assesses pollution and the possibility of the environment getting polluted. In such situations, water resources/bodies adjacent to the project areas or any other operation of the Company, are identified to avoid potential pollution by changing the method or establishing controls to minimise.
- ⊕ Dust controlling techniques such as watering, speed controls for vehicles inside the site, water sprinklers (in the quarry/crusher plants) are used to minimise environmental impact.
- ⊕ River sand is replaced by manufactured sand partially or completely in concrete batching plants.



## OPERATIONS WITH ACTUAL AND POTENTIAL NEGATIVE IMPACT ON LOCAL COMMUNITIES

Operation	Impact (on local community)	Control measures
Road	⊕ Damages to utility infrastructure during road works	<ul style="list-style-type: none"> <li>⊕ Using equipment to detect underground utilities such as use of ground penetration radar</li> <li>⊕ Taking prompt actions to restore/repair in the event of any damage caused</li> </ul>
Road/Bridge projects	⊕ Safety hazards of the area	<ul style="list-style-type: none"> <li>⊕ Barricading the working area</li> <li>⊕ Adhering to the Traffic Management Plan</li> <li>⊕ Using safety sign boards</li> <li>⊕ Managing traffic</li> </ul>
	⊕ Public inconvenience on mobility	<ul style="list-style-type: none"> <li>⊕ Providing advance notice to areas affected</li> <li>⊕ Determine alternate options for access and parking, if available</li> <li>⊕ Providing controlled access by keeping the traffic moving</li> </ul>
	⊕ Air quality degradation and dust generation	<ul style="list-style-type: none"> <li>⊕ Watering roads and use of sprinklers at production plants</li> <li>⊕ Frequent checking of emissions of generators and other equipment</li> </ul>
	⊕ Vibration and crack propagation	<ul style="list-style-type: none"> <li>⊕ Frequent measuring and monitoring the level of vibration</li> <li>⊕ Limiting the time of operation</li> <li>⊕ Conducting crack surveys and rectifying any errors at the end of the project</li> </ul>
Piling/General construction activities	⊕ Area nuisance due to noise	<ul style="list-style-type: none"> <li>⊕ Frequent monitoring of noise levels to ensure they are within the allowed range</li> <li>⊕ Ensuring that construction machinery is fitted with silencers to reduce noise</li> <li>⊕ Using soundproof or low noise equipment</li> <li>⊕ Limiting the time of operation</li> </ul>
General construction	⊕ Cultural issues	<ul style="list-style-type: none"> <li>⊕ Appointing a public relationship officer to build relationships with the local community and to execute the project with minimal cultural disturbance</li> <li>⊕ Carrying out corporate social responsibility projects in partnership with the local communities</li> </ul>

Operation	Environmental aspects/impact	Mitigation strategies
Mechanical workshop	Waste oil/burnt oil generation – Water/Land pollution	Handing over to CEA-approved burnt oil handler for reuse/recycle
	Hazardous waste generation – Water/Land pollution	Handing over to CEA-approved service providers for recycling/reuse
Road project	Tree cutting during certain project execution – Imbalance of ecology	<ul style="list-style-type: none"> <li>⊕ Minimising the number of trees to be cut during project design/execution</li> <li>⊕ Conducting tree planting programme</li> </ul>
	Dust generation – Air quality degradation	Watering
Concrete batching plant	Cement contaminated water generation – Water/land pollution	Simple water treatment (sedimentation) and reusing the water
Crusher plants	Dust generation – Air quality degradation	Water sprinkling
General construction activities	Fuel/oil leakages and spillages from storages – Water/land pollution	Secondary containment for storage tanks
	Fossil fuel consumption – Natural resource depletion	<ul style="list-style-type: none"> <li>⊕ Monitoring fuel consumptions</li> <li>⊕ Preventive/corrective maintenance of equipment</li> </ul>
	Emissions from motor vehicles – Air quality degradation	<ul style="list-style-type: none"> <li>⊕ Emission tests for motor vehicles</li> <li>⊕ Preventing/corrective maintenance of vehicles</li> </ul>
	Noise from generators/equipment – Area nuisance	Soundproofing
Office operations	E-waste generation – Heavy metal released to the environment	Handing over to certified recycling agents
	Waste paper – Natural resource depletion	Handing over to certified recycling agents

## ↓ NATURAL CAPITAL

### ENERGY MANAGEMENT

The construction sector accounts for a higher percentage of energy-related CO<sub>2</sub> emissions, thus we are conscious of our responsibility to adopt energy-efficient solutions in all our operations. We consider the management and reduction of energy to be of utmost priority. Energy management is integrated to all our systems and processes and is implemented in our operations. The energy consumed by operations mainly consist of two main components; fuel and electricity. Further, a significant portion of the total fuel is consumed at the asphalt plants and the Central Equipment Division. Refer page 102 for our energy conservation methods.

GRI 302-1

#### Energy consumption

Type of energy	Units consumed	Conversion ratio	Total energy consumption (Megajoules)
Diesel (ltr.)	7,258,621	38.3	278,005,179
Petrol (ltr.)	174,309	33.6	5,856,787
Kerosene (ltr.)	5,140	37.0	190,180
Electricity (kWh)	1,656,335	3.6	5,962,806
			290,014,952

GRI 302-3

#### Energy intensity 2018/19

Total energy consumption (Megajoules)	290,014,952
Year end number of employees	2,458
Energy intensity measured in terms of energy consumption per employee (Megajoules)	117,988

GRI 305-1, 305-2

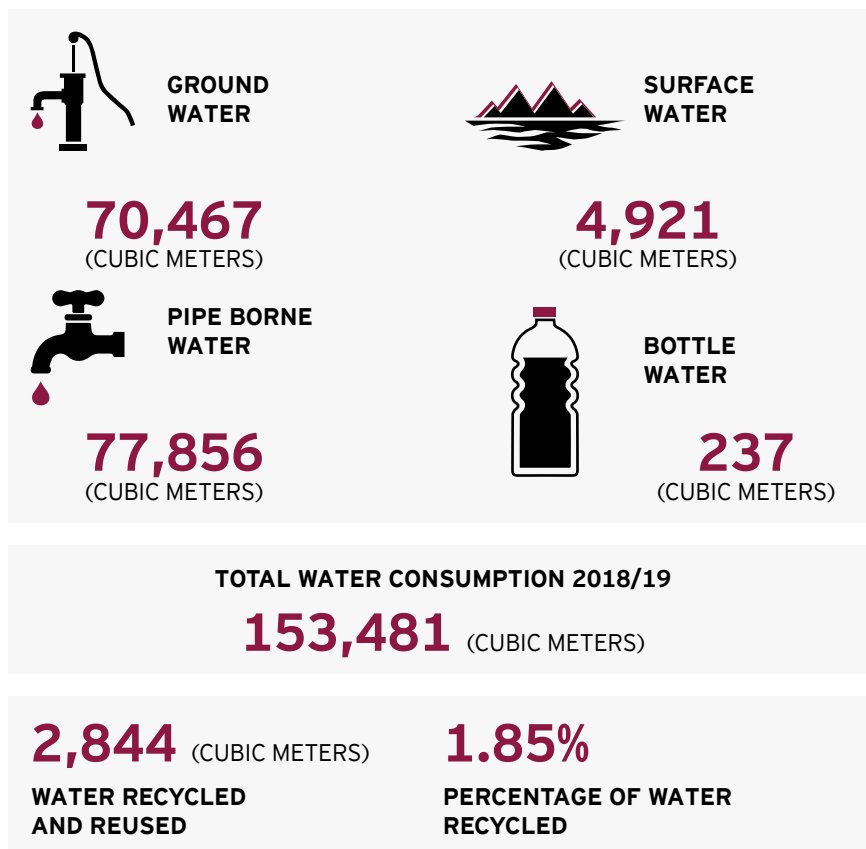
#### Direct and indirect GHG emissions

Type of emission	Type of energy	Units consumed	Conversion rate	Total CO2 emission (Kg)
Direct emission	Diesel (Litres)	7,258,621	2.74	19,888,622
	Petrol (Litres)	174,309	2.28	397,425
	Kerosene (Litres)	5,140	2.28	11,719
Indirect emission	Electricity (KWH)	1,656,335	0.71	1,175,998
Total emission (Direct + Indirect)				21,473,764

GRI 303-1, 303-3

#### WATER MANAGEMENT

We have adopted sustainable practices to manage water in our sites and in our operations since water preservation improves wet weather working conditions, reduce clean up costs, and reduce stockpile losses. We have also adopted measures to reuse and recycle water by making optimal use of storm water, reuse of grey and black water, and have integrated water management to our processes which have led to economical and effective strategy for managing water. Refer page 103 for our water conservation methods.



## WASTE MANAGEMENT

The operations in the construction industry, tend to generate a lot of waste, and require regular, costly waste disposal. Therefore prudent waste management is integrated to our systems and processes in our effort to contribute to sustainable construction. Through our waste management system underpinned by the three Rs (Reduce, Recycle, and Reuse), waste is segregated at source, stored safely and disposed in the most environmentally-sound way. We also focus on minimising waste wherever possible to manage waste efficiently and cost-effectively. In 2018, we initiated a food waste management programme, which measures the daily food waste (in the Head Office). The amount of waste for the whole month is communicated among the employees with the intention of reducing food waste through awareness. Refer page 104 for our waste disposal techniques.

### Paper recycling

Type of paper	Total consumption (kgs)
A3 80 gsm	1,796.26
A4 80 gsm	12,054.87
A5 80 gsm	93.24
<b>Total</b>	<b>13,944.37</b>



**13,944.37 KG**  
PAPER CONSUMED



**1,579 KG**  
WASTEPAPER RECYCLED



**27 NUMBERS**  
FULL-GROWN TREES SAVED



**2,771 LITRES**  
OIL SAVED



**6,316 kwh**  
ELECTRICITY SAVED



**50,181 LITRES**  
WATER SAVED



**4.737 M<sup>3</sup>**  
LANDFILL SAVED



**315.8**  
REDUCTION IN GHG EMISSIONS  
(KG OF CARBON EMISSION)

GRI 304-1

## BIODIVERSITY

The following table outlines locations and size of land owned, leased, managed, in or adjacent to protected areas and areas of high biodiversity:

Location/Project	Land extent	Description of operation	Ownership of land	Position in relation to the protected area	Type of operation	Biodiversity value	Listing of protected status (if applicable)
Vavuniya quarry, crusher and asphalt plant	0.4 hectares	Production of asphalt	Leased	Adjacent to	Manufacturing	Terrestrial	Forest Conservation Department



## ENVIRONMENT, STATUTORY AND OTHER COMPLIANCE REQUIREMENTS

Legislation	Statutory requirement
National Environment Act No. 47 of 1980, National Environment Act (Amendment) Act No. 56 of 1988, National Environment Act No. 53 of 2000 and Rules and Regulations of the Central Environmental Authority	Obtaining environmental protection license for emission or disposal of waste Provision with respect to the powers, functions and duties of the Authority and provision for the protection and management of the environment and for the matters connected therewith Protection of the environment and quality regulations Compliance with noise control measures Compliance with air quality regulations and standards Compliance for ozone depleting substances Compliance with mobile air emission standards Compliance with vehicular exhaust emission standards/fuel standards and exhaust emission standards for importation of vehicles
Mines and Minerals Act No. 33 of 1992	Obtaining of trade license and industrial mining license
Coast Conservation Act No. 57 of 1980	Compliance in harbour and marine work projects
Marine Pollution Prevention Act No. 59 of 1981	Compliance in harbour and marine work projects
Fauna and Flora Protection Ordinance 1981 (Consolidated status up to 2006)	Protecting fauna and flora
Felling of Trees (control) Act No. 9 of 1951	Compliance in activity of felling trees
Forest Ordinance	Compliance in operating production plants in a forest area
Mahaweli Authority Act No. 23 of 1979	Compliance for workstations situated under Mahaweli Authority
Municipal Councils Ordinance	Compliance when working in municipal council areas
Prevention of Mosquito Breeding Act No. 11 of 2007	Compliance with the prevention of mosquito breeding; for the eradication of places of mosquito breeding and for matters connected there with or incidental thereto
Pradeshiya Sabha Act No. 15 of 1987	Compliance when working in Pradeshiya Sabhas
Soil Conservation Act (Amendment) No. 24 of 1996	Compliance for the enhancement and substance of productive capacity of the soil; to restore degraded land for the prevention and mitigation of soil erosion; for the conservation of soil resources and protection of land against damage by floods, salinity, alkalinity water logging, brought and to provide for matters connected therewith or incidental thereto
Antiques Ordinance	Compliance when working in archeological department areas
State Land Ordinance	Compliance when working on land
North Western Provincial Environmental Statute No. 12 of 1990	Compliance when working in the North Western Province

## FUTURE OUTLOOK

As primarily a construction entity, our operations have an impact on the environment, and it is vital that we engage in responsible, sustainable infrastructure development that will minimise our negative impacts. Our investments in the IT and tech-based construction solutions and moving some of our operations to the digital domain have led to substantial changes. We will also improve upon our tree-planting programme that offsets and reduces our carbon footprint. Our eco-friendly initiatives will expand and continue in the coming years. We will also leverage the use of the latest, cutting-edge construction methodologies to reduce the use of raw materials and natural resources such as water.

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# INDEPENDENT ASSURANCE REPORT TO AEL



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
Internet : www.kpmg.com/lk

We have been engaged by the Directors of Access Engineering PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2019. The Sustainability Indicators are included in the Access Engineering PLC's Integrated Annual Report for the year ended 31 March 2019 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

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The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

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## OUR CONCLUSIONS

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that

the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

## REASONABLE ASSURANCE SUSTAINABILITY INDICATORS

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2019 are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

## LIMITED ASSURANCE SUSTAINABILITY INDICATORS

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2019, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

## MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

## OUR RESPONSIBILITY

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

## INDEPENDENT ASSURANCE REPORT TO AEL



We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

### REASONABLE ASSURANCE OVER REASONABLE ASSURANCE SUSTAINABILITY INDICATORS

The procedures selected in our reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal controls relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal controls over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

### LIMITED ASSURANCE ON THE ASSURED SUSTAINABILITY INDICATORS

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- ⊕ interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- ⊕ enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- ⊕ enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- ⊕ enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- ⊕ comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- ⊕ reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- ⊕ reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

### PURPOSE OF OUR REPORT

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

### RESTRICTION OF USE OF OUR REPORT

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this Independent Assurance Report, or for the conclusions we have reached.

**CHARTERED ACCOUNTANTS**  
Colombo

10 July 2019

# STEWARDSHIP

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ENTERPRISE RISK  
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## BOARD OF DIRECTORS



**Seated (Left to right)** Saumaya Dharshana Munasinghe, Dalpadoruge Anton Rohana Fernando, Sumal Joseph Sanjiva Perera, Joseph Christopher Joshua

**Standing (Left to right)** Shevantha Harindra Sudharaka Mendis, Niroshan Dakshina Gunaratne, Dinesh Weerakkody, Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe, Dilhan Perera, Ranjan John Suriyakumar Gomez



 BOARD OF DIRECTORS

### 1/ SUMAL JOSEPH SANJIVA PERERA

Chairman

The Founder Chairman of the Access Group of Companies founded in 1989, he is also the Founder Chairman and a shareholder of AEL. He continues to be the Chairman of all companies under the umbrella of the Access Group, AEL Group and Sathosa Motors PLC. 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 span of over three decades.

### 2/ JOSEPH 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 of AEL, he was the Joint Managing Director/CEO of the Company. It was under his leadership that AEL achieved significant milestones in growth. He also functions as the Joint Managing Director of the AEL Group and Access Group. Companies under his purview include Access Realities (Private) Limited, Access Realities 2 (Private) Limited, Harbour Village (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 was also appointed as Managing Director of Sathosa Motors PLC with effect from 1 April 2019.

### 3/ DALPADORUGE ANTON ROHANA FERNANDO

Executive Director/  
Chief Operating Officer

Joining the AEL 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 AEL. Having held Senior Management positions in AEL, he was appointed to the Board in 2002. In 2007, he was appointed as the Director/COO of AEL. He is a Corporate Member of Institution of Engineers Sri Lanka (IESL) and has a BSc Degree in Civil Engineering from the University of Peradeniya. He is also a Director of Access International (Private) Limited, Eco Friendly Power Developers (Private) Limited, Access Realities (Private) Limited, Access Realities 2 (Private) Limited, Harbour Village (Private) Limited, Access Projects (Pvt) Ltd. and Sathosa Motors PLC.

### 4/ SHEVANTHA HARINDRA SUDHARAKA MENDIS

Executive Director/  
Director – Business Development

Having held many executive and management positions within the AEL Group, he has functioned within the Engineering Division since its inception. With the genesis of AEL, 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, SML Frontier Automotive (Private) Limited, Access Realities (Private) Limited, Blue Star Realities (Private) Limited and Access Realities 2 (Private) Limited.

### 5/ SAUMAYA DHARSHANA MUNASINGHE

Executive Director/  
Director – Business Development

He joined Access International (Private) Limited in 1996 and held Executive and Senior Managerial positions throughout his successful career. He joined AEL in 2006 and was appointed to the Board of AEL as Director – Business Development. He is also a Director of Access International (Private) Limited, Sathosa Motors PLC, SML Frontier Automotive (Private) Limited, Access Realities (Private) Limited and Access Realities 2 (Private) Limited.

### 6/ DILHAN PERERA

Non-Executive Director

Mr Dilhan Perera is serving in the capacity of Non-Executive Director of AEL PLC since December 2013. He is serving as Chief Financial Officer in Affiliated Companies which are not coming under the Group of Companies of Access Engineering PLC.

### 7/ RANJAN JOHN SURIYAKUMAR GOMEZ

Non-Executive Director

One of the Founder Directors of the AEL Group of Companies and has functioned as the Joint Managing Director of the Group since 1997. Companies under his purview include Access Holdings (Pvt) Ltd., ATSL International (Private) Limited, ATSL Telesoft (Private) Limited, Access Energy Solutions (Private) Limited and business units of Access International (Private) Limited.



## 8/ PROF KULATILLEKE ARTHANAYAKE MALIK KUMAR RANASINGHE

Independent Non-Executive Director

A member of the AEL Board since 2011, he is a Senior Professor in Civil Engineering at the University of Moratuwa, and a Member of the University Grants Commission and the National Research Council. He is a Chartered Engineer, International Professional Engineer, a Fellow of the Institution of Engineers, Sri Lanka, National Academy of Sciences, Sri Lanka and Institute of Project Managers. Prof Ranasinghe is the Chairman of Sampath Bank PLC, an Independent Non-Executive Director of Sampath Bank PLC, Teejay Lanka PLC, United Motors Lanka PLC and Resus Energy PLC. He is a former Vice-Chancellor of the University of Moratuwa, a former Fellow of the National University of Singapore and has been a Non-Executive Director of the Colombo Stock Exchange, Hemas Power PLC and Lanka IOC PLC.

## 9/ NIROSHAN DAKSHINA GUNARATNE

Independent Non-Executive Director

Appointed to the AEL Board in 2011. An Associate Member of the Chartered Institute of Management Accountants – UK. He possesses over twenty 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.

## 10/ DINESH WEERAKKODY

Independent Non-Executive Director

Mr Dinesh Weerakkody is the Chairman of Hatton National Bank PLC, the Chairman of the National Human Resource Development Council of Sri Lanka, International Chamber of Commerce and Cornucopia Sri Lanka. He is an Advisor to the Ministry of National Policies and Economic Affairs. He was the Chairman of the Government-appointed Committee to review the Banking Sector and NBF Consolidation and the Committee appointed to review the budgetary allocation for education. He is a former Chairman of the Commercial Bank of Ceylon PLC and the Employees' Trust Fund Board of Sri Lanka. He serves in a number of private sector Boards including Glaxo SmithKline Consumer Sri Lanka. He is a Council Member of the Employers Federation of Ceylon and the Institute of Directors of Sri Lanka, a Member of the National Health Development Fund of Sri Lanka and a Member of the CIMA Global Asia Pacific Industry Experts Panel.

## CORPORATE MANAGEMENT TEAM



**Seated (Left to right)** Joseph Christopher Joshua, Dalpadoruge Anton Rohana Fernando, Sumal Joseph Sanjiva Perera, Shevantha Harindra Sudharaka Mendis, Saumaya Dharshana Munasinghe

**Standing (Left to right)** Kosala Wickramasinghe, Niroshan Thilakarathne, Nilantha Iddagodage, Palitha Wanigasundara, Dharmasiri Chandrapala, Srimal Fernando, Manoj Jayahsuriya, Vasantha Manatunge, Thasantha Kumara, Prabashana Kumara

↓ CORPORATE MANAGEMENT TEAM





## CORPORATE MANAGEMENT TEAM

### 1/ SUMAL JOSEPH SANJIVA PERERA

Chairman

Profile given on page 118.

### 2/ JOSEPH CHRISTOPHER JOSHUA

Managing Director

Profile given on page 118.

### 3/ DALPADORUGE ANTON ROHANA FERNANDO

Executive Director/  
Chief Operating Officer

Profile given on page 118.

### 4/ SHEVANTHA HARINDRA SUDHARAKA MENDIS

Executive Director/  
Director – Business Development

Profile given on page 118.

### 5/ SAUMAYA DHARSHANA MUNASINGHE

Executive Director/  
Director – Business Development

Profile given on page 118.

### 6/ 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 over 40 years of experience in the civil engineering field and has worked in various capacities in the state sector as well as private sector.

### 7/ DHARMASIRI CHANDRAPALA

General Manager – Technical

T D D Chandrapala joined the Company in 2002 and counts over 13 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 over 39 years of experience in the fields of Irrigation and Drainage, Building Construction, Water Supply, Roads and Bridges.

### 8/ MANOAJ JAYAHURIYA

General Manager  
Project Management Division – I

Manoj joined the Company in March 2006. He has over 32 years of experience in diversified fields such as the Sri Lanka Navy, operations, apparel manufacturing, corporate planning and human resources management. He is a Project Management Professional (PMP) who holds an MBA from the Postgraduate Institute of Management (PIM) of University of Sri Jayewardenepura, BSc (Hons) from the University of Colombo and a Postgraduate Diploma in Psychology as well as several naval professional qualifications.

### 9/ SRIMAL FERNANDO

Senior General Manager  
Project Management Division – II

Srimal joined the Company in August 1999 as a civil engineer and was promoted to Manager – Engineering in January 2004, General Manager in January 2008 and Senior General Manager in 2017. He holds a Bachelor's Degree in Civil Engineering from the University of Peradeniya and is a Corporate Member of the Institution 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.

### 10/PALITHA WANIGASUNDARA

General Manager  
Project Management Division – III

Palitha joined the Company in 2007 as Deputy General Manager (Construction) and currently functions as the General Manager (Project Management Division – 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, 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.

 CORPORATE MANAGEMENT TEAM
**11/KOSALA WICKRAMASINGHE**

General Manager  
Planning and Development

Kosala joined the Company as a Project Manager in 2007 and currently functions as the General Manager (Planning and Development). He holds a Bachelor of Science Honors Degree in Civil Engineering from the University of Moratuwa, Postgraduate Diploma in Structural Engineering from the University of Moratuwa and a Master of Business Administration Degree (UK). He is also a Corporate Member of the Institution of Engineers Sri Lanka and a Corporate Member of the Society of Structural Engineers Sri Lanka. He has over 19 years experience in various disciplines of Civil Engineering including Structural Engineering designs, contract administration and project management in Sri Lanka and overseas.

**12/NIROSHAN THILAKARATHNE**

General Manager – Commercial

Niroshan presently serves in the capacity of the General Manager – Commercial after serving in various capacities in the Company over a period of almost 15 years. Also, he has over six 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.

**13/PRABASHANA KUMARA**

Deputy General Manager  
Project Management Division – II

Prabashana joined the Company in December 2006 as an Operations Manager – Telecom Projects and was promoted to Senior Manager - Telecom Projects in 2010 and as Deputy General Manager in April 2014. He holds a Bachelor of Science Degree in Electrical and Electronics Engineering from the University of Peradeniya. He has 19 years of experience in the fields of Telecommunication and Building Services (M&E) and was involved in several major projects in Sri Lanka and overseas in Key Management roles.

**14/THASANTHA KUMARA**

General Manager  
Project Management Division – IV

Thasantha joined the Company at the beginning of 2013. He has over 24 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 13 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 a Postgraduate Diploma in Highway and Traffic Engineering from the University of Moratuwa. He is also a Corporate Member of the Institution of Engineers Sri Lanka.

**15/NILANTHA IDDAGODAGE**

Deputy General Manager – Finance

Nilantha joined the Company in 2008 and presently serves in the capacity of the Deputy General Manager – Finance of the Company. He is a Fellow Member (FCA) of The Institute of Chartered Accountants of Sri Lanka and an Associate Member of the Association of Accounting Technicians of Sri Lanka. He holds an MBA from the Postgraduate Institute of Management (PIM) of University of Sri Jaywardenepura and holds a BSc Estate Management and Valuation (Special) Degree from the University of Sri Jaywardenepura. He has over 13 years of experience in the field of Finance and Auditing.

He was also appointed to the Board of Access Projects (Pvt) Ltd. on 1 May 2018.

## CORPORATE GOVERNANCE

*“Good corporate governance is about ‘intellectual honesty’ and not just sticking to rules and regulations...capital flows towards companies that practice this type of good governance”*

**Mervyn King**



### Leadership

We have a collective responsibility to challenge strategy, performance and accountability to ensure every decision complies with high standards of business integrity and is in the best interests of the Company's shareholders.



### Effectiveness

We continually evaluate the balance of skills and experience of the Board and Management Team to ensure we have the right people in place to provide effective leadership.



### Accountability

The Board sets the Group's strategy and risk appetite and approves the operating plans and targets to deliver this strategy based on the recommendations of Management.

## ABOUT ACCESS ENGINEERING

Built on a sound philosophy, ethics, policies, values, accountability and sincerity of action, AEL corporate governance ethos works within a culture of performance that emphasises 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. Maximising shareholder wealth on a sustainable basis while safeguarding the rights of multiple stakeholders is a fundamental tenet which has 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.

GRI 102-18

## CORPORATE GOVERNANCE STRUCTURE

Any administrative or governance structure is strong and efficient as long as the same is backed by the overall ethics and the values of the Organisation. In compliant with the country's laws and regulations, we have built our ethical framework for improved transparency and adopted our ethics in our culture itself, so it goes beyond mere compliance.

In AEL, our governance and operating model facilitates decision-making efficiently coupled with pragmatic resource mobilisation, for productive operating results. 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. We also consider it our prime responsibility to disclose unbiased, fair and accurate information on our governance practices on a timely manner to all stakeholders so that they could exercise sound decision-making. Hence, this report serves that purpose in great detail.

The Company's vision and mission remain and guide us throughout our journey and we have also firmly embedded the same in our future journey, with the Board of Directors and the Executive Management providing the necessary stewardship to our team and other stakeholders to achieve our objectives. The Board does not only aim for the primary objective of any profit-oriented entity which is the maximisation of the shareholder wealth along with protecting the interests of all internal and external stakeholders of the Company but also entrenched to provide their insights in the decisions by involving in the designing of strategic initiatives, establishing performance objectives and targets to ensure continuity and sustainability of the business.

## SUSTAINABILITY GOVERNANCE

For AEL, sustainability governance is the foundation for delivering short-term financial performance coupled with long-term growth prospects. We have integrated sustainability topics into our business strategy and they form part of our integrated model. This is backed by the strong governance structure we have put in place across the Group.

## LEADERSHIP

### The Chairman

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 and practice of good corporate governance. The Chairman is responsible for making sure that the agenda, minutes of prior meetings, Board papers and supplementary information 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 ensures the proper recording of all matters discussed at the meetings through the Company Secretary. He is also responsible for making the Board members aware of the importance of creating value to all stakeholders of the Company. Chairman's responsibilities are discussed in detail on page 137.

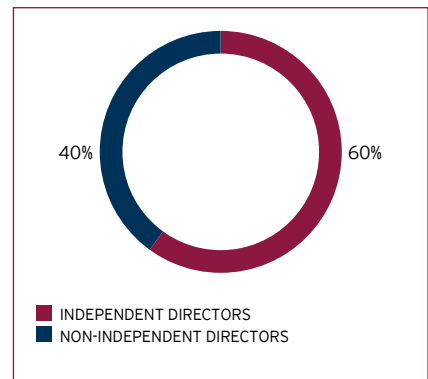
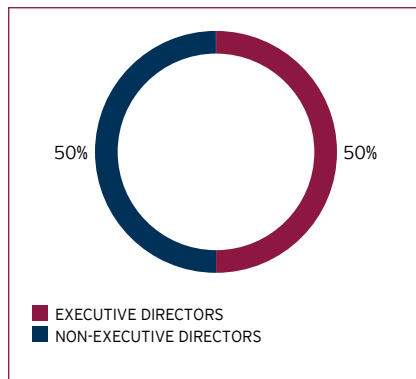
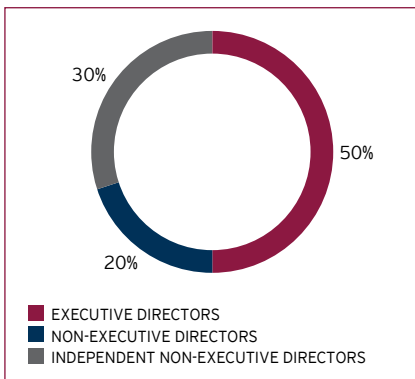
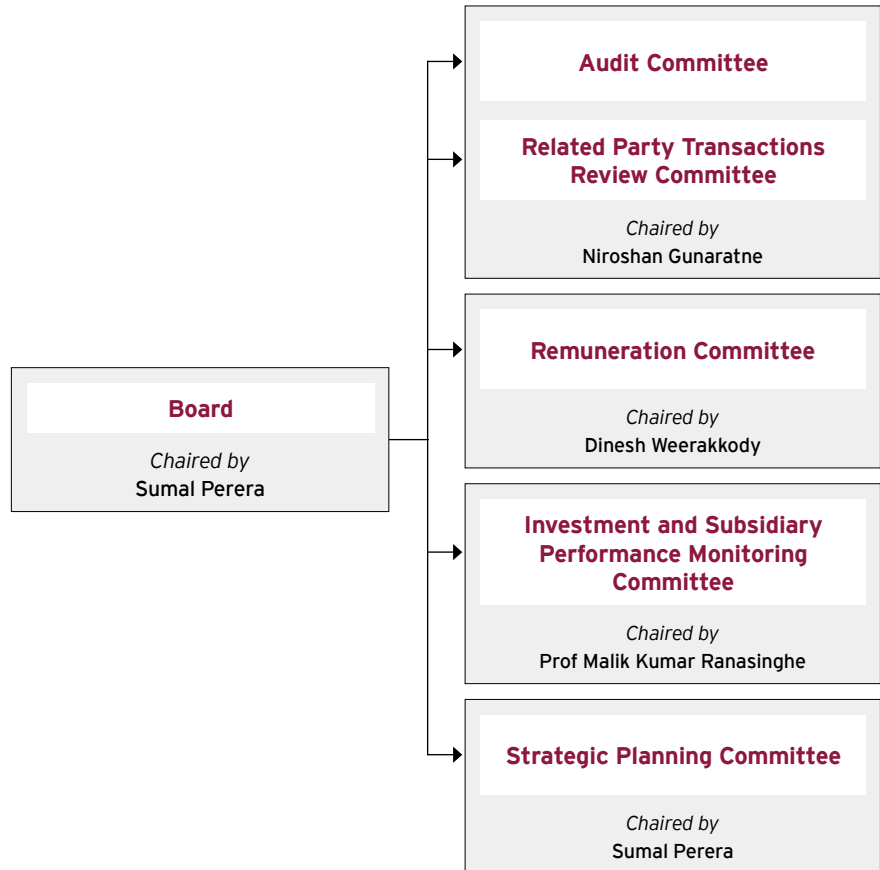
### Board of Directors

With sustainability in the long run as the ultimate goal, the Board as a whole continues to take ownership of effective leadership. The Management and governance framework, which the Board has implemented to support the Company’s long-term growth objectives is set out on page 124. The Board comprises ten (10) Directors out of whom five (5) are Executive Directors and five (5) are Non-Executive Directors. Daily operational aspects of the Company are headed by the Managing Director who is supported by the Director/Chief Operating Officer (COO). The Board comprises three (03) Non-Executive Directors who are also 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.

The diverse range of skills and leadership experience offered by the Non-Executive Directors means that they are well-qualified to scrutinise performance, assess the Group’s risk management and control processes, constructively challenge decisions and operations and support the Executive Directors. 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. Biographical details of each of the Directors are set out on pages 118 and 119. Composition of the Board is as follows:

### HIGH-LEVEL CORPORATE GOVERNANCE AND MANAGEMENT STRUCTURE

Under the Board’s leadership, AEL has put in place a comprehensive management structure together with clearly defined policies, procedures and limits of delegated authority. Our high level Management and governance structure is summarised in the diagram below:



## ↓ CORPORATE GOVERNANCE

### Corporate management of Access Engineering

With the objective of achieving sustained value creation for the benefit of all the stakeholders, the Corporate Management team of AEL has adhered to the corporate governance principles, along with maintaining effective structures and processes within the Company. The team, comprising the Managing Director, Chief Operating Officer (COO), Board members and Senior Management, meet at regular intervals to discuss the Management of business and operating activities. The core of AEL, 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 practical time frames and ensuring any shortfalls or delays are speedily attended to.

In exercising the Authority within an ethical framework which is continuously demanding the compliance to itself, as well as best practices in dealing with employees, customers, suppliers and the community at large, AEL thrives to optimise its triple-bottom line at the end.

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. Our approach to delegation of high authority tied-up with high accountability has given us the freedom to respond to customer

GRI 102-16

- Self Regulation**
- ▶ Solving conflicts in a fair and expeditious manner
  - ▶ Meeting all regulatory requirements
- Cooperativeness**
- ▶ Upholding a healthy business environment
  - ▶ Cooperating with other business and professionals

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. Profiles of the Corporate Management are given from pages 122 to 123.

### EFFECTIVENESS

#### Board evaluation

The Board carries out 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 for future reference. 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 five-member committee. The Non-Executive Directors are required to confirm the existence or non-existence of conflicts of interest in the dated declaration submitted to the Board.

#### Business ethics

We believe that despite the mere profitability motive, an entity should uphold to its ethics in order for its sustainability in the long run. 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. Thus every employee at AEL including the new recruits is firmly guided to abide by the following ethics:





 CORPORATE GOVERNANCE

## Internal control

Internal Controls are considered a fundamental and an integral part of good corporate governance culture at AEL. The Board of Directors is responsible for identifying and managing all risks of the Company. To this effect, assessment of the operating effectiveness and any malfunctions and exceptions of the Internal controls is done by the Internal Audit Division of the Company which aims at providing a reasonable assurance to the Board of Directors and the Corporate Management that the internal controls imposed over core organisational processes are effective enough so as to ensure the achievement of the ultimate objective of wealth maximisation of the Company and its shareholders. Internal Audit on processes not only provides the above assurance but also presents the Company with a systematic, disciplined approach to evaluate and improve the effectiveness of risk management/mitigation process, internal controls, compliance, legal proceedings, customer complaints and governance activities within the Company while adding value to its core. It further assists the Company to meet its obligations of adhering to the practice of good corporate governance.

The internal control system at AEL is embedded in all operative activities within the Company and is not an extraneous exercise which is merely ticking against a checklist. Hence, the same is able to respond to emerging risks within and outside the Company and includes procedures for reporting control failures and weaknesses, if prevalent.

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 organisation and to overlook key operational and regulatory deficiencies.

In preparing the Internal Audit Plan for each financial year, the Company adopts a balanced approach considering both high-risk areas as well as core organisational processes. Due to the increasing complexity of the business environment the Company operates in, the more recent Internal Audit Plans have adopted a flexible structure so as to facilitate unforeseeable and *ad hoc* situations. Once prepared, the draft plan is presented to the Corporate Management for review and comments prior to being presented to the Audit Committee for final ratification.

Based on a thorough evaluation and previous audit findings, the department's key focus areas for the financial year 2019/20 were identified to be statutory compliance, information technology, enterprise resource planning system, public complaints, insurance process, procurement and financial reporting.

## Management systems

At AEL, we have established and implemented Quality Environment and Health and Safety Management Systems which meets the requirements of international standards.

Further Company Quality and Environment Management Systems are upgraded and certified to the latest International Standards ISO 9001:2015 and ISO 14001:2015 respectively.

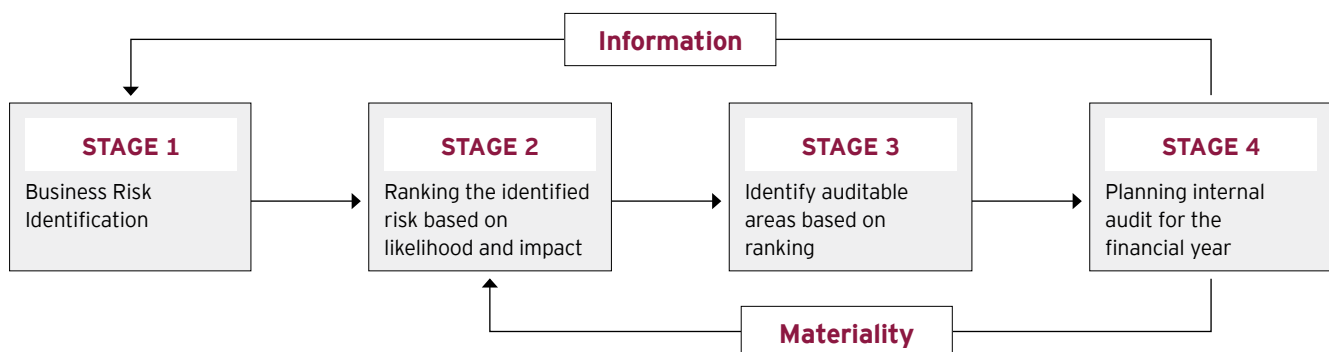
Management systems are driven by risk based thinking and interacts with all activities of the organisation, identify context/needs and expectations of interested parties, assess and manage risk, satisfy interested parties while enabling AEL to improve its processes, reduce environmental impacts, protect the workforce and increase the market share.

In the mean time the Company is in the process of upgrading its Health and Safety Management System to meet the requirements of the standard ISO 45001: 2018.

The Corporate Management of AEL ensures its commitment and provides adequate reasons for the effective implementation of management systems, while internal audits are carried out to ensure conformance with the management systems and periodically review for continued improvement.

## Quality Management System (QMS)

The QMS defines processes which will result in quality of products and services instead of adopting a reactive approach of detecting product and service non-conformance. Further, it establishes policies, objectives,



## ↓ CORPORATE GOVERNANCE

processes and procedures in order to continually improve the effectiveness and efficiency of its performance. It ensures -

- ⊕ The ability of AEL to deliver the desired product and/or service consistently, while meeting relevant interested parties' needs and expectations; and
- ⊕ That the products and services are produced at an optimum cost with efficient use of the available resources - materials, human, technology and information.

### Our quality policy

- ⊕ Access Engineering PLC is committed to satisfy customer needs and expectations by providing high quality products and services with effective, efficient and innovative solutions.
- ⊕ The top Management determines the context of the Organisation by strategically analysing and reviewing its internal and external factors to support its strategic direction.
- ⊕ The Company is committed towards the identification of relevant interested parties, their needs and expectations and their fulfilment to enhance the sustainability of the business.
- ⊕ To meet with the above commitment, the Company continually improves its quality management system whilst adhering to the applicable regulatory requirements through cost effective, profitable, safe and sound environmental friendly operations.

### Environmental Management System (EMS)

AEL reflects its green consciousness via the establishment and maintenance of the Environment Management Systems. This enables to eliminate/reduce significant environmental impacts caused by the operations carried out by the organisation. This is done by identifying and assessing environmental impacts, establishing environmental control measures, formulating and implementing management programmes to minimise that impact.

This enables us to -

- ⊕ Manage and improve our environmental performance (eliminate/reduce negative impacts) and increase the efficiency of resource utilisation (e.g., reduce waste and energy use)
- ⊕ Comply with environmental laws and regulations
- ⊕ Improve our standing and reputation among staff, clients, partners and other stakeholders
- ⊕ Adapt to changing environments (in operations and/or products and services)

### Our environment policy

- ⊕ AEL is committed to carry out its operations to have a minimal impact to the environment as its strategic direction for the sustainable business.
- ⊕ The Company analyses the internal and external factors affecting the performance of its EMS.
- ⊕ The Company identifies and reviews the needs and the expectations of the interested parties including compliance obligations with regard to the environment, and establishes communication with the relevant interested parties on environmental obligations.
- ⊕ The Environmental Management System is continually improved by reviewing, assessing and setting targets and objectives for enhancing its performance.

### Health and safety management system

Health and Safety Management System in AEL is a systematic approach that has been put in place to minimise the risk of injury and illness. It involves identifying, assessing and controlling risks to workers in all workplace operations. The core elements of our Health and Safety Management System includes Management involvement and commitment, hazard identification and risk assessment, hazard control, training, emergency response, incident reporting and investigation and communication. The system enables us to protect our workforce, comply with laws and regulations, reduce cost, enhance

employee relations and create an incident free workplace.

### Our health and safety policy

Access Engineering PLC, is a leading infrastructure development solutions provider in Sri Lanka, employees, subcontractors, suppliers, visitors and general public who use its premises in order to prevent injury and ill health, according to applicable health and safety regulations and safety manual of the Company.

In satisfying this commitment, Access Engineering PLC aims to -

- ⊕ Strictly comply with applicable legal and other requirements and where possible setting its own higher standards.
- ⊕ Provide suitable training, awareness, information, instructions and supervision to maintain these standards.
- ⊕ Encourage communication and consultation between employees and the Management on health and safety issues.
- ⊕ Continually strive to improve health and safety performance by establishing clear and measurable objectives and targets, auditing, reviewing, monitoring and reporting performance and recognising those who contribute positively to its improvement.
- ⊕ Arrange for the effective planning, organisation, control, monitoring and review of preventative and protective measures.
- ⊕ Ensure that the health and safety policy remains relevant and appropriate to Access Engineering PLC by requiring periodic review in line with Management review procedures.

### Board subcommittees

With the objective of further strengthening the governance in AEL, the Company has set up following subcommittees:

- ⊕ Audit Committee
- ⊕ Remuneration Committee
- ⊕ Related Party Transactions Review Committee
- ⊕ Investment and Subsidiary Performance Monitoring Committee
- ⊕ Strategic Planning Committee

GRI 405-1

Committee and composition	Key areas of responsibilities	Committee report reference
<b>Audit Committee</b> Three (3) Non-Executive Independent Directors and One (1) Non-Executive Director	Oversight responsibilities for the integrity of Financial Statements, risk management, business ethics, internal control, internal audit function, compliance, review external auditor's performance and reporting responsibilities.	Page 158
<b>Related Party Transactions Review Committee</b> Three (3) Independent Non-Executive Directors and one (1) Executive Director.	Ensuring that all related party transactions of the Company are consistent with the regulatory provisions laid down by the Corporate Governance Directions, LKAS 24 and the Listing Rules of the CSE.	Page 160
<b>Remuneration Committee</b> Three (3) Non-Executive Independent Directors and one (1) Non-Executive Director.	Setting up the remuneration policy and making recommendations to the Board on recruitment, remuneration and performance evaluation	Page 161
<b>Investment and Subsidiary Performance Monitoring Committee</b> Five members including three (3) Independent Non-Executive Directors and two (2) Executive Directors.	Assessing and monitoring existing and new investments of AEL and reporting observations and recommendations to the Board	Page 162
<b>Strategic Planning Committee</b> One (1) Independent Non-Executive Director and three (3) Executive Directors.	Focusing on planning and setting strategic direction to achieve goals and objectives of the Company.	Page 163

## ACCOUNTABILITY

### Audit committee

Audit Committee has continued to review and report to the Board on the Group's financial reporting, internal control and risk management processes and the performance, independence and effectiveness of the External Auditor, Messrs KPMG, Chartered Accountants. This report describes the Committee's major areas of focus since their last report in financial year 2017/18. The Committee appointed by the Board of Directors comprises three (03) Independent Non-Executive Directors and One (1) Non-Executive Director of the Board.

### Members of the audit committee

Niroshan Dakshina Gunaratne (Chairman)	Independent Non-Executive Director
Prof Kulatileke Arthanayake Malik Kumar Ranasinghe	Independent Non-Executive Director
Dinesh Weerakkody	Independent Non-Executive Director
Suresh Dilan Perera	Non-Executive Director

The Audit Committee Charter has formalised 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 finance-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 Auditor;
5. Making recommendations to the Board pertaining to appointment, reappointment and removal of External Auditors and approving remuneration and terms of engagement of the External Auditor.

Audit Committee Report is given on page 158.

## ↓ CORPORATE GOVERNANCE

### Remuneration committee

In order 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 the 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.

Comprising three (3) Independent Non-Executive Directors and one (1) Non-Executive Director of the Board, this Committee is appointed by the Board.

#### Members of the remuneration committee:

Dinesh Weerakkody (Chairman)	Independent Non-Executive Director
Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe	Independent Non-Executive Director
Niroshan Dakshina Gunaratne	Independent Non-Executive Director
Suresh Dilhan Perera	Non-Executive Director

Remuneration Committee Report is given on page 161.

### Related party transactions review committee

The objective of the Related Party Transactions Review Committee is to ensure that the interests of shareholders as a whole are taken into account by a Listed Entity when entering into related party transactions. The Rules set out in this Section further provide certain measures to prevent Directors, Chief Executive Officer or substantial shareholders taking advantage of their positions. This Committee comprises three (3) Independent Non-Executive Directors and one (1) Executive Director of the Board.

### Members of the related party transactions review committee:

Niroshan Dakshina Gunaratne (Chairman)	Independent Non-Executive Director
Dinesh Weerakkody	Independent Non-Executive Director
Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe	Independent Non-Executive Director
Dalpadoruge Anton Rohana Fernando	Executive Director/Chief Operating Officer

The purpose of the Committee is to provide independent review, approval and oversight of all proposed related party transactions in accordance with the Related Party Transactions Policy. The Related Party Transactions Review Committee Charter has formalised the authority, responsibilities and specific duties pertaining to the Committee.

Related Party Transactions Review Committee Report is given on page 160.

### Investment and subsidiary performance monitoring committee

Since the investment decisions and performance of previous investment decisions are essential to be reviewed, the board subcommittee was set up during Financial year 2016/17, comprising three independent Non-Executive Directors and two Executive Directors. The purpose of the Committee is to discuss prospective investment and performance monitoring of subsidiaries/associates prior to discussion of the relevant matters at Board meetings.

### Members of the investment and subsidiary performance monitoring committee:

Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe (Chairman)	Independent Non-Executive Director
Niroshan Dakshina Gunaratne	Independent Non-Executive Director
Dinesh Weerakkody	Independent Non-Executive Director
Joseph Christopher Joshua	Managing Director
Dalpadoruge Anton Rohana Fernando	Executive Director/Chief Operating Officer

The Committee's mandate includes:

- ④ Assessment and notification of their recommendations to the Board on major new investments in subsidiaries/associates and capital investments in the parent company.
- ④ Assessment and notification of their recommendations to the Board on divestment of subsidiaries in the parent company.
- ④ Monitoring the budgets of subsidiaries and associates and submit their observations and recommendations to the Board.
- ④ Review the progress of subsidiary companies of AEL.
- ④ Advise the Management on what action should be taken for any instances of non-compliance noticed in investment and budgetary monitoring of subsidiaries/associates.

Investment and Subsidiary Performance Monitoring Committee Report is given on page 162.

## Strategic planning committee

The Strategic Planning Committee assists the Board with its responsibilities for the Organisation's vision, mission and strategic direction. The Strategic Planning Committee provides a useful forum for Board members to share views on strategic issues. The Committee addresses strategic issues in detail that require more focused study prior to bringing a matter to the full Board.

### Members of the strategic planning committee:

Sumal Joseph Sanjiva Perera	Chairman
Joseph Christopher Joshua	Managing Director
Dalpadoruge Anton Rohana Fernando	Executive Director/Chief Operating Officer
Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe	Independent Non-Executive Director

Key Responsibilities of the Strategic Planning Committee include –

- ➔ Making recommendations to the Board related to the Organisation's vision, mission strategic initiatives, major programmes and services.
- ➔ Identify critical strategic issues facing the Organisation and assisting in analysis of alternative strategic options.
- ➔ Ensuring Management has established an effective strategic planning process with time line targets.
- ➔ Advising the Board on the trends in Organisation's industry, market/community, and core competencies.
- ➔ Periodically reviewing the vision, mission and strategic plan, and recommending changes to the Board.

- ➔ Reviewing and forwarding to the Board strategic plans of subsidiary organisations to assure they are aligned with the system's strategic direction and goals.
- ➔ Reviewing major new programmes and services.

The Committee met regularly to fulfil the above tasks assigned.

Strategic Planning Committee Report is given on page 163.

## Compliance committee

The Compliance Committee is appointed by the Chief Operating Officer (COO) and is set-up to further strengthen good governance at the 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 the Code of Conduct based on the recommendations made by the Compliance Committee via the COO. Regular meetings are conducted to discuss the compliance matters and new trends.

Beyond the mandatory requirements to set-up the Audit, Remuneration and Related Party Transactions Review Committees, AEL has also set-up Strategic Planning Committee, Compliance Committee and Subsidiary Performance Monitoring Committee voluntarily for the enhanced transparency and Governance perspective and on par with industry practices. Occasionally, where it may be more expedient to do so, the Board may delegate some of its powers to a subcommittee on an ad hoc basis.

## Members of the compliance committee:

Dalpadoruge Anton 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	General Manager (Planning and Development)
Niroshan Thilakaratne	General Manager (Commercial)

The committee's mandate includes –

1. Establish and monitor whether the Organisation'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.

 CORPORATE GOVERNANCE

## Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance

Principal	Description	Comment/reference	Compliance status
<b>CSE Listing Rule 7.6 - Contents of Annual Report</b>			
(i)	Names of persons who during the financial year were Directors of the Entity	Board of Directors	Complied
(ii)	Principal activities of the Entity and its subsidiaries during the year and any changes therein	Notes to the Financial Statements	Complied
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Investor Capital	Complied
(iv)	The Public Holding percentage	Investor Capital	Complied
(v)	A statement of each Director's holding and Chief Executive Officer holding in shares of the Entity at the beginning and end of each financial year	Investor Capital	Complied
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Enterprise Risk Management	Complied
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	During 2018/19 there were no material issues pertaining to employees and industrial relations of the Entity	
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Annual Report of the Board of Directors on the affairs of the Company	Complied
(ix)	Number of shares representing the Entity's stated capital on the affairs of the Company	Annual Report of the Board of Directors on the affairs of the Company	Complied
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Investor Capital	Complied
(xi)	Financial ratios and market price information	Investor Capital	Complied
(xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value.	Notes to the Financial Statements	Complied
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	In 2018/19 no funds were raised through a public issue, rights issue or a private placement	
(xiv)	Employee Share Option Schemes and Employee Share Purchase Schemes	The Company does not have any Employee Share Option Schemes or Employee Share Purchase Schemes	
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules	<ul style="list-style-type: none"> <li>→ Board of Directors (Refer pages 118 and 119)</li> <li>→ Compliance with Code of Best Practice on Corporate Governance jointly issued by CA Sri Lanka and SEC (Refer pages 134 to 157)</li> <li>→ Annual Report of the Board of Directors (Refer pages 174 to 179)</li> <li>→ Notes to the Financial Statements (Refer page 193)</li> <li>→ Audit Committee Report (Refer page 158)</li> </ul>	Complied
(xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	<ul style="list-style-type: none"> <li>→ Related Party Transactions Review Committee Report (Refer page 160)</li> <li>→ Notes to the Financial Statements</li> </ul>	Complied

## Statement of Compliance under Section 7.10 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance

Principal	Description	Comment/reference	Compliance status
<b>CSE Listing Rule 7.10 - Corporate Governance</b>			
a. and b.	Compliance with Corporate Governance Rules	Annual Report of the Board of Directors	Complied
<b>CSE Listing Rule 7.10.1 - Non-Executive Directors</b>			
a., b. and c.	Composition of the Non-Executive Directors	Board of Directors	Complied
<b>CSE Listing Rule 7.10.2 - Independent Directors</b>			
a.	Composition of the Independent Directors	Board of Directors	Complied
b.	Signed and dated declaration of each Independent Director	Compliance with Code of Best Practice on Corporate Governance jointly issued by CA Sri Lanka and SEC	Complied
<b>CSE Listing Rule 7.10.3 - Disclosures Relating to Directors</b>			
a. and b.	Determination of independence or non-independence of each NED	Board of Directors Compliance with Code of Best Practice on Corporate Governance jointly issued by CA Sri Lanka and SEC	Complied
c.	A brief Résumé of each Director	Board of Directors	Complied
d.	Brief Résumé of newly appointed Director/s	During 2018/19 no new Director was appointed	
<b>CSE Listing Rule 7.10.4 - Criteria for Defining "Independence"</b>			
a. to h.	Criteria to meet to be an Independent Director	Compliance with Code of Best Practice on Corporate Governance jointly issued by CA Sri Lanka and SEC	Complied
<b>CSE Listing Rule 7.10.5 - Remuneration Committee</b>			
a.	Composition	Corporate Governance	Complied
b.	Functions	Corporate Governance	Complied
c.	Disclosures in the Annual Report	↻ Annual Report of the Board of Directors on the Affairs of the Company ↻ Notes to the Financial Statements ↻ Remuneration Committee Report (Refer page 161)	Complied
<b>CSE Listing Rule 7.10.6 - Audit Committee</b>			
a.	Composition	Audit Committee Report	Complied
b.	Functions	Audit Committee Report	Complied
c.	Disclosures in the Annual Report	Audit Committee Report	Complied

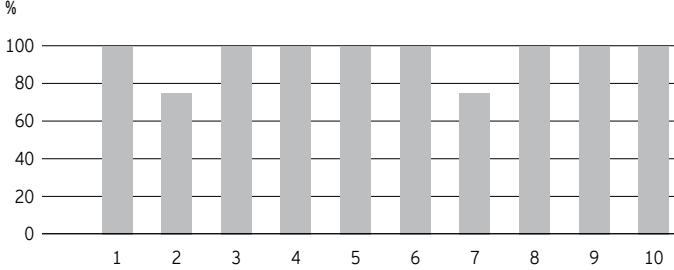


## CORPORATE GOVERNANCE

## THE 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

Principle	Description	Comment	Compliance status
<b>A</b>	<b>Directors</b>		
<b>A.1</b>	<b>The Board</b>		
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 unitary board comprising of ten members. The primary objective of the Board is to provide necessary stewardship, strategic direction, a policy framework and a governance structure in order to achieve the vision of the Company. The Board regularly monitors the performance of the Company against goals and targets set on a periodic basis and discusses the same at Board meetings in great detail. Composition of the Board set out on page 125.</p> <p>All Executive Directors are a part of the company's Corporate Management Team. The Board consists of professionals from diverse fields such as engineering, accounting, finance, business development, human resources and consultancy, bringing independent judgement and perspectives for the efficient functioning of the Board and discharge of duties.</p> <p>They also sufficiently represent professional, academic and entrepreneurial domains, all of which are necessary for the effective functioning of the Board. Additionally, all members of the Board possess adequate levels of skills, competencies and knowledge in their respective fields of specialisation so as to provide overall strategic direction to the Company. The Board also sets the level of risk appetite of the Company.</p> <p>There are four subcommittees of the Board of which three are mandatory and one is voluntary. These committees ensure the Company's adherence to best practices of corporate governance in conducting business.</p>	Complied



Principle	Description	Comment	Compliance status																						
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 the Board's responsibilities, while providing information to the Board on a structured and regular basis.	<p>During the year four scheduled Board meetings were conducted, all of which were well planned and informed in advance and all members were eligible to attend. Attendance of members at meetings was as follows:</p> <p><b>DIRECTORS' ATTENDANCE FOR THE BOARD MEETING</b></p>  <table border="1"> <thead> <tr> <th>Director</th> <th>Attendance (%)</th> </tr> </thead> <tbody> <tr><td>1</td><td>100</td></tr> <tr><td>2</td><td>75</td></tr> <tr><td>3</td><td>100</td></tr> <tr><td>4</td><td>100</td></tr> <tr><td>5</td><td>100</td></tr> <tr><td>6</td><td>100</td></tr> <tr><td>7</td><td>75</td></tr> <tr><td>8</td><td>100</td></tr> <tr><td>9</td><td>100</td></tr> <tr><td>10</td><td>100</td></tr> </tbody> </table> <p>1 MR S J S PERERA 2 MR R J S GOMEZ 3 MR J C JOSHUA 4 MR S H S MENDIS 5 MR D A R FERNANDO 6 MR S D MUNASINGHE 7 PROF K A M K RANASINGHE 8 MR N D GUNARATNE 9 MR S D PERERA 10 MR D WEERAKKODY</p> <p>As and when the need arises special Board meetings are also conveyed though no such meeting was held during the year under review.</p>	Director	Attendance (%)	1	100	2	75	3	100	4	100	5	100	6	100	7	75	8	100	9	100	10	100	Complied
Director	Attendance (%)																								
1	100																								
2	75																								
3	100																								
4	100																								
5	100																								
6	100																								
7	75																								
8	100																								
9	100																								
10	100																								
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.	A brief profile of each member of the Board of Directors and Corporate Management Team is given on pages 118 to 123.	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.	<p>The Board collectively and the Directors individually, have recognised their duty to act in accordance with the prevailing laws of the country. The Board has put in place the Compliance Committee, which is headed by the chief operating officer to ensure compliance with all necessary rules and regulations applicable to the Company.</p> <p>The Board also complies with the sound framework of business practices in place, which further strengthens compliance with existing laws and regulations. In matters of strategic importance to the Company, the Board obtains independent professional advice, if it deems necessary, at the expense of the Company.</p>	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 company secretarial body, 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, proper conduct of meetings and the adoption of best practices of corporate governance. The firm is also responsible for the distribution of the Company's Annual Report to its shareholders.	Complied																						

 CORPORATE GOVERNANCE

Principle	Description	Comment	Compliance status
A.1.5	All Directors should bring independent judgement to bear on issues of strategy, performance, resources (including key appointments) and standards of business conduct.	<p>All Directors are encouraged to bring independent judgement on matters relating to strategic direction of the Company, effective utilisation of resources, performance and business conduct. The vast experience and knowledge they possess in their specialised fields ensure the execution of this judgement.</p> <p>Transparency of the judgements is further enhanced with the existence of three Independent Non-Executive Directors who continue to critically evaluate the decisions of the Executive Directors. The Board has put in place a culture of accepting the contribution of each member and all Directors have an equal opportunity to express their views and ideas. The composition of the Board is sufficient enough to ensure balance of power and no Director dominates the conduct of meetings or the Board's decision-making process.</p>	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 recognised 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 familiarisation 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 through circular resolution. Relevant Board Papers, together with supplementary information, were sent at least a week prior to the Board meetings so as to give them adequate time to critically review and study the contents. In the event additional information was requested by the Board through the Company Secretary the same was made available at the earliest in order to enhance the effectiveness of Board decisions.	Complied
A.1.7	One-third of Directors can call for a resolution to be presented to the Board where they feel it is in best interest to the Company to do so.	One-third of the Directors could request for a resolution to be presented to the Board for the best interest of the Company.	Complied
A.1.8	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 recognise that there is a need for continuous training and an expansion of the knowledge and skills required to effectively perform his/her duties as a Director. The Board should regularly review and agree the training and development needs of the Directors.	<p>A new Director who is appointed to the Board receives an orientation on the operations, risk management, internal control and other areas from the Managing Director in order to familiarise the new Director with the Company.</p> <p>Majority of the Independent Non-Executive Directors are members of the Sri Lanka Institute of Directors. Each Director was well aware of the need to continuously enhance his knowledge and skills so as to effectively perform his duties as a Director. Knowledge sharing among members, attending seminars organised by relevant professional bodies, participating in industry advancement sessions and policy making initiatives are some of the methods adopted during the year with respect to training and development.</p>	Complied

Principle	Description	Comment	Compliance status
<b>A.2</b>	<b>Chairman and Chief Executive Officer (CEO)</b>		
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.	<p>The Chairman is responsible for the effective conduct of the business of the Board, while the executive responsibility for management of the Company's business is vested with the Managing Director. Hence there is a balance of power and authority. The Managing Director is supported by the Director/Chief Operating Officer in managing the day-to-day affairs of the Company.</p> <p>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.</p>	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 leading, directing and controlling the affairs of the Board including the Board Balance, effective conduct of Board meetings and special meetings of the Board. He is also responsible for 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). The Managing Director and COO give leadership to the Corporate Management Team who is collectively responsible for the conduct of day-to-day operations.	Complied
<b>A.3</b>	<b>Chairman's Role</b>		
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.	<p>As the highest member of the organisation, the Chairman is committed to the practice of good corporate governance. As the head at the Board meetings, the Chairman ensures that the Board members receive adequate information prior to every meeting together with the agenda to enable them to take accurate decisions about the Company, facilitates discussions at the meetings to include the views of all members, encourages participation of all members in the decision-making process and ensures accurate recording of proceedings via minutes through the Company Secretary. He is responsible for ensuring that the objectives of the meeting are achieved and adequately discussed among its members.</p> <p>The Chairman is also responsible for the composition and the structure of the Board, representing the views of the company to the public, maintaining relationships with shareholders and overseeing the self-evaluation of Board members performance.</p>	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 and supplementary information are circulated among the members in advance, giving sufficient time for preparation. Agenda for each Board meeting is finalised by the Chairman in consultation with the Company Secretary and where necessary, feedback from the other members is taken.	Complied



## CORPORATE GOVERNANCE

Principle	Description	Comment	Compliance status
<b>A.4</b>	<b>Financial Acumen</b>		
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.	A brief profile of each member of the Board of Directors is given on pages 118 and 119.	Complied
<b>A.5</b>	<b>Board Balance</b>		
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 Directors of which five are Executive Directors and five are Non-Executive. This ratio was maintained throughout the financial year. Composition of the Board is set out on page 125.  No individual or small group of individuals can dominate the Board's decision-taking. Non-Executive Directors are not involved in the day-to-day operations of the company, thus ensures independent judgement. Non-Executive Directors are also veterans in their respective fields both academically and professionally thus deemed suitable to hold office.	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 the 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 and this ratio was maintained throughout the year. Every Non-Executive Director on the Board has excelled in their respective discipline. Thus their contribution to the decision-making of the Board was noteworthy during the year, both quantitatively as well as qualitatively.	Complied
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 five Non-Executive Directors out of which three are Independent and this ratio was maintained throughout the year. Composition of the Board is set out on page 125.	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 judgement.	Three 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 judgement. Additionally, each Independent Non-Executive Director submits a written declaration of his independence to the Board on an annual basis. This written annual submission is also considered as a part of their annual performance evaluation. Based on the written declaration submitted by the Independent NEDs' for the financial year 2018/19, they were considered as continuing to be independent.	Complied

 CORPORATE GOVERNANCE

Principle	Description	Comment	Compliance status
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 K.	During the year, each Non-Executive Director submitted a dated and signed declaration regarding their independence against the specified criteria set out in the Code. While this declaration fulfilled the requirements of Schedule J of this Code, no circumstance rose for the determination of independence by the Board outside the criteria set out by 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 judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. 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".	<p>Based on the declarations submitted to the Board and other information available, the following NEDs' of the Board were decided to be independent as at the end of the financial year:</p> <ul style="list-style-type: none"> <li>⊙ D S Weerakkody</li> <li>⊙ Prof K A M K Ranasinghe</li> <li>⊙ N D Gunaratne</li> </ul> <p>The Board considered the annual declaration made by the NEDs' to be a fair representation of their independence.</p>	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.	N/A
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.	N/A
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.	Please refer comment under A.5.7.	Complied



## CORPORATE GOVERNANCE

Principle	Description	Comment	Compliance status
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 each year.	The Chairman holds meetings with the NEDs' without the presence of Executive Directors as and when necessary. During the year one such meeting was 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.	During the year, there were no matters of the Company that the Board was unable to resolve unanimously. However, in the event such matter arises, the Company Secretary records same in sufficient detail in the Board minutes. These minutes are circulated among Board members prior to the next meeting.	Complied
<b>A.6</b>	<b>Supply of Information</b>		
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, Proposals and Board Papers during the year. The information was made available by the Company Secretary along with the agenda at least seven days prior to the meeting in order to provide sufficient, time for preparation.  In the event, information provided was not sufficient supplementary information was provided on the request of Board members.	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, Proposals and Project Performance Reports on a monthly basis, both in a quantitative and qualitative manner. In addition to this, the entire Board is provided with Board Papers and other relevant information by the Corporate Management. The Board is also appraised on areas such as CSR, Risk Management, Corporate Governance, Human Resources and Legal Compliance by the Corporate Management time to time. In instances where additional information is required the same is requested, from the Corporate Management or the responsible individuals. As and when necessary, the Corporate Management also makes presentations to the Board in order to enable sound decision-making.  The Board has free and open access to all Corporate Management members. The Chairman ensured that all Board members were briefed sufficiently on any matter/s arising from the meeting/s. Any Director who was unable to attend a particular Board meeting is briefed on the proceedings before the next meeting by the Chairman and through the minutes of the meeting.	Complied
A.6.2	In order to facilitate effective conduct of meetings, the agenda and papers required for a Board meeting should be provided to Directors at least seven (7) days before the meeting, and the minutes of the meeting should ordinarily be provided to Directors at least two weeks after the meeting date.	As a norm, all Board Papers are circulated to the Board members 10 working days before hand for them to study the materials and prepare themselves for the meeting and the within two weeks of the meeting the decisions taken and the discussion points are minute and circulated for their review/comments and finalisation.	Complied

Principle	Description	Comment	Compliance status
<b>A.7</b>	<b>Appointments to the Board</b>		
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 and 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	The 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. Preliminary discussions were held during the year 2018/19 to establish a Nominations Committee	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, independence and the value that can be added to the Company to effectively meet the demands of the Company. The Board is satisfied with its composition and the level of qualifications, knowledge and experience it possesses as a whole in order to meet strategic demands facing the Company.	Complied
A.7.3	Upon the appointment of a new Director to the Board, the Company should forthwith disclose to shareholders: <ul style="list-style-type: none"> <li>⊕ A brief résumé of the Director</li> <li>⊕ The nature of his expertise in relevant functional areas</li> <li>⊕ The names of companies in which the Director holds directorships or memberships in Board committees and</li> <li>⊕ Whether such Director can be considered independent.</li> </ul>	No new Director was appointed to the Board during the year. However, all new appointments are promptly communicated to the CSE together with a brief résumé containing the member’s expertise, other directorships held and independence for public dissemination.	N/A. No new Directors appointed during the year



## CORPORATE GOVERNANCE

Principle	Description	Comment	Compliance status
<b>A.8</b>	<b>Re-election</b>		
A.8	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	<p>Directors are re-elected with the sanction of the shareholders at the Annual General Meeting of the Company. The Articles of Association of the Company requires one NED to appear for re-election every year and as such 2018 saw the re-election of S D Perera who retired by rotation. Generally, Directors who retire are the ones who have held office for the longest period since election and reappointment. Recommendations on the re-election of Directors are given by the Company Secretary and the same is reviewed by the Board.</p> <p>In terms of the Articles of Association of the Company R J S Gomez will retire by rotation and being eligible will offer himself for re-election at the forthcoming Annual General Meeting.</p>	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.	No new Director was appointed to the Board during the year. However, in the event a new Director is appointed to the Board, he/she will offer himself/herself for election by the shareholders at the first opportunity.	Complied
<b>A.8.3</b>	<b>Resignation</b>		
A.8.3	In the event of a resignation of a Director prior to completion of his appointed term, the Director should provide a written communication to the Board of his reasons for resignation.	Before the formal resignation the Directors explain their reasons for the resignation decision and the same is being minute under the Board meeting minutes. Also when Directors send their resignation letters, they explain the decision factors in the resignation letter for the documentary purposes.	N/A. No resignation of Directors during the year



Principle	Description	Comment	Compliance status																		
<b>A.9</b>	<b>Appraisal of Board Performance</b>																				
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. Appraisal of Board performance is usually coordinated by the Company Secretary and overseen by the Chairman.	Complied																		
A.9.1	The Board should have in place a formal and rigorous process for annually reviewing the performance of the Board and its committees and should address any matters that may arise from such review, in the discharge of its key responsibilities as set out in A.1.2.	In order to retain the enthusiasm in Company operations overall the Board members meet the Chairman and conduct face to face discussions on the members anticipated suggestions for the betterment of the Company and the Chairman there address the performance remarks of the individual Board members that he has observed during the year.	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 2018/19 against targets set at the beginning of the year. Minutes of the results of these assessments were recorded by the Company Secretary and areas for improvement in the FY 2019/20 were identified. Each individual Director was satisfied of his performance in the FY 2018/19. Over the years, both individual and collective performance appraisal of the Board has facilitated continuous development and improvement.	Complied																		
A.9.3	The Board should have a process to review the participation, contribution and engagement of each Director at the time of re-election.	When a member's name is up for re-election the rest of the Board members discuss the value addition brought by that particular member to the Board and the contribution made thereof. And based on the discussion points the decision is made as to re-elect the member or not to. The discussion points are being minuted under the Board meeting minutes.	Complied																		
A.9.4	The Board should state how such performance evaluations have been conducted, in the Annual Report.	The performance of the Board has been appraised through a formalised process of individual appraisal by enabling each member to self-appraise on an anonymous basis	Complied																		
<b>A.10</b>	<b>Disclosure of Information in Respect of Directors</b>																				
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 through 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.	<p>Please refer the following pages for the information relating to Directors of the Company.</p> <table border="1"> <thead> <tr> <th>Information requirement</th> <th>Page/s</th> </tr> </thead> <tbody> <tr> <td>➔ Brief profile</td> <td>118 to 119</td> </tr> <tr> <td>➔ Nature of Expertise</td> <td>118 to 119</td> </tr> <tr> <td>➔ Related Party Transaction</td> <td>246 to 249</td> </tr> <tr> <td>➔ Other directorship held</td> <td>250</td> </tr> <tr> <td>➔ Attendance of Board meetings</td> <td>135</td> </tr> <tr> <td>➔ Composition of Board committees</td> <td>129</td> </tr> <tr> <td>➔ Attendance of committee meetings</td> <td>158 to 163</td> </tr> <tr> <td>➔ Remunerations</td> <td>251</td> </tr> </tbody> </table>	Information requirement	Page/s	➔ Brief profile	118 to 119	➔ Nature of Expertise	118 to 119	➔ Related Party Transaction	246 to 249	➔ Other directorship held	250	➔ Attendance of Board meetings	135	➔ Composition of Board committees	129	➔ Attendance of committee meetings	158 to 163	➔ Remunerations	251	Complied
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Principle	Description	Comment	Compliance status
<b>A.11 Appraisal of Chief Executive Officer</b>			
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.	N/A
A.11.1	At the commencement of every financial 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.	N/A
A.11.2	The performance of the CEO should be evaluated by the Board at the end of each financial 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.	N/A
<b>B Directors' Remuneration</b>			
<b>B.1 Remuneration Procedure</b>			
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 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 four Non-Executive Directors out of which three were independent.	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 in page 161 of this report.	Complied

Principle	Description	Comment	Compliance status
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 subcommittee of the Board, which might include the CEO.	Remuneration payable to the Non-Executive Directors is decided by the Board as a whole. The Non-Executive Directors are paid a monthly fee for being a member of the Board and its subcommittees. Since the Non-Executive Directors are not involved in the day-to-day affairs of the Company they are not entitled to any performance incentives.	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 AEL 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 and the Managing Director are not remunerated by the Company.	Complied
<b>B.2</b>	<b>Level and Make-up of Remuneration</b>		
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.	<p>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. The Board is aware of the fact that the level of remuneration should be sufficient enough to attract and retain Directors of high calibre to direct the Company.</p> <p>Portion of the remuneration of the Executive Directors is linked to their performance which is evaluated against targets set and agreed at the beginning of the period.</p>	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 and their contribution to the achievement of short and long-term objectives in structuring their remuneration packages so as to ensure that nothing is paid more than necessary.	Complied
B.2.2	Executive Directors' remuneration should be designed to promote the long-term success of the Company.	As the remuneration of the key personnel are being decided and approved by the Board based on the evaluation and recommendation made by the Remuneration Committee in parity with the current market rates and packages provided, the Executive Director's remuneration also followed by the same process, also providing specific targets in the ED's TOR which directs the ED in achieving the organisational performance goals in overall.	Complied



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Principle	Description	Comment	Compliance status
B.2.3	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 other companies in the industry in deciding the levels of remuneration of the Company. If the need arises the Company carries out an annual salary survey in determining the level of remuneration of key positions and their increment.	N/A
B.2.4	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.	Complied
B.2.5	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.	N/A
B.2.6	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 Stock Exchange.	Not applicable as there are no Executive share options in the Company.	Complied
B.2.7	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.	N/A
B.2.8	The 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.	N/A

 CORPORATE GOVERNANCE

Principle	Description	Comment	Compliance status
B.2.9	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.	Complied
B.2.10	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 Director's independence.	The remuneration of Non-Executive Directors reflects the degree of responsibilities and the level of time commitment extended by them in contributing and adding value to the Company's decision-making. The NEDs' do not have any share options in the Company.	
<b>B.3</b>	<b>Disclosure of Remuneration</b>		
B.3	The company's 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 in page 251 of this report.  Remuneration Committee report is given in the page 161.	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 compensation paid to Key Management Personnel are given in pages 161 and 251 of this Report respectively.	Complied



## CORPORATE GOVERNANCE

Principle	Description	Comment	Compliance status
<b>C</b>	<b>Relations with Shareholders</b>		
<b>C.1</b>	<b>Constructive Use of the Annual General Meeting (AGM) and conduct of General Meetings</b>		
C.1	Board should use the AGM to communicate with shareholders and should encourage their participation.	<p>The Company considers the AGM as the primary tool of communication with shareholders. The Notice of Meeting inviting all shareholders is given on page 287 of this Report. All shareholders are free to raise any queries from the Board, on matters relating to the Company at the AGM. The Board encourages an open dialogue with shareholders at the AGM.</p> <p>Usual proposals adopted at the AGM include the Annual Report and the Accounts, reappointment of Directors and Auditors and any other matter that require shareholder approval as per the provisions of the Articles Association of the Company.</p>	Complied
C.1.1	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 through the Company Secretary.	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. Hence shareholders are given the opportunity to vote separately on each substantial issue.	Complied
C.1.3	The Company should ensure that all valid proxy appointments received for general meetings are properly recorded and counted. For each resolution, where a vote has been taken on a show of hands, the Company should ensure that the relevant information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the company.	The secretariat and admin teams have strict follow up from the day the Notice of the Meeting along with the Annual Report is sent to the shareholders. They track the appointed proxies at the time of the registration of the AGM and the Secretary team do note the casted votes in favour of the passed resolutions accordingly.	Complied
C.1.4	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees and the Senior Independent Director where such appointment has been made, to be available to answer questions at the AGM if so requested by the Chairman.	Before the AGM date, the Company Board and the respective sub committees meet and organise how the AGM should process and run through the possible questions that the Management may face. Accordingly all the Committee heads are prepared in an instance where a related question is post to answer them.	Complied

Principle	Description	Comment	Compliance status
C.1.5	Adequate notice of all meetings to shareholders together with the summary of the procedure to be adopted by shareholders.	<p>The Notice of Meeting and related documents is circulated to the shareholders 15 working days prior to the AGM.</p> <p>Summary of the procedures governing voting at the AGM is provided in the proxy form, which is circulated to shareholders together with the notice of meeting 15 working days prior to the AGM.</p> <p>The Board encourages all shareholders to attend and actively participate in the AGM. The shareholders may raise any queries they have with the Directors.</p>	Complied
<b>C.2</b>	<b>Communication with Shareholders</b>		
C.2	The Board should implement effective communication with shareholders.	The AGM, Annual Report and other General Meetings (as and when required) 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. Similarly the Company's website <a href="http://www.accessengsl.com">www.accessengsl.com</a> is updated with financial and project-related information, corporate disclosures and other press releases for public viewing.	Complied
C.2.1	There should be a channel to reach all shareholders of the company in order to disseminate timely information.	Refer comment given under C.2. Complied.	Complied
C.2.2	The company should disclose the policy and methodology for communication with shareholders.	The Company's policy on information dissemination is based on the prime need of creating a fair market for the Company's securities among all market participants. Hence the Company focuses on accurate, timely, relevant and open information dissemination and communication so as to avoid any market malpractice or doubt.	Complied
C.2.3	The company should disclose how they implement the above policy and methodology.	The Company has disclosed the contact information in all their publications and always encourage our shareholders to connect with us. Apart from that in our website we have allocated a separate page indicating Investor Information such as the market price per share	Complied
C.2.4	The company should disclose the contact person for such communication.	The point of contact is given in page 5 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. The Company Secretary keeps a record of all valid correspondence from the shareholders and directs them to the appropriate Board member who in return would respond as necessary. The Company also has a dedicated investor relations eMail that could be equally utilised by any shareholder to correspond.	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



## CORPORATE GOVERNANCE

Principle	Description	Comment	Compliance status
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
<b>C.3</b>	<b>Major and Material Transactions</b>		
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 into, 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.	Refer the Related Party Transactions Review Committee report on page 160 and Note 28 of Notes to the Financial Statements.	Complied
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.	Refer the Related Party Transactions Review Committee Report on page 160 and Note 28 of Notes to the Financial Statements.	Complied
C.3.2	Public listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulations of the Securities Exchange Commission and by the Colombo Stock Exchange.	Refer the Related Party Transactions Review Committee Report on page 160 and Note 28 of Notes to the Financial Statements.	Complied
<b>D</b>	<b>Accountability and Audit</b>		
<b>D.1</b>	<b>Financial Reporting</b>		Complied
D.1	The Board should present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.	The Annual Report of the Board of Directors on the Affairs of the Company making the relevant declarations is given on pages 174 to 179 of this Report.	Complied



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Principle	Description	Comment	Compliance status
D.1.1	The Board should present an annual report including Financial Statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.		Complied
D.1.2	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.	<p>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.</p> <p>In these aspects the Company complied with the requirements of the Companies Act No. 07 of 2007, Registrar of Companies, Department of Inland Revenue and Sri Lanka Accounting Standards and reporting requirements of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka.</p>	Complied
D.1.3	The Board should, before it approves the company's Financial Statements for a financial period, obtain from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the Financial Statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company and that the system of risk management and internal control was operating effectively.	The Financial statements itself has the respective declaration stating that all standards, legal requirements are met with and the Chief Financial Officer signs the financial statements below that declaration. Apart from that and annual declaration is also signed by the CFO confirming the same.	Complied
D.1.4	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 179 of this Report.	Complied
D.1.5	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. (Refer Schedule L for the contents of the Statement on Internal Control).	"Directors responsibility for Financial Reporting", "Directors' Statement on Internal Control" and the "Statement of Auditors" are given on pages 180, 181 and 182 respectively.	Complied
D.1.6	The Annual Report should contain a "Management Discussion and Analysis".	"Value creation" is given on page 67 of this Report	Complied



## CORPORATE GOVERNANCE

Principle	Description	Comment	Compliance status
D.1.7	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.	N/A
D.1.8	The Board should adequately and accurately disclose the related party transactions in its Annual Report.	<p>The Company has set in place an effective and comprehensive system of internal control for identifying, recording and disclosing related party transactions. This system ratified by the Board ensures that there is no conflict of interest when transacting with related parties and that there will be no bias favourable treatment.</p> <p>All related party transactions as defined in Sri Lanka Accounting Standards – LKAS 24 – “Related Party Transactions” are disclosed in Note 28 to the Financial Statements.</p>	Complied
<b>D.2</b>	<b>Risk Management and Internal Controls</b>		
D.2	The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. 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, effected by a company's Board of Directors and management, designed to provide reasonable assurance regarding the achievement of company's objectives.	<p>The Company operates with a sound system of internal control within an integrated risk management framework that is formulated and ratified by the Board. This system ensures that shareholders interests and Company assets are safeguarded.</p> <p>The Audit Committee is responsible to the Board for ensuring the effective operation of the system of internal controls to achieve objectives of the Company.</p>	Complied
D.2.1	The Board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.	<p>The Board is responsible for formulating and implementing appropriate systems of internal control for the Group and in turn assessing its effectiveness. The Group's internal audit division assists the Board of Directors and the Audit Committee in carrying out the above task. Any internal control system has its inherent limitations. The Board is aware of the inherent limitations and has taken appropriate steps to minimise same.</p> <p>The Directors' responsibility for maintaining a sound system of internal control is given in the Board of Directors' Statement on Internal Control on page 181.</p>	Complied
D.2.2	The Directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The Directors should describe those risks and explain how they are being managed or mitigated.	The confirmation of the Risk assessment conducted and the principal risks faced by the Company are disclosed in the Enterprise Risk Management report is given on pages 164 to 172 of this Annual Report.	Complied

Principle	Description	Comment	Compliance status
D.2.3	Companies should have an internal audit function.	The Company has an Internal Audit Function headed by the "Head of Internal Audit" and overseen by the Audit Committee.	Complied
D.2.4	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.	<p>Operation and review of internal controls is done by the internal audit function as a continuous and on going process including internal control over financial reporting. These reports are forwarded to the Audit Committee for review to ensure that the system of internal control and the risk management process are effective. The Board is responsible for making disclosures on internal controls.</p> <p>In 2018/19 the Board was satisfied with the effectiveness of the system of internal control in place within the Company.</p>	Complied
D.2.5	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 181 for the "Directors Statement on Internal Controls".	Complied
<b>D.3</b>	<b>Audit Committee</b>		
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.	Complied
D.3.1	The Audit Committee should be comprised a minimum of two 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 three Independent Non-Executive Directors and one Non-Executive Director of the Board. The Chairman of the Committee is an Independent Non-Executive Director.	Complied
D.3.2	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 the Committee purpose, the duties and responsibilities of the Audit Committee.	AEL has developed a Charter for the Audit Committee clearly defining the objective/Duties of the Committee, each member's duties and responsibilities and administrative arrangements etc.	Complied
<b>D.3.3</b>	<b>Disclosures</b>		
D.3.3	A separate section of the Annual Report should describe the work of the Committee in discharging its responsibilities.	The Audit Committee report enhances a descriptive note regarding the Audit Committee and how they discharge their duties and also show how they have allocated their valuable time by participating to the meetings and decision-making.	Complied



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Principle	Description	Comment	Compliance status
<b>D.4</b>	<b>Related Party Transaction Review Committee</b>		
D.4	The Board should establish a procedure to ensure that the company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.	As a group norm when transacting with Related parties of the Group the responsible parties stress on the price at which the transaction takes place to make sure that neither the buyer nor the seller will gain extra ordinary gain through the same.	Complied
D.4.1	A related party and related party transactions will be as defined in LKAS 24.	Company has considered the guidelines provided in the LKAS 24 in defining the related parties, in developing the charter for the Related Party Transaction Committee.	Complied
D.4.2	The Board should establish a Related Party Transactions (RPT) Review Committee consisting exclusively of Non-Executive Directors with a minimum of three Non-Executive Directors of whom the majority should be independent. Executive Directors may attend by invitation. The Chairman should be an Independent Non-Executive Director appointed by the Board.	In compliance with the requirements of the voluntary Code of the Corporate Governance the Related Party Transaction Review Committee comprises three Non-Executive Directors who are also independent. Also the COO/Executive Director attend the meetings upon invitation by the Committee.	Complied
D.4.3	RPT Review Committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors.	Company has developed a Charter for the Related Party Transaction Review Committee clearly defining the objective/Duties of the Committee, each member's duties and responsibilities and administrative arrangements etc.	Complied
<b>D.5</b>	<b>Code of Business Conduct and Ethics</b>		
D.5	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.	Refer Corporate Governance section on page 124 to 163 of the Annual Report.	Complied
D.5.1	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.	Access Group has a Code of Ethics which includes the code of conduct and is circulated to Directors and all employees. The Board ensures that the Directors and the employees strictly adhere to the Code of Ethics of the Company in their duties so as not to adversely affect the brand of access in any manner. The violation of the Code of Ethics is an offence which is subject to disciplinary action.	Complied

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Principle	Description	Comment	Compliance status
D.5.2	The company should have a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	The price sensitive transactions relating to Investments are monitored through the Investment Evaluation and Monitoring Committee and through the Audit Committee. Significant matters are informed to the Board for further action.	Complied
D.5.3	The company should establish a policy, process for monitoring, and disclosure of shares purchased by any Director, Key Management Personnel or any other employee involved in financial reporting.	Refer the report of the Related Party Transaction Review Committee on page 160.	Complied
D.5.4	The Chairman must affirm in the company's Annual Report that a code of conduct and ethics has been introduced company-wide and the procedure for disseminating, monitoring and compliance with that code. He must also disclose that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics.	Refer pages 124 to 163 of this report for Corporate Governance	Complied
<b>D.6</b>	<b>Corporate Governance Disclosures</b>		
D.6	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 CA Sri Lanka/SEC "Code of Corporate Governance" meets this requirement.	Complied
D.6.1	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
<b>E</b>	<b>Institutional Investors</b>		
<b>E.1</b>	<b>Shareholder Voting</b>		
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	A 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	<p>The most structured and continuous dialogue the Company has with the shareholders is the AGM.</p> <p>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.</p>	Complied



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Principle	Description	Comment	Compliance status
<b>E.2</b>	<b>Evaluation of Governance Disclosure</b>		
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 Companies' governance arrangements.	Complied
<b>F.1</b>	<b>Investing/Divesting Decisions</b>		
	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.  This Integrated Report prepared by the Company gives sufficient information to shareholders to carry out their own analysis of the Company and its operations.	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
<b>G</b>	<b>Internet of things and cybersecurity</b>		
G.1	Process to identify how the external IT devices Report could connect to the organisation's network	Refer Risk Management on page 168 of this Annual Report (Information and Technology Risk).	Complied
G.2	Appointment of a Chief Information Security Officer (CISO)	The functions of the CISO is carried out by the Manager IT reported to Senior General Manager.	
G.3	Allocation of adequate time on the Board meeting agenda for discussions on cyber risk management	Relevant risk are discussed at internal audit report and reported the same to Audit Committee. High risk matters referred to the Board for further actions.	
G.4	Independent periodic review of the effectiveness on the cybersecurity risk management and the scope and the frequency of the review.	Address issues at IRM Annual Audit done by an independent third party and reported issues through Management Letter.	Complied
G.5	Cybersecurity process	Company adheres to the required level of Cybersecurity Standards. IT department takes necessary precautionary measures to mitigate related risks.	Complied
G.6	The Board should disclose in the Annual Report the process to identify and manage cybersecurity risk.	Refer Enterprise Risk Management on page 168 of this Annual Report (Information and technology risk).	Complied

Principle	Description	Comment	Compliance status
<b>H</b>	<b>Environment, Society and Governance (ESG)</b>		
H.1.1	Reporting of ESG Factors.	Refer pages 68 to 114 of the Annual Report for Value Creation.	Complied
H.1.2	Environmental Factors.	Refer pages 68 to 114 of the Annual Report for Value Creation.	Complied
H.1.3	Social Factors.	Refer pages 68 to 114 of the Annual Report for Value Creation – Social and Environmental Capital for this requirement.	Complied
H.1.4	Governance.	Refer pages 68 to 114 of the Annual Report for Value Creation – Corporate Governance for this requirement.	Complied
H.1.5	Board's role on ESG Factors.	Board understands its role and responsibility in ESG reporting and ensure that the Company adheres to the ESG reporting requirements.	Complied

### Statement of Compliance under Section 168 of Companies Act No. 7 of 2007

Principle	Description	Comment	Compliance Status
<b>Section 168 – Contents of Annual Report</b>			
(1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period.	Notes to the Financial Statements	Complied
(1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed.	Financial Statements	Complied
(1) (c)	Auditor's Report on the Financial Statements and any group Financial Statements	Independent Auditors' Report	Complied
(1) (d)	Change in accounting policies made during the accounting period.	Notes to the Financial Statements	Complied
(1) (e)	Particulars of entries in the interests register made during the accounting period.	Annual Report of the Board of Directors	Complied
(1) (f)	Remuneration and other benefits of Directors during the accounting period.	Notes to the Financial Statements	Complied
(1) (g)	Total amount of donations made by the Company during the accounting period.	Annual Report of the Board of Directors	Complied
(1) (h)	Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period.	Board of Directors	Complied
(1) (i)	Amounts payable by the Company to the person or firm holding office as Auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that person or firm.	Notes to the Financial Statements	Complied
(1) (j)	Particulars of any relationship (other than that of Auditor) which the Auditor has with or any interests which the Auditor has in, the Company or any of its subsidiaries.	Annual Report of the Board of Directors	Complied
(1) (k)	Be signed on behalf of the Board by two Directors of the Company.	Financial Statements	Complied

## ↓ CORPORATE GOVERNANCE

### AUDIT COMMITTEE REPORT

Audit committee of AEL is established under the Corporate Governance Rules of Section 7.10.6 of Colombo Stock Exchange and Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. During the year Committee has continued to review and report to the Board on the Group's financial reporting, internal control and risk management processes and the performance, independence and effectiveness of External Auditors.

### ROLE OF THE AUDIT COMMITTEE

The role of the Audit Committee is to oversee the financial reporting system of the Company, with a view to safeguarding the interests of the shareholders and all other stakeholders. The assurance framework required by the Audit Committee is provided by complementary contributions from management reports, internal and external audit reports and from risk management reports.

### COMMITTEE COMPOSITION

There were no changes to the composition of the Committee as at 31 March 2018. The Committee continued to comprise four Non-Executive Directors as set out below. To ensure compliance with the requirements of the Rule 7.10.6 of Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and Securities, and Exchange Commission of Sri Lanka, Committee membership comprises three (3) Independent Non-Executive Directors and one (1) Non-Executive Director of the Company.

Category	Number of Directors
Independent Non-Executive Directors	3
Non-Executive Directors	1

The Committee is authorised by the Board to seek any information necessary to fulfil its duties, call any member of staff to be questioned at a meeting of the Committee, as and when required, and obtain independent legal, accounting or other professional advice, at Company's expense, which might be necessary for the fulfilment of its duties.

### MEETING 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	16 May 2018	6 August 2018	6 November 2018	6 February 2019
Niroshan Dakshina Gunaratne – Chairman	✓	✓	✓	✓
Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe	✗	✓	✓	✓
Suresh Dilhan Perera	✓	✓	✓	✓
Dinesh Weerakkody	✓	✓	✓	✓

In addition to the Committee members, the meetings were attended by the COO, GM – Commercial, DGM – Finance, and the Internal Auditor on invitation. The Company Secretaries were also present at every meeting.

### TERMS OF REFERENCE

The Audit Committee has its Terms of Reference, dealing with its authority and duties, which is established for the purpose of assisting the Board in fulfilling their oversight responsibilities that include the integrity of the Financial Statements, risk management, business ethics, internal control, compliance with legal and regulatory requirements, review of Independent External Auditors' performance and the Internal Audit.

### COMPLIANCE

#### Financial reporting and significant judgements

The Committee is responsible for reviewing whether suitable accounting policies have been adopted and whether Management has made appropriate estimates and judgements in the preparation of the Financial Statements. As part of its review the Committee considers the clarity and completeness of disclosures in the Financial Statements to assess whether these have been set appropriately in the context.

The Committee also keeps under review the impact of any actual or expected changes to accounting standards applicable to the Group and provides general oversight in relation to the financial policies of the Group.

The Audit Committee reviewed the quarterly and annual Financial Statements prior to its publication and the review included:

- ⊕ Appropriateness and changes in accounting policies
- ⊕ Significant estimates and judgements made by the Management
- ⊕ Compliance with relevant accounting standards and applicable regulatory requirements
- ⊕ Impairment of assets
- ⊕ Issues arising from the internal audit and independent external audit
- ⊕ The Group's/Company's ability to continue as a going concern

### LAWS AND REGULATIONS

The Audit Committee reviewed the reports submitted by the Management and the Internal Auditors on compliance with applicable laws and regulations. The Committee is satisfied that laws and regulations are duly complied with and statutory payments have been made on a timely basis.



## AUDIT AND ACCOUNTABILITY

### Internal controls

The Committee is satisfied that an effective system of internal control is in place to provide reasonable assurance on safeguarding the Company's assets and reliability of Financial Statements. Effectiveness of the Company's system of internal controls is evaluated through reports provided by the Management, Internal Auditors and Independent External Auditors.

### Internal audit

The Committee is responsible for reviewing the role and effectiveness of the internal audit function by monitoring the results of its work and the responses of Management to its recommendations. The Audit Committee meets the Internal Auditors on a quarterly basis and reviews their findings in order to identify risks attached to different areas of operation and effectiveness of internal controls.

The Committee reviewed and approved the 2018/19 internal audit plan and continued to monitor progress against this plan during the year. Results and management actions arising from the reviews undertaken in 2018/19 were discussed in detail at each of the Committee's meetings. The Head of Internal Audit attended all of the Committee's meetings during 2018 and held discussions with the Committee in the absence of Executive Management.

### Independent auditors

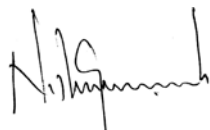
The Audit Committee reviewed the independence and objectivity of the Independent External Auditors, Messrs KPMG Sri Lanka, Chartered Accountants. The Audit Committee has met with the External Auditors to review their audit plan and any observations made by them.

The Committee has received a declaration from the External Auditors, confirming that they do not have any relationship or interest in the Company or its subsidiaries. The Committee reviewed the non-audit services and its impact on the independence of the External Auditors.

The Audit Committee has recommended to the Board that Messrs KPMG be reappointed as the Independent External Auditor and that the reappointment be included in the agenda of the Annual General Meeting.

### CONCLUSION

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Group and of the implementation of Group's accounting policies and operational controls provide reasonable assurance that the affairs of the Group are managed in accordance with Group policies and that the Group assets are properly accounted for and adequately safeguarded. The Committee is also satisfied that the Company and its subsidiaries are able to continue as a going concern.



**Niroshan Dakshina Gunaratne**  
Chairman – Audit Committee

10 July 2019

## ↓ CORPORATE GOVERNANCE

### RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee is constituted under the Corporate Governance Rules of the Section 9 of Colombo Stock Exchange and Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The members of the Board of Directors of the Company have been identified as Key Management Personnel, in accordance with the Related Party Transactions Policy. During the year the Committee has continued to review and report to the Board on the Group's related party transactions.

### ROLE OF THE COMMITTEE

The role of the Related Party Transactions Review Committee is to ensure that the interests of shareholders as a whole are taken into account by a listed entity when entering into related party transactions.

### COMPOSITION

The composition of the Committee remained unchanged during the year. The Committee continued to comprise three (03) Independent Non-Executive Directors and the Executive Director/COO (01), who were appointed by resolution at a Board meeting. To ensure compliance with the requirements of the Section 9.2.2 of Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka, The Committee comprised the following members:

Category	Number of Directors
Independent Non-Executive Directors	3
Non-Executive Directors/COO	1

### MEETING 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	16 May 2018	6 August 2018	6 November 2018	6 February 2019
Niroshan Dakshina Gunaratne – Chairman	✓	✓	✓	✓
Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe	✗	✓	✓	✓
Dinesh Weerakkody	✓	✓	✓	✓
Rohana Fernando	✓	✓	✗	✓

### TERMS OF REFERENCE

The Related Party Transactions Review Committee has Terms of Reference, dealing with its authority and duties. The Terms of Reference covers aspects relating to matters prescribed in the Listing Rules of the Colombo Stock Exchange. Terms of Reference of the Committee include the following:

- ⊕ Review in advance all proposed Related Party Transactions of the Company except those explicitly exempted by the Code
- ⊕ Determine whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company.
- ⊕ Ensure that no Director of the Company shall participate in any discussion of a proposed Related Party Transactions for which he or she is a related party, unless such a Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transactions to the Committee.
- ⊕ To recommend the creation of a special committee to review and approve the proposed Related Party Transactions, in the event of any potential conflict of interest.

- ⊕ Establishing guidelines to be followed by Senior Management in the event Related Party Transactions are ongoing. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships and transactions with the related party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transactions remains appropriate.

### POLICIES AND PROCEDURES

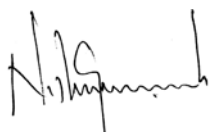
As per the existing practice, all Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy. Such transactions are also disclosed to stakeholders through the Company's Financial Statements. In case of frequent/repetitive/regular transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval.

## PERFORMANCE REVIEW DURING THE YEAR

Every year the Related Party Transactions Review Committee must review and evaluate its performance and submit the observations to the Board of Directors. All disclosures as per Section 9.3 of the Listing Rules of the Colombo Stock Exchange are given under declaration of this Report. Details of other Related Party Transactions entered into by the Company/Group of Companies during the year are disclosed in Note 28 of Notes to the Financial Statements.

## DECLARATION

During the year, there were no non-recurrent or recurrent Related Party Transactions that exceeded the respective thresholds mentioned in the Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange, requiring disclosure in the Annual Report.



**Niroshan Dakshina Gunaratne**

Chairman  
Related Party Transactions Review Committee

10 July 2019

## REMUNERATION COMMITTEE REPORT

Remuneration Committee was established to ensure compliance with the requirements of Section 7.10.5 of the Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and Securities Exchange Commission of Sri Lanka.

## COMPOSITION

Composition of the Board-appointed Remuneration Committee is comprised three (3) Non-Executive Independent Directors and One (1) Non-Executive Director. There were no changes to the composition of the committee during 2018/19.

Dinesh Weerakkody (Chairman)	Independent Non-Executive Director
Prof Kulathilake Arthanakyake Malik Kumar Ranasinghe	Independent Non-Executive Director
Niroshan Dakshina Gunaratne	Independent Non-Executive Director
Suresh Dilhan Perera	Non-Executive Director

## ROLE OF THE COMMITTEE

The role of the Remuneration Committee is to set up the remuneration policy for Senior Management and making recommendations to the Board on recruitment, remuneration and performance evaluation on Senior Management including Executive Directors of the Company.

The focus of the committee is to oversee and provide guideline for the implementation of strategic human resource objectives in keeping with following Terms of Reference (TOR)

- ③ Preparation of the remuneration framework
- ③ Recommend to the Board on the remuneration payable to the Executive Directors and Senior Management
- ③ The evaluation of performance of Senior Management
- ③ Preparation of performance based remuneration plans including performance incentives
- ③ Making amendments to the remuneration policy

The Company's Remuneration policy aims to attract, motivate and retain employees with the appropriate professional, managerial and operational expertise, necessary to achieve the objectives of the company in a competitive environment.



**Dinesh Weerakkody**

Chairman  
Remuneration Committee

10 July 2019

## ↓ CORPORATE GOVERNANCE

### INVESTMENT AND SUBSIDIARY PERFORMANCE MONITORING COMMITTEE

#### PURPOSE

The Investment and Subsidiary Performance Monitoring Committee was established as a Board subcommittee to provide the Executive Directors and the Independent Directors with an opportunity to discuss prospective investments and performance monitoring of subsidiaries prior to discussion of relevant matters at Board meetings.

#### COMPOSITION

Composition of the Investment and Subsidiary Performance Monitoring Committee is comprised three (3) Independent Non-Executive Directors and two (2) Executive Directors as set out below:

Prof Kulathilake Arthanakyake Malik Kumar Ranasinghe (Chairman)	Independent Non-Executive Director
Niroshan Dakshina Gunaratne	Independent Non-Executive Director
Dinesh Weerakkody	Independent Non-Executive Director
Joseph Christopher Joshua	Managing Director
Dalpadoruge Anton Rohana Fernando	Executive Director/Chief Operating Officer

### ROLE OF THE COMMITTEE

- ⊕ Subcommittee will make their assessment and notify their recommendations to the Board on major new investments in subsidiaries/associates and capital investments in the parent company.
- ⊕ Subcommittee will make their assessment and notify their recommendations to the Board on divestment of subsidiaries in the parent company.
- ⊕ Monitoring the budgets of subsidiaries/associates which are approved by relevant responsible person/persons such as the Board of Directors, Chief Executive Officer or the nominated Head of the Business Unit and ratified by the Chairman or Managing Director of AEL. The subcommittee will submit their observations and recommendations to the Board.
- ⊕ Review the progress of subsidiary companies of Access Engineering PLC and the progress of their respective subsidiaries
- ⊕ Advise the Management on what action should be taken for non-compliances noticed in investment and budgetary monitoring of subsidiaries/associates.

### MEETING ATTENDANCE

During the year 2018/19, the subcommittee members attended meetings as set in the table below:

Name	9 May 2018	25 July 2018	31 August 2018	26 January 2019	1 February 2019
Prof Kulathilake Arthanakyake Malik Kumar Ranasinghe (Chairman)	✓	✓	✓	✓	✓
Niroshan Dakshina Gunaratne	✓	✓	✓	✓	✓
Dinesh Weerakkody	✓	✓	✓	✓	✓
Joseph Christopher Joshua	✓	✓	✓	✓	✓
Dalpadoruge Anton Rohana Fernando	✓	✓	✓	✓	✓

### SUMMARY OF ACTIVITIES

During the year, the Committee comprehensively reviewed the new investment/divestment decisions of AEL and monitored budgets of subsidiaries/associates of the Company. Committee decisions and discussions of the meetings were recorded and forwarded to the Board of Directors of AEL for further action.



**Prof Malik Ranasinghe**

Chairman – Investment and Subsidiary Performance Monitoring Committee

10 July 2019

## STRATEGIC PLANNING COMMITTEE REPORT

Strategic Planning Committee was established to focus on planning and setting strategic directions to achieve goals and objectives of the Company. During the year the committee has continued to review and report to the Board on the Company's strategic direction, trends and issues in achieving its goals and objectives.

### ROLE OF THE COMMITTEE

The role of the Committee is to assist the Board with its responsibilities for the Company's vision, mission and strategic direction. The Committee complies with the best practices in corporate governance.

### COMPOSITION

The Committee comprised three (3) Executive Directors and One (1) Non-Executive Independent Director of the Board. There were no changes to the composition of the Committee during 2018/19.

Sumal Joseph Sanjiva Perera	Chairman
Joseph Christopher Joshua	Managing Director
Dalpadoruge Anton Rohana Fernando	Executive Director/Chief Operating Officer
Prof Kulatillake Arthanayake Malik Kumar Ranasinghe	Independent Non-Executive Director

### MEETINGS

The Strategic Planning Committee meets as and when necessary at the call of the Committee Chair at dates and times which are specified in advance.

The Committee met several times during the year to discuss the Company's strategic direction and its major strategic issues.

Key Responsibilities of the Strategic Planning Committee:

- ⊕ Periodically reviewing the Company's vision, mission, strategic initiatives, major programs and services and making recommendations to the Board.
- ⊕ Identifying critical strategic issues facing the Company and assisting in the analysis of alternative strategic options.
- ⊕ Ensuring that the Management has established an effective strategic planning process with time lines and targets.
- ⊕ Advising the Board on trends in the industry, market/community and core competencies.
- ⊕ Reviewing and forwarding to the Board strategic plans of subsidiary companies to assure that they are aligned with the Company's strategic direction and goals
- ⊕ Reviewing major new programmes and services.

### CONCLUSION

The Strategic Planning Committee is satisfied with the effectiveness of the strategic initiatives taken during the year and discussed the preventive measures to be taken for issues identified in achieving overall goals and objectives of the Company.



**Sumal Perera**

Chairman – Strategic Planning Committee

10 July 2019

# ENTERPRISE RISK MANAGEMENT

**“As challenges in our operating landscape continue to intensify, the proactive identification and management of risks become all the more vital for ensuring sustainable value creation for all the stakeholders.”**

AEL's risk management process continues to evolve to ensure it is reflective of the shape of the business and its operations. The internal audit function has been founded to be fully aligned with the Board and the Board subcommittees to further sharpen the focus on the Group's internal risk and control environment. The Group recognises that a consistent, agile, and responsive approach to risk management is crucial to the sustainable delivery of its business objectives.

## BOARD OF DIRECTORS



The Board is responsible for maintaining a sound risk management framework and internal control system to safeguard the shareholders' investments and the Group's assets, as well as to discharge its leadership responsibility in identifying principal risks and ensuring the implementation of an appropriate risk management and internal control system to manage those risks in accordance with corporate governance principles.

## BOARD SUBCOMMITTEES



Responsible for overseeing the development and implementation of policies relevant to their areas of scope, identification of emerging risks and for monitoring the ongoing effectiveness of the procedures. A detailed description of relevant committees is given on pages 129 to 131.

### Audit Committee

The Audit Committee represents and assists the Board in fulfilling its oversight responsibility relating to the integrity of the Company's Financial Statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent external audit, the Company's compliance with legal and regulatory requirements, and its policies and ethics established by the Company.

### Related Party Transactions Review Committee

The objective of the Committee is to ensure that the interest of shareholders are taken into account when entering into related party transactions and to enhance corporate transparency and promote fair transactions between the Company, its subsidiaries, and other related parties. The Committee also performs the oversight function on behalf of the Board in complying with the Listing Rules of the Colombo Stock Exchange and with the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission Sri Lanka.

### Remuneration Committee

The Remuneration Committee assists the Board to discharge its responsibility by overseeing remuneration policies and practices of the Company. Committee's main roles are:

- ⊕ To review and make recommendations to the Board in relation to the individual remuneration levels of Directors (Executive and Non-Executive), Group Executives, other Executives and other persons whose activities in the Committee's opinion affect the financial soundness of the Company.
- ⊕ To oversee general remuneration practices across the Company and make appropriate recommendations.

## CORPORATE MANAGEMENT



The Team reviews operating and financial performance of Group's operational divisions/subsidiaries in accordance with corporate objectives, strategies, policies, key performance indicators and annual budgets as approved by the Board in order to assure the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control framework of the Group.

### Group Risk Management

The Audit Committee performs quarterly based risk management assessments through the Internal Audit Reports and findings of the Company and its subsidiaries and reviews the internal control processes, and evaluates the adequacy and effectiveness of the risk management and internal control system. The Committee also seeks the observations of the Independent External Auditors of the Group

## OPERATIONS



### Board

The ultimate responsibility for setting the risk appetite for the Effective Management of risk rests with the Board. Acting within the authority delegated by the Board, the Strategic Planning Committee and the Audit Committee review specific risk profiles and receives regular reports on risk management, which include the Company's portfolio trends, policies, standards and soundness of internal controls, infrastructure and regulatory compliance. These Committees are authorised to investigate or seek any information relating to an activity within the Terms of Reference

 ENTERPRISE RISK MANAGEMENT

To meet the requirements of good corporate governance and other, the Board accepts overall responsibility for risk management and determines the nature and extent of the principal risks to be taken and assesses the effectiveness of the risk management and internal control systems that are in place to mitigate impacts.



### Strategic Planning Committee

The Committee assists the Board and the Management in fulfilling its oversight responsibilities relating to strategic plans, which identify specific long-term goals and business objectives determined to be in the Company's best interest. This includes helping the Board and the Management identify opportunities such as mergers and acquisitions, joint ventures, new markets or product lines, acquisition or disposition of capital assets, equity and debt funding and modifications of existing capital structure, dividend policy, and stock offerings, repurchase programmes and etc. Additionally, the Committee evaluates the progress of execution and effectiveness of the strategic plan, recommend changes to the plan where necessary or advisable and evaluate other issues or opportunities.

### Investment and subsidiary Performance Monitoring Committee

This is a Board Subcommittee set up to review investment decisions and performance of previous investment decisions, comprising three Independent Non-Executive Directors and two Executive Directors. The purpose of the Committee is to discuss prospective investments and performance monitoring of subsidiaries/associates prior to discussion of the relevant matters at Board meetings.

### Compliance Committee

The Compliance Committee assists the Board and the Management in overseeing the Company's efforts with respect to operational compliance. This includes:

- (i) compliance with the laws and regulations applicable to the Company's business;
- (ii) compliance with the Company's policies and procedures, standards of business conduct and ethics by employees, officers, directors, and other associates of the Company that are designed to support lawful and ethical business conduct by the Company and its employees and promote a culture of compliance and
- (iii) reviewing the Company's enterprise risk management and practices.



### Other Risk Overseeing Components

Company's Quality Management System, which conforms to ISO 9001:2015 is also integrated into Company's risk management. Similarly Company's Environmental Management and Health and Safety Management Systems, which are ISO 14001: 2015 and OHSAS 18001: 2007 accredited, too are integrated into Company's risk management. These systems are implemented in all Business Units across the Company and they help mitigating risks-related to quality, environment, and health and safety. All Business Units are regularly audited by the Management Systems' internal audit teams whilst being biannually audited by Management Systems External Auditor.



### Operations

Each business unit's risk management function is led by the respective head of the unit, supported by his Senior Executive Team.

Chief Operating Officer together with the Corporate Management considers the operational risks that arise from the execution of the Company's business including risks of systems and equipment failure, overcapacity situations, inadequate skilled workforce and adverse climatic conditions.

The Company adheres to policies, procedures, quality controls and best practices to ensure that all systems and equipment are functional. The consolidated risks and the mitigating actions are presented to the Strategic Planning Committee and the Audit Committee for review.

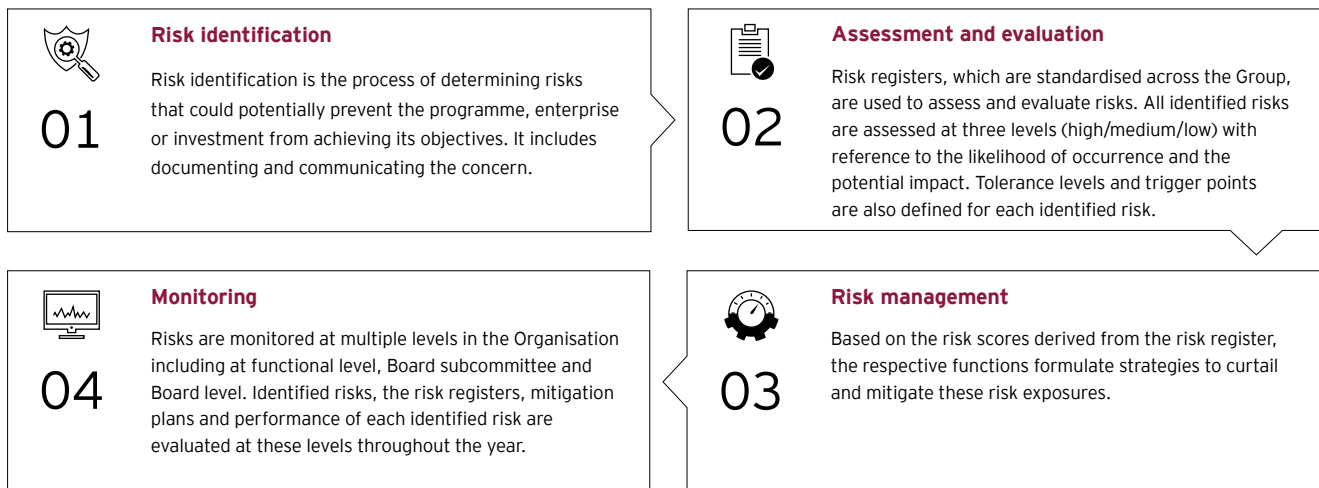
### Internal Audit

The Company's Internal Audit Department focuses on providing an independent oversight to the Board and the Audit Committee on the processes and controls that help to mitigate major risks.

↓ ENTERPRISE RISK MANAGEMENT

**OUR RISK MANAGEMENT FRAMEWORK**

**Management approach**



**Risk appetite**

Understanding risk is at the heart of AEL's decision-making process.

An ongoing appraisal of the Group's risk profile is made by the Board. The level of risk the Group is willing to accept is defined as its risk appetite and has been set in the context of the interaction between risk assessment processes and its ability to mitigate and exert control over existing and emerging risks. Risk appetite within any organisation must be dynamic and determined by senior leaders and practitioners to ensure it is embedded in critical business processes.

**Risk matrix for risk assessment**

The following risk matrix is developed as a technique for analysing 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 organisational trends and judgement.

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

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

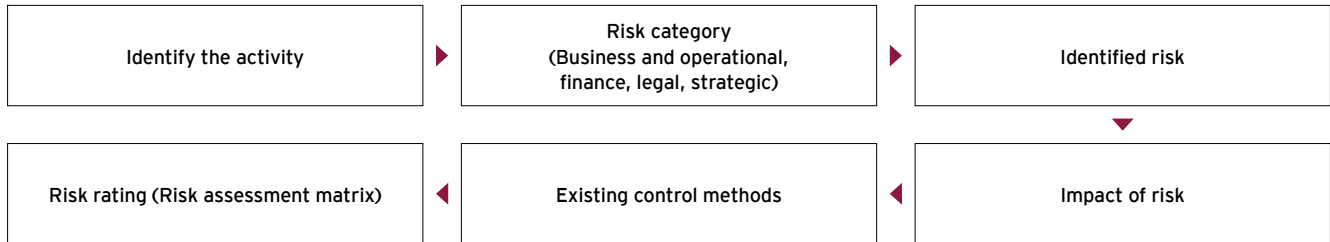
IMPACT	SIGNIFICANT	Plan for action (Mitigate or transfer)	Immediate action (Mitigate or share)	Immediate action (Mitigate or share)
	MODERATE	No action (Accept or avoid)	Plan for action (Mitigate or transfer)	Immediate action (Mitigate or share)
	MINOR	No action (Accept)	No action (Accept)	Plan for action (Mitigate or transfer)
		LOW	MEDIUM	HIGH
		LIKELIHOOD		



↓ ENTERPRISE RISK MANAGEMENT

**Risk rating process**

The following diagram summarises the risk rating process of AEL:



**Objectives**

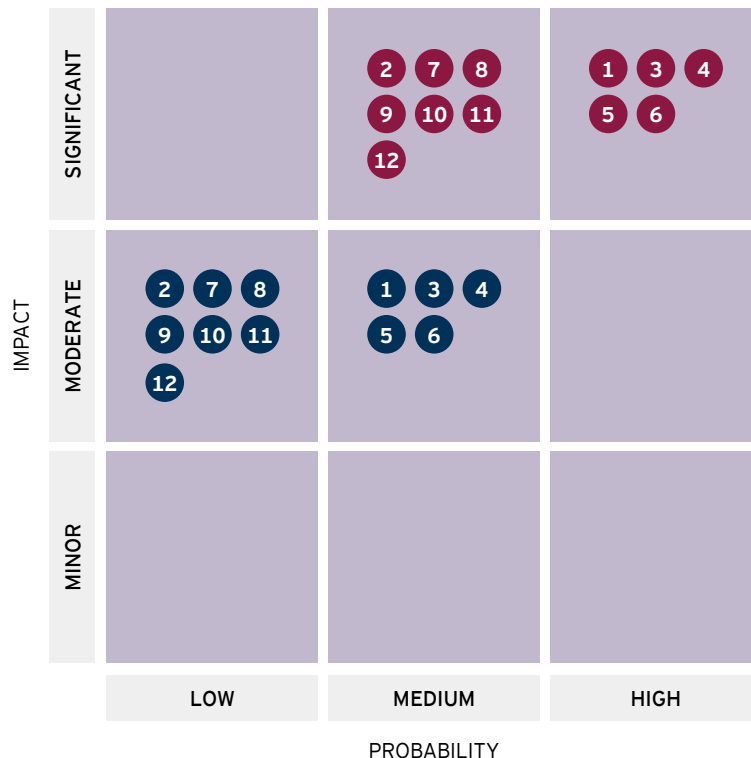
- ⊕ Minimise risk of not meeting profit expectations.
- ⊕ Comply with the regulatory requirements
- ⊕ Maintain a sound system of internal controls to safeguard shareholders' wealth and Company assets.
- ⊕ Ensure faster response to market opportunities by maintaining a "sufficient" liquidity position at all times
- ⊕ Move towards diverse business segments synergised with our core business in order to manage our exposure to cyclical downturns in our core business due to external factors.
- ⊕ Continue ourselves to be the preferred employer, successful in motivating, developing, retaining and attracting the best of human capital.
- ⊕ Keep pace with the current and new technological developments to safeguard against obsolescence and disruptions to our business.
- ⊕ Achieve cost savings through better management of resources
- ⊕ Encourage employees to come up with ideas of innovative solutions and new ventures.

**Risk assessment**

The Board and the Audit Committee concluded that the level of risk associated with the Group's principal risks is currently consistent with the Group's overall appetite in relation to these risks. The "heat map" sets out the positioning of our principal risks by impact and probability both before any mitigation measures are taken into account and after the impacts of mitigation measures are taken into account.

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency, or liquidity.

**Our principal risks**



- Risk positioning after mitigation action
- Risk positioning before mitigation action

## ↓ ENTERPRISE RISK MANAGEMENT

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2017/18	2018/19
<p><b>1</b></p> <p>Operating risks</p>	Operational risks are the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.	<ul style="list-style-type: none"> <li>⊕ Delays in project deliverables</li> <li>⊕ Operation cost overruns</li> <li>⊕ Unsatisfactory product performance</li> <li>⊕ Quality not meeting specified requirements</li> <li>⊕ Loss of profits, credibility and reputation</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Efficient and effective planning and implementation since the inception of the project covering the scope of the project, management of resources, time, quality and risk</li> <li>⊕ Conducting frequent progress review meetings for business units to monitor work progress and budgetary controls and accordingly taking precautionary actions when and where necessary</li> <li>⊕ Use of appropriate methodologies</li> <li>⊕ Use of advanced technology and new construction techniques to expedite project implementation and reduce cost</li> <li>⊕ Training and skills enhancement</li> </ul>	Unchanged ⊖	Unchanged ⊖  During 2018, the Group has managed to maintain a comprehensive approach to operational risk management
<p><b>2</b></p> <p>Technological risk</p>	This risk factor involves issues or concerns associated with the technologies involved in the execution methods and operational technology of the project	<ul style="list-style-type: none"> <li>⊕ Failure to compete in the market as a result of technological obsolescence in the processes</li> <li>⊕ Project completion delays</li> <li>⊕ Negative effect on value engineering concept of the Company Vision</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Investment in new technology</li> <li>⊕ Upgrading of knowledge through training and development, industrial visits</li> <li>⊕ Partnering with foreign principals and on the job knowledge transfer</li> </ul>	Unchanged ⊖	Unchanged ⊖  In 2018, the Group made considerable investments to adopt new technologies on a par with global industry practices
<p><b>3</b></p> <p>Socio-economic and political risk</p>	Socio-economic and political factors have a direct impact on the operational and investment activities of the Company	<ul style="list-style-type: none"> <li>⊕ Loss of social license to operate as a result of corporate behaviour against the interests of the society.</li> <li>⊕ The weakening of the Rupee adds increased market pressures to the business of the Group</li> <li>⊕ Negative impact on budgetary controls due to political uncertainties</li> </ul>	<ul style="list-style-type: none"> <li>⊕ The severity of the socio-economic and political variables is evaluated during the corporate planning sessions on an annual basis</li> <li>⊕ Contingency plans are incorporated in the corporate plan</li> <li>⊕ An overall feasibility study is conducted including socio-economic and political risks, in order to prevent any potential risk from investing in new ventures</li> </ul>	Unchanged ⊖	Increased ⊕  High construction cost resulting from the imposition of taxes on a plethora of imported construction material in conjunction with the plunging rupee value have resulted in an increase in socio-economic and political risk.  The political upheavals experienced during the year 2018/19 also contributed the increase in political risk and retarded the growth of the construction industry.  However, the negative impact has been managed through strong strategic planning.

 ENTERPRISE RISK MANAGEMENT

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2017/18	2018/19
4 Human capital and labour risk	Failure to attract and retain Key Management Personnel could lead to a lack of necessary expertise or lack of continuity in executing strategy	<ul style="list-style-type: none"> <li>⊖ Failure to achieve growth plans as a result of failure to attract and retain sufficient numbers of qualified and experienced employees and/or inability to ensure their ongoing engagement and commitment</li> <li>⊖ Improper recruitment resulting in an incompetent workforce and inferior product/service offering to clients. The industry is also prone to a high level of staff/labour turnover</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Recruitment of the best talent pool in the industry</li> <li>⊕ Conducting periodic performance appraisals of staff</li> <li>⊕ Continuous training and development of staff both on-site and off-site</li> <li>⊕ Adopt market-based compensation, including appropriate incentive packages</li> <li>⊕ Giving freedom to employees to meet their senior managers at any time, in discussing their work related matters</li> </ul>	Unchanged ⊖	Unchanged ⊖  During 2018/19, the Company placed a strong emphasis on retaining key talent through performance recognition and reward schemes, succession planning, leadership and career development programmes, ensuring that high quality employees are retained, despite the highly competitive labour environment.
5 Quality, environment, safety and health performance Risk	Potential harm to the growth of the Company, people, our key assets, and others involved in our operations as well as potential damage to the environment and stakeholders	<ul style="list-style-type: none"> <li>⊖ Downgrading in CIDA Accreditation</li> <li>⊖ Impact on achieving continual growth of the Company</li> <li>⊖ Damage to stakeholder relationships</li> <li>⊖ Impairing Company reputation</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Maintain accreditations: ISO 9001, ISO 14001, and OHSAS 18001</li> <li>⊕ Focused training on health, safety and environment to all employees</li> <li>⊕ Regular management meetings, evaluating performance and identifying improvements</li> <li>⊕ Internal audit function to monitor the proper implementation of safety standards with the support of Safety Officers attached to each project sites</li> <li>⊕ R and D into new techniques in construction which cause less impact to the environment</li> <li>⊕ Periodic evaluation of stakeholders (mainly subcontractors and suppliers) on environmental grounds</li> </ul>	Unchanged ⊖	Unchanged ⊖  Company is committed to continual improvement of the quality management system and the environmental management system. Health performance and risk status did not change during 2018/19

 ENTERPRISE RISK MANAGEMENT

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2017/18	2018/19
6 Compliance risk	<p>Compliance risk may arise due to the failure to abide by any law or regulatory requirements applicable to the Company.</p> <p>Non-compliance could lead to sanctions by regulatory bodies, penalties and reputational damage, which could have a material adverse effect on the Company's operations and financial condition.</p>	<ul style="list-style-type: none"> <li>⊕ Risk on going concern of the Company</li> <li>⊕ Impact on continuity and growth of the Company operations</li> <li>⊕ Impairing Company reputation</li> <li>⊕ Reduction in profitability due to legal fees and penalties</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Conducting periodical assessments on the extent of compliance with the statutory requirements</li> <li>⊕ The Management Systems Team continuously reviews the changes in regulations and takes necessary action to ensure that the Company is in compliance with the regulatory requirements</li> <li>⊕ Complying with the CSE reporting requirements on a weekly, monthly, quarterly and annual basis</li> <li>⊕ Strictly following the expert advice on issues related to income and other taxation</li> </ul>	Unchanged ⊖	Unchanged ⊖ During 2018/19, Group adopted its risk mitigation strategies to maintain a high standard of regulatory compliance
7 Competition risk	Increased competition has the possibility of reducing market share and margins	<ul style="list-style-type: none"> <li>⊕ Total revenue growth</li> <li>⊕ Underlying operating margin</li> <li>⊕ Underlying earnings per share</li> <li>⊕ Work won and secured and probable orders</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Ensuring high standards of quality in finished products</li> <li>⊕ Increasing productivity and efficiency in order to ensure our prices remain competitive despite increasing wage, energy and transportation costs</li> <li>⊕ Increasing efficiency through R and D, investment in new technology and the adoption of best practices</li> <li>⊕ Diversifying business operations to reduce the impact of competition</li> </ul>	Increased ⊕	Increased ⊕ During 2018/19, the Group remained alert with regard to ensuring its competitiveness. The Group has sought to match global standards through benchmarking its businesses to global best practices and maintaining the highest quality levels in terms of both construction, products and services
8 Finance risk	Probability of loss inherent in financing methods which may impair the ability to provide an adequate return	<ul style="list-style-type: none"> <li>⊕ Negative impact on the Group's cost of funding due to the increment in interest rate</li> <li>⊕ Adverse impact to the cash flow system due to increment in debtor position</li> <li>⊕ Unavailability of sufficient working capital, negatively affecting the smooth functioning of day-to-day operations of the Group</li> <li>⊕ Negative impact on profitability</li> <li>⊕ Diminishing Company rating for investors</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Credit risk is maintained by reviewing the creditworthiness of counterparties to transactions on a case by case basis updated with latest information as it becomes available</li> <li>⊕ Liquidity risk is managed by bank facilities and monitoring headroom</li> <li>⊕ Interest rate risk in respect of surplus cash is managed by making deposits with suitable financial institutions</li> </ul>	Increased ⊕	Increased ⊕ The Treasury Division, supported by the finance functions of the businesses, took steps for the management of financial risks through ongoing monitoring of liquidity management strategies

 ENTERPRISE RISK MANAGEMENT

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2017/18	2018/19
<p><b>9</b></p> <p>Reputation risk</p>	<p>Reputation risk is the risk that an event or incident could damage the image of the Company</p>	<ul style="list-style-type: none"> <li>⊕ Diminishing qualifications for bidding</li> <li>⊕ Negative effects on total revenue growth</li> <li>⊕ Underlying operating margin</li> <li>⊕ Underlying earnings per share</li> <li>⊕ Negative impacts on work won and secured and probable orders</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Having in place a budgetary process and a budgetary control mechanism on a monthly basis to ensure that the Company's performance is in line with its targets</li> <li>⊕ Adopting stringent quality assurance policies with regard to goods/materials bought from third parties as well as the inputs, processes and outputs of own products</li> <li>⊕ Ensuring effective communication with various stakeholders including employees, customers, suppliers, and other stakeholders and the community at large</li> <li>⊕ Ensuring compliance with relevant laws and regulations</li> <li>⊕ The Code of Ethics of the Company is expected to be followed by all without any exception</li> </ul>	<p>Unchanged</p> <p>⊖</p>	<p>Unchanged</p> <p>⊖</p> <p>The Group's policies, procedures and best practices continued to be the foundation of its uncompromising approach to ethical and transparent business during 2018/19</p>
<p><b>10</b></p> <p>IT Related risk</p>	<p>Breakdowns and failures in information systems and the use of obsolete systems will adversely affect the smooth operations of the Company</p>	<ul style="list-style-type: none"> <li>⊕ Impact on regulatory reporting deadlines of SEC and CSE</li> <li>⊕ Reduce underlying operating margin due to cost for time and data recovery</li> <li>⊕ Impairing goodwill of the Company due to loss of credibility</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Maintaining a well-established IT governance structure</li> <li>⊕ Maintaining a proper "back up" system in order to overcome data loss</li> <li>⊕ Implementing a password/access control policy</li> <li>⊕ Incorporating necessary validation and verification functions at the information entry level</li> <li>⊕ Carrying out Application Control Audits</li> <li>⊕ Installing a Fire Protection System at the Server Rooms and maintaining centralised UPS Rooms and installing Smoke Detectors for the Server Rooms and UPS Rooms</li> </ul>	<p>Unchanged</p> <p>⊖</p>	<p>Unchanged</p> <p>⊖</p> <p>The majority of the Group's IT systems are centralised to ensure uniformity and standardisation across the Group</p>



## ↓ ENTERPRISE RISK MANAGEMENT

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2017/18	2018/19
11 Procurement risk	Material/services price variations and their unavailability will adversely affect the progress of the business	<ul style="list-style-type: none"> <li>⊕ Reducing Underlying operating margin</li> <li>⊕ Inability to meet the completion targets</li> <li>⊕ Degrading quality standards of work</li> <li>⊕ Impact on foreign currency fluctuation</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Developing new products to improve quality and manage costs</li> <li>⊕ Establishing relationships with many global and local suppliers for raw materials and commodities in order to reduce over dependency on a single supplier/brand</li> <li>⊕ Adoption of backward integration strategies</li> <li>⊕ Entering into forward contracts for raw material purchases</li> <li>⊕ Regular supplier evaluations are conducted to ascertain their financial strength, social and environmental conduct</li> </ul>	Unchanged ⊖	Unchanged ⊖  During 2018/19, the Group has managed the risks associated with procurement satisfactorily
12 Fraud risk	Fraud risk arises due to weaknesses in the internal controls, which could result in financial losses	<ul style="list-style-type: none"> <li>⊕ Losing reputation of the Group</li> <li>⊕ Decrease in operating profitability of the Group</li> <li>⊕ Impact on the going concern of the Company</li> </ul>	<ul style="list-style-type: none"> <li>⊕ The Internal Audit Department conducts audits on a regular basis in the areas, which are susceptible to the occurrence of frauds</li> <li>⊕ Authority and approval limits are implemented for all the functions of the Company, making the employees accountable for their actions</li> <li>⊕ Ensuring appropriate segregation of duties</li> <li>⊕ Every key activity is subjected to the scrutiny of another suitably skilled and authorised employee</li> <li>⊕ When fraud is detected, immediate remedial action is taken to prevent repetition</li> <li>⊕ Employees are encouraged to report any genuine concerns regarding fraud and malpractice</li> <li>⊕ Company has implemented whistle blowing policy</li> </ul>	Unchanged ⊖	Unchanged ⊖  During 2018/19, Group has managed to continue with robust internal controls to mitigate risks associated with frauds and build-up ethical working environment for employees

# FINANCIAL REPORTS

## FINANCIAL CALENDAR

Seventh Annual General Meeting	19 September 2018
First Quarter Report	10 August 2018
Second Quarter Report	6 November 2018
Third Quarter Report	6 February 2019
Fourth Quarter Report	28 May 2019
First Interim Dividend for 2018/19	20 December 2018
Second Interim Dividend for 2018/19	18 March 2019

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# 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 of the Company, together with the Audited Financial Statements of the Company for the year ended 31 March 2019. This Report covers Chairman's Message, Corporate Governance and Management Structure, Enterprise Risk Management, Sustainability and all other relevant information for the year ended 31 March 2019, in addition to the Audited Financial Statements.

The Company's Board of Directors is responsible for confirming that the information stated in the Annual Report 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 31 July 2001 and was re-registered as per the Companies Act No. 07 of 2007 on 6 February 2008 with PB 200 as the new number assigned to the Company. Thereafter, the Company obtained a listing on the *DiriSavi* Board of the Colombo Stock Exchange on 27 March 2012 and changed its name to Access Engineering PLC on 12 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 8 January 2013.

The Company also has LKR 5,000 Mn. [2018 - LKR 5,000 Mn.]. Rated Senior Unsecured Redeemable Debentures at a par value of LKR 100.00 which are listed on the Main Board of the Colombo Stock Exchange.

Both the Company and the Debentures in issue have been assigned a Rating of "(SL) A+ with a stable outlook" by ICRA Lanka Limited.

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

Access Engineering PLC manages a portfolio of diverse range of business including construction, construction-related material, property and automobile. Refer Note 1.3 (page 193) to the Financial Statements for a brief description of the principal activities of the Company and subsidiaries.

Other than the disposal of the investment in Horizon Knowledge City Limited - a subsidiary of AEL (99.99%) and Horizon Holdings (Private) Limited - a joint venture of AEL, there have been no significant changes in the nature of activities of the Company and its subsidiaries during the financial year under review.

## REVIEW OF THE PERFORMANCE

Review of the financial and operational performance of the Company and the Group are described in the joint Statements of Managing Director and Chief Operating Officer and under the review of business operations in pages 12 to 14 segment-wise contribution to Group revenue, results, assets and liabilities are provided in Note 4 (page 202) to the Financial Statements.

## FINANCIAL STATEMENTS

The Financial Statements of the Group prepared in line with Sri Lanka Accounting Standards (SLFRSs/LKASs), 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.

## FINANCIAL RESULTS AND APPROPRIATIONS

### Revenue

Revenue generated by the Company amounted to LKR 19,356 Mn. (2018 - LKR 17,937 Mn.) whilst Group revenue amounted to LKR 32,277 Mn. (2018 - LKR 26,056 Mn.). Contribution to Group revenue, from the different business sectors is provided in Note 5.1 (page 205) to the Financial Statements.

### Profits and appropriations

The profit after tax of the Company was LKR 1,962 Mn. (2018 - LKR 1,908 Mn.), whilst the Group profit attributable to equity holders of the parent for the year was LKR 2,150 Mn. (2018 - LKR 2,507 Mn.)

Access Engineering PLC for the year ended 31 March	2019 LKR'000	2018 LKR'000
Profit after tax	1,961,595	1,907,931
Other adjustments	(244,279)	(30,705)
Balance brought forward from the previous year	8,714,965	7,837,739
Amount available for appropriation	10,432,281	9,714,965
1st interim dividend of LKR 0.25 per share (2018 - LKR 0.50)	(250,000)	(500,000)
2nd interim dividend of LKR 0.25 per share (2018 - LKR 0.50)	(250,000)	(500,000)
Final dividend declared of LKR 0.25 per share (2018 - Nil)	(250,000)	-
Balance to be carried forward next year	9,682,281	8,714,965

\* In accordance with LKAS 10, Events after the Reporting Period, the final dividend has not been recognised as a liability in the Financial Statements.

### Dividends

An interim dividend of LKR 0.25 per share was declared on 30 November 2018 and paid on 20 December 2018.





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

A Second interim dividend of LKR 0.25 per share was declared on 25 February 2019 and paid on 18 March 2019.

A final dividend of LKR 0.25 per share was declared on 30 May 2019 and paid on 11 June 2019.

### Reserves

The reserves of the Company and Group as at 31 March 2019 amounted to LKR 10,085 Mn. (2018 - LKR 8,868 Mn.) and LKR 12,195 Mn. (2018 - LKR 10,793 Mn.) respectively. The movement and composition during the year are given in the Statement of Changes in Equity on page 190.

### Accounting policies

The accounting policies adopted in the preparation of Financial Statements of the Company and the Group are given on pages 194 to 276 of the Annual Report.

The Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) and the policies adopted thereof are given on pages 194 to 276. Figures pertaining to the previous period have been re-stated where necessary to conform to the presentation for the year under review.

### Donations

Total donations made by the Company and Group as at 31 March 2019 amounted to LKR 1,596,286 (2018 - LKR 892,263) and LKR 1,668,400 (2018 - LKR 1,197,513) respectively.

### Corporate social responsibility

The Company continued its corporate social responsibility initiatives with a range of Programmes, details of which are set out on pages 99 and 100 of the Annual Report.

### Property, plant and equipment (PPE) and intangible assets

The Company's and Group's capital expenditure on PPE amounted to LKR 705 Mn. (2018 - LKR 787 Mn.) and

LKR 1,163 Mn. (2018 - LKR 1,590 Mn.) respectively and all other related information and movements have been disclosed in Note 11 (page 215) to the Financial Statements.

Addition to intangible assets of the Company and the Group during the year amounted LKR 3.39 Mn. (2018 - Nil) and LKR 39.9 Mn. (2018 - LKR 12.85 Mn.) respectively. All other related movements to intangible assets are disclosed under the Note 13 (page 226) to the Financial Statements.

### MARKET VALUE OF PROPERTIES

#### Market value of property, plant and equipment

All land and buildings owned by Group companies were revalued and all information related to revaluation is given in Note 11 (page 215) to the Financial Statements.

#### Land holdings

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

Location	Extent			Carrying Value of Assets (LKR)
	A	R	P	
<b>Access Engineering PLC</b>				
No. 336/1, Low Level Road, Jalthara, Ranala	-	3.0	38.40	55,000,000
No. 267, Dehiwala Road, Maharagama	-	3.0	1.00	180,000,000
No. 278, Alubogahalanda, Jalthara, Ranala	3.0	3.0	4.86	68,000,000
No. 117, Dehiwala Road, Boralasgamuwa	-	2.0	35.00	145,000,000
Dickowita - Hendala	2.0	3.0	10.18	15,800,000
Weliwita - Kaduwela	2.0	-	-	48,000,000
Divigalahena - Hakmana	10.0	-	-	10,000,000
<b>Access Realities (Private) Limited</b>				
Nos. 264/5, 266, 268, 278 and 278/4, Dr Colvin R De Silva Mawatha (Union Place) and Nos. 116 and 118 Dawson Street, Colombo 2	1.0	-	25.65	4,021,066,399
<b>Access Realities 2 (Private) Limited</b>				
30 Stories Buildings at No. 278/4, Colombo 2	-	-	-	6,763,046,610
<b>Sathosa Motors PLC</b>				
Peliyagoda - Leasehold land	2.0	-	23.93	5,133,746
No. 86, Vauxhall Street, Colombo 02	-	-	28.70	326,086,000
<b>Access Projects (Private) Limited</b>				
No. 278, Kekulanvila road, Jaltara, Ranala	2.0	1.0	38.38	37,350,000
No. 42 A, Yatawathura, Malagala, Padukka	-	3.0	10.00	4,077,241
<b>Horizon Holdings Ventures (Private) Limited</b>				
No. 278, Weliwita road, Weliwita	4.0	1.0	4.00	475,200,000



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

### Investment properties

Investment properties of business units, when significantly occupied by Group companies, are classified as PPE in the Consolidated Financial Statements in compliance with LKAS 40.

The Group revalued its investment properties in line with the policies adopted by the Group and the carrying value at Company and Group level is LKR 415.8 Mn. (2018 - LKR 415.8 Mn.) and LKR 10,729 Mn. (2018 - LKR 10,714 Mn.) respectively. All information related to revaluation of the investment properties is provided in Note 12 (page 223) to the Financial Statements. .

### INVESTMENTS

A detailed description of the Company's investment in quoted shares held as at 31 March 2019, is given in Note 20 (page 236) to the Financial Statements.

In addition, a detailed description of the Company's fixed deposits and debentures held as at 31 March 2019, are given in Notes 21 and 16 (pages 236 and 231) to the Financial Statements.

### STATED CAPITAL

The Stated Capital of the Company is LKR 9,000,000,000.00 representing 1,000,000,000 ordinary shares (2018 - LKR. 9,000,000,000.00 representing 1,000,000,000 ordinary shares), as given in Note 23 (page 237) to the Financial Statements.

### DEBENTURE

Debenture of the Company is LKR 5,000 Mn. representing 50,000,000 debentures (2018 - LKR 5,000 Mn. of 50,000,000 debentures), as given in Note 25.1 (page 239) to the Financial Statements. The said Debentures have been assigned a Rating of "(SL) A+ with a stable outlook" by ICRA Lanka Limited.

### RATIOS AND MARKET PRICES OF DEBENTURES

Ratios and market prices of the listed rated senior unsecured redeemable debentures issued by the Company, as required by the Listing Rules are set out in Note 25 to the Financial Statements on page 239.

### SHARE INFORMATION

#### Shareholders

There were 7,226 shareholders registered as at 31 March 2019 (5,816 shareholders as at 31 March 2018). The details of distribution of shares are given on page 92 of the Annual 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 92 to 95 under Investor Capital.

### THE BOARD OF DIRECTORS

#### 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 (SLFRSs/LKASs), the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Statement of Directors' Responsibility is given on page 180.

### Names of 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 pages 116 to 119.

#### 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 S D Munasinghe

#### Non-Executive Directors

Mr R J S Gomez  
Mr S D Perera

#### Independent Non-Executive Directors

Prof K A M K Ranasinghe  
Mr N D Gunaratne  
Mr D S Weerakkody

#### Retirement and re-election of Directors

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

Directors of subsidiary companies are given on page 286.

#### Review of the performance of the Board

The performance of the Board has been appraised through a formalised process of individual appraisal by enabling each member to self-appraise on an anonymous basis and it is mentioned in page 143.



## BOARD COMMITTEES

The Audit Committee, Remuneration Committee, Strategic Planning Committee, Investment Evaluation and Monitoring Committee and the Related Party Transactions Review Committee function as Board subcommittees, with Directors, who possess the requisite qualifications and experience. The composition of the said committees as at 31 March 2019 is as follows:

### Audit Committee

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

### Remuneration Committee

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

### Related Party Transactions Review Committee

Mr N D Gunaratne - Chairman  
 Prof K A M K Ranasinghe  
 Mr D S Weerakkody  
 Mr D A R Fernando

### Investment and Subsidiary Performance Monitoring Committee

Prof K A M K Ranasinghe - Chairman  
 Mr N D Gunaratne  
 Mr D S Weerakkody  
 Mr J C Joshua  
 Mr D A R Fernando

### Strategic Planning Committee

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

## 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 the 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 31 March 2019 as recorded in the interests register are given in this Report under Directors' shareholding.

## RELATED PARTY TRANSACTIONS

The Company's transactions with related parties, given in Note 28 (page 246) to the Financial Statements, have complied with Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act as declared by the Board of Directors.

## DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed under Key Management Personnel compensation in Note 28.6 to the Financial Statements on page 250.

## 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 28 (page 246) to the Financial Statements, the Company did not carry out any transaction with any of the Directors.

## DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31 March 2019 and 31 March 2018 are as follows:

	Shareholding as at 31 March 2019	Shareholding as at 31 March 2018
Mr S J S Perera	250,000,000	250,000,000
Mr J C Joshua	101,000,000	100,000,000
Mr R J S Gomez	75,130,325	75,130,325
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
Mr S D Perera	2,000,000	2,000,000
Prof K A M K Ranasinghe	100	Nil
Mr N D Gunaratne	Nil	Nil
Mr D S Weerakkody	10,000	10,000

## CORPORATE GOVERNANCE

The Board of Directors confirm, that they are in compliance with Section 7.10 of the Listing Rules of the CSE. The Chairman, the Board of Directors and the Key Management Staff is dedicated towards upholding an effective Corporate Governance Framework in compliance with the Code of Business Conduct, Ethics of the Company and in implementing systems and structures required to ensuring best practices within the Company.



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

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 124 to 163 explains the measures adopted by the Company during the year of review.

### **SUSTAINABILITY**

The Group pursues its business goals based on a model of stakeholders' governance. Finding of the continuous internal stakeholder engagements have enabled the Group to focus on material issues highlighted by other stakeholders such as employees, customers, suppliers and the community. These steps have been encapsulated in a Group-wide strategy focused on sustainable development which is continuously evolving based on the above mentioned stakeholder engagements. Refer Capital Formation and Distribution on pages 68 to 108.

### **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.

At Company level as at 31 March 2019 a total of 2,458 persons were in employment (2,670 persons as at 31 March 2018). Refer Human Capital on pages 82 to 86 for more information.

### **SUPPLIER POLICY**

The Group applies an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers and endeavours to pay for all items properly charged in accordance with these agreed terms. As at 31 March 2019 trade and other payables of the Company and Group amounted to LKR 8,529 Mn. (2018 - LKR 7,219 Mn.) and LKR 12,491 Mn. (2018 - LKR 10,117 Mn.) respectively. Refer trade and other payables in Note 27 of page 246.

The Group strives to integrate principles of sustainable practices in its value chain through extensive stakeholder consultations, the findings of which are integrated in to work plans.

### **ENVIRONMENTAL PROTECTION**

The Group complies with appropriate environmental laws and regulations to fulfil the best practices applicable in the country of operation. After making adequate enquiries from the Management, the Directors are satisfied that the Company operates in a manner that minimises 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. Refer natural capital on pages 101 to 108 for more information.

### **RESEARCH AND DEVELOPMENT**

The Group has an active approach to research and development and recognises the contribution that it can make to the Group's operations. Significant expenditure has taken place over the years and substantial effort will continue to be made to introduce new products and processes and develop existing products and processes to improve operational efficiency.

### **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 the Group and all other known statutory dues as were due and payable by the Company and the Group as at the Statement of Financial Position date have been paid or, where relevant provided for, except as specified in Note 29 (page 251) to the Financial Statements covering commitments and contingencies.

### **CONTINGENT LIABILITIES**

Except as disclosed in Note 29 (page 251) to the Financial Statements, there were no material contingent liabilities as at the reporting date.

### **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 and the Group on a quarter basis. The Directors review this process through the Audit Committee, to identify the competence and success of internal controls.

Specific steps taken by the Company in managing the risks are detailed in the section on enterprise risk management on pages 164 to 172.

### **EVENTS AFTER THE REPORTING PERIOD**

Except for the matters disclosed in Note 30 (page 256) to the Financial Statements, there were no material events as at the date of the Auditors' Report, which require adjustment to or disclosure in the Financial Statements.

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

## 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.

## INDEPENDENT AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 182 to 187.

## 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 LKR 3,655,165.00 is payable by the Company to the Auditors for the year under review comprising LKR 2,851,000.00 as audit fees and LKR 804,165.00 for non-audit services. (on Note 8 of page 208)

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 10 July 2019 recommended that they be reappointed as Auditors. A resolution to reappoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

## COMPLIANCE WITH LAWS AND REGULATIONS

To the best of knowledge and belief of the Directors, the Group/Company has not engaged in any activity, which contravenes laws and regulations of the country.

## ANNUAL REPORT

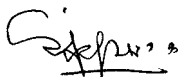
The Board of Directors approved the Consolidated Financial Statements on 10 July 2019.

## ANNUAL GENERAL MEETING

The Eighth Annual General Meeting will be held on 9 August 2019.

The Notice of the Annual General Meeting appears on page 287.

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 (Pvt) Ltd.**

Secretaries

10 July 2019

Colombo

## 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 pages 182 to 187.

The Directors are responsible for the proper recording and maintenance of books of accounts of all transactions of the Company and its subsidiaries under Sections 150 (1), 151, 152 (1), and 153 of the Companies Act No. 07 of 2007.

Under Section 148, the Directors are responsible for preparing Financial Statements that give a true and fair view of the state of 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, Statement of Cash Flows 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 (SLFRSs/LKASs), and reasonable and prudent judgements 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 the 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 29 to the Financial Statements covering commitments and contingencies.

By Order of the Board,



**P W Corporate Secretarial (Pvt) Ltd.**

Secretaries

10 July 2019  
Colombo

## DIRECTORS' STATEMENT ON INTERNAL CONTROL

### INTRODUCTION

The following statement fulfils the requirement to publish the Directors' Statement on Internal Control as per the Code of Best Practice on Corporate Governance 2017 jointly issued by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

### BOARD'S RESPONSIBILITY

The Board of Directors is responsible for the adequacy and effectiveness of the Group's system of internal controls. However, such a system is designed to manage the Group's key exposure areas within an acceptable risk profile rather than eliminating the risk of failure to achieve the Group's objectives. Accordingly, the system of internal controls can only provide a reasonable assurance but not absolute against the material misstatement of Management and financial information and records or against financial losses or fraud. The Board has established an ongoing process for identifying, evaluating and managing the significant exposures faced by the Company and this process includes enhancing the system of internal controls as and when there are changes for the business environment or regulatory framework.

### KEY INTERNAL CONTROL PROCESSES

Following features of the system of internal control put in place by the Board provide reasonable assurance regarding the reliability of financial reporting. They also ensure the adequacy and effectiveness of the system:

- ⊕ Committees appointed by the Board to assist them in ensuring the effectiveness of Company's daily operations, and to ensure that these daily operations are within the corporate objectives, strategies and annual budget ratified by the Board.

- ⊕ Internal Audit Department which is headed by the Chief Internal Auditor carries out periodic audits on an ongoing basis covering all operational projects/ units to ensure the effectiveness of the system of internal control. These audits are carried out in accordance with the Annual Audit Plan approved by the Board Audit Committee and findings of the same are submitted to the Board Audit Committee for their review on a quarterly basis. Additionally special audits are conducted as and when the need arises and findings of the same are submitted to the Board Audit Committee for their review.

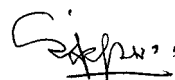
- ⊕ The Board Audit Committee reviews internal control issues identified by the Internal Audit Department, regulatory bodies, and the Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Board Audit Committee meetings are tabled at the Board meetings of the Company.

- ⊕ In accordance with Sri Lanka Accounting Standards comprising SLFRSs and LKASs, processes that are required to comply with requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress to enhance the system's effectiveness and efficiency.

- ⊕ The comments made by External Auditors in connection with the internal control system during the financial year 2017/18 were taken into consideration and appropriate steps have been taken to incorporate them where applicable.

### CONFIRMATION STATEMENT

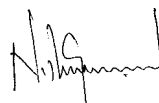
Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs), requirements of the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange.



**J J S Perera**  
Chairman



**J C Joshua**  
Managing Director



**N D Gunaratne**  
Chairman, Audit Committee

10 July 2019  
Colombo



# INDEPENDENT AUDITORS' REPORT



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

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## TO THE SHAREHOLDERS OF ACCESS ENGINEERING PLC

Report on the Audit of the Financial Statements.

### OPINION

We have audited the 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 31 March 2019, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information as set out on pages 188 to 276.

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

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company Financial Statements and the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Company Financial Statements and the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne FCA  
R.H. Rajan FCA

P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel ACA

C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA





## RECOGNITION OF REVENUE AND ADOPTION OF AND TRANSITION TO SLFRS 15

Refer Note 5 to the Consolidated Financial Statements.

### Risk description

The major components of Group's revenue comprises of revenue from construction contracts and sales of new vehicles amounting to LKR 17.6 Bn and LKR 10.8 Bn. respectively for the year ended 31 March 2019.

Vehicles sales are recognised when the customer has accepted the vehicle which is evidenced by the customers' signature on the delivery note. Revenue arising from after-sales services is recognised when the relevant service is completed and there are no further performance obligations.

Construction revenue is recognised overtime by reference to the Group's progress toward completing the contracts. Management judgement is required to estimate the total construction costs, variations or claims recognised as contract revenue, and provision for liquidated damages that will affect the measure of progress and revenue and profit margins recognised from construction contracts.

Further, the Group has adopted SLFRS 15 using the cumulative effect method (without practical expedients) from 1 April 2018. Accordingly, the information presented for 2018 has not been restated and continued to be reported under LKAS 18.

We identified revenue recognition of the Group as a key audit matter because of the revenue recognition is inherently subjective and requires significant management judgement and errors in the recognition of revenue could have a material impact on the Group profit for the year.

### Our response

Our audit procedures on Construction Revenue included,

- ⊕ Comparing the contract revenue recognised for a sample of contracts in progress during the year with certifications from the surveyors appointed by the customers or payment applications from the in-house surveyor.
- ⊕ Inspecting a sample of project contract agreements with customers and subcontractors to identify key terms and conditions.
- ⊕ Evaluating the appropriateness of the selection of accounting policies and management approach over adoption and transition applied for SLFRS 15, including the key accounting estimates and judgements made by the Management based on the requirements of the new standards.

Our audit procedures relating to sales of new vehicles included,

- ⊕ Obtaining and understanding of and assessing the design, implementation and operating effectiveness of the Group's key internal controls over revenue recognition.
- ⊕ Scrutinising all the revenue invoices raised throughout the reporting period and comparing details of a sample of these invoices, which met certain risk-based criteria, with relevant underlying documentation.
- ⊕ Inspecting significant manual adjustments to revenue raised during the reporting period, enquiring of management the reasons for such adjustments and comparing the details of the adjustment with relevant underlying documentation.
- ⊕ Assessing whether revenue had been recognised in the appropriate accounting period by comparing a sample of sales transactions around the year end with relevant underlying documents, which included customers' signed acknowledgement of delivery.
- ⊕ Assessing the adequacy of the Financial Statements disclosures required by SLFRS 15.



## ↓ INDEPENDENT AUDITORS' REPORT



### VALUATION OF INVESTMENT PROPERTIES

Refer Note 12 to the Consolidated Financial Statements.

#### Risk description

The Group has investment properties amounting to LKR 10.73 Bn. which are measured at fair value in the Statement of Financial Position.

Investment Property are measured at fair value in the Statement of Financial Position. The Group has engaged independent professional valuers with appropriate expertise in valuing properties to determine the fair value of the investment property in accordance with recognised industry standards.

We identified this as a key audit matter because of the significant estimates such as per perch price and value per square foot involved in assessing the fair value of the investment property.

#### Our response

Our audit procedures included,

- ⊕ Assessing the objectivity, independence, competence and qualifications of the external valuers.
- ⊕ Assessing the appropriateness of the valuation techniques used by the external valuers, taking into account the profile of the investment properties.
- ⊕ Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.

### IMPAIRMENT ASSESSMENT OF GOODWILL AND INVESTMENTS IN SUBSIDIARIES

Refer Note 13 and 14 to the Consolidated Financial Statements.

#### Risk Description

As at 31 March 2019, the goodwill and investment in subsidiaries amounting to LKR 1.18 Bn. and LKR 13.23 Bn. respectively.

Management allocated goodwill to the respective cash-generating units ("CGU") and the recoverable amounts of the identified CGUs have been determined based on value-in-use calculation.

Management performed the impairment assessment for the subsidiaries with indicators of impairment and determined their recoverable amounts based on value-in-use calculation.

We have identified the assessment of impairment of Goodwill and impairment of investments in subsidiaries as a key audit matter because impairment assessment process involves significant Management judgement and required the management to make various assumptions in the underlying cash flow forecasts.

#### Our response

Our audit procedures included,

- ⊕ Obtaining an understanding of Management's impairment assessment process.
- ⊕ Evaluating the reasonableness of the Group's key assumptions for its cash flow projection such as discount rates, cost inflation and business growth with reference to the internally and externally derived sources including Group budgetary process and reasonableness of historical forecasts.
- ⊕ Assessing the adequacy of the Group disclosures in the Financial Statements in respect of impairment testing.



## CARRYING VALUE OF INVENTORIES

Refer Note 17 to the Consolidated Financial Statements.

### Risk Description

The Group has significant levels of inventory amounting to LKR 6.58 Bn. as at 31 March 2019.

There is inherent risks relating to vehicle inventory with the changes in economic sentiment or consumer preferences and the introduction of newer models with the latest design and technologies by vehicle manufacturers to these different markets could result in inventories on hand no longer being sought after or being sold at a discount below their cost.

Estimating future demand for and the related selling prices of vehicle is inherently subjective and uncertain because it involves management estimating the extent of markdown of selling prices necessary to sell the older or slow moving models in the period subsequent to the reporting date.

Given the level of judgments and estimates involved, there is a risk that carrying value of inventory could be misstated.

### Our response

Our audit procedures relating to vehicle inventories included,

- ⊕ Testing the Group Key Control over Inventory Valuation and the identification of slow moving and/or obsolete inventories.
- ⊕ Comparison of inventory levels, by product group, to sales data to corroborate whether slow moving and obsolete inventories had been appropriately identified and challenge the Group's categorisation as obsolete or slow moving.
- ⊕ Assessing whether the inventory provision at the end of the reporting period was determined on a basis consistent with the Group's inventory provisioning policy by recalculating the inventory write-downs and provisions based on expected selling prices.

Our audit procedures relating to other inventories included,

- ⊕ Understanding and evaluating the design, implementation and operating effectiveness of Management's key internal controls over inventory management including the purchases of inventories, inventory valuation, and cycle counts of inventories and reviews of the status of inventories.
- ⊕ Performing recalculations on inventory valuation for selected samples in accordance with the Group's valuation policy.
- ⊕ Obtaining the surveyor's (In-house) valuation report on the work in progress as at 31 March 2019, and inquired the management over the reasonableness of the valuation performed by the surveyor.

 INDEPENDENT AUDITORS' REPORT


## RECOVERABILITY OF TRADE RECEIVABLES INCLUDING TRANSITION TO SLFRS 09

Refer Note 18 to the Consolidated Financial Statements.

Risk Description	Our response
<p>The Group trade receivables are stated in the financial position at their fair value less any provision for irrecoverable amounts. As at 31 March 2019 net of trade receivables were LKR 11.13 Bn. after provisions of LKR 141.44 Mn.</p> <p>There are inherent risks relating to customer's credit risk profile which varies due to the size of each customer and the industries that the customers operate in. The risk is whether the trade receivables are recoverable and determining an appropriate provision for potentially impaired trade receivables requires significant Management judgement.</p> <p>Impairment allowances represent management's best estimate of the losses expected within receivables as at the financial position date. Management has assessed the receivable balances individually based on the age of debts to identify any objective evidence of impairment.</p> <p>Given the level of subjectivity nature of significant Management judgements involved and transition adjustments are likely to be subject to scrutiny from investors/regulators resulted in impairment of trade receivables being considered as a key audit matter.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> <li>⊕ On sample basis circularised trade receivables confirmations for construction receivables to verify existence and tested the reconciliations where discrepancies were identified and testing the subsequent collections for outstanding trade receivables, where applicable.</li> <li>⊕ Understanding and evaluating the design, implementation and operating effectiveness of Management's key internal controls in respect of the valuation of trade debtors, which included credit control procedures and the application of the Group's doubtful debt provisioning policy.</li> <li>⊕ Assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, which included sales invoices and goods delivery notes.</li> <li>⊕ Challenging the appropriateness of the selection of accounting policies based on the requirements of the new standards, our business understanding.</li> <li>⊕ Evaluating the appropriateness of the Management approach over adoption, transition and practical expedients applied for SLFRS 9.</li> </ul>

### OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the Financial Statements and our Auditor's Report thereon. Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

 INDEPENDENT AUDITORS' REPORT


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

- ③ Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ③ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- ③ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ③ Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- ③ Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ③ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

CA Sri Lanka membership number of the engagement partner responsible for signing this Independent Auditor's Report is 2599.

**CHARTERED ACCOUNTANTS**  
Colombo, Sri Lanka

10 July 2019

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group		Company	
		2019 LKR	2018 Restated LKR	2019 LKR	2018 LKR
Revenue	5.1	32,277,441,194	26,055,590,803	19,356,105,575	17,937,033,665
Cost of sales		(27,093,199,821)	(21,994,429,511)	(16,183,403,341)	(15,126,447,918)
<b>Gross profit</b>		<b>5,184,241,373</b>	<b>4,061,161,292</b>	<b>3,172,702,234</b>	<b>2,810,585,747</b>
Other income	6.1	481,768,869	2,519,087,363	647,816,174	724,888,499
Administrative expenses		(1,852,100,797)	(1,893,465,924)	(765,960,002)	(669,681,707)
Other expenses		(34,199,999)	(63,358,073)	(24,951,305)	(28,955,917)
<b>Operating profit</b>		<b>3,779,709,446</b>	<b>4,623,424,658</b>	<b>3,029,607,101</b>	<b>2,836,836,622</b>
Net finance cost	7.1	(650,889,968)	(382,588,880)	(484,948,695)	(445,810,818)
Share of results of equity-accounted investees, net of tax	15.2	(273,936)	(9,671,067)	-	-
<b>Profit before tax</b>	8	<b>3,128,545,542</b>	<b>4,231,164,711</b>	<b>2,544,658,406</b>	<b>2,391,025,804</b>
Income tax expense	9.1	(883,188,540)	(1,768,468,525)	(583,063,290)	(483,094,897)
<b>Profit for the year</b>		<b>2,245,357,002</b>	<b>2,462,696,186</b>	<b>1,961,595,116</b>	<b>1,907,930,907</b>
<b>Profit attributable to:</b>					
Equity holders of the parent		2,150,223,368	2,507,213,674	1,961,595,116	1,907,930,907
Non-controlling interest		95,133,634	(44,517,488)	-	-
<b>Profit for the year</b>		<b>2,245,357,002</b>	<b>2,462,696,186</b>	<b>1,961,595,116</b>	<b>1,907,930,907</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Remeasurement of defined benefit liability	26.1	19,092,533	(19,122,325)	15,447,533	(23,988,146)
Revaluation of land and buildings	11.1	-	211,524,251	-	-
Related tax	9.1	(4,608,927)	(94,598,099)	(4,325,309)	(37,793,969)
<b>Other comprehensive income for the year, net of tax</b>		<b>14,483,606</b>	<b>97,803,827</b>	<b>11,122,224</b>	<b>(61,782,115)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>2,259,840,608</b>	<b>2,560,500,013</b>	<b>1,972,717,340</b>	<b>1,846,148,792</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent		2,164,068,924	2,604,018,339	1,972,717,340	1,846,148,792
Non-controlling interest		95,771,684	(43,518,326)	-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>2,259,840,608</b>	<b>2,560,500,013</b>	<b>1,972,717,340</b>	<b>1,846,148,792</b>
<b>Basic earnings per share</b>	10	<b>2.15</b>	<b>2.51</b>	<b>1.96</b>	<b>1.91</b>
<b>Dividend per share</b>	23.3			<b>0.50</b>	<b>1.20</b>

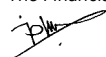
The Accounting Policies and Notes form an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

## STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group		Company	
		2019	2018 Restated	2019	2018
		LKR	LKR	LKR	LKR
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	5,198,089,223	5,980,093,102	3,067,938,263	3,270,611,938
Investment properties	12.1	10,729,192,520	10,713,949,513	415,800,000	415,800,000
Investment properties - work in progress	12.3	492,568,921	402,478,308	-	-
Intangible assets and goodwill	13.1	1,406,234,214	1,400,829,854	47,196,982	52,973,724
Investments in subsidiaries	14	-	-	13,230,857,707	13,729,275,147
Equity-accounted investees	15.1	898,019,125	1,191,865,526	855,465,410	1,155,465,410
Non-current financial assets	16	1,420,363,347	1,482,032,531	1,008,933,068	1,007,045,205
		<b>20,144,467,350</b>	<b>21,171,248,834</b>	<b>18,626,191,430</b>	<b>19,631,171,424</b>
<b>Current assets</b>					
Inventories	17.1	6,578,633,179	6,085,842,007	1,440,013,027	1,617,818,301
Trade and other receivables	18.1	13,784,379,147	11,249,413,659	10,101,674,043	8,539,769,405
Amount due from related parties	28.2	126,895,989	199,685,811	409,622,868	236,849,747
Current tax assets	9.3	55,203,106	66,116,571	-	60,699,819
Other current financial assets	19	2,697,690,207	2,195,368,035	2,466,744,153	2,010,995,242
Short-term investments	20	25,769,394	35,560,781	25,769,394	35,560,781
Short-term deposits	21	2,163,147,483	2,041,431,464	475,198,599	279,511,813
Cash and cash equivalents	22	2,485,877,649	1,394,098,390	1,075,663,894	577,006,066
		<b>27,917,596,154</b>	<b>23,267,516,718</b>	<b>15,994,685,978</b>	<b>13,358,211,174</b>
<b>Total assets</b>		<b>48,062,063,504</b>	<b>44,438,765,552</b>	<b>34,620,877,408</b>	<b>32,989,382,598</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Stated capital	23.1	9,000,000,000	9,000,000,000	9,000,000,000	9,000,000,000
Revaluation reserve		258,652,205	404,698,445	152,660,185	152,660,185
Retained earnings		11,936,129,031	10,387,913,212	9,932,281,210	8,714,965,150
<b>Equity attributable to equity holders of the parent</b>		<b>21,194,781,236</b>	<b>19,792,611,657</b>	<b>19,084,941,395</b>	<b>17,867,625,335</b>
Non-controlling interest	32	2,393,297,382	2,299,725,473	-	-
<b>Total equity</b>		<b>23,588,078,618</b>	<b>22,092,337,130</b>	<b>19,084,941,395</b>	<b>17,867,625,335</b>
<b>Non-current liabilities</b>					
Government grants	24	5,704,096	5,923,485	-	-
Loans and borrowings	25	5,097,947,765	5,137,825,136	5,188,152,871	5,188,152,872
Employee benefit liabilities	26	263,326,437	238,920,256	193,452,552	178,275,827
Deferred tax liabilities	9.4	2,165,728,615	2,145,470,679	519,040,038	590,652,004
		<b>7,532,706,913</b>	<b>7,528,139,556</b>	<b>5,900,645,461</b>	<b>5,957,080,703</b>
<b>Current liabilities</b>					
Bank overdraft	22	329,833,689	564,712,154	-	-
Trade and other payables	27	12,491,096,071	10,116,721,429	8,528,943,819	7,218,909,464
Amount due to related parties	28.3	24,486,763	68,558,191	279,991,521	31,541,539
Loans and borrowings	25	3,637,207,534	3,948,402,215	402,128,177	1,904,960,917
Current tax liabilities	9.3	424,288,511	88,268,191	411,867,608	-
Unclaimed dividends		34,365,405	31,626,686	12,359,427	9,264,640
		<b>16,941,277,973</b>	<b>14,818,288,866</b>	<b>9,635,290,552</b>	<b>9,164,676,560</b>
<b>Total liabilities</b>		<b>24,473,984,886</b>	<b>22,346,428,422</b>	<b>15,535,936,013</b>	<b>15,121,757,263</b>
<b>Total equity and liabilities</b>		<b>48,062,063,504</b>	<b>44,438,765,552</b>	<b>34,620,877,408</b>	<b>32,989,382,598</b>
<b>Net asset per share</b>		<b>21.19</b>	<b>19.79</b>	<b>19.08</b>	<b>17.87</b>

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.



**N Iddagodage**

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

10 July 2019  
Colombo



**D A R Fernando**

Chief Operating Officer

## STATEMENT OF CHANGES IN EQUITY

Group	Attributable to equity holders of the parent				Non-controlling interests LKR	Total equity LKR
	Stated capital	Revaluation reserve	Retained earnings	Total		
	LKR	LKR	LKR	LKR		
<b>Balance at 1 April 2017</b>	9,000,000,000	249,969,954	9,589,746,941	18,839,716,895	2,711,502,144	21,551,219,039
Prior year adjustment (Note 2.5)			(424,314,879)	(424,314,879)	-	(424,314,879)
<b>Restated total equity as at 1 April 2017</b>	9,000,000,000	249,969,954	9,165,432,062	18,415,402,016	2,711,502,144	21,126,904,160
Profit for the year (restated)	-	-	2,507,213,674	2,507,213,674	(44,517,488)	2,462,696,186
Other comprehensive income for the year, net of tax	-	154,728,491	(57,923,826)	96,804,665	999,162	97,803,827
<b>Total comprehensive income for the year</b>	-	154,728,491	2,449,289,848	2,604,018,339	(43,518,326)	2,560,500,013
<b>Transactions with owners of the Company – Contributions and distributions</b>						
Cash dividends	-	-	(1,200,000,000)	(1,200,000,000)	-	(1,200,000,000)
Dividend paid to non-controlling interests	-	-	-	-	(42,654,575)	(42,654,575)
<b>Changes in ownership interests</b>						
Acquisition of NCI – Harbour Village (Private) Limited	-	-	(26,808,698)	(26,808,698)	(425,573,802)	(452,382,500)
Non-controlling interest of SMLF right issue	-	-	-	-	99,970,032	99,970,032
<b>Balance at 31 March 2018</b>	9,000,000,000	404,698,445	10,387,913,212	19,792,611,657	2,299,725,473	22,092,337,130
Impact of adopting SLFRS 9 and SLFRS 15	-	-	(261,914,765)	(261,914,765)	(2,184,355)	(264,099,120)
<b>Restated total equity as at 1 April 2018</b>	9,000,000,000	404,698,445	10,125,998,447	19,530,696,892	2,297,541,118	21,828,238,010
Profit for the year	-	-	2,150,223,368	2,150,223,368	95,133,634	2,245,357,002
Other comprehensive income for the year, net of tax	-	-	13,845,556	13,845,556	638,050	14,483,606
<b>Total comprehensive income for the year</b>	-	-	2,164,068,924	2,164,068,924	95,771,684	2,259,840,608
<b>Transactions with owners of the Company – Contributions and distributions</b>						
Cash dividends	-	-	(500,000,000)	(500,000,000)	-	(500,000,000)
<b>Changes in ownership interests</b>						
Disposal of subsidiary – Horizon Knowledge City Limited	-	(146,046,240)	146,061,660	15,420	(15,420)	-
<b>Balance at 31 March 2019</b>	9,000,000,000	258,652,205	11,936,129,031	21,194,781,236	2,393,297,382	23,588,078,618


Company	Stated capital LKR	Revaluation reserve LKR	Retained earnings LKR	Total LKR
<b>Balance at 1 April 2017</b>	9,000,000,000	183,737,473	8,037,739,070	17,221,476,543
Profit for the year	-	-	1,907,930,907	1,907,930,907
Other comprehensive income for the year, net of tax	-	(31,077,288)	(30,704,827)	(61,782,115)
<b>Total comprehensive income for the year</b>	-	(31,077,288)	1,877,226,080	1,846,148,792
<b>Transactions with owners of the Company – Contributions and distributions</b>				
Cash dividends	-	-	(1,200,000,000)	(1,200,000,000)
<b>Balance at 31 March 2018</b>	9,000,000,000	152,660,185	8,714,965,150	17,867,625,335
Impact of adopting SLFRS 9 and SLFRS 15	-	-	(255,401,280)	(255,401,280)
<b>Restated total equity as at 1 April 2018</b>	9,000,000,000	152,660,185	8,459,563,870	17,612,224,055
Profit for the year	-	-	1,961,595,116	1,961,595,116
Other comprehensive income for the year, net of tax	-	-	11,122,224	11,122,224
<b>Total comprehensive income for the year</b>	-	-	1,972,717,340	1,972,717,340
<b>Transactions with owners of the Company – Contributions and distributions</b>				
Cash dividends	-	-	(500,000,000)	(500,000,000)
<b>Balance at 31 March 2019</b>	9,000,000,000	152,660,185	9,932,281,210	19,084,941,395

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



## STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	Group		Company	
		2019	2018	2019	2018
		LKR	LKR	LKR	LKR
<b>Operating activities</b>					
Profit before tax		3,128,545,542	4,231,164,711	2,544,658,406	2,391,025,804
<b>Adjustments to reconcile profit before tax to net cash flows:</b>					
Depreciation of property plant and equipment	11.1/ 11.2	1,077,028,529	1,023,382,343	873,104,852	851,258,202
Amortisation of intangible assets	13.1	34,591,799	30,361,220	9,169,035	9,218,382
Provisions for employee benefits	26.1	64,266,599	50,516,729	46,824,048	35,142,287
Impairment losses/write-off of trade and other receivables/inventories		70,866,144	130,765,822	22,448,339	6,567,615
Gain on fair value changes of investment properties	12.1	-	(2,303,297,521)	-	-
Loss on fair value changes of short-term investments	6.1	9,791,387	490,247	9,791,387	490,247
Gain on disposal of property, plant and equipment	6.1	(62,587,664)	(27,798,224)	(40,038,992)	(20,033,264)
(Gain)/loss on disposal of subsidiary	6.1	5,977,460	-	(140,010,000)	-
Gain on disposal of equity accounted investees	6.1	(6,427,534)	-	-	-
Amortisation of Government grant	24	(219,389)	(219,389)	-	-
Share of results of equity-accounted investees, net of tax	15.2	273,936	9,671,067	-	-
Dividend income	6.1	(1,340,836)	(1,486,092)	(332,979,009)	(560,181,409)
Net finance cost	7.1	650,889,968	382,588,880	484,948,695	445,810,818
<b>Operating profit before working capital changes</b>		<b>4,971,655,941</b>	<b>3,526,139,793</b>	<b>3,477,916,761</b>	<b>3,159,298,682</b>
<b>Working capital adjustments:</b>					
(Increase)/decrease in inventories		(531,218,240)	(827,298,687)	167,488,183	(643,168,517)
Increase in trade and other receivables		(2,537,685,709)	(2,504,459,891)	(1,444,269,783)	(1,775,499,492)
Increase in other current financial assets		(502,322,172)	(373,461,742)	(455,748,911)	(408,019,089)
(Increase)/decrease in amounts due from related parties		72,789,822	(91,061,774)	(172,773,121)	1,130,298,551
Decrease in trade and other payables		2,000,457,622	2,271,342,719	936,379,932	1,674,612,130
(Increase)/decrease in amounts due to related parties		(44,071,428)	1,250,779	248,449,982	(39,038,634)
<b>Cash generated from operating activities</b>		<b>3,429,605,836</b>	<b>2,002,451,197</b>	<b>2,757,443,043</b>	<b>3,098,483,631</b>
Interest paid		(1,194,682,725)	(914,019,607)	(744,443,042)	(599,432,728)
Income tax paid	9.3	(338,370,025)	(444,242,262)	(167,987,537)	(253,327,198)
Gratuity paid	26	(20,767,885)	(13,995,161)	(16,199,790)	(5,547,950)
<b>Net cash flows generated from operating activities</b>		<b>1,875,785,201</b>	<b>630,194,167</b>	<b>1,828,812,674</b>	<b>2,240,175,755</b>

 STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	Group		Company	
		2019	2018	2019	2018
		LKR	LKR	LKR	LKR
<b>Investing activities</b>					
Purchase of property, plant and equipment	11.1/11.2	(1,163,188,146)	(1,590,188,328)	(704,596,318)	(787,457,805)
Purchase of intangible assets	13.1	(39,996,158)	(12,851,960)	(3,392,293)	-
Purchase of investment properties	12.1	(15,243,007)	(6,886,444)	-	-
Purchase of investment properties – work in progress	12.3	(90,090,613)	(2,011,061,524)	-	-
Proceeds from sale of Property, plant and equipment		105,658,776	57,816,286	74,204,133	20,594,720
Investment in subsidiary		-	-	(126,572,560)	(3,373,427,440)
Disposal of joint venture		300,000,000	-	300,000,000	-
Proceeds from sales of non-current financial assets		39,850,000	-	-	-
Net cash flows on disposal of subsidiary		762,119,876	-	765,000,000	-
(Investments in)/withdrawal from short-term deposits		(121,716,019)	880,875,182	(195,686,786)	763,018,269
Dividends received	6.1	1,340,836	1,486,092	332,979,009	560,181,409
Interest received		523,258,061	455,566,774	230,742,709	121,164,348
<b>Net cash flows generated from/(used in) investing activities</b>		<b>301,993,606</b>	<b>(2,225,243,922)</b>	<b>672,677,894</b>	<b>(2,695,926,499)</b>
<b>Financing activities</b>					
Dividends paid to equity holders of the parent		(500,000,000)	(1,200,000,000)	(500,000,000)	(1,200,000,000)
Dividend paid to non-controlling interests		-	(42,654,575)	-	-
Acquisition of non-controlling interests		-	(452,382,500)	-	(452,382,500)
Proceeds from issue of shares to non-controlling interest		-	99,970,032	-	-
Proceeds from borrowings	25.2	11,954,669,609	11,392,330,318	5,011,000,000	4,446,960,917
Repayment of borrowings	25.2	(12,299,674,552)	(8,040,907,775)	(6,513,832,740)	(2,542,000,000)
Payment of finance lease liabilities	25.3	(6,116,140)	(3,116,300)	-	-
<b>Net cash flows generated from/(used in) financing activities</b>		<b>(851,121,083)</b>	<b>1,753,239,200</b>	<b>(2,002,832,740)</b>	<b>252,578,417</b>
Net increase/(decrease) in cash and cash equivalents		1,326,657,724	158,189,445	498,657,828	(203,172,327)
Cash and cash equivalents at the beginning of the year		829,386,236	671,196,791	577,006,066	780,178,393
<b>Cash and cash equivalents at the end of the year</b>	22	<b>2,156,043,960</b>	<b>829,386,236</b>	<b>1,075,663,894</b>	<b>577,006,066</b>

Cash and cash equivalent includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

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

Figures in brackets indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE AND GROUP INFORMATION

This section provides corporate and group information about Access Engineering PLC, its subsidiaries, joint venture and associate.

### 1.1 Reporting entity

Access Engineering PLC (“Company”) is a public limited liability company, listed on the Colombo Stock Exchange, incorporated on 31 July 2001 and domiciled in Sri Lanka. The Company was re-registered under the Companies Act No. 07 of 2007 on 6 February 2008. The Company’s registered office and the principal place of business are located at “Access Towers”, 278, Union Place, Colombo 02.

### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Access Engineering PLC for the year ended 31 March 2019, comprise the Company, its subsidiaries, joint venture and associate (together referred to as the “Group”).

The Financial Statements of all companies in the Group have a common financial year which ends on 31 March. Access Engineering PLC does not have any identifiable parent of its own. The Company is the ultimate parent of the Group.

### 1.3 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.

## Information about subsidiaries, joint venture and associate

The Consolidated Financial Statements of the Group include:

Name	Principal activities	Percentage of equity interest	
		2019	2018
Access Realties (Private) Limited	Commercial property development for lease and rental	100	100
Access Realties 2 (Private) Limited	Commercial property development for lease and rental	100	100
ARL Elevate (Private) Limited	Provision of conference, restaurant and support facilities for Access Towers	100	100
Sathosa Motors PLC	Authorised distributor for ISUZU brand vehicles in Sri Lanka	84.42	84.42
SML Frontier Automotive (Private) Limited	Authorised distributor for Jaguar and Land Rover in Sri Lanka	42.21	42.21
Access Projects (Private) Limited	Construction and supply of construction related services and materials	80	80
Horizon Holdings Ventures (Private) Limited	Property development	100	100
Horizon Knowledge City Limited	Property development	Nil	99.99
Harbour Village (Private) Limited	Residential and commercial property development	60.83	60.83
ZPMC Lanka Company (Private) Limited	Commission, repair and maintenance of port machinery	30	30
Blue Star Realties (Private) Limited	Residential property development	50	50
Horizon Holdings (Private) Limited	Property development	Nil	50

All the companies are incorporated in Sri Lanka.

The Horizon Knowledge City Limited, subsidiary of AEL (99.99%) and Horizon Holdings (Private) Limited, a joint venture of AEL were fully disposed during the year. There are no other significant changes in the nature of the principal business activities of the Company or its subsidiaries during the financial year under review. The business activities of the Company and its subsidiaries are described in more detail in the Group Directory on page 7.

## ↓ NOTES TO THE FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The Financial Statements of the Company and those consolidated comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with the Accounting Policies and Notes (the Financial Statements) which have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirements of the Companies Act No. 07 of 2007 and provide appropriate disclosures as required by Listing Rules of Colombo Stock Exchange.

These Financial Statements except for information on cash flows have been prepared following the accrual basis of accounting. The Group did not adopt any inappropriate accounting treatments which are not in compliance with the requirements of SLFRSs and LKASs, regulations governing the preparation of Financial Statements.

### 2.2 Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company and its Subsidiaries as per provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards (SLFRSs/LKASs).

The Board of Directors acknowledges this responsibility as set out in the "Statement of Directors' Responsibility for Financial Statements" (Refer page 180), "Annual Report of the Board of Directors" (Refer page 174) and in the statement appearing with the Statement of Financial Position (Refer page 189) of this Annual Report.

The Financial Statements for the year ended 31 March 2019, were approved and authorised for issue by the Board of directors on 10 July 2019.

### 2.3 Basis of measurement

These 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 – SLFRS 9 (Refer Note 33)
- ⊕ Employee benefit liability recognised based on actuarial valuation – LKAS 19 (Refer Note 26)
- ⊕ Land and buildings stated at revalued amounts – LKAS 16 (Refer Note 11)
- ⊕ Investment property measured at fair value – LKAS 40 (Refer Note 12)

### 2.4 Functional and presentation currency

These Consolidated Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Group's functional and presentation currency.

### 2.5 Comparative information

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

### Prior year adjustments

As per the financial reporting ruling issued by the Institute of Chartered Accountants of Sri Lanka on the application of deferred tax for entities enjoying tax holiday period or tax concessionary rate period, and clarification obtained by the Management of the Company from CA Sri Lanka Financial Reporting Standards Implementation on Interpretation Task Force on the deferred tax provision on revaluation gain of investment property during the BOI tax holiday period, if an entity is enjoying a tax exemption period, it shall recognise deferred tax in their Financial Statements for temporary differences, where reversals of such differences extend beyond the tax exemption period. However, in the previous years, Access Realities (Private) Limited and Access Realities 2 (Private) Limited have not estimated deferred tax liability on the temporary difference of business assets (buildings).


 NOTES TO THE FINANCIAL STATEMENTS

This error has been now corrected retrospectively in accordance with Sri Lanka Accounting Standard 08 – “Accounting policies, changes in accounting estimates and errors”. The effect of the restatements on the Group Consolidated Financial Statements is summarised below:

	Group		
	Previously reported amount LKR	Adjustment LKR	Restated amount LKR
<b>Statement of profit or loss for the year ended 31 March 2018</b>			
Profit before tax	4,231,164,711	-	4,231,164,711
Income tax expense	(1,204,849,540)	(563,618,985)	(1,768,468,525)
<b>Profit for the year</b>	<b>3,026,315,171</b>	<b>(563,618,985)</b>	<b>2,462,696,186</b>
<b>Profit attributable to:</b>			
Equity holders of the parent	3,070,832,659	(563,618,985)	2,507,213,674
Non-controlling interest	(44,517,488)	-	(44,517,488)
	3,026,315,171	(563,618,985)	2,462,696,186
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of defined benefit obligation	(19,122,325)	-	(19,122,325)
Revaluation of land and buildings	211,524,251	-	211,524,251
Related tax	(94,598,099)	-	(94,598,099)
<b>Other comprehensive income for the period, net of tax</b>	<b>97,803,827</b>	<b>-</b>	<b>97,803,827</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>3,124,118,998</b>	<b>(563,618,985)</b>	<b>2,560,500,013</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent	3,167,637,324	(563,618,985)	2,604,018,339
Non-controlling interest	(43,518,326)	-	(43,518,326)
<b>Total comprehensive income for the year, net of tax</b>	<b>3,124,118,998</b>	<b>(563,618,985)</b>	<b>2,560,500,013</b>
<b>Basic earning per share</b>	<b>3.07</b>	<b>(0.56)</b>	<b>2.51</b>

	Group		
	Previously reported amount LKR	Adjustment LKR	Restated amount LKR
<b>Statement of financial position</b>			
<b>Deferred tax liabilities</b>			
Balance as at 1 April 2017	284,042,411	424,314,879	708,357,290
Balance as at 1 April 2018	1,157,536,815	987,933,864	2,145,470,679
<b>Retained earnings</b>			
Balance as at 1 April 2017	9,589,746,941	(424,314,879)	9,165,432,062
Balance as at 1 April 2018	11,375,847,076	(987,933,864)	10,387,913,212
<b>Net assets per share</b>			
As at 1 April 2017	18.84	(0.42)	18.42
As at 1 April 2018	20.78	(0.99)	19.79

There is no impact on the total operating, investing or financing cash flows for the year ended 31 March 2017 and 31 March 2018 on above adjustment.

 NOTES TO THE FINANCIAL STATEMENTS

## 2.6 Significant accounting judgements, estimates and assumptions

The preparation of the Group's Consolidated Financial Statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, Management has made various judgements. Those which Management has assessed to have the most significant effect on the amounts recognised in the Consolidated Financial Statements have been discussed in the individual Notes of the related Financial Statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual Notes of the related Financial Statement line items below. The Group based its assumptions and estimates on parameters available when the Consolidated Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Management considered the following items, where significant judgements, estimates and assumptions have been used in preparing these Financial Statements.

### Going concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Group's/Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 March 2019 is included in the following notes:

- ⊕ Revenue recognition (Note 5)
- ⊕ Revaluation of property, plant and equipment (Note 11)
- ⊕ Fair value of the investment property (Note 12)
- ⊕ Impairment of non-financial assets: key assumption underlying recoverable amount (Note 13)
- ⊕ Measurement of defined benefit obligation: key actuarial assumptions (Note 26)
- ⊕ Measurement of ECL allowance for trade receivables (Note 33)
- ⊕ Fair value measurement of financial instruments (Note 33)

- ⊕ Impairment of financial assets: key assumption underlying recoverable amount (Note 33)
- ⊕ Income Tax (current tax and deferred tax) (Note 9)
- ⊕ Recognition and measurement of provisions and contingencies: key assumption about the likelihood and magnitude of an outflow of resources (Note 29)

## 2.7 Summary of significant accounting policies

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages.

Those accounting policies presented with each note, have been applied consistently by the Group, except for the changes of the Accounting Policies due to the adoption of SLFRS 9 and SLFRS 15.

Following accounting policies which have been applied consistently by the Group, are considered to be significant but are not covered in any other sections.

### 2.7.1 Basis of consolidation

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

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

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

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

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

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

### 2.7.2 Current versus non-current classification

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

- ⊕ Expected to be realised or intended to sold or consumed in the normal operating cycle
  - ⊕ Held primarily for the purpose of trading
  - ⊕ Expected to be realised within twelve months after the reporting period
- Or
- ⊕ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when –

- ⊕ It is expected to be settled in the normal operating cycle
  - ⊕ It is held primarily for the purpose of trading
  - ⊕ It is due to be settled within twelve months after the reporting period
- Or
- ⊕ There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax liabilities are classified as non-current liabilities.

### 2.7.3 Borrowing costs

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

### 2.7.4 Foreign currency transactions

#### Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currencies at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in foreign currency are translated in to the functional currency at the exchange rate when fair value was determined. Non-monitory items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

### 2.7.5 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


 NOTES TO THE FINANCIAL STATEMENTS

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 are recognised in the Statement of Profit or Loss 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 recognised 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 recognised 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 recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been

determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.7.6 Statement of cash flows

The Statement of Cash Flows 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 amounts 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 flows and interest paid is classified under the operating cash flows for the purpose of presentation of Statement of Cash Flows.

Cash and cash equivalent includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

## 2.8 Changes in accounting policies and disclosures

### New and amended standards and interpretations

The Group applied SLFRS 15 – "Revenue" from contract with customers and SLFRS 9 – "Financial instruments" for the first time which are effective for the annual reporting periods beginning on or after 1 January 2018. The nature and effect of changes as a result of adoption of these new accounting standards are described below:

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

### SLFRS 15 – "Revenue from contracts with customers"


SLFRS 15 supersedes LKAS 11 – "Construction Contracts", LKAS 18 – "Revenue and related interpretations" and it applies, with limited exceptions, to all revenue arising from contracts with customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted SLFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018.

The cumulative effect of initially applying SLFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative was not restated and continues to be reported under LKAS 11, LKAS 18 and related interpretations.



 NOTES TO THE FINANCIAL STATEMENTS

The following table summarises the impact of transition to SLFRS 15 on retained earnings and non-controlling interest as at 1 April 2018.

	Impact of adopting SLFRS 15 as at 1 April 2018	
	Group	Company
<b>Retained earning</b>		
Existence of significant financing component in construction-related contracts	215,651,061	215,651,061
Existence of cost and revenue component of preliminary activities in construction-related contracts	27,385,676	22,050,720
	243,036,737	237,701,781
<b>Non-controlling interest</b>		
Existence of cost and revenue component of preliminary activities in construction-related contracts	1,333,739	-
<b>Impact as at 1 April 2018</b>	244,370,476	237,701,781

The following tables summarises the impact of adopting SLFRS 15 on Groups'/Company's Consolidated Statement of Profit or Loss and Statement of Financial Position as at 31 March 2019:

### Impact on the consolidated statement of profit or loss

	Group			Company		
	Amount as per previous standard LKR	Impact from adopting SLFRS 15 LKR	Amount as per SLFRS 15 LKR	Amount as per previous standard LKR	Impact from adopting SLFRS 15 LKR	Amount as per SLFRS 15 LKR
Revenue	32,220,673,842	56,767,352	32,277,441,194	19,296,297,246	59,808,329	19,356,105,575
Cost of sales	(27,085,516,332)	(7,683,489)	(27,093,199,821)	(16,171,679,582)	(11,723,759)	(16,183,403,341)
Gross profit	5,135,157,510	49,083,863	5,184,241,373	3,124,617,664	48,084,570	3,172,702,234
Finance cost	(1,186,547,114)	(333,648,760)	(1,520,195,874)	(745,315,918)	(333,648,760)	(1,078,964,678)
Finance income	508,904,282	360,401,624	869,305,906	233,614,359	360,401,624	594,015,983
Profit before tax	3,052,708,815	75,836,727	3,128,545,542	2,469,820,972	74,837,434	2,544,658,406

### Impact on the consolidated financial position

	Group			Company		
	Amount as per previous standard LKR	Impact from adopting SLFRS 15 LKR	Amount as per SLFRS 15 LKR	Amount as per previous standard LKR	Impact from adopting SLFRS 15 LKR	Amount as per SLFRS 15 LKR
Trade and other receivables	13,622,272,312	162,106,835	13,784,379,147	9,948,470,387	153,203,656	10,101,674,043
Total assets	47,899,956,669	162,106,835	48,062,063,504	34,467,673,752	153,203,656	34,620,877,408
Total equity	23,756,612,367	(168,533,749)	23,588,078,618	19,247,805,742	(162,864,347)	19,084,941,395
Trade and payables	12,160,455,486	330,640,585	12,491,096,071	8,212,875,815	316,068,004	8,528,943,819
Total equity and liabilities	47,899,956,669	162,106,835	48,062,063,504	34,467,673,752	153,203,656	34,620,877,408

 NOTES TO THE FINANCIAL STATEMENTS

## SLFRS 9 – “Financial Instruments”

SLFRS 9 – “Financial Instruments” replaces LKAS 39 – “Financial Instruments: Recognition and Measurement” for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; and hedge accounting.

The Group applied SLFRS 9 prospectively, with an initial application date 1 April 2018. The Group has not restated the comparative information, which continues to be reported under LKAS 39. Differences arising from the adoption of SLFRS 9 have been recognised directly in retained earnings and other components of equity.


The following table summarises the changes to the classification of Group financial assets and financial liabilities as at 1 April 2018.

Financial statement line item	Classification under LKAS 39	Classification under SLFRS 9
<b>Financial assets</b>		
Corporate debt securities	Held to maturity	Financial instruments at amortised cost
Trade and other receivables	Loans and receivables	Financial instruments at amortised cost
Amount due from related parties	Loans and receivables	Financial instruments at amortised cost
Other current financial assets	Loans and receivables	Financial instruments at amortised cost
Equity securities	Fair value through profit or loss	Financial instruments recognised through profit or loss
Short-term deposits	Loans and receivables	Financial instruments at amortised cost
Cash and cash equivalents	Loans and receivables	Financial instruments at amortised cost
<b>Financial liabilities</b>		
Unsecured bond issue	Other financial liability	Other financial liability
Bank overdraft	Other financial liability	Other financial liability
Interest-bearing borrowings	Other financial liability	Other financial liability
Trade and other payable	Other financial liability	Other financial liability
Amount due to related parties	Other financial liability	Other financial liability

More details on classification and measurement of above financial instruments are described in Note 33.

The following table summarises the impact of transition to SLFRS 9 on retained earnings as at 1 April 2018.

	Impact of adopting SLFRS 9 as at 1 April 2018	
	Group	Company
<b>Retained earning</b>		
Recognition of expected credit loss under SLFRS 9	26,326,774	24,582,637
Recognition of the impact on deferred tax under SLFRS 9	(7,448,747)	(6,883,138)
<b>Impact as at 1 April 2018</b>	<b>18,878,028</b>	<b>17,699,499</b>
<b>Non-controlling interest</b>		
Recognition of expected credit loss under SLFRS 9	1,201,209	-
Recognition of the impact on deferred tax under SLFRS 9	(350,592)	-
<b>Impact as at 1 April 2018</b>	<b>850,616</b>	<b>-</b>
<b>Total Impact as at 1 April 2018</b>	<b>19,728,644</b>	<b>17,699,499</b>

 NOTES TO THE FINANCIAL STATEMENTS

The following table summarises the impact of adopting SLFRS 9 on Groups'/Company's Statement of Profit or Loss and Statement of Financial Position as at 31 March 2019:

### Impact on the consolidated statement of profit or loss

	Group			Company		
	Amount as per previous standard LKR	Impact from adopting SLFRS 9 LKR	Amount as per SLFRS 9 LKR	Amount as per previous standard LKR	Impact from adopting SLFRS 9 LKR	Amount as per SLFRS 9 LKR
Administrative expenses	(1,827,349,590)	(24,751,207)	(1,852,100,797)	(748,710,751)	(17,249,251)	(765,960,002)
Income tax expense	(888,262,914)	5,074,374	(883,188,540)	(587,893,080)	4,829,790	(583,063,290)
Profit for the year	2,265,033,835	(19,676,833)	2,245,357,002	1,974,014,577	(12,419,461)	1,961,595,116

### Impact on the consolidated financial position

	Group			Company		
	Amount as per previous standard LKR	Impact from adopting SLFRS 9 LKR	Amount as per SLFRS 9 LKR	Amount as per previous standard LKR	Impact from adopting SLFRS 9 LKR	Amount as per SLFRS 9 LKR
Trade and other receivables	13,809,080,750	(24,701,603)	13,784,379,147	10,118,923,294	(17,249,251)	10,101,674,043
Amount due from related parties	126,945,593	(49,604)	126,895,989	409,622,868	-	409,622,868
Total assets	48,086,814,711	(24,751,207)	48,062,063,504	34,638,126,659	(17,249,251)	34,620,877,408
Total equity	23,607,755,451	(19,676,833)	23,588,078,618	19,097,360,856	(12,419,461)	19,084,941,395
Deferred tax liabilities	2,170,802,989	(5,074,374)	2,165,728,615	523,869,828	(4,829,790)	519,040,038
Total equity and liabilities	48,086,814,711	(24,751,207)	48,062,063,504	34,638,126,659	(17,249,251)	34,620,877,408

### 3. SRI LANKA ACCOUNTING STANDARDS (SLFRS/LKASs) ISSUED BUT NOT YET EFFECTIVE

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

#### (a) SLFRS 16 – “Leases”

SLFRS 16 replaces IAS 17 – “Leases”, IFRIC – 4 Determining whether an Arrangement contains a Lease, SIC – 15 Operating Leases-Incentives and SIC – 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. This standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group is currently assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

 NOTES TO THE FINANCIAL STATEMENTS

## 4. SEGMENT INFORMATION

### Accounting policy

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. 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.

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.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.


The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the Consolidated Financial Statements.

As such for Management purposes, the Group is organised into business units based on their products and services and has four operating Business Segments as follows:

Business segment	Operations
Construction	Process of constructing buildings and other infrastructures
Construction-Related Materials	Production and supply of construction related material such as asphalt product, quarry products, crusher products, ready-mix concrete and other construction material
Property	Development of high rise buildings and manage the same or otherwise leasing, renting out or sale in whole or in part
Automobile	Importing and distribution or sale of three branded motor vehicles, spare parts and operate of workshops

### 4.1 Business segment

For the year ended 31 March 2019	Construction LKR	Construction- related material LKR	Property LKR	Automobile LKR	Adjustments and eliminations LKR	Group total LKR
<b>Revenue</b>						
External customers	17,656,309,121	3,049,723,377	772,864,116	10,798,544,580	-	32,277,441,194
Inter-segment	478,188,355	1,390,177,802	73,501,364	327,215,398	(2,269,082,919)	-
<b>Total revenue</b>	<b>18,134,497,476</b>	<b>4,439,901,179</b>	<b>846,365,480</b>	<b>11,125,759,978</b>	<b>(2,269,082,919)</b>	<b>32,277,441,194</b>
Segment operating profit	2,711,897,839	463,324,067	570,098,166	594,583,985	(560,194,611)	3,779,709,446
Net finance income/(cost)	(532,113,632)	-	180,064,841	(298,841,177)	-	(650,889,968)
Share of results of equity- accounted investees, net of tax (Note 15.2)	-	-	-	-	(273,936)	(273,936)
Income tax expense	(583,063,290)	-	(172,410,277)	(119,484,842)	(8,230,131)	(883,188,540)
Segment profit	1,596,720,917	463,324,067	577,752,730	176,257,966	(568,698,678)	2,245,357,002
Capital expenditure	716,087,352	17,065,290	187,716,633	427,157,654	(39,509,005)	1,308,517,924
Depreciation and amortisation	758,404,816	156,344,265	41,691,596	137,740,526	17,439,125	1,111,620,328
<b>As at 31 March 2019</b>						
Segment assets	34,608,139,636	1,843,581,942	17,873,371,580	7,013,712,416	(13,276,742,070)	48,062,063,504
Segment liabilities	16,290,063,874	787,983,121	3,237,135,553	4,966,109,943	(807,307,605)	24,473,984,886

 NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018	Construction LKR	Construction- related material LKR	Property restated LKR	Automobile LKR	Adjustments and eliminations LKR	Group total restated LKR
<b>Revenue</b>						
External customers	14,782,024,192	2,608,487,087	496,717,441	8,168,362,083	-	26,055,590,803
Inter-segment	1,963,445,725	1,211,541,003	57,908,843	8,535,450	(3,241,431,021)	-
<b>Total revenue</b>	<b>16,745,469,917</b>	<b>3,820,028,090</b>	<b>554,626,284</b>	<b>8,176,897,533</b>	<b>(3,241,431,021)</b>	<b>26,055,590,803</b>
Segment operating profit	1,896,582,544	352,026,399	2,571,130,522	635,497,744	(831,812,551)	4,623,424,658
Net finance income/(cost)	(507,008,069)	-	229,619,179	(105,199,990)	-	(382,588,880)
Share of results of equity-accounted investees, net of tax (Note 15.2)	-	-	-	-	(9,671,067)	(9,671,067)
Income tax expense	(466,088,583)	-	(1,210,877,437)	(43,843,024)	(47,659,481)	(1,768,468,525)
<b>Segment profit</b>	<b>923,485,892</b>	<b>352,026,399</b>	<b>1,589,872,264</b>	<b>486,454,730</b>	<b>(889,143,099)</b>	<b>2,462,696,186</b>
Capital expenditure	496,677,275	296,645,259	2,275,896,064	551,769,658	-	3,620,988,256
Depreciation and amortisation	758,368,097	141,796,297	12,621,961	123,865,377	17,091,831	1,053,743,563
<b>As at 31 March 2018</b>						
Segment assets	32,625,264,466	1,968,314,299	17,654,686,394	5,381,964,100	(13,191,463,707)	44,438,765,552
Segment liabilities	15,775,750,995	755,413,393	2,611,613,190	3,509,950,022	(306,299,178)	22,346,428,422

## NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION.

### 5. REVENUE

#### Accounting policy

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

#### Accounting policy applicable from 1 April 2018

##### Revenue recognition

The Group has initially applied SLFRS 15 from 1 April 2018 for the first time in these Financial Statements, which is effective for annual periods beginning on or after 1 January 2018.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Timing of transferring the goods and services to the customer is determined based on judgements taking into the consideration of the nature of the goods and services that offers to the customers.


The following specific criteria are used for the purpose of recognition of revenue:

##### Sale of goods

The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally, on delivery of the goods. Sales are measured at the fair value of the consideration received or receivable excluding amounts collected on behalf of third parties (e.g. Sales taxes) and variable consideration (e.g. discounts and rebates).

##### Rendering of services

Revenue from rendering of services is recognised in the Statement of Profit or Loss when each performance obligations are satisfied by transferring promised service to the customer.


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### Construction contracts

Revenue from construction-related contracts is recognised upon satisfaction of a performance obligation agreed in the contract. At contract inception, the Group determines whether it satisfies the performance obligation over time or at a point in time. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer. For each performance obligation satisfied over time, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

The progress is assessed based on surveys of work performed. When the outcome of construction contract can not be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

### Rental income

Rental income arising from operating lease on investment properties is accounted for on a straight-line basis over the lease term and incurred in revenue in the Statement of Profit or Loss due to its operating nature.

### Accounting policy applicable prior to 1 April 2018

#### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, and excluding tax or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

#### Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, 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. Revenue is measured net of returns, trade discounts and volume rebates.

#### Rendering of services

Revenue for services rendered is recognised in the Statement of Profit or Loss once all significant performance obligations have been completed.

### 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.

If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

### Rental Income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue in the statement of profit or loss due to its operating nature.

### Agency commissions and hiring income

If the group acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognised is the net amount of commission made by the Group.

### Sales tax

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

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

 NOTES TO THE FINANCIAL STATEMENTS

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

## 5.1 Revenue

For the year ended 31 March	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Roads and highways construction	7,714,437,252	2,979,494,492	7,714,437,252	2,979,494,492
Water and drainage construction	1,943,306,411	1,276,854,180	1,943,306,411	1,276,854,180
Bridge construction	313,975,166	1,754,410,689	313,975,166	1,754,410,689
Building and other construction	7,688,431,841	8,677,458,328	6,280,505,777	9,213,110,637
Sale of construction-related material	2,928,948,071	2,574,220,914	2,967,881,616	2,581,555,329
Hiring income	104,194,304	70,730,643	111,559,900	74,266,305
Fabrication income	12,739,453	57,342,033	12,739,453	57,342,033
Design income	-	-	11,700,000	-
Vehicle sales and after sales services	10,798,544,580	8,168,362,083	-	-
Rental income	772,065,156	495,154,491	-	-
Service charges	798,960	1,562,950	-	-
	<b>32,277,441,194</b>	<b>26,055,590,803</b>	<b>19,356,105,575</b>	<b>17,937,033,665</b>

## 5.2 Contract balances

### Contract assets

Contract assets are entity's right to consideration in exchange for goods or services that the entity has transferred to a customer, when that right is conditioned on some criteria other than the passage of time. Upon satisfaction of the conditions, the amounts recognised as contract assets are reclassified to trade receivables. The contract assets primarily relate to the Group's right to consideration for work completed but not billed at the reporting date.

### Contract liability

The contract liabilities are entity's obligation to transfer goods and services to a customer for which the entity has received consideration (or the amount is due) from the customer. The contract liabilities primarily relate to the advance consideration received from customers for goods or services provided, for which revenue is recognised over the time.

## 6. OTHER INCOME

### Accounting policy

Income earned in other sources, which are not directly related to the ordinary course of business are recognised as other income.


The following specific criteria are used for the purpose of recognising income:

#### Gain on disposal of property, plant and equipment

The gain on disposal of property, plant and equipment is determined as the difference between the carrying amount of the property, plant and equipment at the time of disposal and the proceeds from disposal net of expenses incurred in disposal.

#### Dividends

Income is recognised when the Group's/Company's right to receive the payment is established.

 NOTES TO THE FINANCIAL STATEMENTS

## 6.1 Other income

For the year ended 31 March	Note	Group		Company	
		2019	2018	2019	2018
		LKR	LKR	LKR	LKR
Dividend income		1,340,836	1,486,092	332,979,009	560,181,409
Rent income		8,516,397	4,183,125	17,808,107	14,601,225
Loss on fair value changes in short-term investments		(9,791,387)	(490,247)	(9,791,387)	(490,247)
Gain on disposal of property, plant and equipment		62,587,664	27,798,224	40,038,992	20,033,264
Foreign exchange gain		102,097,953	92,690,487	72,554,983	92,727,969
Sundry income		79,791,131	68,837,712	54,216,470	37,834,879
Restaurant and membership income		236,776,201	21,284,449	-	-
Gain/(Loss) on disposal of subsidiary		(5,977,460)	-	140,010,000	-
Gain on disposal of equity-accounted investees		6,427,534	-	-	-
Gain on fair value changes of investment property	12.1	-	2,303,297,521	-	-
		<b>481,768,869</b>	<b>2,519,087,363</b>	<b>647,816,174</b>	<b>724,888,499</b>

## 7. NET FINANCE INCOME/(COST)

### Accounting policy

#### Interest income

Interest income is recorded using the Effective Interest Rate (EIR) method, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in net finance income in the Statement of Profit or Loss.

#### Borrowing costs

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



 NOTES TO THE FINANCIAL STATEMENTS

## 7.1 Net Finance Income/(Cost)

For the year ended 31 March	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
<b>Finance income</b>				
Interest income on fixed deposits	177,435,834	262,508,086	35,328,834	37,079,301
Interest income on repurchase agreements	17,610,244	3,047,848	403,846	3,047,848
Interest income on debenture	158,371,447	145,267,285	100,087,412	98,200,000
Other interest income	40,365,952	19,749,738	18,620,849	15,294,761
	393,783,477	430,572,957	154,440,941	153,621,910
Interest income on retention receivable	109,521,475	94,490,121	73,574,088	66,613,838
Interest income on staff loan	5,599,330	6,367,649	5,599,330	6,367,649
Interest income on contract liability	360,401,624	-	360,401,624	-
<b>Total finance income</b>	<b>869,305,906</b>	<b>531,430,727</b>	<b>594,015,983</b>	<b>226,603,397</b>
<b>Finance cost</b>				
Interest on finance leases	(1,201,143)	(4,568,483)	-	-
Interest on bank overdraft	(92,658,929)	(77,274,191)	(236,983)	(347,178)
Interest on debenture	(494,636,902)	(494,636,902)	(512,505,934)	(512,505,934)
Interest on bank loan	(482,929,335)	(236,682,261)	(150,948,624)	(86,579,616)
Interest expense on related party loan	-	-	(2,450,959)	-
	(1,071,426,309)	(813,161,837)	(666,142,500)	(599,432,728)
Un-winding of prepaid retention receivable expenses	(109,521,475)	(94,490,121)	(73,574,088)	(66,613,838)
Un-winding of prepaid staff loan expenses	(5,599,330)	(6,367,649)	(5,599,330)	(6,367,649)
Un-winding of significant financing component	(333,648,760)	-	(333,648,760)	-
<b>Total finance cost</b>	<b>(1,520,195,874)</b>	<b>(914,019,607)</b>	<b>(1,078,964,678)</b>	<b>(672,414,215)</b>
<b>Net finance cost</b>	<b>(650,889,968)</b>	<b>(382,588,880)</b>	<b>(484,948,695)</b>	<b>(445,810,818)</b>

 NOTES TO THE FINANCIAL STATEMENTS

## 8. PROFIT BEFORE TAX

### Accounting policy

#### Expenditure recognition

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Profit or Loss.

For the purpose of presentation of Statement of Profit or Loss, the Directors are of the opinion that "function of expenses" method presents fairly the elements of the enterprise's performance; hence such presentation method is adopted.

For the year ended 31 March	Note	Group		Company	
		2019	2018	2019	2018
		LKR	LKR	LKR	LKR
<b>Profit before tax is stated after charging all expenses including following:</b>					
Auditors' remuneration – Statutory audit and related services		7,414,500	6,339,000	2,851,000	2,640,000
Auditors' remuneration – Non-audit services		2,416,193	2,721,345	804,165	1,582,979
Loss on fair value changes in short-term investments	6.1	9,791,387	490,247	9,791,387	490,247
Write-off/Provision for impairment of trade receivables		30,148,714	24,214,217	17,282,129	6,567,615
Provision for/(reversal of) impairment of retention receivables		2,290,362	51,925,874	(5,150,881)	-
Provision for/write-off of inventories*		38,427,068	54,625,731	10,317,091	-
Donations		1,668,400	1,197,513	1,596,286	892,263
CSR expense		13,504,671	13,511,400	12,563,806	12,626,624
Depreciation of property, plant and equipment	11.1,11.2	1,077,028,529	1,023,382,343	873,104,852	851,258,202
Amortisation of intangible assets	13.1	34,591,799	30,361,220	9,169,035	9,218,382
<b>Staff expenses</b>					
Defined benefit plan costs – Gratuity	26.1	64,266,599	50,516,729	46,824,048	35,142,287
Defined contribution plan costs – EPF		140,721,208	136,191,663	98,723,499	96,816,490
Defined contribution plan costs – ETF		35,180,300	34,047,916	24,680,873	24,204,121
Directors' emoluments and fees	28.6	77,550,367	85,288,391	44,445,500	43,790,000
Staff cost		2,691,980,233	2,503,923,094	2,180,228,531	2,064,823,123
Performance incentives		134,711,986	111,155,049	125,896,896	111,155,049

\*This includes the loss of inventories due to misappropriation, amounting to LKR 38,044,016/- (2017/18 – LKR 87,550,588/-) net of advance received from customers, in Sathosa Motors PLC.

As at 31 March	Group		Company	
	2019	2018	2019	2018
Number of employees	3,047	3,212	2,458	2,670

## 9. INCOME TAX

### Accounting policy

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

#### Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Current tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred taxation

Deferred tax is recognised in respect 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 not recognised for:

- ⊕ Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- ⊕ Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- ⊕ Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment properties measured at fair value is presumed to be recovered through sale and the Group has not rebutted this presumption.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to setoff current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

 NOTES TO THE FINANCIAL STATEMENTS
**Significant judgements relating to deferred taxes**

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

**9.1 The major components of income tax expense for the years ended 31 March 2019 and 2018 are:**

For the year ended 31 March	Note	Group		Company	
		2019 LKR	2018 Restated LKR	2019 LKR	2018 LKR
<b>Consolidated statement of profit or loss</b>					
<b>Current income tax:</b>					
Current income tax charge	9.2	757,966,350	424,367,145	640,686,224	185,931,897
Adjustments in respect of current income tax of previous year	9.3	44,978,082	1,586,090	11,431,203	(181,321)
<b>Deferred tax:</b>					
Relating to origination and reversal of temporary differences	9.4	80,244,108	1,342,515,290	(69,054,137)	297,344,321
Income tax expense reported in the Statement of Profit or Loss		<b>883,188,540</b>	<b>1,768,468,525</b>	<b>583,063,290</b>	<b>483,094,897</b>
<b>Consolidated statement of other comprehensive income</b>					
<b>Deferred tax related to items recognised in other comprehensive income during in the year:</b>					
Net loss on actuarial gains and losses		4,608,927	6,725,051	4,325,309	6,716,681
Net gain on revaluation of lands and buildings		-	87,873,048	-	31,077,288
Deferred tax charged to Other Comprehensive Income	9.4	<b>4,608,927</b>	<b>94,598,099</b>	<b>4,325,309</b>	<b>37,793,969</b>


 NOTES TO THE FINANCIAL STATEMENTS

## 9.2 Reconciliation between accounting profit and current tax expense

For the year ended 31 March	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Accounting profit before tax	3,128,545,542	4,231,164,711	2,544,658,406	2,391,025,804
Aggregate non-deductible expenses	1,588,023,198	1,727,814,605	615,664,714	949,252,980
Aggregate allowable items	(1,359,212,945)	(2,358,394,211)	(539,179,026)	(843,463,012)
Tax losses set-off against the current taxable income	(62,601,718)	-	-	-
<b>Total statutory income</b>	<b>3,294,754,077</b>	<b>3,600,585,105</b>	<b>2,621,144,094</b>	<b>2,496,815,772</b>
Exempted income	(368,959,193)	(1,184,956,319)	(332,979,009)	(991,840,488)
<b>Taxable income</b>	<b>2,925,794,884</b>	<b>2,415,628,786</b>	<b>2,288,165,085</b>	<b>1,504,975,284</b>
Taxable income at 2%	267,255,189	246,950,821	-	-
Taxable income at 12%	-	1,471,632,388	-	1,471,632,388
Taxable income at 28%	2,658,539,695	697,045,577	2,288,165,085	33,342,896
	2,925,794,884	2,415,628,786	2,288,165,085	1,504,975,284
Tax @ 2%	5,345,104	4,939,016	-	-
Tax @ 12%	-	176,595,887	-	176,595,887
Tax @ 28%	744,391,115	195,172,761	640,686,224	9,336,010
Dividend tax	8,230,131	47,659,481	-	-
<b>Current income tax charge</b>	<b>757,966,350</b>	<b>424,367,145</b>	<b>640,686,224</b>	<b>185,931,897</b>

## 9.3 Current tax liabilities/(assets)

As at 31 March	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	22,151,620	59,996,915	(60,699,819)	11,502,620
Disposal of subsidiary	(345,173)	-	-	-
Provision made during the year	757,966,350	424,367,145	640,686,224	185,931,897
Adjustment for the prior year	44,978,082	1,586,090	11,431,203	(181,321)
Payments made during the year	(338,370,025)	(444,242,262)	(167,987,537)	(253,327,198)
Notional tax	-	(404,492)	-	(304,785)
WHT recoverable	(117,295,449)	(19,151,776)	(11,562,463)	(4,321,032)
<b>Balance at the end of the year</b>	<b>369,085,405</b>	<b>22,151,620</b>	<b>411,867,608</b>	<b>(60,699,819)</b>
<b>Made up as follows</b>				
Current tax assets	(55,203,106)	(66,116,571)	-	(60,699,819)
Current tax liabilities	424,288,511	88,268,191	411,867,608	-
	369,085,405	22,151,620	411,867,608	(60,699,819)

 NOTES TO THE FINANCIAL STATEMENTS

### 9.4 Deferred tax liabilities

As at 31 March	Group		Company	
	2019	2018 Restated	2019	2018
	LKR	LKR	LKR	LKR
Balance at the beginning of the Year	2,145,470,679	708,357,290	590,652,004	255,513,714
Disposal of subsidiary	(56,795,760)	-	-	-
Expense for the year recognised in profit or loss	80,244,108	1,342,515,290	(69,054,137)	297,344,321
Expense for the year recognised in OCI	4,608,927	94,598,099	4,325,309	37,793,969
Adjustment for expected credit loss – recognised in equity	(7,799,339)	-	(6,883,138)	-
Balance at the end of the year	2,165,728,615	2,145,470,679	519,040,038	590,652,004

### 9.5 Deferred tax provision as at the year end is made up as follows:

As at 31 March	2019		2018 Restated	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
	LKR	LKR	LKR	LKR
<b>Group</b>				
Accelerate depreciation for tax purpose	2,079,912,540	582,375,511	2,483,188,752	695,292,851
Revaluation of land and building to fair value	6,020,088,239	1,685,624,705	5,502,391,044	1,540,669,492
Provision for impairment of trade receivables	(117,196,717)	(32,815,081)	(36,774,899)	(10,296,972)
Provision for inventories	(8,933,871)	(2,501,484)	-	-
Defined benefit obligation	(239,125,131)	(66,955,036)	(219,862,079)	(61,561,382)
Tax loss set off	-	-	-	(18,633,310)
	7,734,745,060	2,165,728,615	7,728,942,818	2,145,470,679
<b>Company</b>				
Accelerate depreciation for tax purpose	1,929,926,322	540,379,370	2,092,078,410	585,781,955
Revaluation of land and building to fair value	230,291,707	64,481,678	232,443,762	65,084,253
Provision for impairment of trade receivables	(113,051,056)	(31,654,296)	(36,774,899)	(10,296,972)
Defined benefit obligation	(193,452,552)	(54,166,714)	(178,275,827)	(49,917,232)
	1,853,714,421	519,040,038	2,109,471,446	590,652,004

## 9.6 Applicable rates of income tax

### Company

As per the provision of new Inland Revenue Act No. 24 of 2017 and amendments there to, the Company is liable for income tax at the rate of 28% for taxable income, commencing from the year of assessment 2018/19. Deferred tax rate is 28%.

Further, the Company has recognised deferred tax liability on business assets (land) at 28% amounting to LKR 31,077,288/- as at 31 March 2019

### Subsidiaries

#### Access Realities (Private) Limited

As per the agreement entered into with the Board of Investment (BOI) of Sri Lanka, under Section 17 of the BOI Act No. 04 of 1978, the Company is exempted from Income Tax for the period of seven (07) years from the year of assessment in which the enterprise commences to make profit 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 operations whichever year is earlier. Accordingly, the seven (07) years Income Tax exemption period has commenced on 1 April 2003.

In accordance with the agreement entered into with the BOI of Sri Lanka the Company is liable for Income Tax at 2% on its revenue for next fifteen (15) years immediately following the seven (07) years Tax exemption period. On that basis, the revenue arising from the business shall be taxed at 2% during the concessionary period covering 1 April 2010 to 31 March 2025.

However, the Company is liable to pay income tax at 28% on other income.

As per the provision of new Inland Revenue Act No. 24 of 2017 and amendments thereto, the Company has recognised deferred tax liability on business assets (land and building) at 28% because the Management is under the impression that the asset will not be disposed prior to the expiration of BOI concessionary rate period.

#### Access Realities 2 (Private) Limited

As per the agreement entered into with the Board of Investment of Sri Lanka under Section 17 (A) of Inland Revenue (Amendment) Act No. 08 of 2012, the Company shall qualify for a tax exemption period of twelve (12) years subject to the condition that over of LKR 2,500 Mn. is made in the project within a period of three (03) years from the date of 4 April 2013.

Further insertion of New Section under 48 D of Inland Revenue (Amendment) Act 09 to 2015, if the approval of Board of Investment was granted prior to 31 October 2014 and the Company which invested in such undertaking is unable to complete the required investment prior to 1 April 2015 and to commence commercial operations prior to 1 April 2016 due to practical reasons depending on the nature of the business, such period shall be extended up to 1 April 2018.

The aforesaid tax exemption period shall be reckoned from the year in which the Enterprise commences to make profits or any year of Assessment not later than two (2) years reckoned from the date of commencement of commercial operations whichever year is earlier as determined by Commissioner General of Inland Revenue.

However, the Company is liable to pay income tax at 28% on Other Income.

As Per the provision of new Inland Revenue Act No. 24 of 2017 and amendments thereto, the Company has recognised deferred tax liability on business assets ( Building) at 28% because the Management is under the impression that the asset will not be disposed prior to the expiration of BOI concessionary rate period.



## ↓ NOTES TO THE FINANCIAL STATEMENTS

### **ARL Elevate (Private) Limited**

In accordance with the provision in the Inland Revenue Act No. 24 of 2017 and amendments thereto, the Company is liable for income tax at 28% .

Deferred tax asset has not been recognised in the Financial Statements as at 31 March 2019 because the Board of Directors of ARL Elevate (Private) Limited is of the opinion that the deferred tax asset would not be crystallised in the foreseeable future.

### **Sathosa Motors PLC and its subsidiary**

In accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and amendments thereto, the Company is liable for income tax at 28% on its taxable profit. Deferred tax rate is 28%.

### **Access Projects (Private) Limited**

Under the provisions of the Inland Revenue Act No. 24 of 2017 and amendments thereto, the Company is liable for income tax at the rate of 28% on its taxable profit.

Deferred Tax Asset amounting to LKR 119,302,521/- has not been recognised for the deductible temporary differences as the Management is of the opinion that the reversal of the taxable asset will not be crystallised in the foreseeable future. (as at 31 March 2018 – LKR 122,192,932/-)

### **Horizon Holdings Ventures (Private) Limited**

In accordance with the provisions in the new Inland Revenue Act No. 24 of 2017 and amendments thereto, the Company is liable for income tax at 28% on its taxable profit.

No provision has been made on deferred tax.

### **Harbour Village (Private) Limited**

The Company has entered into an agreement with BOI for ten (10) years tax holiday period during the year ended 31 March 2017, and the provisions of the Inland Revenue Act No. 24 of 2017 relating to the imposition, payment and recovery of income tax in respect of the profits and income of the enterprise shall not apply to the profits and income of the enterprise for the year ended 31 March 2019.

For the above purpose the year of assessment shall be commencing from the year of assessment in which the enterprise commences to make a profit or any year of assessment not later than two years reckoned from the date of commencement of commercial operations or production whichever is earlier.

Other income is taxable at a rate of 28%.

Deferred tax liability on business assets has been recognised as at reporting date at a rate of 28%, because the Management is under the impression that the asset will not be disposed prior to the expiration of BOI exemption period.



 NOTES TO THE FINANCIAL STATEMENTS

## 10. EARNINGS PER SHARE

### Accounting policy

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

For the year ended 31 March	Group		Company	
	2019	2018 Re-stated	2019	2018
Profit attributable to ordinary equity holders of the parent (LKR)	2,150,223,368	2,507,213,674	1,961,595,116	1,907,930,907
Weighted average number of ordinary shares	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Basic earnings per share (LKR)	2.15	2.51	1.96	1.91

During the year the Company has not issued ordinary shares and no dilution of earnings per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these Financial Statements.

## 11. PROPERTY, PLANT AND EQUIPMENT

### Accounting policy

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purpose and are expected to be used during more than one period. The Group applies the requirements of LKAS 16 in accounting of property, plant and equipment.

### Recognition and measurement

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

Items of property, plant and equipment including construction in progress are stated at cost/revaluation less accumulated depreciation and accumulated impairment losses, if any.



## NOTES TO THE FINANCIAL STATEMENTS

### **Owned assets**

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent cost. 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 the cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs on qualifying assets.

Property, plant and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

Purchased software that is integrated to the functionality of the related equipment is capitalised 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.

### **Leased assets**

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's Statement of Financial Position.

### **Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of day-to-day repair and maintenance are recognised in the Statement of Profit or Loss as incurred.

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

### **Derecognition**

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss when the asset is derecognised. Gains are not classified as revenue.

### **Revaluation**

A revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit and loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Revaluation is performed on freehold land and building by professionally qualified valuers using the open market value at least once in every three years or when there is a substantial difference between the fair value and the carrying amount, to ensure that the fair value does not differ materially from its carrying amount.

 NOTES TO THE FINANCIAL STATEMENTS

### Depreciation

Depreciation is recognised 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 derecognised. 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	10-50
Leasehold building	5-10
Improvements to leasehold property	5-10
Plant and machinery	3-10
Motor vehicles	4-10
Office equipment	3-10
Furniture and fittings	3-10
Tools	3-8
Other construction equipment	5

The residual value, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 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.

### Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

 NOTES TO THE FINANCIAL STATEMENTS

**Reconciliation of beginning and ending balances by classes of assets**
**11.1 Group**

	Land	Freehold			
		Building	Plant and machinery	Motor vehicles	Office equipment
	LKR	LKR	LKR	LKR	LKR
<b>Cost or valuation</b>					
Balance at 1 April 2017	1,132,551,451	978,644,458	4,452,739,136	793,733,883	384,895,943
Additions	326,836,000	71,072,082	490,704,608	101,677,093	56,376,051
Transfer to investment property	(195,800,000)	-	-	-	-
Disposals/derecognition	-	-	(37,617,565)	(51,277,643)	(4,414,640)
Revaluation adjustment	202,842,000	8,682,251	-	-	-
<b>Balance at 31 March 2018</b>	<b>1,466,429,451</b>	<b>1,058,398,791</b>	<b>4,905,826,179</b>	<b>844,133,333</b>	<b>436,857,354</b>
Additions	-	54,049,942	253,231,115	443,977,674	34,876,309
Transfers	-	28,240,567	10,114,734	6,353,214	-
Disposals/derecognition	-	-	(86,547,918)	(83,070,384)	(1,052,501)
Disposal of subsidiary	(765,000,000)	-	-	-	(158,800)
<b>Balance at 31 March 2019</b>	<b>701,429,451</b>	<b>1,140,689,300</b>	<b>5,082,624,110</b>	<b>1,211,393,837</b>	<b>470,522,362</b>
<b>Accumulated depreciation and impairment losses</b>					
Balance at 1 April 2017	-	142,226,495	1,979,861,651	492,732,492	279,446,870
Depreciation charge for the year	-	62,375,905	540,705,591	106,269,064	52,898,608
Disposals/derecognition	-	-	(37,328,163)	(34,634,733)	(4,388,567)
<b>Balance at 31 March 2018</b>	<b>-</b>	<b>204,602,400</b>	<b>2,483,239,079</b>	<b>564,366,823</b>	<b>327,956,911</b>
Depreciation charge for the year	-	68,808,284	562,697,534	120,384,565	55,622,535
Transfers	-	-	5,351,073	4,157,241	-
Disposals/derecognition	-	-	(74,106,203)	(60,761,417)	(944,518)
<b>Balance at 31 March 2019</b>	<b>-</b>	<b>273,410,684</b>	<b>2,977,181,483</b>	<b>628,147,212</b>	<b>382,634,928</b>
<b>Carrying value</b>					
<b>At 31 March 2019</b>	<b>701,429,451</b>	<b>867,278,616</b>	<b>2,105,442,627</b>	<b>583,246,625</b>	<b>87,887,434</b>
At 31 March 2018	1,466,429,451	853,796,391	2,422,587,100	279,766,510	108,900,443

Group property, plant and equipment with a cost of LKR 1,781.30 Mn. (2018 – LKR 1,230.59 Mn.) have been fully-depreciated and continue to be in use by the Group.

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2018/19. (2017/18 – Nil).

**Assets under construction**


Capital work in progress includes, construction cost incurred to build new workshop at 25/11, New Nuge Road, Peliyagoda and construction of Bodyshop at No. 156, Divulapitiya, Raththanapitiya, Boralasgamuwa.

**Property, plant and equipment pledged as security**

Property pledged as securities against loans and borrowings are described in Note 25.4.

 NOTES TO THE FINANCIAL STATEMENTS

	Freehold			Leasehold	Capital work in progress	Total
	Furniture and fittings	Tools	Other construction equipment	Motor vehicles		
	LKR	LKR	LKR	LKR	LKR	LKR
	203,847,452	654,843,844	300,746,449	24,353,214	51,900,667	8,978,256,497
	132,733,707	188,660,226	143,453,290	-	78,675,271	1,590,188,328
	-	-	-	-	-	(195,800,000)
	(912,780)	(16,859,690)	-	-	(12,626,039)	(123,708,357)
	-	-	-	-	-	211,524,251
	<b>335,668,379</b>	<b>826,644,380</b>	<b>444,199,739</b>	<b>24,353,214</b>	<b>117,949,899</b>	<b>10,460,460,719</b>
	34,701,620	55,181,193	45,797,268	-	241,373,025	1,163,188,146
	(1,753,171)	(8,361,563)	-	(6,353,214)	(28,240,567)	-
	(1,387,560)	(9,793,417)	-	(18,000,000)	-	(199,851,780)
	-	-	-	-	(59,933,583)	(825,092,383)
	<b>367,229,268</b>	<b>863,670,593</b>	<b>489,997,007</b>	<b>-</b>	<b>271,148,774</b>	<b>10,598,704,702</b>
	141,321,670	358,071,657	146,107,493	10,907,241	-	3,550,675,569
	28,132,641	163,948,882	64,551,652	4,500,000	-	1,023,382,343
	(905,981)	(16,432,851)	-	-	-	(93,690,295)
	<b>168,548,330</b>	<b>505,587,688</b>	<b>210,659,145</b>	<b>15,407,241</b>	<b>-</b>	<b>4,480,367,617</b>
	41,156,148	158,126,367	70,233,096	-	-	1,077,028,529
	(177,419)	(5,173,654)	-	(4,157,241)	-	-
	(1,174,185)	(8,544,344)	-	(11,250,000)	-	(156,780,667)
	<b>208,352,874</b>	<b>649,996,057</b>	<b>280,892,241</b>	<b>-</b>	<b>-</b>	<b>5,400,615,479</b>
	<b>158,876,394</b>	<b>213,674,536</b>	<b>209,104,766</b>	<b>-</b>	<b>271,148,774</b>	<b>5,198,089,223</b>
	167,120,049	321,056,692	233,540,594	8,945,973	117,949,899	5,980,093,102

 NOTES TO THE FINANCIAL STATEMENTS

## 11.2 Company

	Land LKR	Freehold			
		Building LKR	Plant and machinery LKR	Motor vehicles LKR	Office equipment LKR
<b>Cost or valuation</b>					
Balance at 1 April 2017	376,800,000	67,000,000	4,203,687,284	624,352,184	267,160,551
Additions	-	-	461,334,745	35,903,029	40,435,866
Transfer to investment properties	(195,800,000)	-	-	-	-
Disposals/derecognition	-	-	(36,778,944)	(5,950,000)	(1,112,974)
<b>Balance at 31 March 2018</b>	<b>181,000,000</b>	<b>67,000,000</b>	<b>4,628,243,085</b>	<b>654,305,213</b>	<b>306,483,443</b>
Additions	-	30,428,432	193,995,927	369,711,774	15,810,751
Disposals/derecognition	-	-	(82,264,353)	(77,302,205)	(917,001)
<b>Balance at 31 March 2019</b>	<b>181,000,000</b>	<b>97,428,432</b>	<b>4,739,974,659</b>	<b>946,714,782</b>	<b>321,377,193</b>
<b>Accumulated depreciation and impairment losses</b>					
Balance at 1 April 2017	-	18,356	1,877,213,546	385,538,852	208,691,588
Depreciation charge for the year	-	6,700,000	503,125,899	73,531,901	36,226,686
Disposals/derecognition	-	-	(36,671,842)	(5,949,997)	(1,088,807)
<b>Balance at 31 March 2018</b>	<b>-</b>	<b>6,718,356</b>	<b>2,343,667,603</b>	<b>453,120,756</b>	<b>243,829,467</b>
Depreciation charge for the year	-	7,131,823	524,102,170	82,275,420	36,970,830
Disposals/derecognition	-	-	(71,970,887)	(54,993,238)	(816,741)
<b>Balance at 31 March 2019</b>	<b>-</b>	<b>13,850,179</b>	<b>2,795,798,886</b>	<b>480,402,938</b>	<b>279,983,556</b>
<b>Carrying value</b>					
<b>At 31 March 2019</b>	<b>181,000,000</b>	<b>83,578,253</b>	<b>1,944,175,773</b>	<b>466,311,844</b>	<b>41,393,637</b>
At 31 March 2018	181,000,000	60,281,644	2,284,575,482	201,184,457	62,653,976

Company property, plant and equipment with a cost of LKR 1,571.33 Mn. (2018 – LKR 1,038.47 Mn.) have been fully depreciated and continue to be in use by the Company.

### Transfer to investment property

On 1 April 2017, land located at No. 267, Dehiwala Road, Maharagama and land located at Dickowita, Hendala were transferred from property, plant and equipment to investment property. It was no longer used by the Company and decided for the capital appreciation. (Note 12.1)

### Property, plant and equipment pledged as security

As at reporting date property, plant and equipment have not been pledged by the Company as securities against facilities obtained from banks.

 NOTES TO THE FINANCIAL STATEMENTS

	Freehold			Total LKR
	Furniture and fittings	Tools	Other construction equipment	
	LKR	LKR	LKR	
	114,873,220	649,752,113	300,746,449	6,604,371,801
	14,989,665	91,341,210	143,453,290	787,457,805
	-	-	-	(195,800,000)
	(190,905)	(16,859,690)	-	(60,892,513)
	<b>129,671,980</b>	<b>724,233,633</b>	<b>444,199,739</b>	<b>7,135,137,093</b>
	2,642,493	46,209,673	45,797,268	704,596,318
	(859,929)	(9,793,417)	-	(171,136,905)
	<b>131,454,544</b>	<b>760,649,889</b>	<b>489,997,007</b>	<b>7,668,596,506</b>
	102,443,249	353,584,926	146,107,493	3,073,598,010
	7,919,072	159,202,992	64,551,652	851,258,202
	(187,560)	(16,432,851)	-	(60,331,057)
	<b>110,174,761</b>	<b>496,355,067</b>	<b>210,659,145</b>	<b>3,864,525,155</b>
	9,815,183	142,576,330	70,233,096	873,104,852
	(646,554)	(8,544,344)	-	(136,971,764)
	<b>119,343,390</b>	<b>630,387,053</b>	<b>280,892,241</b>	<b>4,600,658,243</b>
	12,111,154	130,262,836	209,104,766	3,067,938,263
	19,497,219	227,878,566	233,540,594	3,270,611,938


 NOTES TO THE FINANCIAL STATEMENTS

### 11.3 Revaluation of land and building

#### Company

The freehold land and buildings of the Company were revalued as at 31 March 2017 by Mr K T D Tissera – FIV (Sri Lanka), FRICS (Eng) an independent professional valuer on an open market value for existing use basis.

#### Subsidiaries

The freehold land and buildings of Access Projects (Private) Limited were revalued as at 31 March 2017 by Mr K T D Tissera – FIV (Sri Lanka), FRICS (Eng.) an independent professional valuer on a depreciated replacement cost basis for buildings and market value basis for land as at the date of revaluation.

Details of Group's land and building stated at valuation are indicated below:

Location	Extent	Building square feet	Method of valuation	Significant unobservable input		
				Estimated price per perch LKR	Estimated price per square feet LKR	Correlation to Fair Value
<b>Access Engineering PLC</b>						
Land depicted at No. 336/1, Low Level Road, Jalthara, Ranala	3 R and 38.4 P	9,070	Open market value basis	350,000	750 – 1,500	Positive
Land depicted at No. 278, Alubogahalanda, Jalthara, Ranala	3 A 3 R and 4.86 P	35,100	Open market value basis	85,000 – 125,000	1,000 – 1,750	Positive
Land depicted at Weliwita, Kaduwela	2 A	–	Open market value basis	150,000	–	Positive
<b>Access Projects (Private) Limited</b>						
Land depicted at No. 278, Kekulanvila Road, Jalthara, Ranala	2 A 1 R and 38.38 P	43,942	Depreciated replacement cost basis for buildings and market value basis for land	75,000 – 100,000	1,000 – 2,500	Positive

#### Summary description of valuation methodologies


##### Open market value method (OMV)

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities such as business.

##### Depreciated replacement cost method

Depreciated replacement cost method uses the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.



 NOTES TO THE FINANCIAL STATEMENTS
**Land carried at cost (fair value)**

Location	Extent	Acquisition date
<b>Access Engineering PLC</b>		
Land depicted at Divigalahena, Hakmana.	10 A	31 July 2016
<b>Sathosa Motors PLC</b>		
Land depicted at No. 86, Vauxhall Street, Colombo 02	28.70 P	17 May 2017
<b>Access Projects (Private) Limited</b>		
Land depicted at No. 42 A, Yatawathura, Malagala, Padukka.	3 R and 10 P	30 June 2016

The carrying amount of revalued land and buildings if they were carried at cost less depreciation and impairment, would be as follows:

As at 31 March	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Cost	222,942,181	785,100,181	80,032,686	80,032,686
Accumulated depreciation and impairment	(40,419,561)	(37,716,552)	(10,023,000)	(9,622,080)
<b>Net carrying amount</b>	<b>182,522,620</b>	<b>747,383,629</b>	<b>70,009,686</b>	<b>70,410,606</b>

**12. INVESTMENT PROPERTIES****Accounting policy**

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, used in the production of supply of goods or services or for administrative purposes.

**Recognition and measurement**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, 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 profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

**Derecognition**

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or 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. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to 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.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

### 12.1 Quantitative and qualitative disclosures of the investment properties

As at 31 March	Note	Group		Company	
		2019 LKR	2018 LKR	2019 LKR	2018 LKR
Balance at the beginning of the year		10,713,949,513	3,288,619,125	415,800,000	220,000,000
Additions (subsequent expenditure)		15,243,007	6,886,444	-	-
Transfer from property, plant and equipment	11.1/ 11.2	-	195,800,000	-	195,800,000
Transfer from investment properties work in progress		-	4,919,346,423	-	-
Gain on fair value changes		-	2,303,297,521	-	-
Balance at the end of the year		10,729,192,520	10,713,949,513	415,800,000	415,800,000
Rental income derived from investment properties		941,430,170	590,589,815	11,459,910	10,418,100
Direct operating expenses (including repair and maintenance) generating rental income		84,759,832	101,246,562	-	-

### 12.2 Location, extent and valuation of investment properties

#### Company

Fair value of the Property was ascertained by independent valuation carried out by Mr K T D Tissera, FIV (Sri Lanka), FRICS (Eng.) an independent professional valuer, on an open market value for existing use basis as at 31 March 2019. Accordingly, the fair value of the property has not been materially changed with the carrying value of the property as at 31 March 2019 and accordingly fair value has not been adjusted to the Financial Statements.

#### Subsidiaries

Fair value of the property was ascertained by independent valuation carried out by Mr K T D Tissera, FIV (Sri Lanka), FRICS (Eng.) an independent professional valuer, on an open market value for existing use basis as at 31 March 2019. Accordingly, the fair value of the property has not been materially changed with the carrying value of the property as at 31 March 2019 and accordingly fair value has not been adjusted to the Financial Statements.

 NOTES TO THE FINANCIAL STATEMENTS

Description of valuation techniques used and key inputs to valuation of investment properties:

Location	Extent	Freehold building square fee	Significant unobservable input		
			Estimated price per perch LKR	Estimated price per square feet LKR	Correlation to fair value
<b>Access Engineering PLC</b>					
Land depicted at No. 117, Dehiwala Road, Boralasgamuwa*	2 R and 35 P	12,784	1,250,000	6.000	Positive
Land depicted at No. 267, Dehiwala Road, Maharagama	3 R and 1 P	-	1,500,000	-	Positive
Land depicted at Dickowita, Hendala.	2 A 3 R and 10.18 P	-	35,000	-	Positive
<b>Access Realities (Private) Limited</b>					
Land depicted at No. 264/5, 266, 268, 278 and 278/4 Dr. Colvin R De Silva Mawatha (Union Place) and No. 116 and 118 Dawson Street, Colombo 2	1 A and 25.65 P	216,718	9,000,000 – 10,000,000	10,000	Positive
<b>Access Realities 2 (Private) Limited</b>					
30 Storey Building at No. 116 and 118 Dawson Street, Colombo 2	-	404,554	9,000,000	16,000	Positive
<b>Horizon Holdings Ventures (Private) Limited</b>					
Land depicted at No. 278, Weliwita Road, Weliwita	4 A 1 R and 4 P	-	650,000 – 800,000	-	Positive

\*Property located at No. 117, Dehiwala Road, Boralasgamuwa is secured on overdraft facility obtained for the value of LKR 125 Mn. by the Company (Note 22).

Summary description of valuation methodologies can be found in Property, plant and equipment Note 11.3.

### 12.3 Investment properties – Work in progress

As at 31 March	Group	
	2019	2018
	LKR	LKR
Balance at the beginning of the year	402,478,308	3,310,763,207
Additions	90,090,613	2,011,061,524
Transfer to investment properties	-	(4,919,346,423)
<b>Balance at the end of the year</b>	<b>492,568,921</b>	<b>402,478,308</b>

Investment properties work in progress consists the development at No. 250, Srimath Ramanathan Mawatha, Kotahena, Colombo 15 by Harbour Village (Private) Limited.


 NOTES TO THE FINANCIAL STATEMENTS

## 13. INTANGIBLE ASSETS AND GOODWILL

### Accounting policy

#### Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
Research and development	<p>Expenditure on research activities is recognised in profit or loss as incurred.</p> <p>Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.</p>
Other intangible assets	Other intangible assets are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

#### Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embedded in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category that is consistent with the function of the intangible assets.

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

#### Leasehold right – Land

Leasehold property comprises land use rights and is amortised 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 recognised in the Statement of Profit or Loss.

#### Software

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets and is amortised on a straight-line basis over its useful life.

The estimated useful lives are as follows:

Asset category	Useful lives
Enterprise resource planning system	5-10 years
Other software	3-5 years

 NOTES TO THE FINANCIAL STATEMENTS
**Derecognition**

An intangible asset is derecognised upon disposal or losses when no future economic benefits are expected from its use. Any gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is derecognised.

**13.1 Reconciliation of beginning and ending balances by classes of assets**


	Group				Company	
	Leasehold right LKR	Software LKR	Goodwill LKR	Total LKR	Software LKR	Total LKR
<b>Cost/reevaluation</b>						
At 1 April 2017	210,000,000	103,117,311	1,179,598,942	1,492,716,253	93,093,482	93,093,482
Additions	4,500,000	8,351,960	-	12,851,960	-	-
<b>At 31 March 2018</b>	<b>214,500,000</b>	<b>111,469,271</b>	<b>1,179,598,942</b>	<b>1,505,568,213</b>	<b>93,093,482</b>	<b>93,093,482</b>
Additions	-	39,996,158	-	39,996,158	3,392,293	3,392,293
<b>At 31 March 2019</b>	<b>214,500,000</b>	<b>151,465,429</b>	<b>1,179,598,942</b>	<b>1,545,564,371</b>	<b>96,485,775</b>	<b>96,485,775</b>
<b>Accumulated amortisation and impairment losses</b>						
At 1 April 2017	38,184,374	36,192,765	-	74,377,139	30,901,376	30,901,376
Amortisation	17,447,887	12,913,333	-	30,361,220	9,218,382	9,218,382
<b>At 31 March 2018</b>	<b>55,632,261</b>	<b>49,106,098</b>	<b>-</b>	<b>104,738,359</b>	<b>40,119,758</b>	<b>40,119,758</b>
Amortisation	18,121,345	16,470,454	-	34,591,799	9,169,035	9,169,035
<b>At 31 March 2019</b>	<b>73,753,606</b>	<b>65,576,552</b>	<b>-</b>	<b>139,330,158</b>	<b>49,288,793</b>	<b>49,288,793</b>
<b>Carrying value</b>						
<b>At 31 March 2019</b>	<b>140,746,395</b>	<b>85,888,877</b>	<b>1,179,598,942</b>	<b>1,406,234,214</b>	<b>47,196,982</b>	<b>47,196,982</b>
At 31 March 2018	158,867,739	62,363,173	1,179,598,942	1,400,829,854	52,973,724	52,973,724

Leasehold right comprises of the leasehold land of the Sathosa Motors PLC and prepaid lease payment of SML Frontier Automotive (Private) Limited.

Leasehold Land relates to the property persistently known and called "SATHOSA MOTORS WORKSHOP" is located at No. 25/11, New Nuge Road, Peliyagoda acquired by Sathosa Motors PLC on a 99 years lease commencing from 1987. The total gross area of the land is 343.93 perches. The leasehold right has been revalued by an independent valuer Mr R T K Sirisena – an independent professional valuer. Valuation has been done based on the demand and supply factors, current evidence of values, improvements and infrastructures etc. as at 31 March 2012. The estimated useful life of Leasehold right as at 31 March 2019 is sixty-seven years (remaining lease period).

SML Frontier Automotive (Private) Limited recognised prepaid lease payments in respect of Welisara workshop premises which has been subleased by Frontier Automotive (Private) Limited. Remaining lease period as at 31 March 2019 is two years.

Software balance in intangible assets mainly consists of the SAP Enterprise Resource Planning system software and SAP user license acquired by the Company.

 NOTES TO THE FINANCIAL STATEMENTS

## 14. INVESTMENTS IN SUBSIDIARIES

### Accounting policy

Investments in subsidiaries are initially recognised at cost in the Financial Statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries are immediately recognised in Profit or Loss. Following initial recognition, investment in subsidiaries are carried at cost less any accumulated impairment losses. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

	Number of shares	Effective holding %	Company	
			2019 LKR	2018 LKR
Sathosa Motors PLC	5,093,745	84.42	1,196,572,767	1,196,572,767
Access Realities (Private) Limited*	199,922,532	100	7,996,901,280	7,870,328,720
Access Projects (Private) Limited	16,000,000	80	1,000,000,000	1,000,000,000
Horizon Holdings Ventures (Private) Limited	29,000,000	100	290,000,000	290,000,000
Horizon Knowledge City Limited**	-	-	-	624,990,000
Harbour Village (Private) Limited	174,970,574	60.83	2,747,383,660	2,747,383,660
			13,230,857,707	13,729,275,147

\* Company has invested LKR 126,572,560/- in Access Realities (Private) Limited during the current financial year (Note 31.1).

\*\* Company has disposed the investment in Horizon Knowledge City Limited during the current financial year (Note 31.2).

### Accounting estimate - provision for impairment

An impairment assessment was carried out as at 31 March 2019 and it was concluded that net realisable value of all the investments included under unquoted investments exceed its carrying value.

## 15. EQUITY-ACCOUNTED INVESTEEES

### Accounting policy

The Group's interests in equity-accounted investees comprise interest in Associate and Joint Ventures.

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

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

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

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

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

 NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

### 15.1 Carrying amount of interest in equity-accounted investees

	Number of shares	Effective Holding %	Group		Company	
			2019	2018	2019	2018
			LKR	LKR	LKR	LKR
<b>Investment in Joint Ventures</b>						
Horizon Holdings (Private) Limited*	-	-	-	295,428,288	-	300,000,000
Blue Star Realities (Private) Limited	80,300,000	50	774,424,848	799,924,734	800,000,000	800,000,000
			774,424,848	1,095,353,022	800,000,000	1,100,000,000
<b>Investment in an Associate</b>						
ZPMC Lanka Company (Private) Limited	5,546,544	30	123,594,277	96,512,504	55,465,410	55,465,410
			898,019,125	1,191,865,526	855,465,410	1,155,465,410

### 15.2 Group's share of total comprehensive income

For the year ended 31 March	2019	2018
	LKR	LKR
Joint ventures	(27,355,709)	(20,745,090)
Associate	27,081,773	11,074,023
	(273,936)	(9,671,067)

\* During the year Group has disposed the investment in Horizon Holdings (Private) Limited for a cash consideration of LKR 300 Mn. The net gain on disposal of joint venture is recognised in the Statement of Profit or loss during the financial year.

### 15.3 Investment in joint ventures

The Group has invested on 30 May 2016, 50% interest in Blue Star Realities (Private) Limited, a joint venture involved in the business of residential property development.

The Group's interest in joint ventures are accounted for using the equity method in the consolidated financial statements.

 NOTES TO THE FINANCIAL STATEMENTS

Summarised financial information of the joint ventures, based on its SLFRS Financial Statements, and reconciliation with the carrying amount of the investment in the Consolidated Financial Statements are set out below:

	Horizon Holdings (Private) Limited		Blue Star Realities (Private) Limited		Total	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Non-current assets	-	7,579,259	16,717,522	19,933,119	16,717,522	27,512,378
Current assets	-	596,874,106	3,199,255,213	1,965,409,790	3,199,255,213	2,562,283,896
Non-current liabilities	-	(240,000,000)	(139,808,447)	(23,119,795)	(139,808,447)	(263,119,795)
Current liabilities	-	(4,067,343)	(1,586,944,757)	(422,003,810)	(1,586,944,757)	(426,071,153)
Net assets (100%)	-	360,386,022	1,489,219,531	1,540,219,304	1,489,219,531	1,900,605,326
Group's share of net assets (50%)	-	180,193,011	744,609,766	770,109,652	744,609,766	950,302,663
Goodwill	-	115,235,277	29,815,082	29,815,082	29,815,082	145,050,359
<b>Carrying amount of interest in joint venture</b>	-	295,428,288	774,424,848	799,924,734	774,424,848	1,095,353,022
Revenue	-	-	-	-	-	-
Depreciation and amortisation	(44,208)	(132,616)	-	-	(44,208)	(132,616)
Interest expense	(1,992,369)	(8,156)	(674,494)	(1,058,645)	(2,666,863)	(1,066,801)
Income tax reversal/(expense)	1,442,400	731,818	(2,540,887)	(12,934,226)	(1,098,487)	(12,202,408)
Profit/(loss) and total comprehensive income (100%)	(3,711,643)	(2,129,973)	(50,999,773)	(35,177,124)	(54,711,416)	(37,307,097)
Profit/(loss) and total comprehensive income (50%)	(1,855,822)	(1,064,987)	(25,499,887)	(17,588,562)	(27,355,709)	(18,653,549)
Elimination of unrealised profit on downstream sales	-	-	-	(2,091,541)	-	(2,091,541)
<b>Group's share of total comprehensive income</b>	(1,855,822)	(1,064,987)	(25,499,887)	(19,680,103)	(27,355,709)	(20,745,090)

There were no dividends received from the joint ventures during 2018/19 (2017/18 - Nil).


The joint venture had no material contingent liabilities or capital commitments as at 31 March 2019 or as at 31 March 2018.

### 15.4 Investment in an Associate

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 Group's interest in ZPMC Lanka Company (Private) Limited is accounted for using the equity method in the Consolidated Financial Statements.



 NOTES TO THE FINANCIAL STATEMENTS

Summarised financial information of the associate, based on its SLFRS Financial Statements, and reconciliation with the carrying amount of the investment in the Consolidated Financial Statements are set out below:

	2019	2018
	LKR	LKR
Non-current assets	3,334,191	3,755,385
Current assets	680,787,562	529,137,281
Non-current liabilities	(2,820,481)	(1,835,737)
Current liabilities	(269,967,050)	(209,853,579)
Net assets (100%)	411,334,222	321,203,350
Group's share of net assets (30%)	123,594,277	96,512,504
<b>Carrying amount of interest in associate</b>	<b>123,594,277</b>	<b>96,512,504</b>
Revenue	641,005,164	655,589,737
Total comprehensive income (100%)	90,130,872	36,855,465
<b>Group's share of total comprehensive income (30%)</b>	<b>27,081,773</b>	<b>11,074,023</b>
<b>Dividends received by the Group</b>	<b>-</b>	<b>(1,109,308)</b>

The associate had no material contingent liabilities or capital commitments as at 31 March 2019 or as at 31 March 2018.

## 16. NON-CURRENT FINANCIAL ASSETS

### Accounting policy

This consists investment in quoted debentures which have been designated as financial assets at amortised cost and measured at amortised cost using EIR method and are subject to impairment.

As at 31 March	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
<b>Investments in debentures</b>				
National Development Bank PLC	775,598,826	812,478,615	564,353,479	562,747,945
Hatton National Bank PLC	534,320,123	556,663,297	334,135,191	334,027,397
People's Leasing & Finance PLC	-	2,620,756	-	-
Sampath Bank PLC	110,444,398	110,269,863	110,444,398	110,269,863
	<b>1,420,363,347</b>	<b>1,482,032,531</b>	<b>1,008,933,068</b>	<b>1,007,045,205</b>

 NOTES TO THE FINANCIAL STATEMENTS

## 17. INVENTORIES

### Accounting policy

Inventories are measured at the lower of cost or net realisable 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, excluding borrowing cost.

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

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 recognised as an asset when it is probable that they will be recovered and such costs are classified as work in progress.

### Goods in transit

Goods in transit are recognised at purchase cost.

### 17.1 Inventories

As at 31 March	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Inventories	3,247,868,811	2,918,075,167	1,047,971,776	955,291,329
Work in progress	3,239,510,879	3,004,860,549	391,275,251	662,386,181
Goods in transit	143,858,583	225,445,424	766,000	140,791
Less: Provision for inventories (Note 17.1.1)	(52,605,094)	(62,539,133)	-	-
	<b>6,578,633,179</b>	<b>6,085,842,007</b>	<b>1,440,013,027</b>	<b>1,617,818,301</b>

#### 17.1.1 Movement in provision for inventories

As at 31 March	Group	
	2019 LKR	2018 LKR
Balance at the beginning of the year	62,539,133	7,913,402
Provision for/(reversal of) inventory provision	(9,934,039)	54,625,731
<b>Balance at the end of the year</b>	<b>52,605,094</b>	<b>62,539,133</b>

None of the inventories are pledged as securities for facilities obtained by the Group or Company from banks as at 31 March 2019 (as at 31 March 2018 – Nil).

 NOTES TO THE FINANCIAL STATEMENTS

## 18. TRADE AND OTHER RECEIVABLES

### Accounting policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other financial nature receivables are recognised as other receivables. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the Effective Interest Rate (EIR) method less any provision for impairment.

### Provision for impairment of receivables

From 1 April 2018, the Group applies the simplified approach in measuring expected credit losses (ECL) allowance which is recommended by SLFRS 9 on making impairment of trade receivables.

ECLs are probability-weighted estimate of credit losses. It has not resulted in a material change in loss allowance compared with previous policy. The allowance is provided by considering evidence of impairment for receivables of both individual and collective level. Receivables are individually assessed for impairment by considering objective evidence such as experiencing a significant financial difficulty or default in payment by customer. Debtors that are not specifically impaired are then collectively assessed for any impairment. In assessing collective impairment, the Group uses historical information on the probability of default, the timing of recoveries, the amount of loss incurred and makes an adjustment if current and forward looking economic and credit conditions are likely to be greater or lesser than suggested historical trends.

### 18.1 Trade and other receivables

As at 31 March	Note	Group		Company	
		2019	2018	2019	2018
		LKR	LKR	LKR	LKR
Trade receivables	18.2	11,134,597,403	9,323,745,501	8,743,200,936	7,490,671,978
Other receivables	18.3	625,149,803	555,845,034	149,968,140	199,299,467
Advance and prepayments	18.4	1,862,525,106	1,369,823,124	1,055,301,311	849,797,960
Contract assets		162,106,835	-	153,203,656	-
		13,784,379,147	11,249,413,659	10,101,674,043	8,539,769,405

 NOTES TO THE FINANCIAL STATEMENTS

As at 31 March	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
<b>18.2 Trade receivables</b>				
Trade receivables	11,276,042,127	9,412,964,395	8,856,251,992	7,561,891,146
Less: Provision for impairment of receivables (Note 18.2.1)	(141,444,724)	(89,218,894)	(113,051,056)	(71,219,168)
	<b>11,134,597,403</b>	<b>9,323,745,501</b>	<b>8,743,200,936</b>	<b>7,490,671,978</b>
<b>18.2.1 Movement in Provision for impairment of trade receivables</b>				
Balance at the beginning of the year	89,218,894	83,696,141	71,219,168	70,814,807
Impact of adopting SLFRS 9	27,524,227	-	24,582,637	-
Provision for impairment of trade receivables	24,701,603	5,522,753	17,249,251	404,361
<b>Balance at the end of the year</b>	<b>141,444,724</b>	<b>89,218,894</b>	<b>113,051,056</b>	<b>71,219,168</b>
<b>18.3 Other receivables</b>				
Interest receivables	46,751,268	40,081,743	17,310,459	16,326,672
Margin on bond	94,428,836	89,773,275	94,428,836	89,773,275
Other tax receivables	227,194,484	222,010,054	9,477,407	93,116,124
Others	256,775,215	203,979,962	28,751,438	83,396
	<b>625,149,803</b>	<b>555,845,034</b>	<b>149,968,140</b>	<b>199,299,467</b>
<b>18.4 Advances and prepayments</b>				
Deposits and prepayments	100,683,652	85,548,340	53,862,954	53,298,619
Advances	1,675,342,588	1,203,016,738	951,751,235	736,512,211
Refundable deposit	86,498,866	81,258,046	49,687,122	59,987,130
	<b>1,862,525,106</b>	<b>1,369,823,124</b>	<b>1,055,301,311</b>	<b>849,797,960</b>

 NOTES TO THE FINANCIAL STATEMENTS

## 19. OTHER CURRENT FINANCIAL ASSETS

### Accounting policy

This mainly comprise retention receivable and staff loans which have been designated as financial assets at amortised cost and measured at amortised cost using EIR method and are subject to impairment.


As at 31 March	Note	Group		Company	
		2019 LKR	2018 LKR	2019 LKR	2018 LKR
Retention receivable	19.1	2,272,742,317	1,771,621,788	2,044,588,378	1,634,959,632
Staff loans		65,264,342	49,976,846	62,472,227	46,698,735
Prepaid retention receivable expenses		352,321,246	366,510,423	352,321,246	322,077,897
Prepaid staff loan expenses		7,362,302	7,258,978	7,362,302	7,258,978
<b>Total other current financial assets</b>		<b>2,697,690,207</b>	<b>2,195,368,035</b>	<b>2,466,744,153</b>	<b>2,010,995,242</b>

### 19.1 Retention receivable

As at 31 March	Note	Group		Company	
		2019 LKR	2018 LKR	2019 LKR	2018 LKR
Retention receivable		2,337,197,492	1,833,786,601	2,049,676,436	1,645,198,571
Less: Provision for impairment of retention receivable	19.1.1	(64,455,175)	(62,164,813)	(5,088,058)	(10,238,939)
		<b>2,272,742,317</b>	<b>1,771,621,788</b>	<b>2,044,588,378</b>	<b>1,634,959,632</b>

#### 19.1.1 Movement in provision for impairment of retention receivable

As at 31 March	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Balance at the beginning of the year	62,164,813	10,238,939	10,238,939	10,238,939
Provision for/(reversal of) impairment of retention receivables	2,290,362	51,925,874	(5,150,881)	-
<b>Balance at the end of the year</b>	<b>64,455,175</b>	<b>62,164,813</b>	<b>5,088,058</b>	<b>10,238,939</b>

 NOTES TO THE FINANCIAL STATEMENTS

## 20. SHORT-TERM INVESTMENTS

### Accounting policy

Investment in equity securities have been designated as financial assets at fair value through profit or loss. Loss on fair value changes of the investments have been charged to the profit or loss.

As at 31 March	Number of shares	Cost		Market value	
		2019 LKR	2018 LKR	2019 LKR	2018 LKR
<b>Group/Company</b>					
<b>Quoted investments</b>					
Nation Lanka Finance PLC	12,300	453,009	453,009	7,380	12,300
Lanka Indian Oil Corporation PLC	36,600	1,035,414	1,035,414	636,840	1,101,660
Touchwood Investments PLC	21,600	414,108	414,108	-	-
Horana Plantations PLC	7,500	538,464	538,464	127,500	165,000
The Colombo Fort Land & Building Company PLC	5,000	499,533	499,533	67,500	96,000
Namunukula Plantations PLC	3,300	527,231	527,231	211,200	289,410
Richard Pieris & Co. PLC	50,000	798,848	798,848	460,000	640,000
Free Lanka Capital Holdings PLC	15,600	78,000	78,000	53,040	56,160
People's Merchant PLC	100	1,976	1,976	920	1,100
CIC Holdings PLC	204,000	23,517,007	23,517,007	7,853,983	12,015,583
Softlogic Holdings PLC	208,500	6,110,307	6,110,307	3,336,000	5,129,100
Vallibel One PLC	123,300	3,210,050	3,210,050	1,763,190	2,786,580
Central Investments & Finance PLC	1,000,000	10,000,000	10,000,000	-	-
People's Leasing Company PLC	839,400	15,109,200	15,109,200	11,247,960	13,262,520
Commercial Bank of Ceylon PLC	39	-	-	3,849	5,296
Tess Agro Company PLC	80	-	-	32	72
<b>Total</b>		<b>62,293,147</b>	<b>62,293,147</b>	<b>25,769,394</b>	<b>35,560,781</b>

## 21. SHORT-TERM DEPOSITS

### Accounting policy

Investments in fixed deposits have been designated as financial assets at amortised cost and measured at amortised cost using EIR method and are subject to impairment.

As at 31 March	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Fixed deposits	2,163,147,483	2,041,431,464	475,198,599	279,511,813
	<b>2,163,147,483</b>	<b>2,041,431,464</b>	<b>475,198,599</b>	<b>279,511,813</b>

 NOTES TO THE FINANCIAL STATEMENTS

## 22. CASH AND CASH EQUIVALENTS

### Accounting policy

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 Statement of Cash Flow, 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.

As at 31 March	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Cash at bank	1,969,574,144	1,337,558,095	953,906,395	550,559,611
Cash in hand	27,137,726	31,467,872	21,757,499	26,446,455
Investment in repos	489,165,779	25,072,423	100,000,000	-
	2,485,877,649	1,394,098,390	1,075,663,894	577,006,066
Bank overdraft	(329,833,689)	(564,712,154)	-	-
<b>Cash and cash equivalent for the purpose of Statement of Cash Flows</b>	<b>2,156,043,960</b>	<b>829,386,236</b>	<b>1,075,663,894</b>	<b>577,006,066</b>

### Company

Property located at No. 117, Dehiwala Road, Boralesgamuwa is secured on overdraft facility obtained for the value of LKR 125 Mn. (Note 12.2).

### Group

The Bank overdraft (Commercial Bank) of the Access Projects (Private) Limited are secured by the corporate guarantee issued by Access Engineering PLC (parent Company) for LKR 250 Mn.

## 23. CAPITAL AND RESERVES

### 23.1 Stated capital

Issued and fully paid	2019		2018	
	Number of shares	Value of shares LKR	Number of shares	Value of shares LKR
At the beginning of the year	1,000,000,000	9,000,000,000	1,000,000,000	9,000,000,000
<b>At the end of the year</b>	<b>1,000,000,000</b>	<b>9,000,000,000</b>	<b>1,000,000,000</b>	<b>9,000,000,000</b>

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 case of a poll.

## ↓ NOTES TO THE FINANCIAL STATEMENTS

### 23.2 Revaluation reserve

The revaluation reserve consist of the revaluation of property, plant and equipment, and revaluation of investment properties immediately before reclassified from property, plant and equipment.

### 23.3 Dividends

The following dividends were declared and paid by the Company for the year:

As at 31 March	Company	
	2019	2018
	LKR	LKR
<b>Dividends on ordinary shares</b>		
Final dividend*	-	200,000,000
Interim dividend	250,000,000	500,000,000
Second interim dividend	250,000,000	500,000,000
Total dividends	500,000,000	1,200,000,000
<b>Dividend per share</b>	0.50	1.20

\*Dividend paid out of previous year's profits.

## 24. GOVERNMENT GRANT

### Accounting policy

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

As at 31 March	Group	
	2019	2018
	LKR	LKR
Balance at the beginning of the year	5,923,485	6,142,874
Amortisation	(219,389)	(219,389)
Balance at the end of the year	5,704,096	5,923,485

The above represents a Government grant received by Sathosa Motors PLC, for the construction of work shop at Peliyagoda and is amortised over a period of fifty (50) years.



 NOTES TO THE FINANCIAL STATEMENTS

## 25. LOANS AND BORROWINGS

### Accounting policy

Loans and borrowings are initially recognised at fair value net of directly attributable transaction costs. Subsequently they are measured at amortised cost.

As at 31 March	Note	Group		Company	
		2019 LKR	2018 LKR	2019 LKR	2018 LKR
<b>Current portion of loans and borrowings</b>					
Term loan	25.2	3,637,207,534	3,946,136,743	402,128,177	1,904,960,917
Finance lease obligation	25.3	-	2,265,472	-	-
		<b>3,637,207,534</b>	<b>3,948,402,215</b>	<b>402,128,177</b>	<b>1,904,960,917</b>
<b>Non-current portion of loans and borrowings</b>					
Debentures	25.1	5,007,311,765	5,007,262,734	5,188,152,871	5,188,152,872
Term loan	25.2	90,636,000	126,711,734	-	-
Finance lease obligation	25.3	-	3,850,668	-	-
		<b>5,097,947,765</b>	<b>5,137,825,136</b>	<b>5,188,152,871</b>	<b>5,188,152,872</b>

### 25.1 Debentures

As at 31 March	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
<b>Balance at the beginning of the year</b>	<b>4,825,670,000</b>	<b>4,825,670,000</b>	<b>5,000,000,000</b>	<b>5,000,000,000</b>
Debentures issued during the year	-	-	-	-
<b>Balance at the end of the year</b>	<b>4,825,670,000</b>	<b>4,825,670,000</b>	<b>5,000,000,000</b>	<b>5,000,000,000</b>
Interest payable	181,641,765	181,592,734	188,152,871	188,152,872
<b>Carrying value as at the end of the year</b>	<b>5,007,311,765</b>	<b>5,007,262,734</b>	<b>5,188,152,871</b>	<b>5,188,152,872</b>

On 18 November 2015 Company issued fifty million (50,000,000) rated senior unsecured redeemable debentures to the value of Rupees five billion (LKR 5,000,000,000). These debentures are listed in the Colombo Stock Exchange.

Sathosa Motors PLC has invested 1,743,300 No's of type O1 five years tenor debentures issued by the Company, amounting to LKR 174,330,000. Carrying value of above debentures has been eliminated at the Group level.

## NOTES TO THE FINANCIAL STATEMENTS

Details regarding the listed debentures are as follows:

Instrument type	Value in LKR	Proportion %	Interest frequency	Coupon rate %	Effective annual yield %	IROCGS* as at reporting date %
Type 1-5 years tenor	4,998,410,000	99.97	Semi-Annually	10.25	10.51	10.93
Type 2-6 years tenor	1,030,000	0.02	Semi-Annually	10.45	10.72	11.03
Type 3-7 years tenor	20,000	0.00	Semi-Annually	10.72	11.01	11.06
Type 4-8 years tenor	540,000	0.01	Semi-Annually	10.95	11.25	11.09
<b>Total</b>	<b>5,000,000,000</b>					

\*Interest rate of comparable Government securities.

The listed debentures were not traded since issuing date. Therefore, highest traded price, lowest traded price, last traded price for the year ended 31 March 2019 and yield to maturity of trade were not available.

### Debt security-related ratios

For the year ended/as at 31 March	Company	
	2019	2018
Debt to equity ratio (%)	0.29	0.40
Quick assets ratio (%)	1.51	1.3
Interest cover (%)	4.78	4.99

Utilisation of funds raised via debenture issue is as follows:

Objective	Construction of Access Tower II at Union Place, Colombo 2	Urban Regeneration Project - Design and Construction of 941 Housing Units at Henamulla, Colombo 15
Amount allocated from proceeds in LKR (Mn.) (A)	2,586	2,414
Amount utilised in LKR (Mn.) (B)	2,586	2,414
% Utilisation against allocation (B/A)	100%	100%

## 25.2 Term loan

As at 31 March	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	4,072,848,477	721,425,934	1,904,960,917	-
Obtained during the year	11,954,669,609	11,392,330,318	5,011,000,000	4,446,960,917
Repayment during the year	(12,299,674,552)	(8,040,907,775)	(6,513,832,740)	(2,542,000,000)
Balance at the end of the year	3,727,843,534	4,072,848,477	402,128,177	1,904,960,917
Loan payable within one year	3,637,207,534	3,946,136,743	402,128,177	1,904,960,917
Loan payable after one year	90,636,000	126,711,734	-	-
	3,727,843,534	4,072,848,477	402,128,177	1,904,960,917

 NOTES TO THE FINANCIAL STATEMENTS

### 25.3 Finance lease obligation

As at 31 March	Group	
	2019	2018
	LKR	LKR
Balance at the beginning of the year	6,116,140	10,054,096
Repayments during the year	(6,116,140)	(3,116,300)
	-	6,937,796
Less: Interest in suspense	-	(821,656)
Balance at the end of the year	-	6,116,140
Payable within one year	-	2,265,472
Payable after one year	-	3,850,668
	-	6,116,140

### 25.4 Analysis of loans and borrowings

Company name	Lending institution	Nature of the facility	Interest rate and security	Maturity	Loan value LKR Mn.	2019	2018
						LKR Mn.	LKR Mn.
<b>Company</b>							
Access Engineering PLC	Seylan Bank Limited	Bank loan	AWPLR unsecured	12 months	150	150.96	-
		Bank loan	AWPLR unsecured	12 months	250	251.17	-
	Cargills Bank Limited	Bank loan	AWPLR + 0.5% unsecured	12 months	100.16	-	100.16
		Bank loan	AWPLR + 0.5% unsecured	12 months	60.1	-	60.10
		Bank loan	AWPLR + 0.5% unsecured	12 months	50.08	-	50.08
		Bank loan	AWPLR + 0.5% unsecured	12 months	40.06	-	40.06
		Bank loan	AWPLR + 0.85% unsecured	12 months	100.16	-	100.16
		Bank loan	AWPLR + 0.85% unsecured	12 months	75.12	-	75.12
	Commercial Bank of Ceylon PLC	Bank loan	11.75% (renew monthly) unsecured	12 months	451	-	451
		Bank loan	11.75% (renew monthly) unsecured	12 months	150.5	-	150.50
		Bank loan	11.80% (renew monthly) unsecured	12 months	75.11	-	75.11
		Bank loan	AWPLR + 0.7% unsecured	12 months	75.73	-	75.73
		Bank loan	11.75% (renew monthly) unsecured	12 months	100.32	-	100.32
		Bank loan	11.75% (renew monthly) unsecured	12 months	501.46	-	501.46
		Bank loan	11.80% (renew monthly) unsecured	12 months	75.08	-	75.08

 NOTES TO THE FINANCIAL STATEMENTS

Company name	Lending institution	Nature of the facility	Interest rate and security	Maturity	Loan value LKR Mn.	2019	2018
						LKR Mn.	LKR Mn.
<b>Group</b>							
Access Projects (Private) Limited	Commercial Bank of Ceylon PLC	Bank loan	11.75% fixed rate Personal guarantee Mr Sumal Perera	54 months	9.5	-	1.19
		Bank loan	AWPLR + 2.00% Guarantee land situated at No. 42 A, Yatawathura, Malagala, Padukka	36 months	4	0.22	1.56
		Bank loan	AWPLR + 2.0% Guarantee of land situated at No. 278, Kekunavila Road, Jalthara, Ranala	36 months	40	-	9.61
		Bank loan	AWPLR + 2.0% Guarantee of form work system	48 months	28	11.68	18.67
		Bank loan	AWPLR + 2.0% Guarantee of aluminium profile machine	48 months	14	6.41	9.91
Sathosa Motors PLC	Commercial Bank of Ceylon PLC	Revolving short-term loans	Market rate over AWPLR Unsecured	1 month	1,070	1,070	278.82
		Import loan	Market rate over AWPLR Unsecured	1 month	329	328.79	343.93
	Hatton National Bank PLC	Revolving short-term loans	AWPLR + 1% Unsecured	3 months	240	-	222
		Import loan	AWPLR + 1% Unsecured	1 month	354	353.79	-
	Bank of Ceylon	Revolving short-term loans	AWPLR + 0.5% Unsecured	1 month	500	500	240
	National Development Bank	Revolving short-term loans	Market rate over AWPLR Unsecured	3 months	300	300	-
SML Frontier Automotive (Private) Limited	National Development Bank	Short-term loan	16% fixed rate Corporate guarantee from Sathosa Motors PLC	3 months	200	193.24	200
	Hatton National Bank PLC	Bank loan	AWPLR+2% (renew monthly) Corporate guarantee from Sathosa Motors PLC	84 months	200	97.33	122.69
		Letter of credit and temporary over draft facilities	AWPLR+2% Corporate guarantee from Sathosa Motors PLC	3 months	550	-	519.51
		Short-term loan	AWPLR + 2% Corporate guarantee from Sathosa Motors PLC	4 months	550	464.25	200

## 26. EMPLOYEE BENEFITS

### Accounting policy

#### Short-term employee benefits

Short-term employee benefits are expected as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### 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 recognised as an expense in profit or loss when incurred.

#### Defined benefit plans


The liability recognised 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 Projected Unit Credit (PUC) method as recommended by LKAS 19 - "Employee Benefits". Remeasurements, comprising of actuarial gains and losses, are recognised immediately in the Statement of Financial Position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. The Group recognises the changes in the defined benefit liability attributable to the service costs (current service costs and any past service costs) and interest expense in the profit or loss. Key assumptions used in determining the defined benefit obligation are given in Note 26.2.

Defined benefit plan liability has not been externally funded by the Company as well as subsidiaries of the Group.

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 five years of continued service.

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability:

As at 31 March	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Balance at the beginning of the year	238,920,256	183,276,363	178,275,827	124,693,344
Current service cost	38,015,162	30,246,565	27,213,707	20,179,086
Interest cost	26,251,437	20,270,164	19,610,341	14,963,201
Actuarial (gains)/losses	(19,092,533)	19,122,325	(15,447,533)	23,988,146
	284,094,322	252,915,417	209,652,342	183,823,777
Less: Payments made during the year	(20,767,885)	(13,995,161)	(16,199,790)	(5,547,950)
<b>Balance at the end of the year</b>	<b>263,326,437</b>	<b>238,920,256</b>	<b>193,452,552</b>	<b>178,275,827</b>

 NOTES TO THE FINANCIAL STATEMENTS

## 26.1 Expense recognised in the Statement of Profit or Loss and Other Comprehensive Income

As at 31 March	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Current service cost	38,015,162	30,246,565	27,213,707	20,179,086
Interest cost	26,251,437	20,270,164	19,610,341	14,963,201
<b>Expense recognised in Statement of Profit or Loss</b>	<b>64,266,599</b>	<b>50,516,729</b>	<b>46,824,048</b>	<b>35,142,287</b>
Actuarial (gains)/losses recognised in other comprehensive income	(19,092,533)	19,122,325	(15,447,533)	23,988,146
<b>Total provision for the year</b>	<b>45,174,066</b>	<b>69,639,054</b>	<b>31,376,515</b>	<b>59,130,433</b>

## 26.2 Key assumptions and quantitative sensitivity analysis

The cost of the defined benefit plan are determined using actuarial valuations and it involves making various assumptions. These include the determination of the discount rate, future salary increases, staff turn over and retirement age (mortality in service). Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The key assumptions and their sensitivity analyses are discussed further below:

## 26.3 Company

An independent actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2019 by professional actuaries - Messrs 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 assumptions used in determining the cost of employee benefits were:

	2019	2018
Discount rate (%)	12	11
Expected annual average salary increment rate (%)	8.50	8.50
Staff turnover factor (%)	2	2
Retirement age (years)	55 Years	55 Years

 NOTES TO THE FINANCIAL STATEMENTS

## 26.4 Group

### a. Sathosa Motors PLC

An actuarial valuation of the provision for employee benefits was carried out as at 31 March 2019 by Actuarial and Management Consultants (Private) Limited. The valuation method used by the Actuaries to value the Employee Benefit Obligation is the "Projected Unit Credit Method". The method recommended by the LKAS 19 - "Employee Benefits".

### b. Other Subsidiaries

Employee benefit liabilities of other subsidiaries have been calculated applying the "Projected Unit Credit Method" recommended by LKAS 19 - "Employee Benefits".

The principal assumptions used in determining the employee benefits obligation were:

	2019	2018
Discount rate (%)	11-12	10-12
Expected annual average salary increment rate (%)	10-11	10-11
Staff turnover factor (%)	5-30	5-40
Retirement age (years)	55 years	55 years

## 26.5 Sensitivity of assumptions used

A quantitative sensitivity analysis for significant assumptions as at 31 March is, as shown below:

	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
<b>Effect on the defined benefit obligation liability</b>				
Increase by one percentage point in discount rate	(17,812,879)	(18,470,131)	(15,666,877)	(15,873,640)
Decrease by one percentage point in discount rate	20,450,660	21,323,226	18,118,424	18,511,348
Increase by one percentage point in salary increment rate	21,703,698	22,160,143	18,564,411	18,785,674
Decrease by one percentage point in salary increment rate	(19,197,400)	(19,573,400)	(16,275,423)	(16,351,468)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

## 26.6 Future expected contributions to the defined benefit plans

The following payments are expected contributions to the employee benefit obligation in future years:

	Company	
	2019	2018
	LKR	LKR
Within the next 12 months (next annual reporting period)	24,015,934	21,160,958
Between 1 and 2 years	6,804,533	6,364,302
Between 3 and 5 years	34,741,703	35,651,938
Beyond 5 years	115,291,126	191,257,138
<b>Total expected payments</b>	<b>180,853,296</b>	<b>254,434,336</b>

 NOTES TO THE FINANCIAL STATEMENTS

## 27. TRADE AND OTHER PAYABLES

### Accounting policy

Trade payables are the aggregate amount of obligation to suppliers for goods delivered to or services consumed by the Group in the ordinary course of business. Trade payables are classified as current liabilities if they are payable within one year or less.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other payables are normally none-interest-bearing liabilities.

As at 31 March	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Trade creditors	4,347,999,090	3,923,970,185	3,469,940,107	3,331,035,416
Other tax payable	67,145,069	27,772,415	-	-
Accrued expenses	1,317,694,016	807,170,500	450,941,804	389,110,458
Mobilisation advance	4,042,630,803	3,335,139,882	3,753,883,196	3,060,166,937
Advances received	1,683,071,460	1,479,945,418	99,368,623	162,494,213
Retention payable	550,367,734	394,243,346	438,742,086	276,102,440
Security deposit	151,547,315	148,479,683	-	-
Contract liability	330,640,584	-	316,068,003	-
	12,491,096,071	10,116,721,429	8,528,943,819	7,218,909,464

## 28. RELATED PARTY DISCLOSURE

### 28.1 Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on 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. For the year ended 31 March 2019, the Group has recorded LKR 53,360 as impairment of receivables relating to amounts due from related parties (2017/18 – Nil).

Disclosure as per the requirement of the Colombo Stock Exchange Listing Rule Section 9.3.2 and the Code of Best Practice on Related Party Transactions, under the Securities and Exchange Commission Directives issued under Section 13 (C) of the Securities and Exchange Commission Act, is on page 160 - Related Party Transactions Review Committee Report.

The following tables provide the amount receivable from/to and summary of the transactions entered with related parties for the relevant financial years.



 NOTES TO THE FINANCIAL STATEMENTS

## 28.2 Amounts due from related parties

As at 31 March	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Access International (Private) Limited	36,823,772	105,092,353	30,865,432	88,922,255
Access Civimech (Private) Limited	59,164,293	25,274,071	58,852,293	22,092,606
Access International Projects (Private) Limited	10,816,410	58,717,396	10,347,602	56,767,915
Access Industrial Systems (Private) Limited	13,201	43,327	13,201	43,327
Sathosa Motors PLC	-	-	80,271,363	21,846,521
Harbour Village (Private) Limited	-	-	158,538,693	4,109,150
Access Projects (Private) Limited	-	-	70,734,284	10,618,337
SML Frontier Automotive (Private) Limited	-	-	-	19,994,500
ARL Elevate (Private) Limited	-	-	-	2,400,000
Blue Star Realities (Private) Limited	-	10,055,136	-	10,055,136
Access Real Estate (Private) Limited	18,000	105,319	-	-
Access Lifestyle (Private) Limited	995,286	249,258	-	-
ZPMC Lanka (Private) Limited	82,913	80,024	-	-
Access Transport & Services (Private) Limited	18,638,000	-	-	-
Access Residencies (Private) Limited	85,474	-	-	-
Access Solar (Private) Limited	312,000	-	-	-
Access Natural Water (Private) Limited	-	68,927	-	-
	126,949,349	199,685,811	409,622,868	236,849,747
Less: Provision for impairment	(53,360)	-	-	-
	126,895,989	199,685,811	409,622,868	236,849,747


### 28.2.1 Movement in Provision for impairment of amounts due from related parties

As at 31 March	Group	
	2019	2018
	LKR	LKR
Balance at the beginning of the year	-	-
Impact of adopting SLFRS 9	3,756	-
Provision for impairment of amounts due from related parties	49,604	-
<b>Balance at the end of the year</b>	<b>53,360</b>	<b>-</b>

 NOTES TO THE FINANCIAL STATEMENTS

### 28.3 Amounts due to related parties


As at 31 March	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Access International (Private) Limited	7,477,059	30,381,482	5,159,821	1,042,715
Access Natural Water (Private) Limited	582,114	391,478	268,939	307,175
Access International Projects (Private) Limited	1,780,196	15,318,865	843,268	828,000
Reprographics (Private) Limited	410,598	239,802	410,598	110,944
SML Frontier Automotive (Private) Limited	-	-	10,500,000	348,585
Access Projects (Private) Limited	-	-	13,607,369	20,987,416
Sathosa Motors PLC	-	-	18,967	4,835,000
Access Realities (Private) Limited	-	-	248,607,559	1,496,704
CRDS Development (Private) Limited	575,000	-	575,000	-
ARL Elevate (Private) Limited	-	-	-	345,000
Access Industrial Systems (Private) Limited	-	1,475,294	-	1,240,000
Access Civimech (Private) Limited	452,678	692,678	-	-
Access Energy Solutions (Private) Limited	9,021,931	13,630,049	-	-
Horizon Holdings (Private) Limited	-	983	-	-
Access Solar (Private) Limited	3,614,913	5,949,913	-	-
Access Lifestyle (Private) Limited	278,907	120,000	-	-
Access Transport & Services (Private) Limited	293,367	-	-	-
Access Real Estate (Private) Limited	-	237,647	-	-
Access Residencies (Private) Limited	-	120,000	-	-
	<b>24,486,763</b>	<b>68,558,191</b>	<b>279,991,521</b>	<b>31,541,539</b>

 NOTES TO THE FINANCIAL STATEMENTS

## 28.4 Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties:

For the year ended	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
<b>Subsidiaries</b>				
Sales of goods/rendering of services	-	-	549,200,749	2,230,872,825
Purchases of goods/receiving of services	-	-	(447,228,654)	(621,126,229)
Dividend received	-	-	331,638,173	557,696,431
Loan received	-	-	245,000,000	-
Interest paid	-	-	(17,869,032)	(17,869,032)
Investment in shares/acquisition of MI	-	(452,382,500)	(126,572,560)	(3,825,809,940)
<b>Equity accounted investees</b>				
Sales of goods/rendering of services	5,903,895	231,816,420	867,143	228,599,978
Dividend received	-	998,378	-	998,378
<b>Other related party companies</b>				
Sales of goods/rendering of services	583,152,313	203,613,857	340,835,079	124,474,961
Purchases of goods/receiving of services	(379,103,698)	(576,904,921)	(133,762,957)	(408,687,204)

 NOTES TO THE FINANCIAL STATEMENTS

## 28.5 Directorships held by Directors in other group of companies

Company name	Company (AEL)						
	S J S Perera	J C Joshua	R J S Gomez	S D Perera	D A R Fernando	S H S Mendis	S D Munasinghe
<b>Subsidiaries</b>							
Access Realities (Private) Limited	✓	✓	✓	✓	✓	✓	✓
Access Realities 2 (Private) Limited	✓	✓	✓		✓	✓	✓
A R L Elevate (Private) Limited	✓	✓		✓	✓	✓	✓
Sathosa Motors PLC	✓	✓	✓		✓	✓	✓
SML Frontier Automotive (Private) limited	✓					✓	✓
Access Projects (Private) Limited	✓				✓		
Harbour Village (Private) Limited	✓	✓			✓		
<b>Associate</b>							
ZPMC Lanka Company (Private) Limited		✓					✓
<b>Joint venture</b>							
Blue Star Realities (Private) Limited	✓					✓	
<b>Other related party companies</b>							
Access International (Private) Limited	✓	✓	✓	✓	✓	✓	✓
Access Natural Water (Private) Limited	✓	✓	✓	✓			
Access Civimech (Private) Limited	✓			✓			
Access Energy Solutions (Private) Limited	✓	✓	✓				
Access Industrial Systems (Private) Limited	✓			✓			
Access Solar (Private) Limited	✓			✓			
Access International Projects (Private) Limited	✓			✓			
Access Real Estate (Private) Limited	✓			✓			
Access Residencies (Private) Limited	✓			✓			
CRDS Development (Private) Limited		✓					
Reprographics (Private) Limited	✓			✓			
Access Lifestyle (Private) Limited	✓			✓			

## 28.6 Transactions, arrangements and agreements involving key management personnel (KMPs) and their close family members (CFM)

According to LKAS 24 - "Related Party Disclosures", Key Management Personnel (KMPs) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly Board of Directors (including Executive and Non-Executive Directors) have been classified as Key Management Personnel of the Group.

Close Family Members (CFM) of the KMP are those family members who may be expected to influence, or be influenced by, that KMPs in their dealing with the entity. They may includes:

- The KMP's domestic partner and children;
- Children of the KMP's domestic partner; and
- Dependants of the KMP or the KMP's domestic partner

CFM are related parties to the entity. There were no transactions with CFM during the year.

 NOTES TO THE FINANCIAL STATEMENTS
**A. Directors' loans**

No loans have been given to the Directors of the Company.

**B. Compensation paid to the key management personnel of the Group**

For the year ended 31 March	Note	Group		Company	
		2019 LKR	2018 LKR	2019 LKR	2018 LKR
Short-term employee benefits	8	77,550,367	85,288,391	44,445,500	43,790,000
<b>Total compensation paid to key management personnel</b>		<b>77,550,367</b>	<b>85,288,391</b>	<b>44,445,500</b>	<b>43,790,000</b>

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to Key Management Personnel.

**29. PROVISIONS, COMMITMENTS AND CONTINGENCIES****Accounting policy**

Provisions are recognised when the Group/Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset when the reimbursement is virtually certain. The expense relating to provision is presented in Income Statement net of any reimbursement.


If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions are calculated based on the historical experience and the specific terms in the individual cases. The Group arrives at an estimate on the basis of an evaluation of the most likely outcome.

All known provisions have been accounted for in preparing the Financial Statements.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured. Contingent liabilities are not recognised in the Statement of Financial Position but 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.

Currently the Group/Company is involved in pending litigations and claims arising out of the normal conduct of the business. The Group/Company does not expect the pending litigations and claims, individually and in aggregate, to have a material impact on Group's Financial Position, operating profit or cash flow in addition to amounts accrued as provision for legal disputes.


 NOTES TO THE FINANCIAL STATEMENTS

The commitments and contingent liability of the Group and the Company as at 31 March 2019, relates to the following:

## 29.1 Disclosure – Company

### 29.1.1 Legal claim contingency

#### 29.1.1.1 Legal cases filed against the Company

##### Case No. CHC706/10/MR

The case of money recovery by GTB Colombo Corporation (Private ) Limited against 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 amounting to LKR 17,691,919.68/- together with interest 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. This matter is fixed for further trial on 4 November 2019.

##### Case No. DMR930/2017

The case of money recovery by Nilmini Shiroma Bombuwala against three defendant namely, 1st defendant: Ceylon Tea Services PLC; 2nd defendant: Delma Properties (Private) Limited, 3rd defendant: Access Engineering PLC. The claim is made amounting LKR 75,000,000/- to recover damages caused due to the constructions of the three defendants. This matter is fixed for trial on 30 July 2019.

##### Case No. DLM136/2018

The case of money recovery by N I C Fernando against the defendant namely, Access Engineering PLC. The claim LKR 17,500,000/- with legal cost is made against the defendant seeking an injunction to prevent the defendant from constructing the building fully described in the schedule of the plaint and further seeking an interim injunction, enjoining order as well as to claim the said sum with legal cost of the case. This matter is fixed to be called on 29 July 2019 for answer final.

#### 29.1.1.2 Legal cases filed by the Company

##### Case No. B506/14

The accused has been charged for fraudulently en-cashing a cheque for LKR 3,600,000/- of Access Engineering PLC and Company has filed a case against Bank of Ceylon, Union Place branch.

##### Case No. HC228/14

The case of money recovery by Access Engineering PLC against defendant namely Allianz Insurance Lanka Limited. The claim LKR 48,000,000/- is made against defendant for the rejection of claims made under contractors "All risk insurance policy" bearing policy number CAR/12658. This matter was fixed for 22 October 2019 for further trial.

##### Case No. 17373/M

The case of money recovery by Access Engineering PLC against defendant namely Tharanga Metal and their Director. The claim LKR 3,930,069 together with interest is made against defendant for the claim of renting out the equipment. This matter was fixed for further trial on 10 December 2019.

##### Case No. 12362/19

The Accused has been charged for fraudulently drawing cheques with the knowledge of that there are no monies in account for sum of LKR 1,500,000/- to Access Engineering PLC. The cheques that have been issued fraudulently have not been honored by the Bank of Ceylon and returned to the plaintiff in the event of encasing the same. The claim of LKR 1,500,000/- is made against three defendant namely 1st defendant: City Constructions Developers (Private) Ltd; 2nd defendant: I D Wijerathne; 3rd defendant: R S P Gunawardena. This case is fixed for order on 18 July 2019.

 NOTES TO THE FINANCIAL STATEMENTS
**Case No. 12363/19**

The Accused has been charged for fraudulently drawing cheques with the knowledge of that there are no money in account for sum of LKR 763,744.04 to Access Engineering PLC. The cheques that have been issued fraudulently have not been honoured by the Bank of Ceylon and returned to the plaintiff in the event of encasing the same. The claim of LKR 763,744.04 is made against three defendant namely 1st defendant: City Constructions Developers (Private) Ltd; 2nd defendant: I D Wijerathne; 3rd defendant: R S P Gunawardena. This case is fixed for order on 18 July 2019.

**Case No. 12364/19**

The Accused has been charged for fraudulently drawing cheques with the knowledge of that there are no funds in account for sum of LKR 1,360,853.04 to Access Engineering PLC. The cheques that have been issued fraudulently have not been honoured by the Bank of Ceylon and returned to the plaintiff in the event of encasing the same. The claim of LKR 1,360,853/- is made against three defendant namely 1st defendant: City Constructions Developers (Private) Ltd; 2nd defendant: I D Wijerathne; 3rd defendant: R S P Gunawardena. This case is fixed for order on 18 July 2019.

**Case No. CHC/44/2019/MR**

The case of money recovery by Access Engineering PLC against defendant namely 1st defendant: SEAH Networks Company Limited and 2nd defendant: Samhee Construction Company Limited. The claim of LKR 68,704,733.89 on account of work completed and LKR 9,096,941.49 on account of finance charges up to 30 September 2018 together with the legal interest on aggregate of the above cases from 1 October 2018 is made against defendants. This case is re-fixed for summons returnable on the defendants.

**29.1.2 Guarantees**

Bank guarantees issued by the banks on behalf of the Company are as follows:

Bank	Amount LKR
Nations Trust Bank PLC	458,850,580
Hatton National Bank PLC	3,508,150,000
Sampath Bank PLC	126,330,000
Bank of Ceylon	381,870,023
Peoples Bank	2,003,218,605
Union Bank of Colombo PLC	32,229,049
National Development Bank PLC	712,519,861
Commercial Bank of Ceylon PLC	238,070,165
Cargills Bank Limited	725,857,251
Seylan Bank PLC	605,057,687
	<b>8,792,153,221</b>

Corporate Guarantees issued by the Company on behalf of Access Projects (Private) Limited for banking facilities is LKR 250 Mn.

**29.1.3 Tax assessments****PAYE tax assessment received for the year of assessment 2011/12**

The Department of Inland Revenue has raised PAYE Tax Assessment to the Company for the year of assessment 2011/12, assessing shares gifted by three shareholders of the Company at that time to the employees of the company and to external parties, to pay PAYE tax of LKR 634,686,195/- plus penalty of LKR 317,343,097/-. The Company has filed valid appeal against this assessment.

The appeal was determined in favour of the Department of Inland Revenue by CGIR and Company has filed valid appeal to Tax Appeal Commission (TAC) against the CGIR determination.

 NOTES TO THE FINANCIAL STATEMENTS**Income tax assessment received for year of assessment 2012/13**

The Department of Inland Revenue has raised an assessment on Income Tax for the year of assessment 2012/13, assessing the tax exemption claimed under Section 17A (2) (C) and qualifying payment claimed under Section 34 (2) (S) of Inland Revenue Act No. 10 of 2006 for same investment, to pay Income tax LKR 152,394,432/- plus penalty of LKR 76,197,216/-. The company has filed valid appeal against this assessment.

The appeal was determined in favour of the Department of Inland Revenue by CGIR and Company has filed valid appeal to Tax Appeal Commission (TAC) against the CGIR determination.

**Income tax assessment received for year of assessment 2013/14**

The Department of Inland Revenue has raised an assessment on Income Tax for the year of assessment 2013/14, assessing the tax exemption claimed under section 17A (2) (C) and qualifying payment claimed under section 34 (2) (S) of Inland Revenue Act No. 10 of 2006 for same investment, to pay Income tax LKR 218,211,187/- plus penalty of LKR 109,105,593/-. The Company has filed valid appeal against this assessment.

The appeal was determined in favour of the Department of Inland Revenue by CGIR and Company has filed valid appeal to Tax Appeal Commission (TAC) against the CGIR determination.

**Income tax assessment received for the year of assessment 2014/15**

The Department of Inland Revenue has raised an assessment of Income Tax for the year of Assessment 2014/15, assessing the tax exemption claimed under Section 17A (2) (C) and qualifying payment claimed under Section 34 (2) (S) of Inland Revenue Act No. 10 of 2006 for same investment, to pay income tax LKR 155,973,209/- plus penalty of LKR 74,867,140/-. The Company has filed valid appeal against this assessment.

**Income tax assessment received for the year of assessment 2015/16**

The Department of Inland Revenue has raised an assessment of Income Tax for the year of assessment 2015/16, assessing the tax exemption claimed under Section 17A (2) (C) of Inland Revenue Act No. 10 of 2006 to pay income tax LKR 211,677,432/- plus penalty of LKR 117,309,929/-. The Company has filed valid appeal against this assessment.

**Income tax assessment received for the year of assessment 2015/16**

The Department of Inland Revenue has raised an assessment of Income Tax for the year of assessment 2015/16, assessing the withholding tax deducted from interest income to pay income tax LKR 21,074,263/- plus penalty of LKR 56,889,361/-. The Company has filed valid appeal against this assessment.

**Income tax assessment received for the year of assessment 2016/17**

The Department of Inland Revenue has raised an assessment of Income Tax for the year of assessment 2016/17, assessing the tax exemption claimed under Section 17A (2) (C) of Inland Revenue Act No. 10 of 2006 to pay income tax LKR 204,153,022/- plus penalty of LKR 102,076,511/-. The Company has filed valid appeal against this assessment.

**Income tax assessment received for the year of assessment 2016/17**

The Department of Inland Revenue has raised an assessment of Income Tax for the year of Assessment 2016/17, assessing the dividend declared by the Company is not sufficient and withholding tax deducted from interest income to pay income tax LKR 71,415,071/- plus penalty of LKR 41,001,658/-. The Company has filed valid appeal against this assessment.

**Value added tax assessment received for the taxable period 1 December 2016 To 31 December 2016**

The Department of Inland Revenue has raised an assessment of value added tax for the taxable period 1.12.2016 to 31.12.2016, assessing tax credit notes when calculating the output tax to pay value added tax LKR 2,504,622/- plus penalty of LKR 1,177,172/-. The Company has filed valid appeal against this assessment.



 NOTES TO THE FINANCIAL STATEMENTS

## 29.2 Disclosure – Group

### Sathosa Motors PLC

#### Tax assessments

##### NBT assessments 2009/10 and 2010/11

Revenue authorities are of the view 2/3rd disallowance is applicable for NBT paid on imports. However the Company is claiming the position that 2/3rd disallowance is applicable for NBT paid quarterly only.

##### Assessment No. 01

The Company has been issued an assessment for Nation Building Tax for the year of assessment 2009/10 for sum of LKR 7,350,762/- and LKR 3,675,381/- as penalty thereon.

The Company submitted an appeal against the above assessment and the Commissioner General of Inland Revenue made a determination affirming the said assessment at the conclusion of the appeal hearing. The Company appealed to the Tax Appeals Commission and Tax Appeals Commission also confirmed the determination of the Commissioner General of Inland Revenue. The Company, thereafter appealed against the said decision of the Tax Appeals Commission to the Court of Appeal and the Court of Appeal affirmed the decision of the Tax appeal Commission.

The Company finally appealed to the Supreme Court and the case is before the Supreme Court.

##### Assessment No. 02

The Company has been issued an assessment for Nation Building Tax for the year of assessment 2010/11 for sum of LKR 7,790,377/- and LKR 3,895,189/- as penalty thereon.

The Company submitted an appeal against the above assessments and the Commissioner General of Inland Revenue made a determination affirming the said assessments at the conclusion of the appeal hearing. The Company appealed to the Tax Appeals Commission and Tax Appeals Commission also confirmed the determination of the Commissioner General of Inland Revenue. The Company, thereafter appealed against the said decision of the Tax Appeals Commission to the Court of Appeal and the case is pending before the Court of Appeal.

However, the Company decided to make a provision in full for these assessments during current financial year.

#### Corporate Guarantee


Corporate guarantee issued by Sathosa Motors PLC on behalf of SML Frontier Automotive (Private) Limited is LKR 1,077.30 Mn. as at the reporting date for the purpose of working capital requirement.

### Access Projects (Private) Limited

#### Guarantees

Bank guarantees issued by the banks to Access Projects (Private) Limited's customers are as follows;

Bank	Letter of credit/import documents against acceptance facility LKR	Performance bid retention bonds LKR	Total LKR
Commercial Bank of Ceylon PLC	557,511,047	891,906,073	1,449,417,120

 NOTES TO THE FINANCIAL STATEMENTS

### 30. EVENTS AFTER THE REPORTING PERIOD

There have been no material events after the reporting date except for the following that would require adjustments to or disclosure in the Financial Statements:

#### 30.1 Company

##### Final dividend

Pursuant to the resolution adopted on 21 May 2019, the Board of Directors of the Company approved the payment of a final dividend of twenty-five cents (0.25 cents) per share amounting to LKR 250,000,000/- for the year ended 31 March 2019.

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 which was paid on 11 June 2019.

In accordance with the LKAS 10 – Events after the reporting period, the final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2019.

##### Disposal of subsidiaries

Company intends to dispose its investment in Horizon Holdings Ventures (Private) Limited during the year 2019/20.

#### 30.2 Subsidiaries

##### Sathosa Motors PLC

The Company purchased 13,003,900 shares, per share price being LKR 15.38 of SML Frontier Automotive (Private) Limited, through rights issue for a consideration of LKR 199,999,982/- on 22 April 2019.

### 31. BUSINESS COMBINATIONS

##### Business combinations and goodwill

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

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 – "Financial Instruments: Recognition and Measurement", is measured at fair value with the changes in fair value recognised in the Statement of Profit or Loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

 NOTES TO THE FINANCIAL STATEMENTS

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in LKAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

### 31.1 Investment in subsidiary – 2018/19

#### Access Realties (Private) Limited

Access Engineering PLC further invested LKR 126,572,560/- in Access Realties (Private) Limited in 2018/19, a fully-owned subsidiary of AEL involving the commercial property development for lease and rental.

### 31.2 Disposal of subsidiary 2018/19

The group disposed its investment in Horizon Knowledge City Limited during the financial year 2018/19. The fair value of assets and liabilities thus disposed are as follows:

	LKR
Property, plant and equipment	765,158,800
Capital work-in-progress	59,933,584
Trade and other receivables	222,798
Trade and other payables	(75,930)
Related party payable	(983)
Income tax payable	(345,173)
Deferred tax liabilities	(56,795,760)
Cash and cash equivalents	2,880,124
<b>Total identifiable net assets disposed</b>	<b>770,977,460</b>
Loss on disposal	(5,977,460)
Cash and cash equivalents	(2,880,124)
<b>Net cash proceeds from sale of subsidiary</b>	<b>762,119,876</b>

 NOTES TO THE FINANCIAL STATEMENTS

### 32. NON-CONTROLLING INTERESTS

Non-controlling interest is measured at their proportionate share of the acquirees identifiable net assets at the date of acquisition.

The total profit and loss for the year of the Company and its subsidiaries included in consolidation are shown in the Statement of Profit or Loss and Comprehensive Income with the proportion of profit and loss after taxation pertaining to Non-controlling 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 Non-controlling 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 interests". Changes in the Group's interest in subsidiary that do not result in loss of controls are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

#### Ownership interest held by Non-Controlling Interest (NCI)

	Principal place of business	Operating segment	2019	2018
			%	%
Access Projects (Private) Limited	Sri Lanka	Construction	20	20
Sathosa Motors PLC	Sri Lanka	Automobile	15.58	15.58
Horizon Knowledge City Limited*	Sri Lanka	Property development	Nil	0.002
Harbour Village (Private) Limited	Sri Lanka	Property development	39.17	39.17

\* The group disposed its investment in Horizon Knowledge City Limited during the financial year 2018/19.

The following table summaries the information relating to each of the Group's subsidiaries that has Non-controlling interest, before any intra-group elimination.

For the year ended 31 March 2019	Access Projects (Private) Limited LKR	Sathosa Motors PLC LKR	Horizon Knowledge City Limited LKR	Harbour Village (Private) Limited LKR	Total LKR
Non-current assets	216,848,552	1,911,286,831	-	509,825,510	2,637,960,893
Current assets	1,612,845,761	5,102,425,588	-	5,172,470,684	11,887,742,033
Non-current liability	(29,130,166)	(154,933,136)	-	(46,478,710)	(230,542,012)
Current liability	(1,511,830,960)	(4,811,176,802)	-	(1,215,999,648)	(7,539,007,410)
<b>Net asset</b>	<b>288,733,187</b>	<b>2,047,602,481</b>	<b>-</b>	<b>4,419,817,836</b>	<b>6,756,153,504</b>
<b>Net asset attributable to non-controlling interest</b>	<b>57,746,637</b>	<b>604,308,099</b>	<b>-</b>	<b>1,731,242,646</b>	<b>2,393,297,382</b>
Revenue	1,886,397,426	11,125,759,978	-	-	13,012,157,404
Profit/(loss) for the year	98,449,868	176,257,965	(906,326)	37,008,936	310,810,443
Other comprehensive income	2,162,972	1,301,159	-	7,073	3,471,204
Total comprehensive income	100,612,840	177,559,124	(906,326)	37,016,009	314,281,647
Profit/(loss) attributable to non-controlling interest	19,689,974	60,947,278	(18)	14,496,400	95,133,634
OCI attributable to non-controlling interest	432,594	202,685	-	2,771	638,050
<b>Total comprehensive income attributable to non-controlling interest</b>	<b>20,122,568</b>	<b>61,149,963</b>	<b>(18)</b>	<b>14,499,171</b>	<b>95,771,684</b>
Cash flows from/(used in) operating activities	491,452,680	(564,612,392)	-	(233,243,704)	(306,403,416)
Cash flows from/(used in) investment activities	(105,648,149)	(272,287,558)	-	304,064,555	(73,871,152)
Cash flows from/(used in) financing activities	(28,746,340)	1,180,457,998	-	-	1,151,711,658
<b>Net increase in cash and cash equivalents</b>	<b>357,058,191</b>	<b>343,558,048</b>	<b>-</b>	<b>70,820,851</b>	<b>771,437,090</b>
Dividend paid to non-controlling interest during the year	-	-	-	-	-

 NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018	Access Projects (Private) Limited LKR	Sathosa Motors PLC LKR	Horizon Knowledge City Limited LKR	Harbour Village (Private) Limited LKR	Total LKR
Non-current assets	232,863,471	1,685,552,322	805,281,510	406,689,890	3,130,387,193
Current assets	1,371,332,696	3,696,411,779	23,651,982	4,713,784,482	9,805,180,939
Non-current liabilities	(41,215,436)	(173,321,383)	(56,795,760)	(45,938,527)	(317,271,106)
Current liabilities	(1,368,191,689)	(3,336,570,216)	(253,948)	(691,734,020)	(5,396,749,873)
<b>Net assets</b>	<b>194,789,042</b>	<b>1,872,072,502</b>	<b>771,883,784</b>	<b>4,382,801,825</b>	<b>7,221,547,153</b>
<b>Net assets attributable to non-controlling interest</b>	<b>38,957,808</b>	<b>544,008,752</b>	<b>15,438</b>	<b>1,716,743,475</b>	<b>2,299,725,473</b>
Revenue	1,982,897,549	8,176,897,533	-	-	10,159,795,082
Profit for the year	(632,418,615)	384,272,769	41,958	53,638,814	(194,465,074)
Other comprehensive income	5,169,384	195,267	146,046,240	(173,740)	151,237,151
<b>Total comprehensive income</b>	<b>(627,249,231)</b>	<b>384,468,036</b>	<b>146,088,198</b>	<b>53,465,074</b>	<b>(43,227,923)</b>
Profit allocated to non-controlling interest	(126,483,723)	60,955,911	1	21,010,323	(44,517,488)
OCI attributable to non-controlling interest	1,033,877	30,418	2,920	(68,053)	999,162
<b>Total comprehensive income attributable to non-controlling interest</b>	<b>(125,449,846)</b>	<b>60,986,329</b>	<b>2,921</b>	<b>20,942,270</b>	<b>(43,518,326)</b>
Cash flows from/(used in) operating activities	(218,169,429)	(626,243,811)	(1,024,726)	355,560,961	(489,877,005)
Cash flows from/(used in) investment activities	16,960,448	(390,202,338)	4,275,333	237,034,879	(131,931,678)
Cash flows from/(used in) financing activities	(53,144,300)	1,054,395,747	(200,000)	-	1,001,051,447
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(254,353,281)</b>	<b>37,949,598</b>	<b>3,050,607</b>	<b>592,595,840</b>	<b>379,242,764</b>
Dividend paid to non-controlling interest during the year	360,000	42,294,570	5	-	42,654,575

### 33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

#### Financial assets

##### Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

 NOTES TO THE FINANCIAL STATEMENTS**Accounting Policy Applicable from 1 April 2018****Classification and measurement**

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

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

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

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in to four categories based on the entity's business model and the cash flow characteristics:

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

**Financial assets at amortised cost**

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables, short-term deposits, corporate debt securities and other current financial assets.

**Financial assets at fair value through OCI (debt instruments)**

The Group measures financial assets at fair value through OCI if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective of both holding to collect contractual cash flows and selling; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

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

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

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

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in the fair value recognised in the Statement of Profit or Loss. This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the Statement of Profit or Loss when the right of payment has been established.

### Derecognition

A financial asset (or, where applicable, apart of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s Consolidated Statement of Financial Position) when:

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

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



## ↓ NOTES TO THE FINANCIAL STATEMENTS

### Impairment of financial assets

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

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Aside from this note, other disclosures relating to impairment of financial assets (trade receivables) are included in Note 18.

### Accounting Policy Applicable prior to 1 April 2018

#### Recognition

Prior to 1 April 2018, financial assets are classified in to one of following four categories:

- ④ Financial assets at fair value through profit or loss
- ④ Loans and receivables
- ④ Held-to-maturity investments
- ④ AFS financial assets



## Initial and subsequent measurement

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss are carried at fair value with changes in fair value recognised in the Statement of Profit or Loss.

### Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest rate (EIR) method, less impairment.

### Held-to-maturity investments

Held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. The EIR amortisation is included as finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss.

### AFS financial assets

AFS financial assets are measured at fair value with unrealised gains or losses recognised in Other Comprehensive Income and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the Statement of Profit or Loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

### Impairment of financial assets

At each reporting date group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that have occurred since the initial recognition of the asset (an incurred "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 are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and 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.

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



## ↓ NOTES TO THE FINANCIAL STATEMENTS

### Financial liabilities

#### Initial recognition and measurement

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

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

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

#### Accounting policy applicable from 1 April 2018

#### Classification and measurement

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

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss incurred 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 incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in SLFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

#### Loans and borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss. This category generally applies to interest-bearing loans and borrowings.

## Derecognition

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

### Accounting policy applicable prior to 1 April 2018

## Recognition

Prior to 1 April 2018, financial liabilities are classified in to one of following two categories:

- ⊕ Financial liabilities at fair value through profit or loss
- ⊕ Other financial liabilities

## Initial and subsequent measurement

### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit and loss are carried at fair value with changes in fair value recognised in the Statement of Profit or Loss.

### Other financial liabilities

Other financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss.

## Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a current enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

 NOTES TO THE FINANCIAL STATEMENTS

### 33.1 Financial assets and liabilities by categories in accordance with SLFRS 9 – Group

As at 31 March	Financial instruments recognised through profit or loss		Financial instruments at amortised cost	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
<b>Financial assets</b>				
Equity securities	25,769,394	35,560,781		
Trade and other receivables			13,456,501,011	10,941,855,265
Amounts due from related parties			126,895,989	199,685,811
Other current financial assets			2,697,690,207	2,195,368,035
Short-term deposits			2,163,147,483	2,041,431,464
Cash and cash equivalent			2,485,877,649	1,394,098,390
Corporate debt securities			1,420,363,347	1,482,032,531
<b>Financial liabilities</b>				
Unsecured bond issue				
Bank over draft				
Interest-bearing borrowings				
Trade payable				
Amount due to related parties				
<b>Total</b>	<b>25,769,394</b>	<b>35,560,781</b>	<b>22,350,475,686</b>	<b>18,254,471,496</b>

### 33.2 Financial assets and liabilities by categories in accordance with SLFRS 9 – Company

As at 31 March	Financial instruments recognised through profit or loss		Financial instruments at amortised cost	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
<b>Financial assets</b>				
Equity securities	25,769,394	35,560,781		
Trade and other receivables			9,885,130,026	8,393,354,662
Amounts due from related parties			409,622,868	236,849,747
Other current financial assets			2,466,744,153	2,010,995,242
Short-term deposits			475,198,599	279,511,813
Cash and cash equivalent			1,075,663,894	577,006,066
Corporate debt securities			1,008,933,068	1,007,045,205
<b>Financial liabilities</b>				
Unsecured bond issue				
Interest-bearing borrowings				
Trade payable				
Amount due to related parties				
<b>Total</b>	<b>25,769,394</b>	<b>35,560,781</b>	<b>15,321,292,608</b>	<b>12,504,762,735</b>

 NOTES TO THE FINANCIAL STATEMENTS

Total		Financial liabilities measured at amortised cost	
2019	2018	2019	2018
LKR	LKR	LKR	LKR
25,769,394	35,560,781		
13,456,501,011	10,941,855,265		
126,895,989	199,685,811		
2,697,690,207	2,195,368,035		
2,163,147,483	2,041,431,464		
2,485,877,649	1,394,098,390		
1,420,363,347	1,482,032,531		
-	-	5,007,311,765	5,007,262,734
-	-	329,833,689	564,712,154
-	-	3,727,843,534	4,078,964,617
-	-	8,448,465,268	6,781,581,547
-	-	24,486,763	68,558,191
22,376,245,080	18,290,032,277	17,537,941,019	16,501,079,243

Total		Financial liabilities measured at amortised cost	
2019	2018	2019	2018
LKR	LKR	LKR	LKR
25,769,394	35,560,781		
9,885,130,026	8,393,354,662		
409,622,868	236,849,747		
2,466,744,153	2,010,995,242		
475,198,599	279,511,813		
1,075,663,894	577,006,066		
1,008,933,068	1,007,045,205		
-	-	5,188,152,871	5,188,152,872
-	-	402,128,177	1,904,960,917
-	-	705,109,424	4,158,742,527
-	-	279,991,521	31,541,539
15,347,062,002	12,540,323,516	6,575,381,993	11,283,397,855


 NOTES TO THE FINANCIAL STATEMENTS

## 34. FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

### 34.1 Fair value measurement

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed in this note.

#### Accounting policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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


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

Involvement of external valuers is decided upon annually by the Management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Management, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

 NOTES TO THE FINANCIAL STATEMENTS

### 34.2 Fair value hierarchy

The following table shows fair value measurement hierarchy of the Group's assets, liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if carrying amount is a reasonable approximation of fair value.

#### 34.2.1 Fair value hierarchy – Group

As at 31 March	Note	Fair value hierarchy						Total	
		Level 1		Level 2		Level 3		2019	2018
		2019	2018	2019	2018	2019	2018		
LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR		
<b>Financial assets</b>									
Equity securities	33.1	25,769,394	35,560,781	-	-	-	-	25,769,394	35,560,781
<b>Non-financial assets</b>									
Land and building	11.1	-	-	-	-	1,842,118,751	2,524,828,242	1,842,118,751	2,524,828,242
Investment properties	12.1	-	-	-	-	10,729,192,520	10,713,949,513	10,729,192,520	10,713,949,513

#### 34.2.2 Fair value hierarchy – Company

As at 31 March	Note	Fair value hierarchy						Total	
		Level 1		Level 2		Level 3		2019	2018
		2019	2018	2019	2018	2019	2018		
LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR		
<b>Financial assets</b>									
Equity securities	33.2	25,769,394	35,560,781	-	-	-	-	25,769,394	35,560,781
<b>Non-financial assets</b>									
Land and building	11.2	-	-	-	-	238,000,000	248,000,000	238,000,000	248,000,000
Investment properties	12.1	-	-	-	-	415,800,000	415,800,000	415,800,000	415,800,000

## 35. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES, AND POLICIES

### 35.1 Introduction

Financial risk management is the practice of economic value in a firm by using financial instrument, manage exposure to risk face by Group. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations. The major financial liabilities used by a group including debt securities, loans and borrowings, and trade and other payables. The main purpose of these financial investments is to finance the Group's operations and to provide guarantees to support its operations.

### 35.2 Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established group risk management policies to identify analyse the risk faced by the Group and set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly, and aim to develop a disciplinary constructive control environment, in which all employees understand their roles and obligations through training, management standards and procedures.

 NOTES TO THE FINANCIAL STATEMENTS

The Group Audit Committee oversees how Management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee. The Committee reports regularly to the Board of Directors on its activities.

The Group is exposed to key financial risks include credit risk, liquidity risk, market risk.

The Board of Directors reviews, verifies, agree the policies for managing each type of risk which are summarised below.

### 35.3 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

#### 35.3.1 Trade receivables

Customer credit risk is managed by each business unit subject to Group's established policies procedures and controls relating to customer credit risk management.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, Management also considers the factors that may influence the credit risk of its customer based including default risk associate with the industry and country in which customers operate. Each new customer is analysed individually for creditworthiness, reviews external ratings, if they are available Financial Statements, credit agency information, industry information, and in some cases bank references. Each business unit monitor the customers' financial standing (financial insolvency) and outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date using simplified approach to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The minimum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 33.

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several industries and operate in largely independent markets and material payments being backed by guarantees and enters contractual agreements with client before starting the operations.

As at 31 March, the aging analysis of trade receivables that were not impaired was as follows:

	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Neither past due nor impaired	4,218,930,556	5,065,627,802	4,165,871,003	4,012,992,627
<b>Past due but not impaired</b>				
<30 days	2,662,376,615	894,939,112	1,609,521,610	693,258,320
30-60 days	829,482,039	646,448,066	430,993,119	495,457,796
61-90 days	350,023,068	285,196,327	191,191,827	231,774,493
91-120 days	1,026,593,311	267,710,528	726,209,888	65,969,995
>120 days	2,047,191,814	2,163,823,666	1,619,413,489	1,991,218,747
Total	11,134,597,403	9,323,745,501	8,743,200,936	7,490,671,978
Provision for impairment of trade receivables (Note 18.2.1)	141,444,724	89,218,894	113,051,056	71,219,168
Gross carrying value	11,276,042,127	9,412,964,395	8,856,251,992	7,561,891,146



 NOTES TO THE FINANCIAL STATEMENTS

### 35.3.2 Short-term deposits and cash and cash equivalents

Credit risk from balances with banks and financial institution is managed by the Group's treasury management in accordance with the Group's policy.

Treasury management established "investment policies" in place, funds invest with high liquidity and high level of safety. The funds may invest in investments grade assets with a rating award by rating agencies or awarded internally by the fund management company. The Group held short-term deposits and cash and cash equivalents as at 31 March 2019 which represents its maximum credit exposure on these assets.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities. Cash and cash equivalents has not been materially impaired.

As at 31 March 2019 – 99%, (2018 – 99%) of the favourable balances of bank and financial institution were rated "A" or better for the Group:

Fitch rating – Group	2019		2018	
	LKR	%	LKR	%
AA+	1,434,914,931	31	832,985,374	25
AA	195,199,557	4	18,645,580	1
AA-	2,849,011,339	61	2,407,973,699	71
A+	23,467,644	1	45,593,267	1
A	117,293,018	3	73,331,518	2
A-	1,435,572	0	-	0
BB+	25,302	0	460,121	0
BB	309,083	0	-	0
Not rating	230,960	0	-	0
<b>Total</b>	<b>4,621,887,406</b>	<b>100</b>	<b>3,378,989,559</b>	<b>100</b>

As at 31 March 2019 – 99% (2018 – 99%) of the favourable balances of bank and financial institution were rated "A" or better for the Company.

Fitch rating - Company	2019		2018	
	LKR	%	LKR	%
AA+	1,225,607,274	80	705,844,297	85
AA	72,448,962	6	3,683,271	1
AA-	99,004,204	6	10,057,963	1
A+	16,117,064	1	36,694,254	4
A	113,926,573	7	73,331,518	9
A-	1,435,572	0	-	0
BB+	25,302	0	460,121	0
BB	309,083	0	-	0
Not rating	230,960	0	-	0
<b>Total</b>	<b>1,529,104,994</b>	<b>100</b>	<b>830,071,424</b>	<b>100</b>

The Group's maximum exposure to credit risk for the components of the Statement of Financial Position at 31 March 2019 and 2018 is the carrying amounts as illustrated in Note 33.

 NOTES TO THE FINANCIAL STATEMENTS

### 35.3.3 Corporate debt securities

As at 31 March 2019 - 100% (2018 - 100%) were guaranteed by a banking institution with a rating of "A" or better for the Group.

Fitch rating - Group	2019		2018	
	LKR	%	LKR	%
AA-	200,184,932	14	2,620,756	0
A+	545,380,538	38	556,663,297	38
A	674,797,877	48	922,748,478	62
	<b>1,420,363,347</b>	<b>100</b>	<b>1,482,032,531</b>	<b>100</b>

As at 31 March 2019 - 100% (2018 - 100%) guaranteed by a banking institution with a rating of "A" or better for the Company.

Fitch rating - Company	2019		2018	
	LKR	%	LKR	%
A+	334,135,191	33	334,027,397	33
A	674,797,877	67	673,017,808	67
	<b>1,008,933,068</b>	<b>100</b>	<b>1,007,045,205</b>	<b>100</b>

### 35.4 Liquidity risk


Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its risk of a shortage of funds using a liquidity planning tools. The Group's approach of managing liquidity risk is to ensure as far as possible that it will always have sufficient liquidities meets its liability when due, and maintaining the balance between financial assets and liabilities and forecasting cash flows from operating activities under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Group's reputation.

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt instruments at an amount in excess of expected cash flows on financial liabilities. To measure and mitigate liquidity risk, the Company closely monitors its net operating cash flow, forecasting and maintaining a level of cash and cash equivalents and secured committed funding facilities from financial institutions.

### Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

 NOTES TO THE FINANCIAL STATEMENTS

## Maturity analysis

The table below summarises, the maturity profile of Group's/Company's financial liabilities at 31 March 2019 based on contractual undiscounted payments:

	Carrying amount LKR	On demand LKR	6 months or less LKR	6-12 months LKR	More than 1 year LKR
<b>Non-derivative financial liabilities – Group</b>					
Bank overdrafts	329,833,689	-	329,833,689	-	-
Trade and other payables	12,491,096,071	-	8,008,375,022	3,787,275,284	695,445,764
Amounts due to related parties	24,486,763	-	24,486,763	-	-
Interest-bearing borrowings	8,735,155,299	-	3,631,957,534	5,250,000	5,097,947,765
Income tax payables	424,288,511	-	424,288,511	-	-
Unclaimed dividend	34,365,405	34,365,405	-	-	-
<b>Non-derivative financial liabilities – Company</b>					
Trade and other payables	8,528,943,819	-	4,775,060,623	3,753,883,196	-
Amounts due to related parties	279,991,521	-	279,991,521	-	-
Interest-bearing borrowings	5,590,281,048	-	402,128,177	-	5,188,152,871
Income tax payables	411,867,608	-	411,867,608	-	-
Unclaimed dividend	12,359,427	12,359,427	-	-	-

## 35.5 Market risk

Market risk is the risk that fair value of future cash flows of financial instruments will fluctuate because of changes in market price. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the Group Management.

Market risk comprises the following types of risk:

- (I) Interest rate risk
- (II) Currency risk
- (III) Commodity price risk
- (IV) Equity price risk

Financial instruments affected by market risk include loans and borrowings, deposits, debt, equity and derivative financial instruments.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's exposure to the risk of changes market interest rates relates primarily to the Group long-term debt obligations with floating interest rates.

 NOTES TO THE FINANCIAL STATEMENTS

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial instruments. Group treasury designed capital structure guidelines for each project at the planning stage and thereby maintains optimised level of gearing in the Group. The Group manage its interest rate risk by monitoring and managing cash flows negotiating favourable rates on borrowings and deposits including and maintaining on appropriate combination of fixed and floating rate risk.

Capital structure as at 31 March	Note	Group		Company	
		2019 LKR	2018 LKR	2019 LKR	2018 LKR
Loans and borrowings	25	8,735,155,299	9,086,227,351	5,590,281,048	7,093,113,789
Bank overdraft	22	329,833,689	564,712,154	-	-
<b>Total borrowings</b>		<b>9,064,988,988</b>	<b>9,650,939,505</b>	<b>5,590,281,048</b>	<b>7,093,113,789</b>
Equity		23,588,078,618	22,092,337,130	19,084,941,395	17,867,625,335
Debt/Equity (%)		38.43	43.68	29.29	39.70

At the reporting date, the interest rate profile of the Group's/Company's interest-bearing financial instruments were:

	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
<b>Fixed rate instruments</b>				
Financial assets	4,072,676,609	3,548,536,418	1,584,131,667	1,286,557,018
Financial liabilities	6,182,155,299	5,014,568,874	5,188,152,871	5,188,152,872
<b>Variable rate instruments</b>				
Financial liabilities	2,882,833,689	4,636,370,631	402,128,177	1,904,960,917

### Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group exposes to the foreign currency risk on purchases, foreign operations that are denominated in a foreign currencies. These currencies primarily are the Euro, US Dollars (USD), Pound (GBP) and Djiboutian Franc.

The Group hedges its exposure to fluctuations on the translation of its foreign operations by forward contracts and matching sales and purchases to same currency. The Group's Treasury management closely monitors the exchange rate fluctuations and advices Management regular basis.

### Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the Management of the Group is as follows:

	2019							2018						
	EUR	USD	GBP	DJF	SGD	JPY	THB	EUR	USD	GBP	DJF	SGD	JPY	
Trade and other receivables	367,621	4,578,844	39,369	-	-	-	-	1,893,089	3,374,740	-	-	-	-	
Cash at bank	664,432	4,030,007	23,628	128,050	-	-	-	1,335,165	976,095	87,470	4,372,286	-	-	
Trade and other payables	(30,773)	(1,343,819)	(618,221)	-	(8,599)	(56,427,200)	(7,648,824)	(230,627)	(880,821)	(167,037)	-	(12,900)	(206,336,470)	
Net statement of financial position exposure	1,001,280	7,265,032	(555,224)	128,050	(8,599)	(56,427,200)	(7,648,824)	2,997,627	3,470,014	(79,567)	4,372,286	(12,900)	(206,336,470)	

 NOTES TO THE FINANCIAL STATEMENTS

The summary quantitative data about the Company's exposure to currency risk as reported to the Management of the Company is as follows:

	2019					2018				
	EUR	USD	GBP	DJF	SGD	EUR	USD	GBP	DJF	SGD
Trade and other receivables	367,621	4,578,844	39,369	-	-	1,893,089	3,374,740	-	-	-
Cash at bank	664,432	1,851,674	23,628	128,050	-	1,335,165	976,095	87,470	4,372,286	-
Trade and other payables	(30,773)	(1,168,248)	-	-	(8,599)	(230,627)	(861,855)	-	-	(12,900)
Net statement of financial position exposure	1,001,280	5,262,270	62,997	128,050	(8,599)	2,997,627	3,488,980	87,470	4,372,286	(12,900)


The following significant exchange rates were applicable during the year 2018/19:

	Company/Group Year end spot rate	
	2019	2018
	LKR	LKR
EUR	197.80	195.17
USD	176.13	157.49
GBP	230.16	222.58
DJF	0.99	0.83
SGD	129.93	120.80
JPY	1.59	1.49
THB	5.54	4.98

### Sensitivity analysis

A reasonably possible strengthening (weakening) of the Euro, US Dollars (USD), Pound (GBP) and Djiboutian Franc against all other currencies as at 31 March would have affected the measurement of the financial instruments denominated in the foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other receivables in particular interest rates remains constant and ignores.

Group	2019		2018	
	Strengthening	Weakening	Strengthening	Weakening
	LKR	LKR	LKR	LKR
EUR (10% movement)	19,805,594	(19,805,594)	58,505,076	(58,505,076)
USD (10% movement)	127,959,005	(127,959,005)	54,652,610	(54,652,610)
GBP (10% movement)	(12,778,919)	12,778,919	(1,720,228)	1,720,228
DJF (10% movement)	12,677	(12,677)	362,463	(362,463)
SGD (10% movement)	(111,720)	111,720	(155,826)	155,826
JPY (10% movement)	(8,970,232)	8,970,232	30,197,342	(30,197,342)
THB (10% movement)	(4,237,143)	4,237,143	-	-

 NOTES TO THE FINANCIAL STATEMENTS

Company	2019		2018	
	Strengthening	Weakening	Strengthening	Weakening
	LKR	LKR	LKR	LKR
EUR (10% movement)	19,805,594	(19,805,594)	58,505,076	(58,505,076)
USD (10% movement)	92,684,358	(92,684,358)	54,948,434	(54,948,434)
GBP (10% movement)	1,449,926	(1,449,926)	1,946,898	(1,946,898)
DJF (10% movement)	12,677	(12,677)	362,463	(362,463)
SGD (10% movement)	(111,720)	111,720	(155,826)	155,826

### Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price arising from uncertainties about future values of the investment securities. The Treasury management monitors the mix of debt and equity securities in investment portfolio based on market indicators and manage risk through diversification of portfolio. Reports on the equity portfolio are submitted to the Group's Senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

### 35.6 Capital management

Capital management is financial strategy aimed ensuring maximum efficiency in a company's cash flow. The Group's objective of capital management is to maintain strong financial position healthy capital ratios in order to safeguard the Company's ability to continue as a going concern in order to maximise shareholder value. Capital consists of share capital, reserves, retained earnings and non-controlling interests of the Group. The Group's Management and Board of Directors monitor the return on capital and dividends to ordinary shareholders.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies, or processes for managing capital during the years ended 31 March 2019 and 2018.

### 35.7 Distribution made and proposed

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the Statement of Profit or Loss.

Distribution made and proposed are disclosed in Note 23.3.

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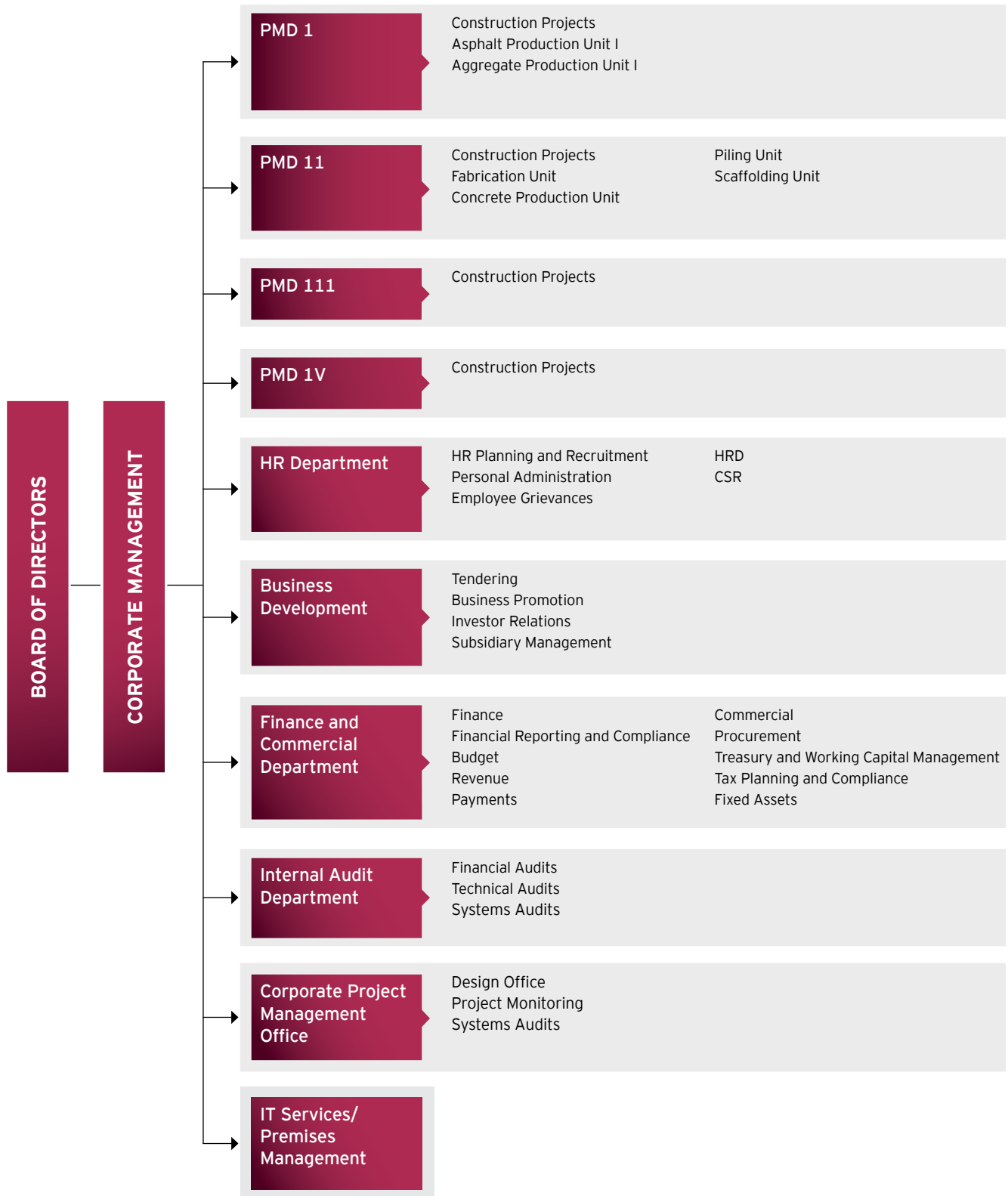
DIRECTORS OF  
SUBSIDIARY  
COMPANIES AND  
ASSOCIATES

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NOTICE OF  
MEETING



# OPERATING STRUCTURE







## EIGHT YEAR SUMMARY

		2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
<b>Statement of Profit or Loss and Other Comprehensive Income Highlights</b>									
Revenue	LKR Mn.	<b>32,277</b>	26,056	20,448	17,625	16,514	16,373	13,900	7,320
Gross profit	LKR Mn.	<b>5,184</b>	4,061	4,732	3,977	3,815	4,186	3,061	2,121
EBITDA	LKR Mn.	<b>4,891</b>	5,677	4,300	3,748	3,322	3,771	2,883	2,159
EBIT	LKR Mn.	<b>4,173</b>	5,044	3,381	2,900	2,653	3,180	2,433	1,931
Net finance income/cost	LKR Mn.	<b>(651)</b>	(383)	150	95	110	136	239	102
Profit after tax	LKR Mn.	<b>2,245</b>	2,463	2,746	2,551	2,424	2,902	2,412	1,737
Profit attributable to equity holders	LKR Mn.	<b>2,150</b>	2,507	2,708	2,465	2,346	2,833	2,376	1,733
<b>Statement of Financial Position Highlights</b>									
Property, plant and equipment	LKR Mn.	<b>5,198</b>	5,980	5,428	4,791	4,222	3,787	3,741	2,672
Total non-current assets	LKR Mn.	<b>20,144</b>	21,171	16,074	12,357	9,155	7,349	7,579	6,641
Cash and cash equivalent	LKR Mn.	<b>2,486</b>	1,394	950	504	1,918	1,521	703	1,641
Short-term deposits	LKR Mn.	<b>2,163</b>	2,041	2,922	6,792	1,048	1,140	1,371	883
Total assets	LKR Mn.	<b>48,062</b>	44,439	36,046	30,343	22,328	20,204	16,642	14,284
Stated capital	LKR Mn.	<b>9,000</b>	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Retained earnings	LKR Mn.	<b>11,936</b>	10,388	9,590	8,362	7,169	5,815	3,486	1,670
Equity attributable to equity holders	LKR Mn.	<b>21,195</b>	19,793	18,840	17,462	16,269	14,916	12,486	10,670
Loans and borrowings	LKR Mn.	<b>8,735</b>	9,086	5,737	5,846	350	65	8	13
Total non-current liabilities	LKR Mn.	<b>7,533</b>	7,528	5,680	5,603	514	359	259	174
<b>Statement of Cash Flow Highlights</b>									
Cash flows from operating activities	LKR Mn.	<b>1,876</b>	630	1,994	3,168	3,218	1,608	1,301	638
Cash flows from investing activities	LKR Mn.	<b>302</b>	(2,226)	(1,327)	(9,251)	(2,337)	(341)	(1,721)	(3,332)
Cash flows from/(used in) financing activities	LKR Mn.	<b>(851)</b>	1,753	(87)	4,532	(737)	(459)	(513)	4,116
<b>Key Financial Ratios</b>									
EPS	LKR	<b>2.15</b>	2.51	2.71	2.47	2.35	2.83	2.38	1.83
DPS	LKR	<b>0.50</b>	1.20	1.50	0.75	1.00	0.50	0.50	0.27
Net assets per share	LKR	<b>21.19</b>	19.79	18.84	17.46	16.27	14.92	12.49	10.67
Dividend payout	%	<b>23.25</b>	47.86	55.39	30.36	43	18	21	15
ROE	%	<b>9.52</b>	11.15	12.7	14.1	14.4	19	19.0	16.2
ROCE	%	<b>11.69</b>	14.83	12.3	12.3	15.4	20.5	18.9	17.5
Gearing	%	<b>41.21</b>	43.70	30.5	34.8	2.1	0.4	0.1	0.1
Current ratio	Times	<b>1.65</b>	1.57	2.3	2.7	2.6	2.8	2.4	2.3
Quick ratio	Times	<b>1.26</b>	1.16	1.7	2.3	2.1	2.3	1.9	1.8
Price per share	LKR	<b>13</b>	20.50	23.8	20.8	19.2	22.5	19.7	26.7
<b>Investor Highlights</b>									
Total number of shareholders		<b>7,226</b>	5,816	6,119	5,757	4,610	2,196	2,153	1,838
Percentage of public holding		<b>41.93</b>	42.31	39.59	37.92	37.92	35.53	36.52	36.52
Value of shares traded	LKR Mn.	<b>1,637</b>	2,729	3,625	4,570	14,900	2,148	1,265	45
Number of trades	No.	<b>24,276</b>	10,750	25,709	36,018	49,154	10,229	13,535	975



## OUR STORY



2009

AEL developed its Environment Management System (EMS) in conformity to the requirements of ISO 14001:2004 to manage the significant environmental impacts caused by its construction operations.



2010

AEL was accredited by the Institution of Engineers Sri Lanka (IESL) as an institution for training of engineers for professional charter.

2011

To cater to the growing demand for infrastructure development following the end of a three decade long civil war and build sufficient capacity for expansion AEL issued 180 million ordinary shares raising LKR 4.5 Bn. in a private placement. For the first time in the corporate history of Sri Lanka the founder shareholders gifted LKR 3 Bn. worth of ordinary shares among over 1,000 of its dedicated employees. AEL became the first construction company in Sri Lanka to become a part of the world's largest corporate sustainability initiative, the United Nations Global Compact (UNGC). Integrating its operations backward AEL ventured into the production of construction related material such as asphalt, ready mix concrete, crusher products and quarry operations.



2001

AEL was incorporated as a public limited liability company by the three founder shareholders Sumal Perera, Christopher Joshua and Ranjan Gomez with the prime objective of carrying out civil engineering projects and was accredited as a Major Specialist Contractor by the National Construction Association of Sri Lanka (NCASL).



2004

AEL was awarded the highest accreditation in many fields of civil engineering by the Institute of Construction Training and Development (ICTAD) which is the governing body of the industry and developed its Quality Management System (QMS) in conformity to the requirements of ISO 9001:2004 to continuously improve the effectiveness and efficiency of its performance.



2008

Access Realities (Private) Limited, which is the owner and the managing agent of Access Tower, a 12-story modern A-Grade office complex in the Central Business District of Colombo became a subsidiary of AEL.



## OUR STORY

2018

For the second consecutive year AEL was selected to the category of "Ten Best Corporate Citizens in the Country" by the Ceylon Chamber of Commerce.



2017

AEL invested in 9.83% issued share capital of Harbour Village (Private) Limited [former Hotel 10 (Private) Limited] for the construction of 997 condominium apartment units in downtown Colombo. The newly built Access Tower II commenced commercial operations adding approximately 200,000 sq. ft. of A-Grade office space.

2016

AEL invested in 50% issued share capital of Blue Star Realities (Private) Limited [former Blue Star Constructions (Private) Limited] for the construction of 242 luxury condominium apartment units in Rajagiriya. SML Frontier Automotive (Private) Limited was appointed the sole distributor for Jaguar vehicle in Sri Lanka.

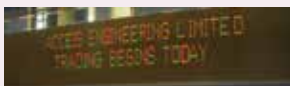


2013

Further, extending its presence in the automobile sector AEL invested in a 50% stake in SML Frontier Automotive (Private) Limited, who is the authorised distributor for Land Rover and Range Rover vehicles through Sathosa Motors PLC. AEL entered into a 30% joint venture with Shanghai Zhenhua Heavy Industries Company Limited (ZPMC) of China, the world's largest port machinery manufacturer to commission, repair and maintain container handling equipment in Sri Lanka and overseas through ZPMC Lanka Company (Private) Limited. AEL commenced operations in its first overseas project in Papua New Guinea to carryout specialised engineering work.

2012

Following the successful private placement AEL became a public quoted company on the Main Board of the Colombo Stock Exchange (CSE) through an Initial Public Offering of 20 million ordinary shares raising LKR 500 Mn. Diversifying its operations to the automobile sector, AEL acquired 60% of the issued capital of Sathosa Motors PLC, the authorised distributor for Isuzu vehicles. AEL was awarded its largest piling project to date amounting to over LKR 3 Bn. in the Northern Section of the Outer Circular Highway.



2015

Establishing its footprint in the African Continent AEL opened its East Africa Branch in the Republic of Djibouti. AEL's joint venture, ZPMC Lanka extended its operations into overseas ports. Diversifying its operations into the promising real estate sector AEL invested in 50%, 100% and 92% of the issued share capital of Horizon Holdings (Private) Limited, Horizon Holdings Ventures (Private) Limited and Horizon Knowledge City Limited securing a land bank of over 20 acres in the education and information technology zone of Malabe. Taking advantage of the low interest rate regime that prevailed AEL raised LKR 5 Bn. in the debt market through an initial public offering of debentures on the CSE.



2014

AEL became the first construction company in Sri Lanka to integrate business operations through an Enterprise Resource Planning Platform and commenced construction work on Access Tower II through its 100% owned indirect subsidiary Access Realities 2 (Private) Limited. AEL acquired 80% of issued share capital of Access Projects (Private) Limited an industry leader in interior and aluminium works.



# AWARDS AND ACCOLADES

## NATIONAL AWARDS FOR THE ENGINEERING EXCELLENCE AWARDS – 2018

(Excellence in Engineering Merit Award for Construction Organisation - Large Scale)

Awarded by Institution of Engineers Sri Lanka



## NATIONAL AWARD FOR CONSTRUCTION PERFORMANCE FOR THE YEAR 2018



(Labugama and Kalatuwawa Water Treatment Plant) for Water Supply Sector Value exceeding LKR 1,000 Mn.

Awarded by CIDA



Design and Construction of Kapparatota Jetty, Waligama. Valued between LKR 100 Mn. and LKR 500 Mn.

Awarded by CIDA



On shore Portion of the works of Ganemulla Flyover. Valued between LKR 100 Mn. and LKR 500 Mn.

Awarded by CIDA

AWARDS AND ACCOLADES

### Best Corporate Citizen Sustainability Award – 2018



(Construction Sector Award – Winner)  
Awarded by The Ceylon Chamber of Commerce



(Ten Best Corporate Citizens)  
Awarded by The Ceylon Chamber of Commerce

### National Green Awards 2018



(Merit Award – Vehicle servicing Center)  
by Central Environmental Authority

### Annual Report Awards 2018



(Corporate Social Responsibility Reporting Award - Silver)

Awarded by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)



(Construction Companies - Gold)

Awarded by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)



## ABBREVIATIONS

Short form	Definition
ABC	Aggregate Base Course
ACA	Associate Member of Chartered Accountants
ADB	Asian Development Bank
AEL	Access Engineering PLC
AFS	Available for Sale
AGM	Annual General Meeting
APL	Access Projects (Private) Limited
ARL	Access Realities (Private) Limited
ASPI	All Share Price Index
AWPLR	Average Weighted Prime Lending Rate
BEAP	Batticaloa Emergency accident Project
Bn	Billion
BOI	Board of Investment
BSc	Bachelor of Science
CA	Chartered Accountants
CBSL	Central Bank of Sri Lanka
CEA	Central Environmental Authority
CEO	Chief Executive Officer
CEP	Central Expressway Project
CFL	Compact Fluorescent Light
CFM	Close Family Members
CFO	Chief Financial Officer
CGIR	Commissioner General of Inland Revenue
CGU	Cash Generating Unit
CHEC	China Harbour Engineering Company Ltd
CICT	Colombo International Container Terminals
CIDA	Construction Industry Development Authority
CIMA	Chartered Institute of Management Accountants
CISO	Chief Information Security Officer
COO	Chief Operating Officer
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
DGM	Deputy General Manager
DI	Ductile Iron

Short form	Definition
DJF	Djibouti Franc
DLP	Defect Liability Period
DPS	Dividend Per Share
E WASTE	Electronic Waste
EBIT	Earnings Before Interest and Taxes
EBITDA	Earning Before Interest, Tax, Depreciation and Amortisation
EBT	Earnings Before Tax
ECLS	Expected Credit Losses
ED	Executive Director
EIR	Effective Interest Rate
EMS	Environment Management System
EPF	Employees' Provident Fund
EPL	Environmental Protection License
EPS	Earnings Per Share
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance
ETF	Employees' Trust Fund
ETR	Effective Interest Rate
EUR	Euro
FCMA	Fellow of the Chartered Institute of Management Accountants
FRICS	Fellow - Royal Institution of Chartered Surveyors
FTTH	Fiber to the Home
FY	Financial Year
GBP	United Kingdom Pound Sterling
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GM	General Manager
GoSL	Government of Sri Lanka
GRI	Global Reporting Initiative
HDD	Horizontal Directional Drilling
HDPE	High Density Polyethylene
HR	Human Resources
HRIS	Human Resource Information System
HSMS	Health and Safety Management System
HTML	Hyper text Markup Language

Short form	Definition
IAS	International Accounting Standards
ICC	International Chamber of Commerce
ICRA	Indian Credit Rating Agency
IESL	Institution of Engineers Sri Lanka
IFRIC	International Financial Reporting Interpretations Committee
IIRC	International Integrated Reporting Council
IMF	International Monetary Fund
IOC	Lanka Indian Oil Company
IROCGS	Interest Rate of Comparable Government Securities
ISO	International Organisation for Standardization
IT	Information Technology
JICA	Japan International Corporation Agency
JPY	Japanese Yen
JV	Joint Venture
KMP	Key Management Personnel
KPI	Key Performance Indicator
KWH	Kilowatt Hour
LC	Letter of Credit
LCB	Licensed Commercial Banks
LED	Light Emitting Diodes
LKAS	Sri Lanka Accounting Standards
LKR	Sri Lankan Rupee
LTD	Limited
LTIFR	Lost Time Injury Frequency Rate
M&E	Mechanical and Engineering
MBA	Master of Business Administration
MD	Managing Director
MICE	Modular Integrated Communication Environment
Mn	Million
MSAN	Multi Service Access Node
N/A	Not Applicable
NBFI	Non-Bank Financial Institution
NBT	Nation Building Tax
NCI	Non-Controlling Interest



## ABBREVIATIONS

Short form	Definition
NED	Non-Executive Director
NP	Net Profit
OCI	Other Comprehensive Income
OHSAS	Occupational Health and Safety Assessment Series
PAT	Profit After Tax
PAYE	Pay As You Earn
PIM	Postgraduate Institute of Management
PLC	Public Liability Company
PMD	Project Management Division
PMP	Project Management Professional
PoS	Point of Sales
PPE	Property Plant and Equipment/Personnel Protective Equipment
PPP	Public and Private Partnership
PUC	Projected Unit Credit
PVT	Private
QMS	Quality Management System
R&D	Research and Development
RDA	Road Development Authority
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
RPT	Related Party Transactions
S & P SL 20	Standard and Poors Sri Lanka 20
SAP	Systems Applications and Products in Data Processing
SEC	Securities and Exchange Commission of Sri Lanka
SGD	Singapore Dollar
SGT	Super Gain Tax
SIC	Standard Interpretations Committee
SID	Senior Independent Director
SL	Sri Lanka
SLAuS	Sri Lanka Auditing Standards
SLFRS	Sri Lanka Financial Reporting Standards
SLSAE	Sri Lanka Standard on Assurance Engagements
SLT	Sri Lanka Telecom
SLTC	Sri Lanka Technological Campus

Short form	Definition
SLTNTEC	Sri Lanka Institute of Nanotechnology
SML	Sathosa Motors PLC
SMLF	SML Frontier Automotive (Private) Limited
SOP	Standard Operating Procedure
SPPI	Solely Payments of Principal and Interest
TAC	Tax Appeal Commission
THB	Thai Bhat
TNA	Training Needs Analysis
TOR	Term of Reference
TPH	Tons per Hour
UDA	Urban Development Authority
UGC	University Grand Commission
UK	United Kingdom
UN	United Nations
UNGC	United Nations Global Compact
UPS	Uninterruptible Power Supply
US	United States
USA	United States of America
USD	United States Dollar
USSR	Union of Soviet Socialist Republics
VAT	Value Added Tax
WECS	Wind Energy Conversion System
WEF	With Effect From
YOY	Year on Year
ZPMC	Zhenhua Heavy Industries Company Limited



## DIRECTORS OF SUBSIDIARY COMPANIES AND ASSOCIATES

Company Name	Name of Director
Sathosa Motors PLC	S J S Perera
	J C Joshua
	T D Gunasekara (Resigned w.e.f. 31 March 2019)
	E S Coorey
	D A R Fernando
	S D Munasinghe
	S H S Mendis (Resigned w.e.f. 31 March 2019)
	W A C O Wijesinghe
	R S Dahanayake
	M M N De Silva
Access Realties (Private) Limited	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
Access Projects (Private) Limited	S J S Perera
	D D S Ferdinando
	D A R Fernando
	I N Pushpa Kumar
Horizon Holdings Ventures (Private) Limited	D A U Priyasaman
	M Dharmapriya
	R M R K Wickramasinghe
	V K Manatunge
Harbour Village (Private) Limited	M Ahmad
	S J S Perera
	J C Joshua
	D A R Fernando
	Zhong Yuan
	Zeng Nanhai
	Zhang Xiaoqiang



# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of Access Engineering PLC will be held at the Auditorium of The Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekara Mawatha, Colombo 07 on Friday, 9 August 2019 at 3.00pm 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 31 March 2019 and the Report of the Auditors thereon.
2. To re-elect as a Director Mr R J S Gomez who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company.
3. To authorise the Directors to determine donations for the ensuing year.
4. To reappoint Messrs KPMG, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

By Order of the Board  
Access Engineering PLC

Sgd.  
P W CORPORATE SECRETARIAL (PVT) LTD.  
Director/Secretaries

10 July 2019  
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  
 ..... or failing him/her.

Mr Sumal Joseph Sanjiva Perera	of Colombo or failing him*
Mr Joseph Christopher Joshua	of Colombo or failing him*
Mr Ranjan John Suriyakumar Gomez	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 Niroshan Dakshina Gunaratne	of Colombo or failing him*
Mr Suresh Dilhan Perera	of Colombo or failing him*
Mr Dinesh Stephan Weerakkody	of Colombo

as my/our\* Proxy to vote as indicated hereunder for me/us\* and on my/our\* behalf at the Annual General Meeting of the Company to be held on Friday, 9 August 2019 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

	For	Against
<b>Resolution 1</b> To re-elect Mr R J S Gomez 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"/>
<b>Resolution 2</b> To authorise the Directors to determine donations for the ensuing year	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3</b> To reappoint Messrs KPMG, Chartered Accountants as Auditors of the Company and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our\* hand's this ..... day of ..... Two Thousand and Nineteen.

.....  
 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 02 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 (Pvt) Ltd., 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 11 760 6606  
Fax: +94 11 760 6605  
Web: www.accessengsl.com  
E-mail: investor.relations@accessengsl.com

## LEGAL FORM

A public limited liability company incorporated in Sri Lanka on 31 July 2001 under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 on 6 February 2008.

Ordinary voting shares are listed on the Main Board of the Colombo Stock Exchange.

Rated Senior Unsecured Redeemable Debentures are listed on 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  
Prof K A M K Ranasinghe  
N D Gunaratne  
S D Perera  
D S Weerakkody

## AUDIT COMMITTEE

N D Gunaratne – Chairman  
Prof K A M K Ranasinghe  
D S Weerakkody  
S D Perera

## REMUNERATION COMMITTEE

D S Weerakkody – Chairman  
Prof K A M K Ranasinghe  
N D Gunaratne  
S D Perera

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

N D Gunaratne – Chairman  
Prof K A M K Ranasinghe  
D S Weerakkody  
D A R Fernando

## SUBCOMMITTEE ON INVESTMENT AND SUBSIDIARY PERFORMANCE MONITORING

Prof K A M K Ranasinghe – Chairman  
J C Joshua  
D A R Fernando  
N D Gunaratne  
D S Weerakkody

## STRATEGIC PLANNING COMMITTEE

S J S Perera – Chairman  
J C Joshua  
D A R Fernando  
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  
DFCC Bank PLC  
National Development Bank PLC  
Union Bank of Colombo PLC  
Seylan Bank PLC  
Cargills Bank Limited  
CAC International Bank  
International Commercial Bank

## SECRETARIES

P W Corporate Secretarial (Pvt) Ltd.  
3/17, Kynsey Road,  
Colombo 08,  
Sri Lanka.  
Tel: +94 11 464 0360  
Fax: +94 11 474 0588

## AUDITORS

Messrs KPMG  
Chartered Accountants  
32A, Sir Mohamed Macan Markar Mawatha,  
Colombo 03,  
Sri Lanka.  
Tel: +94 11 242 6426  
Fax: +94 11 244 5872



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