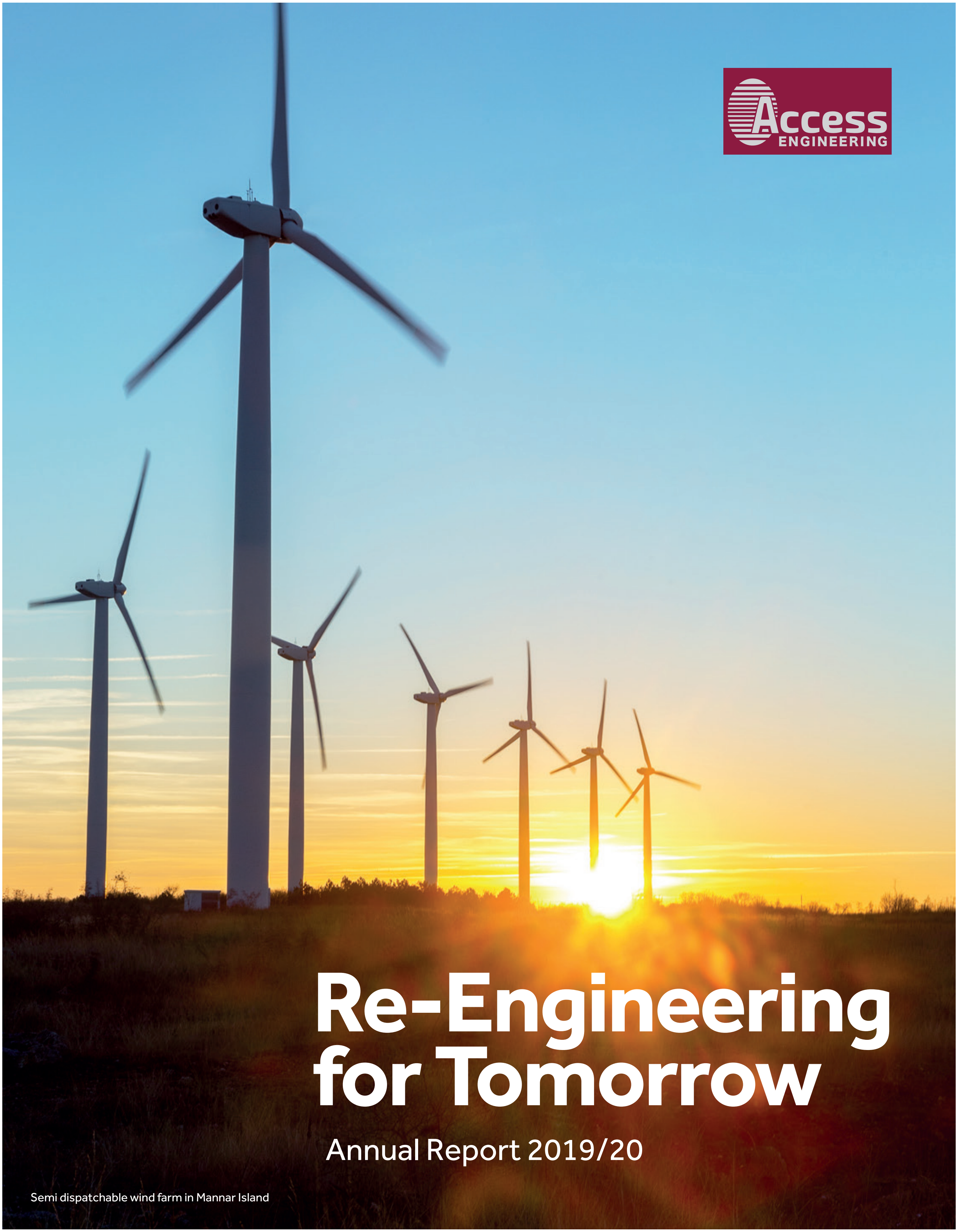


Access Engineering

Re-Engineering for Tomorrow

Annual Report 2019/20

Semi dispatchable wind farm in Mannar Island

Re-Engineering for Tomorrow

The current climate of unprecedented chaos and upheaval is challenging the business plans and models of virtually every enterprise across the world. It has forced them to relook at how differently "doing business" will look in the future. It has forced them, without exception, to undertake Business Process Re-engineering across all parameters and functions towards evolving successful business management strategies to fit the times. This is true of Access Engineering as well and as one of Sri Lanka's premier engineering entities, we have got a head start on the process!

Contents

GRI 102-2, 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 2,500. Managerial and professional staff account for over 150 and technical staff for about 500. 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 ISO 45001:2018 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 Realties (Private) Limited, Access Realties 2 (Private) Limited, ARL Elevate (Private) Limited, and WUS Logistics (Private) Limited, which was acquired in September 2019.

Other subsidiaries are Sathosa Motors PLC, which is 84% owned by AEL, Access Projects (Private) Limited (80% owned), and Harbour Village (Private) Limited (60.83% owned). AEL has 50% joint ventures in Blue Star Realties (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 seventh 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 2019/20 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 on page 06 (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 2019/20 covers the period from 1 April 2019 to 31 March 2020. 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 2019.

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);
- The International Integrated Reporting Framework (IIRC) (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).

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

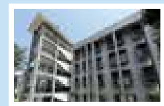
Address: 12th Floor,
Access Engineering PLC, Access Tower,
Union Place, Colombo 2.

Phone: +94 11 760 6606

The Report is available in both print and online versions. The latter may be downloaded from the Company's website www.accessengsl.com

Milestones

MAR.
2020



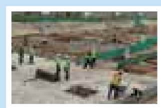
Completion of the proposed hostel building for SLTC at Padukka

DEC.
2019

Ranked among top 10 Corporate Citizens in Sri Lanka at the Best Corporate Citizen Sustainability Awards 2019

Recipient of the "Gold Award" in the Construction category at the CA Sri Lanka 2019 Annual Report Awards

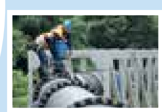
NOV.
2019



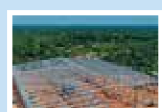
Completion of excavation and shoring works of the proposed Mixed Development; Marina Square Colombo

Commencement of Dialog Optical Fibre Backbone Network (Phase VIII)

OCT.
2019

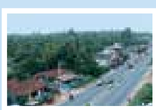


Completion of the Towns East of Colombo District Water Supply Project



Commencement of construction of the proposed new warehouse building for Camso Loadstar at Katunayake

SEP.
2019



Completion of the rehabilitation and improvements to Colombo-Kandy Road section from Kadawatha to Nittambuwa

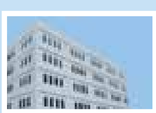
Acquired 100% of WUS Logistics (Private) Limited

Recipient of the Best Integrated Report in the category of "Trade and Commerce" at the CMA Excellence in Integrated Reporting Awards 2019

AUG.
2019

Commencement of construction of the proposed Research Centre for SLTC at Padukka

JUN.
2019



Completion of the ISUZU workshop for Sathosa Motors PLC at Peliyagoda

GRI 102-6, 102-45

Our Group Structure

Business segment	Operating entities	Effective ownership
CONSTRUCTION AND CONSTRUCTION RELATED MATERIALS	Access Engineering PLC	Parent
	Access Projects (Private) Limited	80%
PROPERTY	Access Realties (Private) Limited	100%
	Access Realties II (Private) Limited	100%
	Harbor Village (Private) Limited	60.83%
	Blue Star Realties (Private) Limited	50%
	W U S Logistics (Private) Limited	100%
	ARL Elevate (Private) Limited	100%
AUTOMOBILE	Sathosa Motors PLC	84.42%
	Access Motors (Private) Limited	42.21%*
MECHANICAL ENGINEERING	ZPMC Lanka Company (Private) Limited	30%

*Effective Holding

Principle activity	Primary brands	Country of operation In 2019/20
Construction and supply of construction-related services and materials	Access Engineering	Sri Lanka
Construction and supply of construction-related services and materials	Access Projects	Sri Lanka
Commercial property development for lease and rental	Access Realties	Sri Lanka
Commercial property development for lease and rental	Access Realties II	Sri Lanka
Residential and commercial property development (In partnership with China Harbour Engineering Company Limited and Mustafa's Pte. Ltd.)	Harbour Village	Sri Lanka
Residential property development	Blue Star Realties (Pvt) Ltd	Sri Lanka
Commercial property development for lease and rental	WUS Logistics	Sri Lanka
Provision of conference, restaurant, and support facilities for Access Towers	Elevate	Sri Lanka
Authorised distributor for ISUZU in Sri Lanka	SML Sathosa Motors PLC	Sri Lanka
Authorised distributor for Jaguar and Land Rover in Sri Lanka	Access Motors	Sri Lanka
Commission, repair, and maintenance of port machinery	ZPMC Lanka	Sri Lanka and Pakistan

GRI 102-7

Highlights

		2019/20		2018/19		Change (%)	
		Group	Company	Group	Company	Group	Company
Earnings highlights and ratios							
Revenue	LKR Mn.	24,027	17,917	32,277	19,356	-25.56	-7.43
Gross profit	LKR Mn.	3,808	2,294	5,184	3,173	-26.54	-27.70
EBITDA	LKR Mn.	3,414	3,681	4,891	3,912	-30.20	-5.90
EBIT	LKR Mn.	2,678	3,018	4,173	3,184	-35.83	–5.21
Earnings before tax	LKR Mn.	1,747	2,495	3,129	2,545	-44.17	-1.96
Profit attributable to equity holders	LKR Mn.	979	1,927	2,150	1,962	-54.47	-1.78
Dividend	LKR Mn.	500	500	500	500	0.00	0.00
Earnings per share	LKR	0.98	1.93	2.15	1.96	-54.42	-1.53
Dividend per share	LKR	0.50	0.50	0.50	0.50	0.00	0.00
Dividend payout	%	51	26	23	25	121.74	4
Statement of financial position Highlights and ratios							
Total assets	LKR Mn.	50,078	36,949	48,062	34,621	4.19	6.72
Stated capital	LKR Mn.	9,000	9,000	9,000	9,000	0.00	0.00
Retained earnings	LKR Mn.	12,365	11,323	11,936	9,932	3.59	14.01
Total equity/shareholders' funds	LKR Mn.	24,387	20,534	23,588	19,085	3.39	7.59
Total liabilities	LKR Mn.	25,691	16,415	24,474	15,536	4.97	5.66
Current assets	LKR Mn.	30,373	18,919	27,918	15,995	8.79	18.28
Current liabilities	LKR Mn.	22,738	15,665	16,941	9,635	34.22	62.58
Net asset per share	LKR	21.83	20.53	21.19	19.08	3.02	7.60
Investor highlights and ratios							
Price per share	LKR	–	13.2	–	13	–	1.54
PE ratio	Times	–	6.8	–	6.6	–	3.03
Gross profit margin	%	15.85	12.81	16.10	16.40	-1.55	-21.89
Net profit margin	%	3.86	10.76	7.00	10.10	-44.86	6.53
Return on equity	%	3.80	9.38	9.50	10.30	-60.00	-8.93
Debt/Total assets	%	21.90	21.93	18.17	16.10	20.53	36.21
Debt/Equity	%	44.97	39.45	36.98	29.30	21.61	34.64
Interest coverage ratio	Times	2.62	4.91	3.90	4.78	-32.82	2.72
Current asset ratio	Times	1.3	1.2	1.7	1.7	-23.53	-29.41
Quick asset ratio	Times	1.0	1.1	1.3	1.5	-23.08	-26.67

MANUFACTURED CAPITAL

LKR 257 Mn. Investment in property, plant, and equipment

LKR 189.7 Mn. Invested in heavy machinery and equipment fleet

INTELLECTUAL CAPITAL

LKR 22.4 Mn. Invested to upgrade integrated information and planning systems

HUMAN CAPITAL

17,807 Total number of training hours

LKR 6.56 Mn. Investment on employee training and development

2,583 Staff and labourers

1.57 Lost time injury frequency rate

SOCIAL AND RELATIONSHIP CAPITAL

100% Project completion ratio

15,261 Registered suppliers

1,015 Pairs of desks and chairs, distributed to 29 schools

NATURAL CAPITAL

3,012 Trees planted

1,408 Cubic meters Water reused and recycled

121,716 Cubic meters Total water consumed

317,363,742 Megajoules Energy consumed

PROJECT HIGHLIGHTS

Completed a major portion of **Mannar Wind Power Project;** largest wind power project in Sri Lanka

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

Commenced construction of **largest single roof warehouse in Sri Lanka** for Camso Loadstar

Completed **Towns East of Colombo District Water Supply Project**

AWARDS

- Ranked among the Top 10 Corporate Citizens in Sri Lanka at the Best Corporate Citizen Sustainability Awards 2019
- Winner of the Construction Sector Award at the Best Corporate Citizen Sustainability Awards 2019
- Recipient of the Gold Award for Construction Companies at the CA Sri Lanka's 55th Annual Report Awards 2019
- Recipient of the Presidential Environment Awards 2019

"ENTITY" AND "ISSUER" RATING

- Reaffirmed "(SL) A+ with a stable outlook" by ICRA Lanka Limited

GRI 102-14

A Message from the Chairman

Despite the challenges stemming from the operating context, we remain optimistic about facing the "new normal." 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.

Dear Shareholders,

The year under review has been one of the most turbulent for our company owing to pressures from the external environment such as the Easter attacks, political uncertainty stemming from the presidential elections, and ad hoc changes in government policy. Moreover, the COVID-19 pandemic and its ensuing effects will shape the global sociopolitical and economic landscape as the world prepares to face the "new normal."

However, I am proud to say that, Access Engineering has faced these unprecedented challenges admirably and remains resilient as a leader in the industry due to our resourcefulness, our loyal employees, systems and processes, and our project portfolio that span beyond this financial year. Every year since our public listing, we have increased the net value of the Company, and this year was no different where the net asset value was recorded at LKR 21.83 Bn. and LKR 20.53 Bn. at the Group and Company level respectively.

As the most preferred partner in the industry, we completed infrastructure projects of national importance and continued large-scale projects both independently and in joint partnership with international companies. We also took steps to expand our core business lines, vertical integration, and our diversification efforts. Our automobile and real estate arms continue to contribute to the Group revenue and these ventures have broadened our scope as a leading corporate in the island.

In a collaborative effort with other industry leaders, we were able to successfully lobby against the severe tax policies that were implemented for the industry. Our efforts were successful as the Government introduced a reduction in corporate tax, abolishing of the NBT, and a reduction in VAT from 15% to 8%, though due to the present climate, we are doubtful if we will be able to reap the benefits of these policy changes. Our focus for the future is set on steering expertly through the new normal that will be brought about by the COVID-19 pandemic.

While our medium-term strategic goal is to improve our core business lines, our long-term goal is to strengthen our ventures in the automobile and real estate sectors. These diversification efforts coupled with synergies between different business lines will unlock the full potential of our Group to take the next step in our corporate journey. During the year, We have made headway in the construction of our flagship projects Capital Heights, Rajagiriya and Marina Square, Colombo. "Marina Square Colombo" commenced the construction of the super structure in the financial year. With over LKR 2 Bn. worth of apartments sold during 2019/20. The project has garnered the interest of both locals and foreigners alike. "Capital Heights Rajagiriya" has completed 70% of the overall project. Our automobile arm was influenced negatively by continuous policy changes, which was expected as the automobile sector is one of them most volatile in the country. Although it will not be prudent to make predictions for the future in the current environment, we remain agile and poised to react to whatever external conditions that may be thrust upon us.

Our performance in the year and our ongoing and completed projects in 2019/20, outlined in the joint statement of the Managing Director and the Chief Operating Officer, exemplifies our continuous leadership in the sector. It also is a testament to how we deliver value to our stakeholders embodying our principal ethos of value engineering in all our operations. We have also been at the forefront of using the latest technology in our operations which has yielded positive outcomes such as the increase of efficiency.

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 invested LKR 16.4 Mn. in CSR initiatives and projects in the year. While some projects were a continuation from previous years some were initiated in 2019/20. Our "Enhance the Future" programme was implemented with the objective of developing infrastructure among rural schools. The fabrication and donation of school desks and chairs, which was initiated several years ago, continued with a cumulative 2,590 pairs of desks and chairs distributed among 73 schools. Further, our island-wide tree planting programme to improve green cover on earth continued with over 3,000 new trees planted. Moreover, our production plants located in Matugama, Mirigama and Kotadeniyawa carried out several community development projects to build beneficial relationships with the community that they operate in. I am proud to say that we received recognition for our sustainability initiatives when we were selected to the category of "10 Best Corporate Citizens in the Country 2019" for the 3rd consecutive year by the Ceylon Chamber of Commerce at their annual Best Corporate Citizen Sustainability Awards 2019. A detailed description of our community development and sustainability initiatives can be found on page 113.

While its largely uncertain about the specific impacts the COVID-19 pandemic will have on Sri Lankan economy and the business environment, we are hopeful that the resilience we have shown in the face of this global crisis and other crises in the past have prepared us to face the aftershocks.

It is evident that the future of infrastructure development in Sri Lanka has significant growth potential across all engineering disciplines we operate. Major infrastructure projects of national importance such as the development of the Colombo International Port City, the Central Expressway, BIA Expansion and other such projects offer opportunities to all players in the industry. Our reputation as the most preferred partner occupying a leadership in the sector will position us to benefit from these future projects.

In the coming years, the construction arm of the Group will remain its dominating business line. The construction material segment too is expected to have a growth.

Further, we have taken tangible steps to build our future as a diversified, vertically-integrated, corporate citizen. We will follow our strategies to become the most innovative construction company in the sector with a diversified customer proposition and portfolio. 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.

In conclusion, I extend my appreciation to my colleagues on the Board of Directors for their exemplary governance, guidance, and support. I also would like to thank the Corporate Management team led by the MD and the COO, along with our highly-skilled, committed employees who continue to exemplify the Access Engineering ethos of value engineering. I would also like to thank all our stakeholders including shareholders and investors, customers, and business partners for their continued trust and loyalty in Access Engineering PLC.

Sumal Perera

Chairman

31 July 2020

Joint Statement from the Managing Director and the Chief Operating Officer

"One of our key strengths is vertical integration which has led to increasing market share, self-reliance, and strengthening our leadership position within the industry."

Access Engineering's resilience and our mission of meeting all challenges in the sector were tested in 2019/20, which brought forth one of the most volatile macroeconomic environments in the history of Sri Lanka. Similar to every corporate in Sri Lanka, the Easter Sunday bombing which took place during the first quarter of the financial year under review and the outbreak of the COVID-19 pandemic towards the end of the last quarter of the financial year, influenced our operations and all business activities. Despite the unprecedented challenges arising from the operating environment, our infrastructure development activities that commenced in the previous years, in the private sector and the public sector, persisted.

Our flagship venture, the Mannar Wind Power project, the largest of its kind in the country, made significant progress during the year.

Further, our other projects such as the CAMSO integrated greenfield logistics, the Central Expressway project, and our real estate ventures made headway during the year. We also made significant progress on the Kadawatha-Nittambuwa Road project during the reporting year.

Commendable financial performance of Access Engineering PLC, remained resilient during a volatile operating environment to achieve a Group and Company revenue of LKR 24 Bn. and LKR 17.9 Bn. This was achieved due to the robust systems and processes that are in place that could absorb external shocks, mitigate and minimise adverse impacts, our dedicated team of employees, and the loyalty and trust of our stakeholders.

The Company's core construction and construction related material segment recorded a revenue of LKR 17.9 Bn. The highest contribution of 49% was made by our ongoing building projects. While road and highway construction contributed 21%, the contribution of construction material segment was 17%. Water and drainage projects contributed 13%. 2019/20 revenue was a year on year (YoY) drop of 7% compared to 2018/19 mainly due to the Easter Sunday bombing and the COVID-19 pandemic which broke out in March 2020, which resulted in the temporary halt of projects and production plants during lockdown periods. Profit after tax was LKR 0.93 Bn. and LKR 1.93 Bn. at the Group and at the Company levels. We also paid dividends amounting to LKR 500 Mn. during the year. Our net asset value per share continued its growth momentum recording increases of 3% and 7.6% respectively at the Group and the Company levels.

VERTICAL INTEGRATION AND DIVERSIFICATION AT THE CORE OF AEL

We understand that one of our key strengths is vertical integration 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 ensure timely delivery of projects with little disruption of operations.

We are happy to report that the development initiatives instituted in the previous years are yielding positive benefits. All our production plants run at full capacity and we are one of Sri Lanka's largest asphalt concrete and ready-mix concrete suppliers. Further, we commissioned a new M-Sand (Manufactured Sand) plant in Matugama, further complementing our position as one of Sri Lanka's most integrated construction companies with capacity built in all fields of construction from integrated production plants, to engineering designs, sub-structure and major works.

Diversification is another key area of our business expansion which has yielded positive results. The automobile sector contributed to 17% of the Group's revenue. The performance of both Isuzu and Jaguar Land Rover was behind target with 320+ units and 39 units sold respectively for the year. Sathosa Motors PLC recorded a loss of LKR 79.9 Mn. and LKR 81 Mn. respectively at the Group and the Company level. This is due to the finance costs incurred during the year, on the bank borrowings used for business expansion initiatives, with investments in land, buildings, workshops and subsidiaries amounting to over LKR 1.3 Bn. The business was also negatively impacted by the recent import restrictions imposed and frequent changes made to the luxury tax. While the changes to management structure and the cost cutting initiatives yielded positive results during the year, the businesses are projected to be profitable through the expansions in the after sales service and spare parts areas in the coming years.

Access Tower I and II continued to enjoy 100% occupancy throughout the year while generating a healthy after tax profit. They also contributed LKR 861.7 Mn. in dividend income. Our joint venture with ZPMC to maintain port machinery continued during the year with the joint venture continuing to make contributions to the Group's bottom line.

AEL'S KEY DRIVERS OF PERFORMANCE

In the construction sector, we have pioneered several innovative construction methods in our operations, which is one of our key differentiators. We continue to be at the forefront of state-of-the-art technology using unconventional techniques such as post tensioning, diaphragm wall, HDD, micro trenching, and others. To further the use of latest methodologies in our sector, we partnered with the University of Moratuwa (UoM) to carry out research and development (R and D).

Our highly-skilled, loyal employees form the backbone of AEL and we can boast of possessing the best human capital in the industry and our position as the preferred employer. The benefits and incentives we offer our employees are unmatched in the industry. As of 31 March, we provided direct employment to over 2,500 persons and indirect employment to thousands of others and our cadre is one of the largest among all local contractors.

We have also won the confidence of our extensive supply chain which includes over 15,000 suppliers. While our procurement policy outlines the rigorous standards required to be a supplier for AEL, we have enjoyed mutually beneficial, interdependent relationships with our suppliers and partners. In our efforts to give our clients the best price, we continue to look for new suppliers whose price is competitive. In 2019/20 over 1,900 new suppliers were added to our base.

Our status as a "preferred partner" among the international contractors continued during 2019/20. The projects we have executed in joint partnership with them to date is well over USD 1 Bn. All our overseas expansion efforts in future is also firmly founded in this.

NOTABLE PROJECTS IN 2019/20

Through our infrastructure development projects and our diversified operations across all sectors of civil engineering, we directly contribute to the national economy.

We are one of the highest graded contractors by Construction Industry Development Authority (CIDA) and a leading construction company 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 2019/20:

- We made significant progress in the Mannar Wind Power project in which we have partnered with Vestas Asia Pacific A/S, the world's largest wind turbine manufacturer. The project includes the construction of a 100 MW semi dispatchable wind farm in the Mannar Island. By the end of the year we have completed 100% of piling, 24 Wind Turbine Generator (WTG) foundations, 11 kms of road and approximately 20% of the building.
- We completed the Kadawatha-Nittambuwa Road project with funding from local banks. The 23 km road was completed and handed over to RDA. Moreover, East of Colombo Water Supply project was also completed during the year providing pipe-borne water to approximately 373,000 people in the eastern part of Colombo.
- Access Towers I and II with approximately 325,000 sq. ft of "Grade A" office space were fully-occupied during the year. Access Tower II is now home to some of the world's leading multinational businesses and leading local enterprises.
- As mentioned above, our flagship projects in real estate, Capital Heights, Rajagiriya and Marina Square, Colombo made substantial progress within the year. "Marina Square Colombo" commenced the construction of the super structure in the financial year. With over LKR 2 Bn. worth of apartments sold during 2019/20, the project has garnered the interest of both locals and foreigners alike. "Capital Heights Rajagiriya" has completed 70% of the overall project. Uncertainty surrounding the imposition of VAT on condominium apartments was cleared during the year where apartment sales are not liable for output VAT.
- The Central Expressway project in which our Consortium was involved in the construction of 9.7 km stretch under Section II from Mirigama to Riloluwa is nearing completion. The project will be handed over to the client: RDA during the 3rd quarter of 2020.
- During the year, we acquired 100% of WUS Logistics Private Limited. The Company is involved in the construction of the largest single roof warehouse in Sri Lanka in a logistics facility spanning over 42 acres. Once completed, this development will include warehousing facilities, cold room facilities, in-house value addition and multi-country consolidation services, yard and storage facilities, and a logistic education and research and development centre. 20% of the work was completed in 2019/20 and the project is well on course to be completed on time.
- As a trusted partner in telecommunication infrastructure works, we continued to provide services to Dialog Axiata PLC in rolling out their optical fibre backbone network and to SLT in providing new subscriber connections.
- During the year, we carried out work in a number of commercial and residential projects which included the Urban Regeneration – Public Sector Housing project, UDA Phase II low-income 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, and etc.

OTHER PROJECTS AND INITIATIVES IN 2019/20

- All major work on the Housing project for the government servants, in Borella was completed during the year and will be handed over to the UDA in 2020/21
- Work was continued on the Anuradhapura North Water Supply project – Phase I, Deduruoya Water Supply project, Nanotechnology Building Phase IB, Bloemendhal Housing project and the SLTC Research Centre.
- Preliminary investigation and planning work on Kohuwela and Gatembe flyovers were carried out. The projects which are bilateral funded will help ease traffic and avoid unnecessary delays, once completed.
- The preliminary work with respect to our construction project in Kenya progressed with us completing most of the administrative and legal works required.

- We continued to use latest and cutting-edge design software to help us better manage projects. Our ERP system was upgraded to be in with the latest version and all our firewalls were enhanced for more cybersecurity. Preliminary work to introduce an e-procurement system was also concluded and the new system will be put in place in 2020/21. Our occupational health and safety management system was upgraded to the requirements of the latest standard ISO 45001:2018.

TRAINING AND DEVELOPMENT

In our drive to retain our status as the most preferred employer in the industry, we place great importance on continuous professional development of our employees through varied, useful training programmes. Our training programmes are geared towards developing functional and technical expertise that is required as an AEL employee.

Apart from our substantial investments in indirect and on-the-job training which are accounted into project cost, we also directly invested LKR 6.6 Mn. for training during the year. Most of our training efforts for the year were focused on improving technical knowledge in their respective fields. Additionally environmental and health and safety related training was also offered. Over 17,500 hours of both internal and external training was offered to more than 2,600 participants. In addition to this we have offered numerous on-the-job and off-the-job training opportunities to a wide spectrum of staff. We also offered 316 industrial placements to interns.

FUTURE OUTLOOK

The future outlook of our core business is secured with our order book of signed and confirmed projects amounting to approximately two years of Company's future revenue. Moreover, from 1 January 2020, the construction sector is back to a preferential corporate tax rate of 14% instead of the previous rate of 28%. This is expected to have a positive impact on our future earnings. Our overseas contract for construction of substructures and related works for five bridges in Kenya which has been delayed due to the break out of the COVID-19 pandemic, is due to commence during the 3rd quarter of 2020 and we are hopeful that this will pave our way for business expansion in the African Continent, and in East Africa in particular.

Our investments in backward integration will continue with another state-of-the-art asphalt plant due to be commissioned during the 3rd quarter of 2020, further complementing our five asphalt plants presently fully operational island wide. We are also in the process of evaluating further investments in new technology and products needed to cater for future requirements in the construction sector and hope to materialise some of them in the near future.

We expect Marina Square Colombo and Capital Heights Rajagiriya to outperform all similar developments with its product superiority and exceptional customer offering.

We are confident that Access Tower I and II will continue to add tax-free profits to our bottom line. Whilst we may experience some volatility in the short term due to the impact of COVID-19, we expect both towers to have full occupancy in the medium term. While the automobile sector has growth potential in the medium term we expect to face some challenges in the short-term performances.

Our purpose built warehousing complex under construction, which is the country's largest single roof warehouse, is due to be completed in early 2021, and handed over to the client, after which our rental period would take effect.

Our experience in participation in PPP projects such as the Borella Housing project has proved to be successful. The project delivered anticipated benefits to all stakeholders and we are pursuing undertaking similar projects, where some would materialise in the near future.

Despite the volatile external environment, the future outlook of Access Engineering PLC seems to be very positive due to all its strengths derived, from its core competencies in engineering and construction and the trust and confidence built around all its stakeholders.

As a firmly founded Sri Lankan business enterprise, we will continue our quest to harness local talent and resources and develop them in order to maximise their potential based on the principles of sustainability. Our contributions will make us stakeholders in the development drive of our nation, bringing peace, prosperity, and goodwill to our people.

ACKNOWLEDGEMENTS

We take this opportunity to appreciate the contribution of our customers, principals, business partners, shareholders, and all the stakeholders for their loyalty and confidence. We would also like to extend our gratitude to the Board led by the Chairman for their guidance and for steering the Company in this turbulent time. In conclusion, we would like to thank our Corporate Management Team and all our team members. Their passion, commitment, and hard work continue to underline our success.

Christopher Joshua
Managing Director

Rohana Fernando
Chief Operating Officer

31 July 2020

OUR STRATEGY

Operating Environment

GLOBAL ECONOMY

According to the World Economic Outlook, global economy growth stood at 2.9%, the lowest growth rate recorded in the last decade. The year was characterised by the trade war between US and China, weather-related disasters, rising geopolitical tensions, and stress in key emerging market economies affecting global economic output, especially in the manufacturing and trade sectors.

The US, the Euro area, and China, the world's largest economies suffered a marked deceleration of activity in 2019. This will have an impact on the economic prospects in countries around the world. The trade dispute between China and America that marred 2018 eased during December 2019. Brexit fears also played a huge role during the year, however the uncertainty surrounding the Brexit eased with the United Kingdom declaring that it will leave the EU on 31 January 2020, after which a transition period will set in.

According to the World Economic Outook (WEO) June update, Global growth is projected at – 4.9% in 2020, 1.9 percentage points below the April WEO forecast. This downgrade is because of the outbreak of the COVID-19 pandemic across the world in 2020.

In 2021 global growth is projected at 5.4%. Overall, this would leave 2021 GDP some 6.5% percentage points lower than in the pre-COVID-19 projections of January 2020. Given that the pandemic is ongoing, even at the time of this Report, it will have a profound impact on the world as a whole.

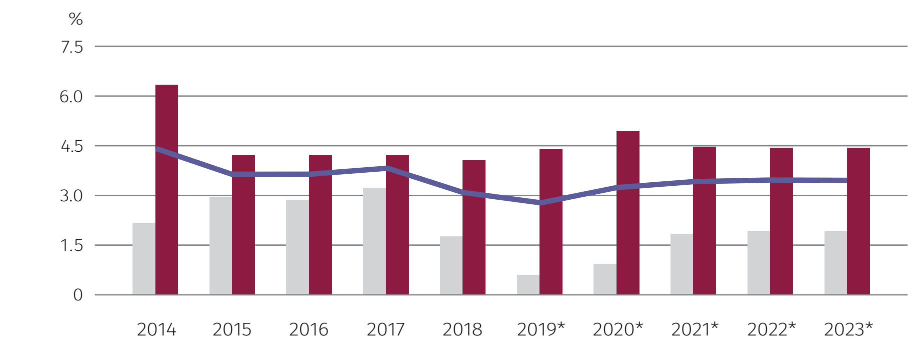
GLOBAL CONSTRUCTION INDUSTRY

The global construction industry posted its slowest pace of growth in a decade in 2019, dropping to 2.6%, according to GlobalData, data and analytics company.

The UK will be a key focus market in 2020, with uncertainty over Brexit negotiations continuing to constrain the pace of investment in new construction projects. Construction output in the US will recover to grow by 0.6% in 2020, following a contraction of 1% in 2019. In China, where the authorities are stepping up investment in infrastructure to prevent a continued slowdown, growth will remain positive, contributing to a slight acceleration in growth in total output in the emerging markets.

Prior to the coronavirus (COVID-19) outbreak, GlobalData had predicted that there would be an acceleration in the pace of growth in the global construction industry, but given the severe disruption in China and other leading economies worldwide following the outbreak, the forecast for growth in 2020 has now been revised down to 0.5% (from 3.1% previously). The current forecast assumes that the outbreak is contained across all major markets by the end of the second quarter.

GLOBAL CONSTRUCTION OUTPUT GROWTH (REAL, PERCENTAGE CHANGE), 2014-2023



* Figures for 2019 and beyond are projections.

Advanced economies
Emerging markets
Global

Source: GlobalData, Construction Intelligence Center

SRI LANKAN ECONOMY AND THE CONSTRUCTION INDUSTRY

Sri Lanka's economic growth has been on a downward trajectory since 2015, and recorded a subdued growth of 2.3% in 2019 compared to 3.3% in 2018, the lowest since 2001.

The Easter Sunday attacks had a severe impact on many sectors, and their adverse spillover effects were felt across the economy, worsening the sluggish growth of the economy and further dampening business confidence.

Further, there was a subdued performance of the agriculture sector due to adverse weather conditions. Inflation measured by both the Colombo Consumer Price Index (CCPI) and the National Consumer Price Index (NCPI) accelerated to 4.8% and 6.2% respectively in 2019 despite remaining at a mid-single digit level. Sri Lanka's sovereign credit rating was affirmed by major international rating agencies in 2019, despite the downward revision to the outlook for Sri Lanka, reflecting the possible weakening of fiscal position of the economy.

Industry activities have expanded by a comparatively commendable growth of 2.7% during the year. The growth of the industry sector was mainly supported by the manufacture of textiles, wearing apparel and leather products, the manufacture of food, beverages and tobacco products, and the revival of construction and mining and quarrying activities. The construction and mining and quarrying sub-sectors grew by 6.8% and 2.8%, respectively, in 2019, mainly supported by the government infrastructure development projects. The Government's plans to secure investment for the Port City project and implement the highway development projects could revive investment in the medium term. These infrastructure projects will boost construction activities, enhancing value addition in the industry sector.

NOTABLE ONGOING INFRASTRUCTURE DEVELOPMENT PROJECTS

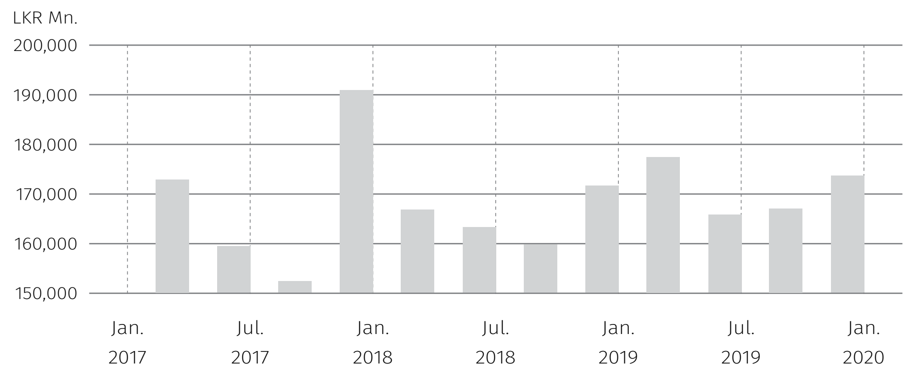
- i-road projects
- Mannar Wind Power project
- Towns East of Colombo District Water Supply Project – Package I
- Extension of the Southern Expressway project
- Section II of the Central Expressway project
- Anuradhapura North Water Supply project
- Uma Oya Downstream Development project
- Construction of Housing Units for Government Servants project
- Urban Regeneration Housing project
- New Kelani Bridge project
- Port Access Elevated Highway project
- Northern Road Connectivity project
- EXIM Bank Funded Road Network Improvement project

The Government continued its major infrastructure projects in 2019 including the rehabilitation of the existing road network to uplift the country's infrastructure and to uplift the economic activity. Further, the Government has invested in large-scale road development projects. These ongoing and future infrastructure development projects have a positive impact on AEL since they generate business.

The recent tax reforms show positive growth prospects for the construction sector with the reduction of income tax for the industry from 28% to 14%, reduction of VAT from 15% to 8%, abolishing NBT on construction, and exempting VAT from condominium housing unit developments. Moreover, the expatriation of Sri Lankan professionals and skilled staff has created a scarcity of skilled labour to the local firms. This is a challenge that the local construction sector has been dealing with for more than a decade. Yet the, rapidly falling interest rates are expected to have a positive impact on working capital, especially if the projects are to be self funded or if money has to be borrowed for working capital.

Another challenge in the industry is the continuous rise in cost of raw material and labour. This has a direct impact on the margins of all players. Similarly there is shortage of certain raw materials such as sand which has created an unfortunate situation for the industry though alternatives such as manufactured sand are available. The depreciation of the rupee has a direct impact on imported raw materials such as steel which in turn will influence costing. Being a highly regulated industry, the companies are under pressure to comply with all regulatory measures.

CONTRIBUTION FROM CONSTRUCTION TO SRI LANKA'S GDP



Source: Tradingeconomics.com / Department of Census and Statistics – Sri Lanka

THE IMPACT OF COVID-19 ON ACCESS ENGINEERING OPERATIONS

The impact of the outbreak of the pandemic was felt by all the sectors. As a result of the island-wide curfew imposed by the Government in March – May 2020, several of our ongoing projects were temporarily disrupted. However, work on certain projects continued from end April under strict regulations and in compliance with directives issued by the relevant authorities. By the start of May, the remaining projects and production plants resumed work within confined worksites. Due to the temporary disruption of operations, we expect Q1 results of 2020 to be negatively affected. But the measures we have adapted will greatly reduce the negative impact.

Funding and liquidity

Since funding for our ongoing projects are secured through local banks, bilateral and multilateral funding, we do not anticipate a major cash flow strain on the operations or our ability to meet supplier/debt obligations. This funding is project-specific which means it cannot be utilised for any other purpose. Therefore, our access to working capital and credit facilities are less likely to be affected as a result of secured funding.

Impact on assets and impairment provisioning

At the year end, the fair value of assets has been determined with no significant decrease in the assets value. Since operations are ongoing after the relaxation of the island-wide curfew, assets are being utilised adequately. Thus, we do not anticipate any major impact on assets or impairment provisioning. Further, we have not identified any material impairment in goodwill, intangible assets, and right-of-use assets. A provision for investment securities has already been made over the period and credit losses have been determined as per expected credit loss (ECL) requirements which are similar to last year.

Impact on internal operations and business continuity

At the early stages of the outbreak of COVID-19, the Management implemented a business continuity plan for each business unit and project. This helped us to fast track the process of resuming operations without a significant delay or disruption. The financial reporting process too was intact and the Company will release its interim financial statements within the time period stipulated by the CSE.

Impact on supply chain management

The raw materials required for AEL's operations, sand, steel, and cement are primarily sourced from major local suppliers with whom we have built long-standing mutual relationships. Asphalt concrete, ready-mix concrete, quarry, and crusher products are produced internally and operations of production plants have already commenced to cater the internal and external market demand. However imported raw materials required for specialised work will be delayed due to delays in shipments and limited port operations.

Impact on human capital

The Company employs approximately 1,800 staff members and 900 labourers whose job security was confirmed by the Management. A limited staff working during the curfew period had a significant impact on the productivity of our operations. The Management has decided on a temporary restructuring of salaries at all levels as a forward-looking measure to manage the current crisis and ensure job security of all employees.

AEL'S RESPONSE TO THE IMPACT OF COVID-19

We have in place a sound business continuity plan headed by the Chief Operating Officer who is supported by the Corporate Management and relevant line managers. Operations of projects and production plants after resumption of work are carried out according to this plan. Additionally, we have implemented a sound system within our working environment to eliminate any potential spread of the virus. These measures include but are not limited to actively screening and monitoring all employees and visitors to business premises, spreading awareness among staff and project vicinities of the pandemic and regularly educating them based on latest available information, fully complying with all rules and regulations and guidelines laid down by the Ministry of Health (MOH) and Public Health Inspectors (PHI) of respective project areas, providing sanitary products adequately to maintain personnel hygiene and having limited physical interaction through Working From Home (WFH) arrangements and virtual meetings.

Effective implementation of these measures is closely monitored and discussed in sufficient detail at the weekly management meetings headed by the Managing Director with the respective business unit heads. The Board of AEL also effectively discharges its governance responsibilities through active participation via virtual arrangements. All Board and Board Subcommittee meetings were carried out virtually during this period without any interruption and all information to enable their decision-making was submitted without any delay.

While we anticipate a short-term downturn in financial results, we are confident that we can return to normalcy without much delay.

The Company's strong order book which comprises confirmed and signed projects for the next foreseeable future with secured funding, prudent and sound financial management practices in place, and the best corporate governance practices will undoubtedly help us in this endeavour to face the "new normal".

SWOT ANALYSIS

STRENGTHS

- Visionary leadership and skilled and capable top management support
- Know-how gained through past experience having completed numerous infrastructure development projects across the country across many disciplines
- Goodwill created by impressive track record and high reputation. AEL is among the top three local construction companies
- Being a public quoted company on the Colombo Stock Exchange
- Growing net asset base
- 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
- Recognition as a “Top 10 Corporate Citizen” in the country for 2019 by the Ceylon Chamber of Commerce
- Long-term networking and relationship with clients, suppliers and government
- Possessing best in class knowledge having executed a large number of projects jointly with reputed international partners
- Possessing human capital that is best in the industry
- Use of latest ERP systems and communication platforms for decision-making

WEAKNESSES

- Frequent turnover of labourers due to nature of the business (i.e. project-based staff)

OPPORTUNITIES

- Ability to diversify the product portfolio
- Overseas expansion with international partners
- Further strengthening presence in office space renting
- Significant long-term government support for the industry
- Duty concessions for BOI approved projects
- Reduced corporate tax rates on the construction industry
- Rising demand for “A” grade office spaces and urbanised living
- Continuous reduction in interest rates giving more access to debt finance

THREATS

- Migration of Sri Lankan professionals and skilled staff creating a scarcity of potential employees
- Possible delays in client payments resulting in cash flow difficulties
- Competition among existing industry participants in bidding for projects
- Cultural mismatches in overseas expansions
- Competition from foreign construction firms
- Frequent changes in policy decisions negatively affecting infrastructure development
- Frequent changes in tax structures
- Rising cost and scarcity of construction material such as sand
- Continuous rupee devaluation resulting in increased cost of imported raw materials
- Negative effects of COVID-19 on project implementation

ANALYSIS OF POLITICAL, ECONOMIC, SOCIAL, AND TECHNOLOGICAL FACTORS

PEST Analysis

Political Factors	
Ecological/ Environmental factors	Concerns on preventing environmental pollution (Air, water, and land pollution) Volatility pertaining to renewal of operating licenses based on the stated rules and regulations of Central Environmental Authority (CEA) and Local Authorities Special regulations, approvals and licensing from Marine Environment Protection Authority and Department of Wildlife Conservation Authority for certain projects
Current legislations	Laws stated by the Labour Authorities relating to working hours, minimum wage rates, leave, Employees' Provident Fund, Employees' Trust Fund and health and safety of employees Laws and regulations relating to obtaining construction licenses, approval of plans etc. General civil and commercial law and governing Acts (Contract law, Companies' Act, laws pertaining to insurance etc.)
International legislations (Global influence)	The open economy policy adapted by Sri Lanka and the encouragements to improve Foreign Direct Investments has attracted the participation of international firms specially in the construction sector Local Companies including construction companies are bound by the international treaties that Sri Lanka has pledged to uphold Most of the construction projects executed in Sri Lanka are governed by the conditions set out by the International Federation of Consulting Engineers (FIDIC) Foreign funded construction projects are governed by the bilateral and multilateral funding agreements between Sri Lanka and the respective countries or funding agencies
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 Specifications set out by the implementing agencies such as the Urban Development Authority (UDA), Road Development Authority (RDA) and the National Water Supply and Drainage Board (NWSDB) All public quoted companies are bound by the Rules and regulations prescribed by the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka (SEC)
Government policies, terms, and changes	Infrastructure development is heavily dependent on the policy directions set out by the Government of Sri Lanka (GoSL) including project priorities, funding arrangements, project planning, and implementation
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 Annual government budget allocation for infrastructure development

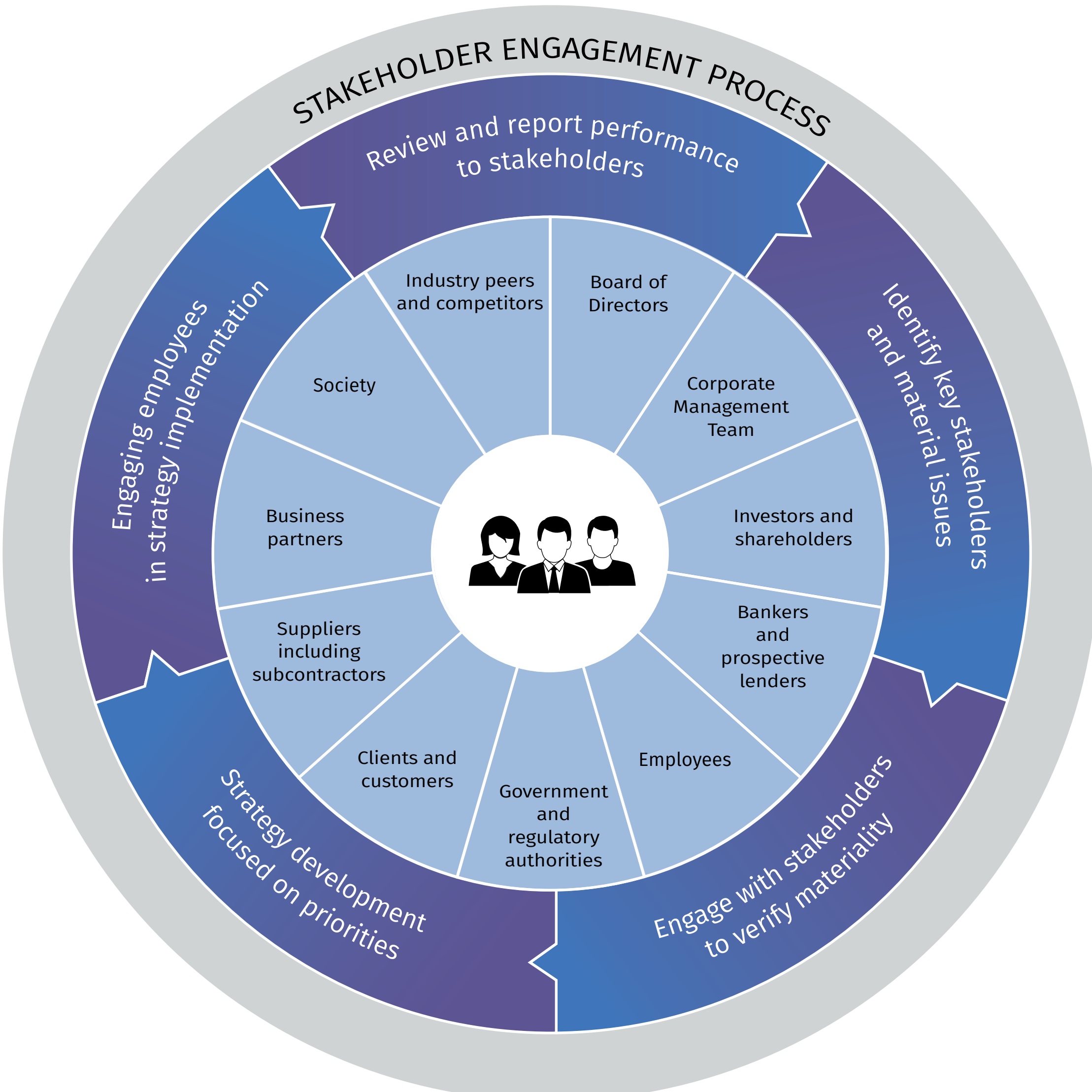
Market lobbying groups	The influence of market lobbying groups in determining; → The sustainable utilisation of natural resources → Protection of human rights → Prevention of environmental damages through air, water, or land pollution
Wars, terrorism, and conflicts	With the end of the three decade war in 2009, Sri Lanka perceived a massive growth in infrastructure development Terrorist activities such as the recent Easter Sunday attack in April 2019 could hamper the economic development and business sentiment in general
Economic Factors	
National economies and trends	Construction industry experienced a 6.8% growth in 2019 which was well above the GDP growth offering growth potential to all industry participants Funding constrains due to Treasury not having sufficient funds can influence the progress of infrastructure development activities
General taxation factors	Corporate income tax reduction from the previous 28% to 14% with effect from 1 January 2020 will have a positive impact on the margins Reduction of VAT from 15% to 8% Removal of NBT Exemption of condominium housing units from VAT
Seasonality or other weather issues	Extreme weather conditions affecting the progress of construction related activities
Special Sector factors	Construction boom and attention towards condominium developments and underserved resettlements in the country will favour the building construction sector Focus of the government to move towards more sustainable and environment friendly energy forms giving opportunities in new sectors such as wind power
Interest and exchange rates	Interest rate specifies the borrowing capacity and influences the investment process especially if the projects are debt financed. The recent continuous decline in interest rates will favour the use of debt funding for infrastructure development. 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 factors	Tendency to import construction related materials and machinery from low cost destinations like China will reduce the cost of construction International trade restrictions caused by limited port activity and closure of airports due to COVID-19 Free trade agreements, bilateral and multilateral agreements enhancing the potentials for engaging in international trade including the possibility of carrying construction projects overseas

Social Factors	
Lifestyle trends	Increase in urbanisation has created opportunities for construction companies specially for construction of condominium apartments Rapid developments in telecommunication infrastructure fuelled by lifestyle trends
Demographics	Ageing population creating limitations for the potential workforce especially engaging in construction related works
Job perceptions	Majority of job seekers in the construction industry opt white-collar jobs as opposed to blue-collar jobs creating a scarcity of skilled labour
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 more urbanised office spaces and condominium developments
Major events and influences	Easter Sunday attack and the resulting economic downturn Outbreak of COVID-19 pandemic on a global scale disrupting the usual business and daily life patterns of people
Technology Factors	
Competing technology development	Development of modern techniques that; → Reduce the use of natural resources and raw materials → Reduce pollution → Reduces cost and speeds up construction such as prefabricated construction, self-healing concrete, and advance finishing materials
Associated/ dependent technologies	Development of sophisticated software. Especially for the purposes of designing which in turn result in accuracy and speed. Augmented reality/virtualisation designs 3D scanning and photogrammetry
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 being introduced and used in Sri Lanka
Innovation potential	Heavy emphasis on research and development to further initiate technological advancements and construction materials
Maturity of organization's products/services	Construction related products and services do not 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.

GRI 102-40, 102-42, 102-43

Stakeholder Engagement

Taken in the context of sustainable development, it is paramount that we need to engage with internal as well as external stakeholders while balancing their short-term and long-term interests. Our stakeholder engagement process in place effectively engages with all stakeholders in a proactive manner in line with our strategic priorities. We identify their needs and expectations to find out how best we could integrate their concerns into our decision-making process.



IDENTIFY KEY STAKEHOLDERS AND MATERIAL ISSUES

The process starts with the identification of key stakeholders and issues that are of material nature to them. This process involves analysis of internal and external environment while monitoring micro and macro facts and lining 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:

Basis of identification and selection of stakeholders with whom to engage

As elaborated above stakeholders are identified and selected for engagement based on the following two criteria

- Level of interest a particular stakeholder group has on our activities
- The degree of power exercisable by a particular stakeholder group on our Company

Usually in the event a particular stakeholder group has a high degree of power as well as a high level of interest, such groups are given priority in engagement and the frequency of engagement is continuous. However we are mindful of engaging at least at a minimum level even with the other stakeholder groups.

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 lessor 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 implementing 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

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

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

Stakeholder group	Rationale for engagement and expectations
Board of Directors	The Board is responsible for the following; → Setting corporate objectives and formulating strategies and policies → Reviewing the performance of Corporate Management → Representing the views of the Company to outside world → Protecting Company assets and shareholder interests → Establishing a sound system of governance and enforcing same
Corporate Management Team	The Corporate Management Team is responsible for implementing the objectives, strategies, and policies set forth by the Board and effective functioning of the Organisation.
Investors and shareholders	As the Government of Sri Lanka (GoSL) is not able to finance all planned infrastructure development projects, investors play a key role in funding future projects. 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. 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 the development of 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.
Banks and prospective lenders	Banks play a major role in the following areas: → Financing infrastructure development projects of the country → Processing day-to-day monetary transactions of the Company → Providing funding arrangements enabling effective working capital management → Providing investment opportunities through accepting deposits
Employees	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. 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. 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.

Stakeholder Engagement

Stakeholder group	Rationale for engagement and expectations
Government and regulatory bodies	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. 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. Regulatory bodies and authorities play a vital role in approving and reviewing completed, ongoing and future infrastructure development projects. They also expect us to fully comply with all their rules and regulations.
Clients and Customers	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 the most important factors of our success. 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.
Suppliers and Subcontractors	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. In carrying out our projects and services they expect us to build progressive long-term relationships while honouring all contractual obligations.
Business partners	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 obligations on time while building progressive sustainable relationships.
Society	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.
Industry peers and competitors	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. In situations where joint execution of projects with industry participants is necessary, they expect us to honour contractual obligations and joint venture agreements while displaying a satisfactory level of performance.

Organisation's approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group:

Stakeholder group	Method of engagement	Frequency of engagement
Board of Directors	→ Board meetings → Board committee meetings	Continuous with at least a meeting every quarter
	→ Independent evaluation of performance	Annual
Corporate Management Team	Corporate Management meetings	Continuous with at least one in every two months
	→ Progress review meetings → Performance review meetings	Monthly
Investors and shareholders	→ Periodic meetings to ascertain/review project progress → Business promotion meetings	As and when required
	Annual Report and General Meeting	Annual
	Interim Financial Statements	Quarterly
	Extraordinary General Meetings	As and when required
	→ Updated website and dedicated investor relations email → Newspaper articles and other publications → Road shows and investor forums → CSE disclosures and announcements → Research reports of the stock broking community → Telephone communication → Email and other written correspondence	Continuous
Bankers and prospective lenders	→ Timely settlement of dues → Providing periodic financial information	Continuous
	Responding to lenders' queries	As and when required
Employees	→ Periodic management-employee meetings → "Open-door" policy → Training and development → Maintaining transparency in all activities → CSR initiatives → Staff welfare activities → Exit interviews → "News Within" quarterly newsletter	Continuous
	→ Performance appraisal and rewarding → Annual get-together and staff outing → Sports carnival → Joint communication from MD and COO via mail to every employee at the beginning of each year → Annual staff forum	Annual
	→ Employee satisfaction surveys	As and when required

Stakeholder Engagement

Stakeholder group	Method of engagement	Frequency of engagement
Government and regulatory bodies	→ Public private partnership projects → Timely feedback through submission of reports, tax returns, updates, etc. → Ensuring compliance → Participation at various forums, meetings, discussions organised by the Government and regulatory authorities → Continuous membership in industry associations	Continuous
Clients and customers	Publication of the Integrated Report	Annual
	→ Proactive business development → Progress review meetings → Updated website → Relationship managers for each major customer → Regular correspondence during defect liability period (DLP)	Continuous
Suppliers and Subcontractors	→ Subcontractor/supplier evaluation → Progress review meetings → Updated website → Contract negotiation and communication → Procurement Committee meetings	Continuous
Business partners	→ Regular visits to/from business partners → Updated website → Regular written communication and periodic meetings for ongoing projects → Relationship managers for each major customer	Continuous
Society	→ Updated website → Regular media and other communications with public → Participation at/sponsoring trade exhibitions → Providing employment and internship opportunities → Various corporate social responsibility projects → Consultation of local communities in project planning and execution	Continuous
	Publication of the Integrated Report	Annual
Industry peers and competitors	→ Membership in industry associations → Joint execution of infrastructure projects with peers → Industry advancement workshops, discussion forums and CSR projects	Continuous

GRI 102-44

Key topics and concerns that have been raised through stakeholder engagement

Stakeholder group	Key concerns raised during the year	Company response
Board of Directors	Facilitation of meetings with the Chairman without the presence of Executive Directors	Meetings between the Chairman and Independent Non-Executive Directors are held as and when required
	Rationalisation of business activities	→ Completed the divestment of Horizon Holding Ventures → Invested LKR 925 Mn. to acquire 100% of WUS Logistics (Private) Limited for the construction of a purpose built warehouse → Further scrutinized and strengthened the monitoring of subsidiary performance
	Consolidation of core business	Continued with infrastructure development projects while extending the product/service portfolio via the introduction of new construction techniques. Further, capacity was added to strengthen the construction material segment. Completed the administrative and legal procedures required for the initiation of infrastructure development projects in Kenya.
Corporate Management Team	Improving efficiency and productivity	Strengthened cost and project management functions
Investors and shareholders	Timely securing of projects	Vigilant and proactive business development efforts
	Provision of a monetary return on their investment	Declared LKR 500 Mn. in dividends
	Providing up-to-date information about the affairs of the Company	→ 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 → Frequent release of research reports about the Company via stock broker companies → Participation at investor forums, both local and foreign → One-to-one meetings with institutional investors, stock broker firms, research companies, etc.
Bankers and prospective lenders	Effective treasury management	Negotiated better rates with financial institutions and strengthened treasury management functions at the Group level
Employees	Need of recognising and rewarding high performers	Continued the performance based reward system
	Need to enhance the competence of staff	Provided training and development opportunities to staff members with the main area of focus during the year being health and safety
	Need to provide staff with more up-to-date information about the Company	→ "News Within" quarterly newsletter → "Staff Forum 2019" headed by the Managing Director

Stakeholder Engagement

Stakeholder group	Key concerns raised during the year	Company response
Government and regulatory bodies	Need to participate in the infrastructure development drive/initiatives of the Government	→ Carried out infrastructure development projects throughout the country → Participated at various industry related forums, discussions spearheaded by the GoSL
	Need to comply with all government regulatory requirements and payment of dues such as taxes, rates, etc.	Complied with all applicable rules and regulations of the Government with timely payment of all dues
Clients and customers	Speedy delivery of projects at a lesser cost	Provided solutions that are less costly and speedy such as the diaphragm wall, prefabricated bridges, post – tensioning, HDD, micro trenching, etc. during the year
	Need for high quality construction	Completed projects with least number of defects
Suppliers and Subcontractors	Timely settlement of dues	Settled all dues on time with zero fines or penalties for delayed payments
Business partners	Need to maintain sound business relationships	→ Carried out projects in partnership with foreign principles → Continuous training for business development staff
Society	Addressing the timely needs of the public	→ Carried out various social responsibility initiatives → Offered direct and indirect employment opportunities
	Enhancing the knowledge base of the industry	→ Offered internships for 316 students → Introduced innovative solutions to the industry during the year
Industry peers and competitors	Need to jointly execute mega-scale infrastructure development projects	Continued construction of Section II of the Central Expressway in partnership with two local contractors

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

Materiality

We consider a matter to be material if it could affect our ability to create value over the short, medium, and long term. In the formulation of our strategy, we identify and assess material issues, which enables us to prioritise certain areas over others to better focus our energy and resources. 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. 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 Key Staff Forum
- 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

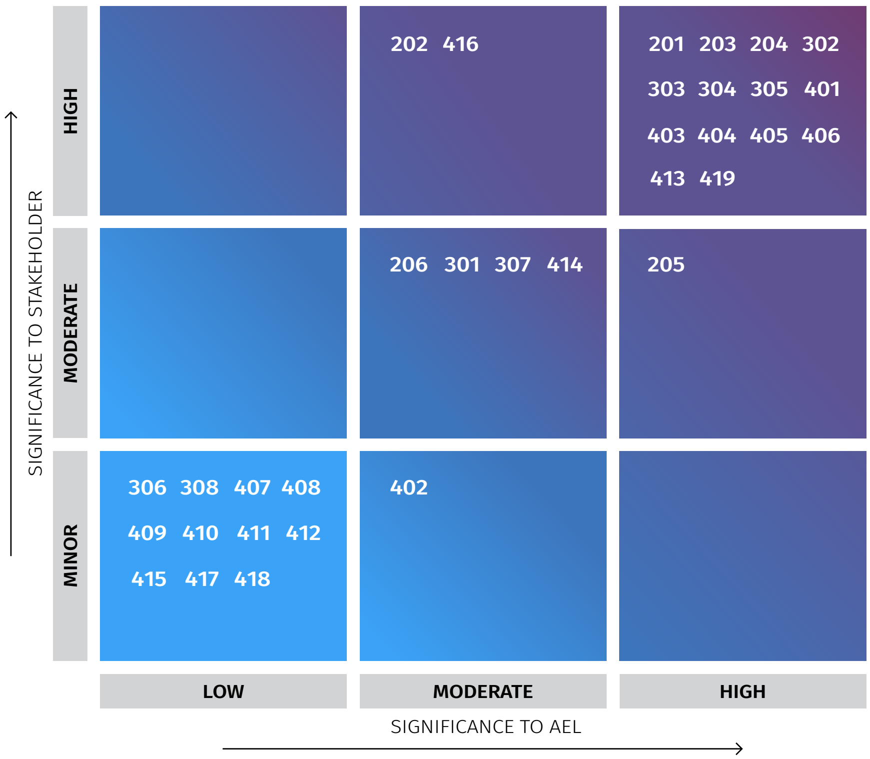
External factors

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
ECONOMIC			
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
ENVIRONMENTAL			
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
SOCIAL			
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 – Socio-economic compliance	High	High	External

Materiality



MANAGEMENT APPROACH

Economic performance

Economic viability, a significant material topic to AEL, is the foundation of long-term sustainability 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 is the ongoing 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

Throughout the years, we have established long term, healthy relationships with suppliers and subcontractors. 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.

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:

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

Our strategy is designed to deliver sustainable, profitable growth, creating value in the short, the medium, and the long-term. It is founded on our vision "To be the foremost Sri Lankan business enterprise in value engineering" and through the collective efforts of our employees, Corporate Management, and the Board of Directors headed by the Chairman. The following are our strategic imperatives that drive our operations:

ENSURING SUSTAINABILITY IN ALL OPERATIONS

At Access Engineering, we are committed to sustainability and financial growth in all operations with a focus on the triple bottom line. Environmental preservation is a top priority of the Company and we ensure to conduct our operations in an accountable manner which minimises our environmental impact. Organically we expand by strengthening the internal systems and processes and externally, we acquire lucrative businesses that have potential. Our long-standing, interdependent relationships with stakeholders result in repeat business and we regularly engage with them to maintain these relationships. We support local communities through CSR programmes and initiatives that focus on community development. We also 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 programs conducted
4. Staff retention ratio

WINNING HIGH-QUALITY CONTRACTS IN OUR CHOSEN MARKETS AND FIELDS

This ensures that our brand becomes synonymous with high standard infrastructure projects in the country which also forms the basis of our business continuity. Our leadership in the sector is a result of consistent, continued trust placed on us by our clients. We maintain a balance between the orders at hand and bid capacity. We usually tend to maintain an order book the size of two years' revenue so that we can withstand any negative economic sentiment or delays in policy decisions. On the other hand, a very big order book would restrict our capacity to bid. Hence we maintain the optimum mix among the two. 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 embraced new engineering disciplines (Ex. Mannar Wind Power project) 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. Size of the orders at hand
3. Project pipeline
4. New product/service offerings

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

We are committed to delivering a world-class service to our clients through prudently managing and executing our projects. Through the practice of value engineering, our core ethos, we deliver superior products and services at the lowest cost using the least amount of resources. 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. Earning per share (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

Over the years, we have become an industry leader and our reputation and brand have allowed us to effect multiple business partnerships with leading international contractors. We continue to build long-term partnerships among existing partners by delivering sustainable value ensuring win-win situations for all parties involved. We have also formed new partnerships with reputed international entities that have allowed us to expand beyond our shores and facilitated our investments. These synergies have also led to knowledge sharing, knowledge transfer, and exposure to the best practices in construction at the global stage. By maintaining these partnerships, we have developed from the subcontractor status to joint venture partner to investment partner.

KPIs

1. Revenue generated through foreign partnerships
2. Number of new partnerships
3. Number of foreign principles

DEVELOPING AND ATTRACTING EXCELLENT PEOPLE AND CAPABILITIES

Our objective of being the preferred employer of choice has resulted in extending our offering to our employees and our potential employees. We operate in a sector that has a high turnover rate and a dearth of skilled labour. Therefore, 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

Being a diversified corporate, we consider resource allocation as top strategic priority to facilitate our operations and to maximise returns. We 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 operate independently to create and deliver value to all our stakeholders. The process of transforming the inputs into outputs and outcome is illustrated in our value creation model on page 40.

Resource allocation is embedded in our corporate strategy as well where the Management strive to achieve equitable distribution of resources taking into account the trade-offs in the allocation of financial capital and other resources to create value.

For example, we invest in our human capital through various training and development initiatives. These programmes contribute to the professional development of our employees as well as improving their expertise on niche fields related to our operations. We see this as an investment rather than an expense because a well-trained employee will be more engaged and will in turn contribute to the overall efficiency of our operations. While this reduces profit generated for financial capital, in the long term, it improves the efficiency of our operations which will lead to saving time and costs. 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 8,832 equity shareholders
- LKR 20.53 Bn. equity employed
- LKR 8.1 Bn. obtained from banks and financial institutions
- LKR 3.2 Bn. used in operations

Refer page 72

Manufactured Capital

- LKR 189.7 Mn. invested in heavy machinery and equipment
- LKR 1.6 Bn. fleet of machinery
- 18 production plants in Sri Lanka

Refer page 83

Intellectual Capital

- LKR 22.4 Mn. invested to upgrade integrated information and planning systems
- The AEL Brand

Refer page 84

Human Capital

- 177 internal and external training programmes conducted
- Total staff and labourers 2,583
- AEL organisational culture

Refer page 88

Social and Relationship Capital

- Network of 15,261 suppliers

Refer page 96

Natural Capital

- Energy consumption 317,363,742 joules
- Water use 121,716 Cubic meters

Refer page 116

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

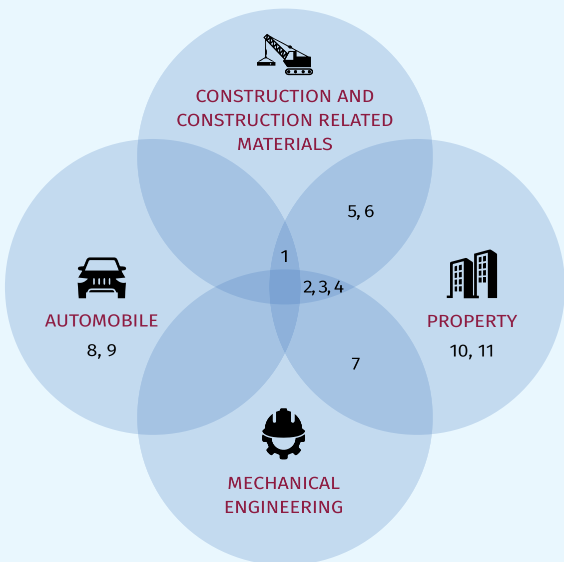
Environment

- 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

VALUE CREATION PROCESS

VISION AND MISSION

ENTERPRISE RISK MANAGEMENT



1. Stakeholder management
2. Business development and project identification
3. Tendering
4. Negotiation and project awarding
5. Planning, implementation, and project management
6. Project closure and management of defect liability period
7. Advertising, marketing, and sales
8. Warehousing
9. After sales service – parts and workshop
10. Import and resource deployment
11. Commission, repair, and maintenance

CORPORATE GOVERNANCE

SUSTAINABILITY STRATEGY

OUTPUTS

Financial Capital

- Profit after tax of LKR 1.93 Bn.
- LKR 605 Mn. interest paid to financial institutions
- LKR 500 Mn. dividends declared

Manufactured Capital

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

Intellectual Capital

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

Human Capital

- LKR 2.4 Bn. paid and distributed among employees
- LTIFR ratio of 1.57
- 316 industrial placements offered

Social and Relationship Capital

- 1,015 pairs of desks and chairs distributed to 29 schools
- LKR 4.4 Bn. paid to subcontractors
- LKR 3.1 Bn. spent on local suppliers
- LKR 7.4 Bn. worth of projects executed in joint partnerships

Natural Capital

- 3,012 trees planted
- 405 kg of wastepaper recycled
- 81 kg reduction in GHG emissions

Our Business Portfolio


BRIDGES AND FLYOVERS


TELECOMMUNICATION


WATER AND WASTEWATER


PILING


PLANTS


ROAD AND HIGHWAYS


BUILDINGS


WORKSHOPS


IRRIGATION AND LAND DRAINAGE


POWER

ANURADHAPURA

- Anuradhapura North Water Supply Project — Phase I

BATTICALOA

- Construction of Proposed 60 KLPD TS Grain Based Distillery – Kalkudah

COLOMBO

- Design and Construction of Beira Lake Bridge and Associate works for Waterfront Integrated Resort Development Project – Colombo 2

- Aquaria' Condominium Development by Access Residencies – Colombo 5
- Construction of 608 Housing Units for Government Servants – Colombo 8
- Corporate Office – Colombo 2
- Design and Construction of Housing Project at 601 Watta, Cyril C Perera Mawatha, Bloemendhal – Colombo 13
- Nanotechnology Building Phase IB – Homagama
- Proposed Hostel Building for SLTC – Padukka
- Proposed Research Centre for SLCT – Padukka
- Sherwood Apartments' Condominium Development by Complement Investments – Battaramulla

- Construction of Guide Wall and Piling Work for Havelock City — Phase III - Colombo 05
- Dewatering, Excavation and Shoring Works For Proposed Mixed Development "Marina Square" – Colombo 13
- Piling Unit – Kaduwela
- Piling Works and Diaphragm Wall Construction of the Proposed City Hotel and Damro Showroom – Colombo 3
- Piling Works of Head Office Building for Ministry of Health at Castle Street – Colombo 8
- Piling Works of Maritime Facilitation Centre for Sri Lanka Ports Authority – Colombo 1
- Piling Works of Storm Water Pumping Station – Ambathale
- Piling Works for "Eliot Place" Condominium Development by Urban Development Authority – Borella
- Relocation of Underserved Settlement Project — Phase II – Colombo 13
- Stabilisation of Cut Slopes at Nugagahapura Below CMC Land Using Soil Nailing Technique – Phase 2 – Colombo 6
- Substructure, Piling and Diaphragm Wall Construction of ODEL Mall – Colombo 2

- Construction of Proposed Ring Road Along West Bank of West Beira Lake – Colombo 2

- Dialog Sprout Connectivity Project
- SLT New Subscriber Connection Project

- Towns East of Colombo District Water Supply Project – Padukka

- Central Equipment Division – Kaduwela
- Design Unit – Colombo 2
- Fabrication Unit – Ranala
- Mechanical Workshop – Kaduwela
- Project Management Division I, II, III and IV – Colombo 2
- Scaffolding Unit – Ranala

GALLE

- Dialog Sprout Connectivity Project – Benthota
- SLT New Subscriber Connection Project

GAMPAHA

- ISUZU Workshop for Sathosa Motors PLC – Peliyagoda
- Proposed New Warehouse Building for Camso Loadstar – Katunayake

- Piling Works of Proposed Damro Showroom – Wattala
- Piling Works of Proposed Pumping Station (Stage II) – Peliyagoda
- Piling Works of Proposed Tea Factory Complex for George Steuart Teas (Pvt) Ltd. – Kelaniya

- Asphalt Plant – Kotadeniyawa
- Concrete Batching Plant – Kandana
- Concrete Batching Plant – Mabima
- Concrete Batching Plant – Peliyagoda
- Quarry – Mirigama
- Sand Washing Plant – Mirigama

- Construction of Proposed Package – A of the Central Expressway Project Section II - Mirigama to Riloluwa
- Rehabilitation and Improvements to Colombo-Kandy Road – Kadawatha to Nittambuwa
- Widenning and Improvement of the Colombo Kandy Road Section – Nittambuwa to Pasyala

- Dialog Sprout Connectivity Project – Biyagama, Katunayake

HAMBANTOTA

- SLT New Subscriber Connection Project

KALUTARA

- Piling Works of Proposed District Hospital – Beruwala

- Asphalt Plant – Mathugama
- Crusher – Mathugama
- Quarry – Walallavita

KEGALLE

- SLT New Subscriber Connection Project

KURUNEGALA

- Asphalt Plant – Ibbagamuwa
- Asphalt Plant – Giriulla
- Crusher – Nagollagama
- Crusher Plant – Kumbukgate

- Dialog Sprout Connectivity Project – Polgahawela

- Deduruoya Water Supply Project – Deduruoya

MANNAR

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

MATARA

- Quarry – Hakmana

- Dialog Optical Fibre Backbone Network Project – Phase VIII – Udugama
- SLT New Subscriber Connection Project

RATHNAPURA

- SLT New Subscriber Connection Project

VAVUNIYA

- Asphalt Plant – Vavuniya
- Quarry – Vavuniya

GRI 203-1, 203-2

Our Business Portfolio

CONSTRUCTION

ROADS AND HIGHWAYS

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 the Road Development Authority (RDA) with the assistance of local bank funding and the rehabilitation and improvement works were successfully completed by Access Engineering PLC.

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

Status	Completed
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

CONSTRUCTION

ROADS AND HIGHWAYS

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 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 fourth 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 has completed a substantial portion of the work assigned under its scope and is expecting to complete the project on time while fulfilling the expectations of RDA. Due to the temporary disruption of work caused by the worldwide health crisis, the date of completion may be subject to an extension.

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	31 May 2020

CONSTRUCTION

WATER AND WASTEWATER

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. It has been estimated that a population of around 75,000 in 30 Grama Niladhari (GN) divisions in the Medawachchiya, Rambewa, and Mihinthale Divisional Secretariat (DS) Divisions which are considered as kidney disease-prone areas will benefit from the Anuradhapura-North Water Supply Project Phase I. The project is implemented by the 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 PLC.

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). The project is in its final stages and the date of completion may be subject to an extension of time to compensate the temporary disruption of work caused by the worldwide health crisis.

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	30 June 2021

CONSTRUCTION

WATER AND WASTEWATER

Towns East of Colombo District Water Supply Project

The Towns East of Colombo District Water Supply Project was implemented by the National Water Supply and Drainage Board and with the funds from local banks. A total of 116 Sq km area which includes 40 Grama Niladhari Divisions under Seethawaka, Padukka, and Horana Divisional Secretariat Divisions was covered by the project. The project scope was to supply pipe borne water to an estimated population of 373,000 in the eastern part of the Colombo District, implemented through three contract packages. The contract Package I which was awarded to Access Engineering PLC included; 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 a length of 200 km. This project was successfully completed and handed over to the authorities.

Status	Completed
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	31 October 2019

Deduruoya Water Supply Project

Recognising the urgent requirement to control the growing threat of chronic diseases rapidly spreading across the areas of Nagollagama, Maho, and Polpithigama, the National Water Supply and Drainage Board spearheaded this 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 (16,500M3/day capacity) at the left canal bank of Deduru Oya Reservoir, Potuwewa water treatment plant (15,000 m3 per day capacity), water towers at Maho (1,000 m3 capacity), and Nagollagama (750 m3 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). Due to the temporary disruption of work caused by the worldwide health crisis, the date of completion may be subject to an extension.

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 December 2020

CONSTRUCTION

BUILDINGS

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 based at Pitipana, Homagama is currently undergoing an expansion of its facility 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^2 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^2 with 44 bed rooms and eight studio apartments on a pile foundation for accommodation and construction of a G+1 1,650 m^2 to house a canteen and a gate house. The project is in its final stages and due to the temporary disruption of work caused by the worldwide health crisis, the date of completion may be subject to an extension.

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	31 October 2020

CONSTRUCTION

BUILDINGS

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 stages.

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 a 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 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. The project is in its final stages of inspection and handing over is pending.

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	15 August 2020

CONSTRUCTION

BUILDINGS

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 will 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. The project is progressing as planned and is expected to be completed as scheduled. Due to the temporary disruption of work caused by the worldwide health crisis, the date of completion may be subject to an extension.

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 programs and they are fully accredited by the University Grants Commission (UGC) under the Ministry of Higher Education and Highways.

SLTC is expanding its hostel facilities and related construction works were awarded to Access Engineering with funds by SLTC. The project was to design and construct a G+3 storied hostel building in a short period of five months. The project was successfully completed.

Status	Completed
Location	Padukka
Client	Sri Lanka Technological Campus (SLTC)
Project value	LKR 368.6 Mn.
Funded by	Sri Lanka Technological Campus (SLTC)
Role in contract	Main contractor
Start date	1 March 2019
End date	20 March 2020

CONSTRUCTION

BUILDINGS

Proposed Research Centre for SLTC at Padukka

The proposed environmental research centre is the second project awarded to Access Engineering PLC by Sri Lanka Technological Campus (SLTC).

The two-story research centre was designed utilising the existing landscape with minimum excavations and clearance of natural fauna and flora around the site. The building will be equipped with state-of-the art facilities and incorporated with environmental-friendly and energy-efficient designs. Due to the temporary disruption of work caused by the worldwide health crisis, the date of completion may be subject to an extension.

Status	Ongoing
Location	Padukka
Client	Sri Lanka Technological Campus (SLTC)
Project value	LKR 288.26 Mn.
Funded by	Sri Lanka Technological Campus (SLTC)
Role in contract	Main contractor
Start date	15 August 2019
End date	30 September 2020

Excavation and Shoring works for proposed Mixed Development Marina Square

Initiated by the developer Harbour Village (Pvt) Ltd., Marina Square Mixed Development Project is a joint venture between construction giants, Access Engineering PLC, China Harbour Engineering Company Lanka, and Singaporean retailer Mustafa's Pte Ltd. The total residential development will comprise five towers; spanning 36 floors each, with 1,068 apartments.

The piling works and shoring works were undertaken by Access Engineering PLC and are completed now. Dewatering is currently in progress.

Status	Completed
Location	Mattakkuliya
Client	Harbour Village (Pvt) Ltd.
Project value	LKR 215 Mn.
Funded by	Harbour Village (Pvt) Ltd.
Role in contract	Main contractor
Start date	29 November 2018
End date	8 November 2019

Our Business Portfolio

CONSTRUCTION

BUILDINGS

Proposed new warehouse building for Camso Loadstar at Katunayake

Access Engineering, in collaboration with Camso Loadstar and the developer WUS Logistics Pvt Ltd., initiated the construction of the largest single-roof warehouse in Sri Lanka and the second largest in South Asia. Once completed this will offer a state-of-the-art logistic city including warehousing facilities, cold room facilities, in-house value addition and multi-country consolidation services, auditorium, business communication centre, exhibition centre, logistic education, and a research and development centre.

Currently the initial works are in progress along with construction of access roads and land development. Due to the temporary disruption of work caused by the worldwide health crisis, the date of completion may be subject to an extension.

Status	Ongoing
Location	Katunayake
Client	Camso Loadstar Private Limited
Project value	LKR 2,565.24 Mn. (USD 15.17 Mn.)
Funded by	Camso Loadstar Private Limited
Role in contract	Main contractor
Start date	1 October 2019
End date	31 January 2021

Our Business Portfolio

CONSTRUCTION

POWER INFRASTRUCTURE

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 wind to produce electrical energy. Ceylon Electricity Board (CEB) 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 CEB, the main contract was awarded to Vestas Asia Pacific A/S. The civil construction works were subcontracted to Access Engineering PLC where the subcontract scope includes design and construction of foundations and hardstands for the wind turbines, building the access road network, 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.

Currently the road construction and preliminary works are completed and the piling works are also in its final stages. Base erections and utility works are also in progress. Due to the temporary disruption of work caused by the worldwide health crisis, the date of completion may be subject to an extension

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	15 October 2020

CONSTRUCTION

TELECOMMUNICATION

Dialog Optical Fibre Backbone Network – Phase VIII

Access Engineering PLC which has long been a catalyst of growth in the telecommunication infrastructure development sector is 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 project is to be conducted under several phases and works up to Phase VII have been completed recently and the Phase VIII is currently in progress. 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 is to be carried out across the island installing an approximate total of over 250 km of fibre cables. The coordination between the utility agencies, road authorities, and general public is extremely challenging and executing work in urban areas is 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 AEL are assuring that the work is progressing with minimum damage to the road surfaces and with least disturbances to the traffic and pedestrians. Due to the temporary disruption of work caused by the worldwide health crisis, the date of completion may be subject to an extension

Status	Ongoing
Location	Multiple locations
Client	Dialog Broadband Networks (Pvt) Ltd.
Project value	LKR 94.5 Mn.
Funded by	Dialog Broadband Networks (Pvt) Ltd.
Role in contract	Main contractor
Start date	1 November 2019
End date	Unit rate Contract

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 work entrusted to Access Engineering PLC 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, AEL also conducts multi-service access node (MSAN) installation and development and expansions of the optical fibre networks in the said areas.

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	Unit rate Contract

CONSTRUCTION

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 140, comprising professionally qualified engineers, quantity surveyors, draftsmen, marketers, accountants, etc. focused to deliver excellence to clients and services of the highest standard.

During 2019/20 the Company was involved in a number of projects including the construction of Capital Heights Rajagiriya, Horizon Knowledge City Malabe, Altair Residential Project Colombo 2, Defense Headquarters Complex Akuregoda, and Academy of Design (AOD) Colombo 4, among several others.

Staff composition

Category	Staff as at 31 March 2020
Managerial	29
Operational	79
Clerical and supportive	38
	146

PROPERTY

ACCESS REALTIES (PRIVATE) LIMITED

Access Realties (Private) Limited 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

Category	Staff as at 31 March 2020
Managerial	3
Operational	29
Clerical and Supportive	2
	34

ACCESS REALTIES 2 (PRIVATE) LIMITED

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

Category	Staff as at 31 March 2020
Managerial	0
Operational	9
Clerical and Supportive	3
	12

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

Category	Staff as at 31 March 2020
Managerial	5
Operational	90
Clerical and Supportive	9
	104

BLUE STAR REALTIES (PRIVATE) LIMITED

Blue Star Realties' 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

Category	Staff as at 31 March 2020
Managerial	8
Operational	10
Clerical and Supportive	6
	24

HARBOUR VILLAGE (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

Category	Staff as at 31 March 2020
Managerial	25
Operational	20
Clerical and Supportive	7
	52

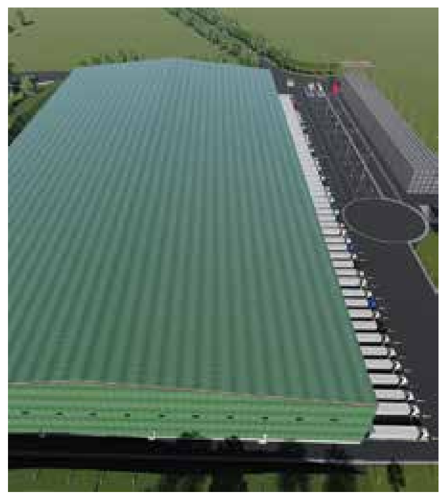
WUS LOGISTICS (PRIVATE) LIMITED

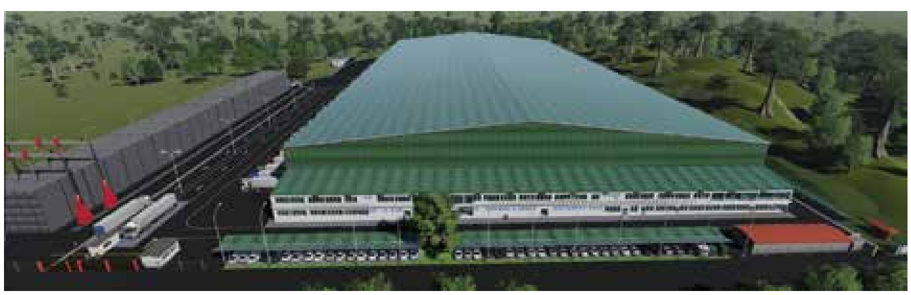
WUS Logistics Private Limited is the developer of the largest single roof warehouse in Sri Lanka. This state-of-the-art Logistics City project is built on an approximately 42 acre land plot in Katunayake. The warehouse and the office space are built on a 9 acre land plot, spanning over 430,000 sq.ft. Upon completion, the pre-engineered steel building will be the 2nd Largest in South Asia operating as the centralised distribution centre for Camso Loadstar (Pvt.) Ltd.

The structure, with an eave height of 15.5 meters and a ridge height of 26 meters is a very high-density storage warehousing facility with a specialized floor that allows for racking to a height above 13 meters and loading of 17 tons per square meter. The building being 278 meters long, allows for processing of 50 containers at a time while accommodating 50 loading bays to ensure optimal efficiency. The facility will also include a container yard capable of handling 720 twenty-foot equivalent container units complete with a gantry crane all support equipment. Once completed this will offer a state-of-the-art logistic city including warehousing facilities, cold room facilities, in-house value addition and bonded consolidation services.

Staff composition

Category	Staff as at 31 March 2020
Managerial	1
Operational	2
Clerical and Supportive	0
	3





AUTOMOBILE

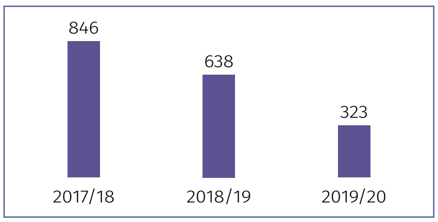
SATHOSA MOTORS PLC

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

Category	Staff as at 31 March 2020
Managerial	7
Operational	41
Clerical and Supportive	140
	188

Number of Isuzu light commercial vehicles sold (Units)



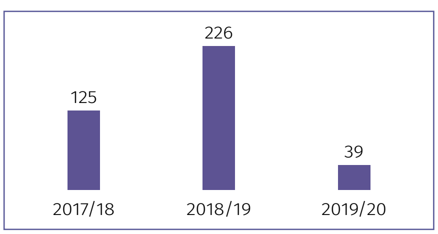
ACCESS MOTORS (PRIVATE) LIMITED

Access Motors is the only authorised distributor of Jaguar and Land Rover in the country operating in the highly competitive premium automobile segment. Access Motors is bolstered by the strength of international automobile brands that has increased its market share in the sector since its inception in 2012. During 2019/20 the company launched Jaguar I – PACE which is Jaguar's first all-electric car and the 2019 Range Rover Evoque.

Staff composition

Category	Staff as at 31 March 2020
Managerial	17
Operational	55
Clerical and Supportive	29
	101

Number of Jaguar and Land Rover vehicles sold (Units)



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) and Hambantota International Port Group (HIPG). It also conducts special repairs and refurbishment work of the Sri Lanka Ports Authority (SLPA) and South Asia Gateway Terminals (SAGT).

Further ZPMC Lanka provides spare parts and special repair services to most of the container terminals in Pakistan including South Asian Pakistan Terminals (SAPT), Karachi International Container Terminals (KICT), Pakistan International Container Terminals (PICT) and Qasim International Container Terminals (QICT).

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

Staff composition

Category	Staff as at 31 March 2020
Managerial	10
Operational	130
Clerical and Supportive	5
	145

MANAGEMENT DISCUSSION

Financial Capital

Review of financial capital and financial performance described how the Group and the Company met the Shareholder objective while mitigating the industry level risk and challengers through operating efficiently, effective utilisation of assets and optimal capital structure.

The diagram below depicts the breakdown of DuPont 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)

Net return/Equity:
(ROE) (Z)

Year	ROE %	Growth %
2016/17	15.59	19.03
2017/18	10.68	-31.49
2018/19	10.28	-3.75
2019/20	9.38	-8.69

Y*(1-X)

Effective tax rate:
(ETR) (X)

Year	ETR %	Growth %
2016/17	10.60	-6.80
2017/18	20.20	90.61
2018/19	22.91	13.41
2019/20	22.77	-0.61

Pre-tax return/Equity:
(Pre-tax ROE) (Y)

Year	Pre-tax ROE %	Growth %
2016/17	17.44	18.00
2017/18	13.38	-23.25
2018/19	13.33	-0.36
2019/20	12.15	-8.86

U*V

Total assets/Equity:
(Equity multiplier) (U)

Year	Equity multiplier %	Growth %
2016/17	165.06	4.14
2017/18	184.63	11.86
2018/19	181.40	-1.75
2019/20	179.94	-0.81

Pre-tax return/Assets:
(Pre-tax ROA) (V)

Year	Pre-tax ROA %	Growth %
2016/17	10.56	13.3
2017/18	7.25	-31.4
2018/19	7.35	1.4
2019/20	6.75	-8.1

S-T

Finance cost/ Total liabilities:
(Q1)

Year	Fin. cost/ Total liab. %	Growth %
2016/17	4.57	–
2017/18	4.45	-2.80
2018/19	6.94	56.18
2019/20	5.94	-14.46

Total liabilities/ Total assets:
(Leverage) (R1)

Year	Leverage %	Growth %
2016/17	39.42	6.79
2017/18	45.84	16.30
2018/19	44.87	-2.10
2019/20	44.43	-1.00

Q1*R1

Finance cost/Total assets:
(T)

Year	Fin. cost/ Tot. assets %	Growth %
2016/17	1.80	–
2017/18	2.04	13.03
2018/19	3.12	52.90
2019/20	2.64	-15.32

EBIT/Total assets:
(ROCE)* (S)

Year	ROCE %	Growth %
2016/17	12.37	32.66
2017/18	9.29	-24.91
2018/19	10.47	12.71
2019/20	9.39	-10.26

P + Q + R

Interest income/Total assets: (P)

Year	Int. inc./ Tot. assets %	Growth %
2016/17	1.34	122.85
2017/18	0.44	-67.01
2018/19	1.72	286.74
2019/20	1.81	5.62

O*N

Investment in financial instruments/Total assets: (N)

Year	Inv. in FI/ Total assets %	Growth %
2016/17	7.22	-75.88
2017/18	4.01	-44.48
2018/19	4.41	10.07
2019/20	4.55	3.13

F1+G

Investment in debentures/Total assets: (F1)

Year	Inv. in deb./ Total assets %	Growth %
2016/17	3.42	0.20
2017/18	3.05	-10.85
2018/19	2.91	-4.53
2019/20	2.73	-6.31

Investment in short-term deposits/Total assets: (G)

Year	Inv. in ST dep./ Total assets %	Growth %
2016/17	3.79	-85.69
2017/18	0.96	-74.83
2018/19	1.50	56.74
2019/20	1.82	21.49

Interest income/Investment in financial instruments: (O)

Year	Int. income/ Inv. in FI %	Growth %
2016/17	18.63	823.84
2017/18	11.07	-40.57
2018/19	38.90	251.36
2019/20	39.84	2.42

Dividend income/Total assets: (Q)

Year	Div. inc./ Tot. assets %	Growth %
2016/17	1.09	296.0
2017/18	1.69	55.0
2018/19	0.96	-43.3
2019/20	2.33	143.5

L*M

Investment in subsidiaries, JV, associates/Total assets: (L)

Year	Inv. in sub., JV, asso./Total assets %	Growth %
2016/17	38.90	47.46
2017/18	45.12	15.97
2018/19	40.69	-9.82
2019/20	39.84	-2.08

D+E+F

Investment in subsidiaries/Total assets: (E)

Year	Inv. in sub./ Total assets %	Growth %
2016/17	34.84	38.40
2017/18	41.62	19.45
2018/19	38.22	-8.17
2019/20	37.53	-1.80

Investment in JV/Total assets: (F)

Year	Inv. in JV/ Total assets %	Growth %
2016/17	3.87	–
2017/18	3.33	-13.83
2018/19	2.31	-30.70
2019/20	2.17	-6.30

Investment in associates/Total assets: (D)

Year	Inv. in asso./ Total assets %	Growth %
2016/17	0.20	-11.14
2017/18	0.17	-13.83
2018/19	0.16	-4.71
2019/20	0.15	-6.30

Dividend income/Investment in subsidiaries, JV, associates: (M)

Year	Dividend income/ Inv. in sub., JV, asso. %	Growth %
2016/17	2.80	168.53
2017/18	3.74	33.62
2018/19	2.35	-37.13
2019/20	5.85	148.61

Core income/Total assets: (R)

Year	Core Inc./ Tot. assets %	Growth %
2016/17	9.93	17.63
2017/18	6.91	-30.43
2018/19	7.79	12.78
2019/20	5.25	-32.65

J*K

Investment in core business/Total assets: (J)

Year	Inv. in core business/ Total assets %	Growth %
2016/17	32.49	18.89
2017/18	26.19	-19.40
2018/19	26.04	-0.58
2019/20	35.37	35.84

A+B

Investment in PPE/Total assets: (A)

Year	Inv. in PPE/ Total assets %	Growth %
2016/17	13.20	0.23
2017/18	11.17	-15.31
2018/19	10.06	-9.95
2019/20	8.48	-15.69

Investment in working capital/Total assets: (B)

Year	Inv. in WC/ Total assets %	Growth %
2016/17	19.30	36.24
2017/18	15.02	-22.19
2018/19	15.98	6.39
2019/20	26.89	68.30

Core income/Investment in core business: (K)

Year	Core inc./Inv. in core bus. %	Growth %
2016/17	30.56	-1.07
2017/18	26.38	-13.68
2018/19	29.93	13.45
2019/20	14.84	-50.42

H - I

Revenue/Investment in core business: (H)

Year	Revenue/Inv. in core business %	Growth %
2016/17	160.09	-4.77
2017/18	207.60	29.68
2018/19	214.72	3.43
2019/20	137.10	-36.15

Operating cost/Investment in core business: (I)

Year	Op. cost/ Inv. in core business %	Growth %
2016/17	129.53	-5.60
2017/18	181.22	39.91
2018/19	184.79	1.97
2019/20	122.26	-33.84

ACCESS ENGINEERING PLC – BALANCE SHEET (COMPANY)

	Horizontal analysis					Vertical analysis				
	2019/20	2018/19	2017/18	2016/17	2015/16	2019/20	2018/19	2017/18	2016/17	2015/16
	%	%	%	%	%	%	%	%	%	%
Property, plant and equipment	-16.08	-6.20	-7.37	14.70	-5.04	6.97	8.86	9.91	12.42	12.19
Right-of-use assets	100	–	–	–	–	0.07	–	–	–	–
Investment properties	34.68	0.00	89.00	26.15	0.00	1.52	1.20	1.26	0.77	0.69
Intangible assets	-20.79	-10.90	-14.82	-14.38	-12.58	0.10	0.14	0.16	0.22	0.29
Investments in subsidiaries	4.80	-3.63	38.63	55.75	22.43	37.53	38.22	41.62	34.84	25.17
Investments in joint venture	0.00	-27.27	0.00	340.00	0.00	2.17	2.31	3.33	3.87	0.99
Investment in associate	0.00	0.00	0.00	0.00	0.00	0.15	0.16	0.17	0.20	0.22
Other non-current financial assets	-89.08	0.19	3.47	12.76	0.00	0.30	2.91	3.05	3.42	3.42
Total non-current assets	-3.20	-5.12	23.89	46.01	24.06	48.80	53.80	59.51	55.74	42.97
Inventories	57.62	-10.99	65.99	16.05	-9.58	6.14	4.16	4.90	3.43	3.33
Trade and other receivables	12.98	18.29	26.02	48.19	0.72	30.84	29.18	25.89	23.84	18.10
Amount due from related parties	117.33	72.95	-82.68	191.88	-15.55	2.41	1.18	0.72	4.81	1.85
Current tax assets	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.18	0.00	0.00
Other current financial assets	41.02	22.66	25.45	18.46	29.91	9.41	7.13	6.10	5.64	5.36
Short-term investments	176.77	-27.53	-1.36	-10.74	-36.80	0.19	0.07	0.11	0.13	0.16
Short-term deposits	21.96	70.01	-73.19	-84.33	684.95	1.63	1.42	0.85	3.67	26.35
Cash and cash equivalents	-80.02	86.42	-26.04	63.77	-68.60	0.58	3.11	1.75	2.74	1.89
Total current assets	18.28	19.74	6.18	-12.67	51.50	51.20	46.20	40.49	44.26	57.03
Total assets	6.72	4.95	16.06	12.54	38.35	100.00	100.00	100.00	100.00	100.00
Stated capital	0.00	0.00	0.00	0.00	0.00	24.36	26.00	27.28	31.66	35.63
Revaluation reserve	38.10	0.00	-16.91	82.17	0.00	0.57	0.44	0.46	0.65	0.40
Retained earnings	14.00	13.97	8.43	17.59	15.45	30.65	28.69	26.42	28.28	27.06
Equity attributable to owners of the Company	7.59	6.81	3.75	8.07	6.09	55.57	55.13	54.16	60.58	63.09
Total equity and liabilities	7.59	6.81	3.75	8.07	6.09	55.57	55.13	54.16	60.58	63.09
Interest-bearing borrowings	-99.97	–	–	–	–	0.00	14.99	15.73	18.25	20.55
Employee benefits	44.02	8.51	42.97	4.33	6.23	0.75	0.56	0.54	0.44	0.47
Deferred taxation	-9.48	-12.12	131.16	24.93	-15.77	1.27	1.50	1.79	0.90	0.81
Total non-current liabilities	-87.29	-0.95	6.98	0.99	1451.64	2.03	17.04	18.06	19.59	21.83
Trade and other payables	-16.15	18.15	30.14	53.66	25.94	19.36	24.64	21.88	19.51	14.29
Amount due to related parties	-86.93	787.69	-55.31	130.21	161.46	0.10	0.81	0.10	0.25	0.12
Lease liabilities	100	–	–	–	–	0.07	–	–	–	–
Interest-bearing borrowings	1,914.25	–	–	–	–	21.92	1.16	5.77	0.00	0.00
Current tax liability	-48.92	–	–	–	–	0.57	1.19	0.00	0.04	0.65
Unclaimed dividend	6.37	33.40	42.59	83.78	72.93	0.04	0.04	0.03	0.02	0.01
Bank OD	100	–	–	–	–	0.34	0.00	0.00	0.00	0.00
Total current liabilities	62.58	5.14	62.62	47.97	32.23	42.40	27.83	27.78	19.83	15.08
Total liabilities	5.66	2.74	34.97	20.18	188.12	44.43	44.87	45.84	39.42	36.91
Total equity and liabilities	6.72	4.95	16.06	12.54	38.35	100.00	100.00	100.00	100.00	100.00

ACCESS ENGINEERING PLC – INCOME STATEMENT (COMPANY)

	Horizontal analysis					Vertical analysis				
	2019/20	2018/19	2017/18	2016/17	2015/16	2019/20	2018/19	2017/18	2016/17	2015/16
	%	%	%	%	%	%	%	%	%	%
Revenue	-7.43	7.91	21.30	27.42	3.20	100.00	100.00	100.00	100.00	100.00
Cost of sales	-3.47	6.99	32.89	25.89	4.96	-87.19	-83.61	-84.33	-76.98	-77.92
Gross profit	-27.68	12.88	-17.43	32.84	-2.58	12.81	16.39	15.67	23.02	22.08
Other income	102.87	-10.63	51.64	89.91	1416.55	7.34	3.35	4.04	3.23	2.17
Administrative expenses	1.55	14.38	-5.81	27.12	-21.07	-4.34	-3.96	-3.73	-4.81	-4.82
Other expenses	19.73	-13.83	-25.86	-25.85	-50.04	-0.17	-0.13	-0.16	-0.26	-0.45
Net finance income	-37.00	8.78	244.85	-184.82	37.28	-1.71	-2.51	-2.49	-0.87	1.31
Profit before tax	-1.94	6.43	-20.37	27.52	21.12	13.93	13.15	13.33	20.31	20.29
Income tax expenses	-2.54	20.69	51.78	18.85	40.05	-3.17	-3.01	-2.69	-2.15	-2.31
Profit for the period	-1.76	2.81	-28.92	28.64	19.06	10.76	10.13	10.64	18.15	17.98

REVIEW OF FINANCIAL PERFORMANCE

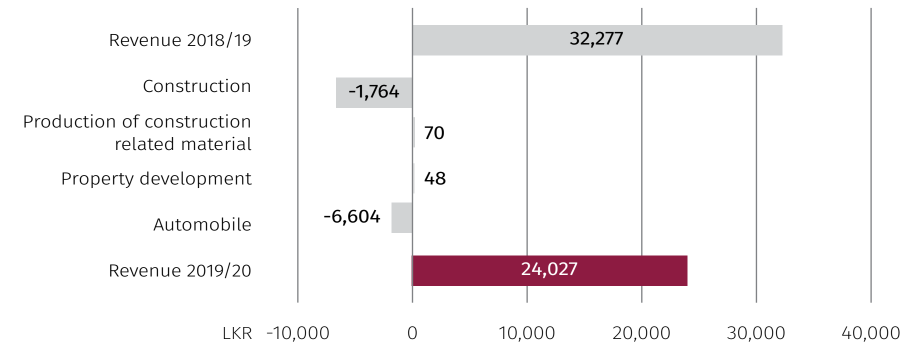
Review of financial performance covers aspects of improving the return on equity (ROE) via operating efficiency (net profit margin) and effective utilisation of assets (Asset Turnover).

Turnover

In the year under review, despite the challenging environment due to numerous external factors which led to compromise daily continuity of the business, AEL was able to achieve turnover of LKR 24.03 Bn. and LKR 17.92 Bn. at the Group and the Company level which recorded negative growth rates of -25.56% and -7.43% respectively.

At Group level construction segment witnessed a revenue growth of (-9.93% YOY), production of construction related materials (+2.39% YOY), property development of (+6.36% YOY) and automobile (-61.16% YOY). Negative growth rates mainly due to the automobile and construction sectors. Details of the movement in revenue from 2018/19 to 2019/20 are shown in the chart below.

GROUP REVENUE GROWTH



Construction Segment

Road and Highway construction – Mainly fuelled by the Central Expressway project which involved in the construction of 9.7 km stretch under Section II from Mirigama to Riloluwa which was nearing completion.

Kadawatha-Nittambuwa Road project which was 23 km road stretch was completed and handed over to RDA during the period.

Water and drainage construction – Anuradhapura North Water Supply project – Phase I, Deduruoya Water Supply project are the main key contributing factors for the 16.81% YOY growth of this by segment during the period. Towns East of Colombo water supply project was also completed during the year.

Building and other construction – +28.47% YOY growth of this segment revenue is the highest contributing factor to the Group turnover. Significant progress of the Mannar Wind Power project is the main contributing project towards revenue under this segment followed by Nanotechnology Centre which recorded LKR 1.4 Bn. revenue during the year.

Housing project for the government servants in Borella was substantially completed during the year and contributed to the turnover positively.

In addition Camso Warehousing project and multiple piling projects initiated during the year contributed positively for this segment revenue.

Construction related Material

Sale of construction related materials increased by 2.38% YOY at Group level as a result of all our production plants run at full capacity as one of Sri Lanka's largest ready mix concrete and asphalt suppliers. A new sand manufacturing plant in Mathugama was acquired during the period.

Property

The property sector saw a +6.34% YOY growth of rental income reported mainly with the Access Tower II which was fully booked/leased out during the period.

Rental income contributed 3.42% of the Group's revenue.

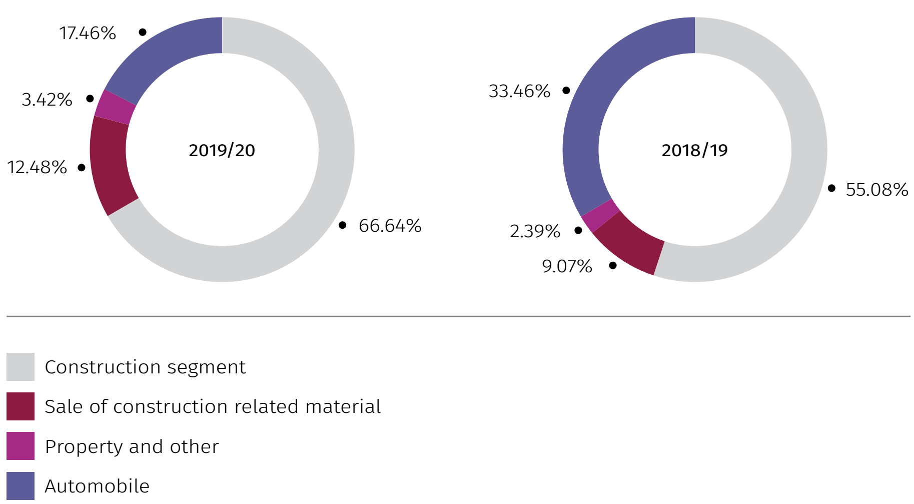
Automobile

The automobile sector contributed to 17.5% of the Group's revenue. The performance of both Isuzu and Jaguar Land Rover was behind target. The business was also negatively impacted by the recent import restrictions imposed for the strengthening of the Sri Lankan Rupee and frequent changes made to luxury tax.

YOY growth of revenue components

	2019/20 LKR Mn.	2018/19 LKR Mn.	YOY %
Highways construction	3,746	7,714	-51.44
Water and drainage construction	2,270	1,943	16.81
Bridge construction	16	314	-94.90
Building and other construction	9,877	7,688	28.47
Hiring income	69	104	-33.78
Fabrication income	34	13	166.89
Construction segment	**16,013**	17,777	-9.93
Sale of construction related material	**2,999**	2,929	2.39
Rental income	821	772	6.34
Service charges	1	1	25.16
Property and other	821	773	6.21
Automobile	4,194	10,799	-61.16

YOY GROWTH OF REVENUE COMPONENTS



Profitability

Overall gross profit margins of Group and Company have reported at 15.85% (2018/19: 16.06%) and 12.81% (2018/19: 16.39 %) respectively despite most volatile macro environments in the history of our operations.

Negative Impacts towards the gross profit due to negative growth of revenue YOY has slightly offset by the decrease of the cost of sales at same phase leading the Group and Company to report gross profit of LKR 3,807 Mn. and LKR 2,294 Mn. respectively.

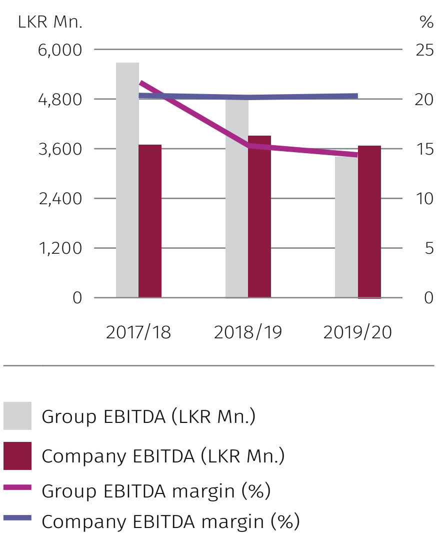
At Group and Company level administration and other expenses as a percentage of revenue remained as 8.66% [2018/19: 5.84%] and 4.51% [2018/19: 4.09 %] respectively. This increase was mainly due to compromise in productivity and efficiency followed by first ever pandemic situation in early 2020.

Despite all the challenging external factors the core business of the Company was able to record a 102.87% significant growth of other income mainly contributed by the dividend income from Access Realties (Pvt.) Ltd. with the support of its subsidiary Access Realties 2 which operated 100% during the year.

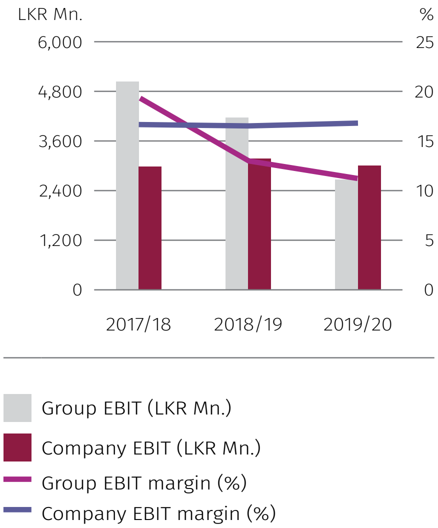
At Group level other Income has reported LKR 599 Mn. against the LKR 482 Mn. reported in 2018/19 which is supported by a revaluation of Investment property.

The Group and the Company level EBIT stood at LKR 2,678 Mn. and LKR 3,018 Mn. respectively despite the reduction of gross profit margin Impact with negative impact of the turnover. This is one of the key year that Group reaped the benefit of diversifying the business into property development from its core business of construction.

EBITDA



EBIT



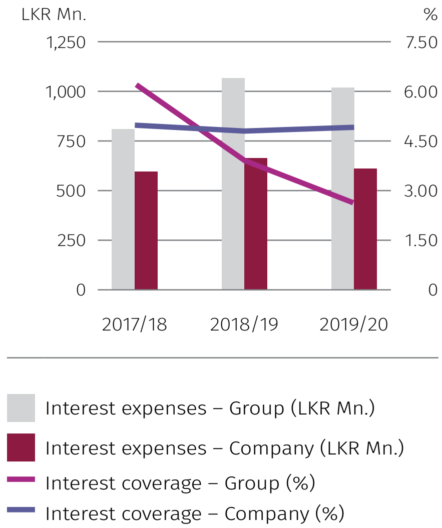
Finance expenses

YOY interest expenses of the Group and the Company slightly decreased from LKR 1,071 Mn. to LKR 1,023 Mn. and from LKR 666 Mn. to LKR 614 Mn. mainly with the reduction of interest rate for borrowings and less average loan book value during the period under review.

Similarly interest income of the Group and the Company recorded LKR 359 Mn. and LKR 216 Mn. respectively where excess cash during the period time to time at Company level has positively impacted towards increase of fixed deposit interest income.

In additional to the impact of Group level reduction of EBIT compared to previous year, Group interest coverage ratio has declined from 3.90 to 2.62 times marginally.

INTEREST COVERAGE



Taxation

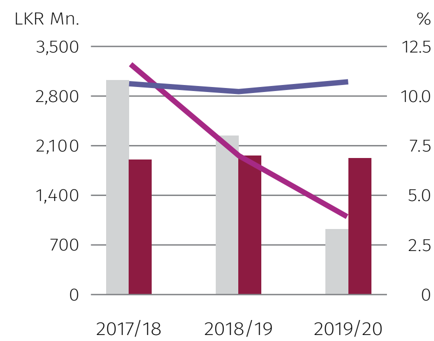
The effective tax rates for 2019/20 remained at 46.91% and 22.77% respectively at Group and Company level as opposed to 28.23% and 22.91% respectively in 2018/19. Group level income tax expenses was increased mainly due to the deferred tax provision related to Access Realties (Pvt.) Ltd. and excluding that provision overall effective tax rate has reduced YOY.

Company level effective tax rate will reduce in 2020/21 due to the reduction of corporate tax rate reduced from 28% to 14% effective from 1 January 2020.

Profit After Tax (PAT)

The after tax profit for the period ended 31 March 2020 was recorded at LKR 928 Mn. and LKR 1,927 Mn. respectively at Group and Company level. Highest contribution to Group PAT was from construction sector followed by contribution from ARL 1 and ARL II Towers.

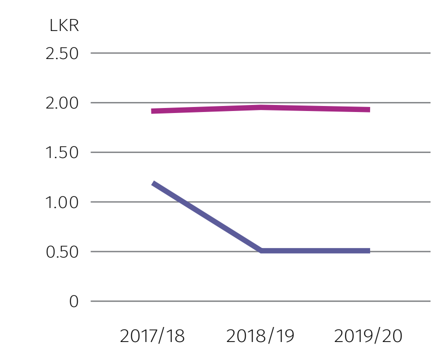
PROFIT AFTER TAX



Group PAT (LKR Mn.)
Company PAT (LKR Mn.)
Group NP margin (%)
Company NP margin (%)

Earnings per ordinary share was recorded at LKR 0.98 (2018/19: 2.15) and LKR 1.93 (2018/19: 1.96) at Group and Company level respectively.

EPS AND DPS



Earnings per share
Dividends per share declared

In the year under review the Directors have approved one interim dividend of LKR 0.25 per share (final dividend 2018/19 was declared at 0.25) totalling to LKR 500 Mn. during the year.

The Company was able to maintain a reasonable profit margin and ROE despite the continuity of most volatile macro environments in the history of our operations fuelled by the Easter Sunday attack in April 2019 and the first pandemic Sri Lanka had in our lifetime which broke out in early 2020.

During this year also, continuous focus was given on improving efficiency of "procurement activities" for better working capital management.

Acquisition of 100% of WUS Logistics Private Limited which is involved in the construction of the largest single roof warehouse will contribute positively in Group level turnover in terms of rental. Management has identified that continuous focus on diversification will be the key for the development and sustainability of this business in future.

REVIEW OF FINANCIAL POSITION

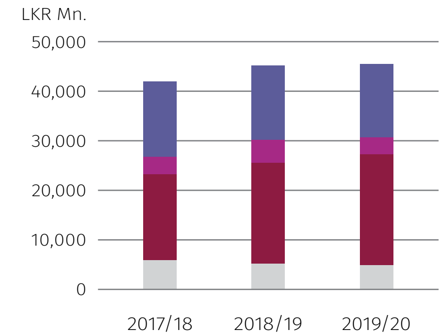
Total Non-current asset base of the Group and the Company level decreased by 2.18% to LKR 19.7 Bn. and 3.20% to LKR 18.0 Bn. respectively, primarily with the limited investment on property, plant equipment and the completed disposal of Horizon Holding Ventures Private Limited.

GRI 201-4

FINANCIAL ASSISTANCE RECEIVED FROM THE GOVERNMENT

The construction industry was given a concessionary tax rate of 14% with effect from 1 January 2020.

ASSET DECOMPOSITION – GROUP



Property, plant and equipment
Inventories and other receivables
Cash and short-term deposits
Other current assets

Aligned with the reduction of revenue during the period at Group and Company levels, PPE values reduced by 5.02% and 16.08% YOY.

With the commencement of new operational activities of subsidiaries Group current asset base also stood at LKR 30 Bn. a Growth of 8.80% YOY while Company operating current asset base** increased by 18.28% YOY mainly due to increase of receivables and upcoming maturity of debenture invested five years ago.

LKR 3.4 Bn. increase of Group operating current assets and LKR 1.5 Bn. decrease of the Group operating current liability* which result net operating working capital to be increased by LKR 4.8 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 2020 was LKR 279 Mn. (31 March 2019 – LKR 193 Mn.). Payment of liabilities at the point of occurrence will be from the Company's internally generated funds.

YOY Growth of Key Working Capital Components

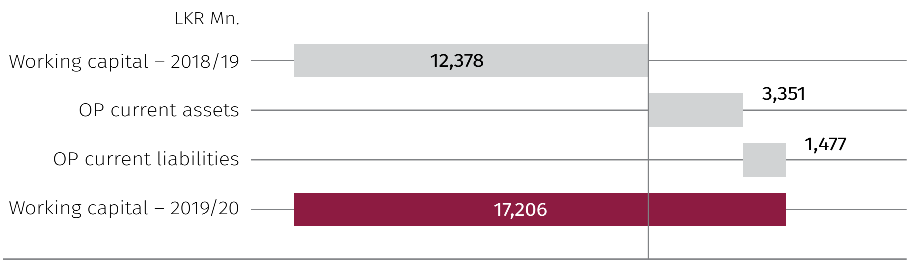
	2019/20 LKR	2018/19 LKR	Percentage of growth %
Group			
Inventory	8,297,097,495	6,578,633,179	26.12
Trade and other receivables	14,064,151,231	13,737,627,879	2.38
Trade and other payables	11,012,743,258	12,491,096,071	-11.84
Company			
Inventory	2,269,730,808	1,440,013,027	57.62
Trade and other receivables	11,393,520,734	10,084,363,584	12.98
Trade and other payables	7,151,916,529	8,528,943,819	-16.15

At Company level total increase of current asset along with the increase of current liability which results a 4.44 Bn. Increase in total net working capital.

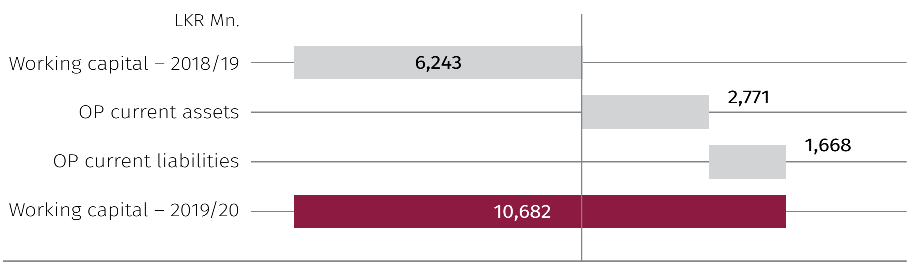
** Operating current assets = Current assets – Short-term Investments – Short-term deposits

* Operating current liability = Current liability – Short-term borrowings

WORKING CAPITAL MOVEMENT – GROUP



WORKING CAPITAL MOVEMENT – COMPANY



Despite the increase of working capital the liquidity position remains strong with approximately LKR 3.4 Bn. at Group level held in short-term deposits and cash.

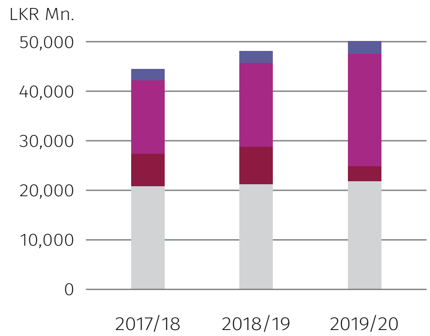
Capital structure

The gearing ratio, which is calculated as a proportion of the total interest-bearing liabilities to equity, has increased from 41.21% to 50.23% and 29.29% to 39.45% at the Group and the Company Level respectively.

Company level short-term borrowings increased from LKR 402 Mn. to LKR 8,099 Mn. mainly due to upcoming redemption of LKR 5 Bn. Debentures within the period of 2020/21 and as well as further investment in working capital.

At a the Group level and the Company level the majority of assets were funded by equity at 49% and 55% respectively, which results lower financial leverage compared to the industry which results for further expansion additional to the benefit of reducing borrowing rates.

EQUITY AND LIABILITIES – GROUP



GEARING RATIO

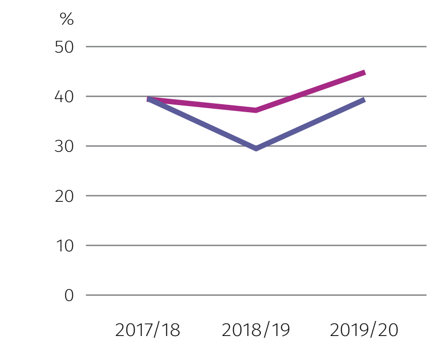


Table of ratio analysis

	2019/20	2018/19	2017/18	2016/17	2015/16
Financial leverage					
Group (Times)	**2.05**	2.04	1.93	1.67	1.7
Company (Times)	**1.80**	1.81	1.85	1.65	1.6

Summary – Review of financial performance and financial position

ROE is the final outcome of financial performance and the financial position. Amidst continuity of the macro challenges with more focus towards tightening the expenses and exploiting new market opportunities. Company has reported a over 9.38% ROE for the reporting period.

With the strategies implemented to further diversification and the expected increase of dividend income from subsidiary companies upward trending ROE is expected in future.

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

	ROE (Company) %	=	Net profit margin %	x	Asset turnover Times	x	Financial leverage Times
2019/20	**9.38**		**10.76**		**0.48**		**1.80**
2018/19	10.28		10.13		0.56		1.81
2017/18	10.68		10.64		0.54		1.85

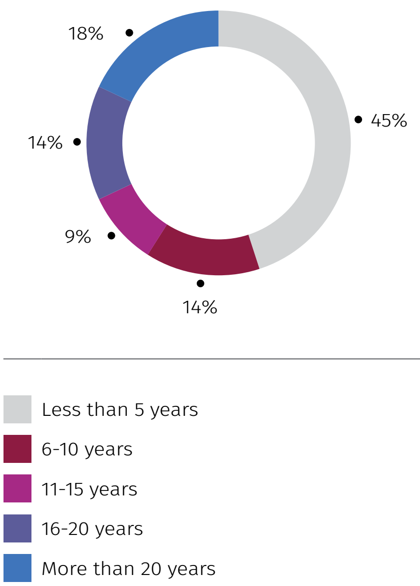
Subsidiary – Consolidated review of financial performance and financial position

Access Realties (Private) Limited (ARL)

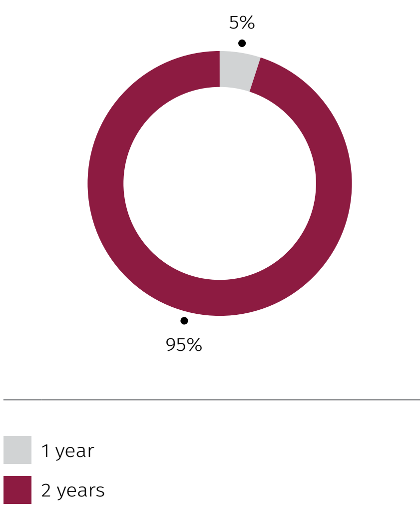
The Company's fully owned subsidiary Access Realties (Private) Limited, which is the owner and the managing agent of Access Tower I and Access Tower II, gross profits amounting to LKR 908 Mn. and LKR 250 Mn. respectively at the Group and the Company level while the Company enjoyed high gross margins of 86%.

Addition to this Access Elevate (Pvt) Ltd. which is 100% owned by Access Realties (Private) Limited contributed by LKR 280 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 motor vehicles and spare parts manufactured by Isuzu Motors Limited of Japan generated a top line of LKR 4,196 Mn. and LKR 2,561 Mn. at Group and Company level.

Recorded a loss of LKR 80 Mn. and LKR 81 Mn. respectively at the Group and Company level, which is also due to the finance costs incurred during the year, on the bank borrowings used for business expansion initiatives, with investments in land, buildings, workshops, and subsidiaries amounting to over LKR 1.3 Bn. The business was also negatively impacted by the recent import restrictions imposed for the strengthening of the Sri Lankan Rupee and frequent changes made to luxury tax.

The Company's gross profit margins at Group and Company level were 18.94% and 16.95% respectively.

Access Projects (Private) Limited (APL)

Top line for the financial year 2019/20 was recorded at LKR 1,913 Mn., with a gross profit of LKR 315 Mn. The margin was 16%. The Company's net profit for 2019/20 was LKR 82 Mn.

Future outlook

Our goal is to provide high return on investments to our shareholders for the trust they have placed on Access Engineering. Each year, our strategy is to achieve a higher profit after tax to invest in ventures that would result in substantial returns. Assessing the challenges from the operating environment and the uncertainty that stems from the COVID-19 pandemic, we will attempt to maintain our dividend policy of declaring 40% to 50% out of Company profits. 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

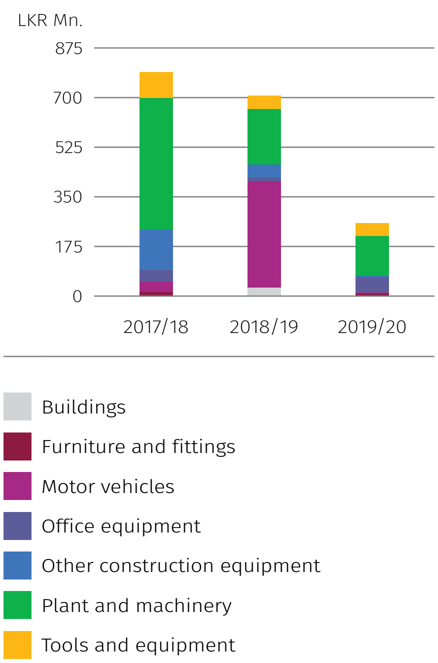
Direct economic value generated and distributed

	2019/20 LKR	2018/19 LKR
Value created		
Gross revenue	17,917,039,628	19,356,105,575
(-) Cost of goods and services (Excluding depreciation and remuneration to employees)	(12,813,159,732)	(13,236,742,742)
Value added from operations	5,103,879,896	6,119,362,833
Other income	1,314,228,230	647,816,174
Finance income	216,975,308	154,440,941
Total value created	6,635,083,434	6,921,619,948
Value distributed		
Operating costs	153,623,929	370,523,697
Remuneration to the employees	2,351,847,602	2,429,645,077
Directors' fees and remuneration	26,530,000	24,790,000
Community investments	16,443,795	12,563,806
Government levies	5,410,459	2,597,831
Corporate taxes	624,177,692	652,117,427
Interest cost	614,173,801	666,142,500
Non-controlling interest	–	–
Dividends	500,000,000	500,000,000
Total value distributed	4,292,207,278	4,658,380,337
Total value retained	2,342,876,156	2,263,239,611
Total value distributed and retained	6,635,083,434	6,921,619,948
Value retained		
Profit retained	1,463,025,881	1,380,965,724
Depreciation and amortisation	879,850,275	882,273,887
Total value retained	2,342,876,156	2,263,239,611

Manufactured Capital

Our manufactured capital includes all the physical and technological objects that support our day-to-day operations and in the delivery of our services. It includes our physical assets such as land, buildings, production plants, quarries we have leased, heavy machinery and equipment fleet, and furniture. Being in the construction sector, our manufactured capital plays a vital role in our day-to-day operations, facilitates our growing business needs, and helps maintain optimum service delivery to our clients. Further, manufactured capital comprise the state-of-the-art IT infrastructure, which includes our ERP system, we have in place to support our operations.

CAPACITY BUILDING



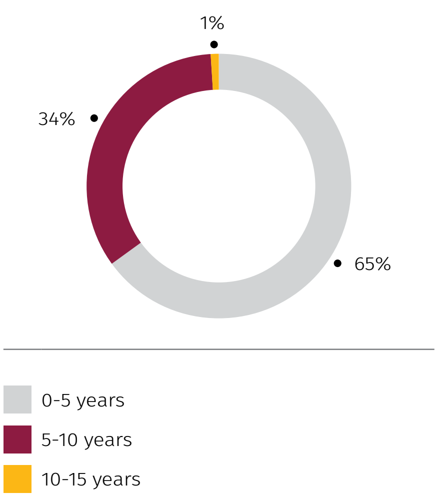
HEAVY CONSTRUCTION VEHICLES, EQUIPMENT, AND MACHINERY

We possess heavy construction vehicles, equipment, and machinery that help us with the systematic running of our operations as well as generate additional revenue in the form of hiring income. We have a dedicated unit in place, the Central Equipment Division (CED) to regularly maintain the machinery by regular service and supervision. This designated team ensures the safe operation of the machinery, equipment, and vehicles.

The machinery we possess include, piling machines, grab machines, crawler and tower cranes, pavers, pump cars, drilling machines, formwork 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 189.7 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.

AGING OF THE MACHINERY FLEET



65% of our fleet of machinery had a lifespan less than 5 years, 34% a lifespan between 5-10 years and the balance 1% a lifespan over 10 years.

IT Infrastructure

We possess state-of-the-art IT infrastructure that supports and streamlines our day-to-day operations. These include, latest servers, storages, firewalls, backup systems and the Company ERP systems and the DMS. This has contributed to improved efficiencies, a competitive edge over our peers, and enabled us to perform tasks faster. We invested LKR 22.4 Mn. during the year to further improve our IT capabilities.

Production plants

Following our strategy to vertically integrate our operations, we have become a leader in the production of construction-related materials. We have an extensive network of production plants located at strategic locations that allow us to execute our projects efficiently. Understanding the market and demand potential for construction material, we will further invest in production plants to cater to ever increasing demand.

Our production plants are located in the following areas:

- Asphalt plants are located in Kotadeniyawa, Mathugama, Mailapitiya, Giriulla, and Vavuniya. The total installed capacity was 536 TPH.
- Crusher plants are located at Mirigama, Vavuniya and Mathugama. The total installed capacity was 390 TPH.
- Concrete batching plants are located in Kandana, Mabima, Peliyagoda, Balapitya, and Wattala with a total installed capacity of 315 m3/h.
- Quarries are located in Vavuniya, Hakmana, Wallallavita and Mirigama.

FUTURE OUTLOOK

In this challenging context, we must invest wisely to stay ahead of our competition. We will strengthen our manufactured capital by continuous investments that provide us a competitive edge. Our vertical integration requires strategic investments to take further control of our supply chain. We also continue to expand our production plants and workshops and increasing their capacity to meet market requirements. While our equipment and machinery requires continuous maintenance, we have to regularly invest to replace our ageing fleet. Our investments in bolstering our IT infrastructure too is seen as a timely necessity, given that technology will facilitate our operations, especially during an unprecedented challenge such as the COVID-19 pandemic.

Intellectual Capital

Our intellectual capital includes brand, corporate culture, systems, knowledge-based assets such as licenses, software, procedures and protocols, and the accumulated internal knowledge that lead to improvement in operational excellence. These components, combined with our expertise, provide us with a competitive advantage in the industry and helps us generate returns on investment while enhancing our efficiency.

THE ACCESS ENGINEERING BRAND

The uniqueness of the Access Engineering brand stems from our philosophy on actualising our vision "To be the foremost Sri Lankan business enterprise in value engineering".

In this endeavour, we have been quite successful. At present, we are one of the most accredited civil engineering companies as per the accreditations given by the Construction Industry Development Authority (CIDA) having the highest accreditation across the most number of disciplines. We are a "Major and Specialist" contractor accredited by the National Construction Association of Sri Lanka. We possess the fourth largest "market capitalisation" in the "Capital Goods" GICS Industry Group of the Colombo Stock Exchange. One of the three companies in the "Capital Goods" GICS Industry Group which was a constituent of the S&P SL 20 index of the CSE during the year 2019/20.

In keeping with our strategy to become vertically integrated, we possess expertise in a number of fields such as engineering designs, foundations, workshops, production of construction materials, construction projects and also forward integrated functions of real estate.

We have been recognised as one of the most "preferred partners" among the international community and the overseas contractors who are in Sri Lanka. We have collaborated with them and jointly executed a number of projects from around the world. Some examples include: China, Hungary, Australia, United Kingdom, USA, Japan, Malaysia, Korea, Spain, and etc.

As a forerunner in utilising technology, we have introduced several unconventional and innovative construction methodologies to the Sri Lankan market. Some of them include the 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. Moreover, we are one of the most "preferred employers" in the industry with an undisputed retention ratio above industry average.

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 the only company in Sri Lanka to partner China Harbour Engineering Company (CHEC), the developer and investor of the Colombo International Financial City as an investment partner and the only company in the world to partner ZPMC China as a JV partner to carry out port equipment maintenance operations.

We have also affected partnerships with global giants like Vestas, the world's largest wind turbine manufacturer, and Michelin, the world's second largest tire manufacturer to construct Sri Lanka's largest warehouse for Camso.

We are the only company from our sector to be selected to the "Category of 10 Best Corporate Citizens" by the Ceylon Chamber of Commerce for three consecutive years 2017, 2018, and 2019. Moreover, we were once again the recipient of the gold award for construction companies at the annual CA Sri Lanka Annual Report Awards.

SYSTEMS AND PROCESSES

The systems and processes that are in place at Access Engineering help us to deliver value engineering to our customers. We utilise the latest IT technology that includes hardware, software, firewalls, and servers. We regularly upgrade our systems to stay ahead of the curve and to streamline operations. Most of our critical company operations that include finance and controlling, material management, sales and distribution, project systems, production planning, plant maintenance, equipment and tool management run on SAP.

We have introduced an ERP system, the first construction company to do so, that works on the latest smartphones and touch devices and has made the approval process more efficient. We also have an internal team capable of giving solutions for various operational problems encountered during the operation of SAP. This in-house team which is highly skilled, trained and experienced in the system is capable of doing system modifications and enhancements where necessary to make operations smoother. We have environment and H&S Management systems that adhere to the ISO requirements and continuous user training is provided with regular audits. The "SAP Fiori" system provides a set of applications on compatible hand-held devices enabling to perform certain business functions. "SAP Fiori" is user friendly, more secured, more efficient, and facilitates a faster approval process. Our document management system (DMS) tracks, manages, and stores documents while reducing paper usage, costs, and negative environmental impact from paper waste.

We maintain an in-house library with reference materials on paper and electronic media on civil engineering and project management. Further, we publish Access Engineering "News Within" editorial quarterly newsletters with information about construction projects, sustainability initiatives, technological advancements, human capital, and financial performance.

We have already seen tangible benefits of these systems that were implemented: In the H&S performance our LTIFR has improved significantly in 2019/20 compared to 2018/19, our employee engagement has significantly improved in the last few years, and we have not incurred any fines or quality failures during the year.

Systems upgraded, automated or digitalised in 2019/20

Upgrades to existing systems	→ SAP system version upgrade from EhP 6 to EhP 8 in 2019 → Successfully upgraded the VMware and SUSE Linux kernels to support latest SAP EhP 8 version → Upgraded the core firewall system to prevent latest virus attacks
Completed during the year	→ The Company health and safety management system was upgraded to meet the requirements of latest international health and safety standard ISO 45001:2018, and got certified for the standard, in June 2019. → Use of a digital monitoring system which is an app that can be installed into smart devices. Functions such as QAQC planning, granting approvals can be easily performed via the app. The system is currently used in the Bluemendal Housing Project.
Under implementation	→ SAP HR module with a plan to process company payroll through the SAP system
Future plans	→ A fully-automated individual data backup system → Tendering E-procurement system

PROCUREMENT POLICY

As a leading construction firm in the industry, a sound procurement policy is needed to carry out business with our extensive suppliers and the supply chain. We have established mutually beneficial, long-standing relationships through our procurement policy as well as maintained transparent, sustainable practices. The policy carefully outlines the steps to follow in the procurement of construction materials, goods and services in an environmentally-friendly manner. We also focus on effective and efficient procurement arrangements that maximise value, minimise cost and support achievement of company's long-term and short-term objectives. The term supplier includes all suppliers local and foreign, subcontractors who are engaged to provide goods, services and works to AEL.

AEL's procurement policy provides guidance to employees on delegated authority levels to purchase goods, services, and works. Further, in the procurement process we always take into consideration environmental, quality and safety impact of activities and try our best to maintain compliance with the relevant standards applicable to environment, quality, and health and safety. We do periodic evaluation of suppliers to determine their quality and if they do not meet our standards we revoke their vendor status. For more information about our procurement practices, suppliers, and supply chain, please refer to page 109.

GRI 102-16

CORPORATE CULTURE

The corporate culture of our Company is guided by our Vision, Mission, and core Values. The foremost elements of our culture is striving for excellence and the practice of value engineering which is the basis of everything we do. The practice of value engineering has enabled us to consistently deliver our clients better solutions that are more efficient and effective, durable, less costly and faster. The more challenging the project is better is the opportunity for value engineering. This has also been our key competitive advantage over the years.

There exists a culture of accountability, transparency, responsibility at Access Engineering where we take responsibility for our impact on the community, environment, and society as a whole. We willingly comply with all the necessary regulations to provide the best possible service to our clients. In being accountable, we are committed to sustainability that is at the heart of all our operations. We have integrated sustainability measures to all our operations which include the use of environmentally-friendly solutions in construction, use of innovative and unconventional construction methods, use of renewable energy and efficient use of raw materials to more focused corporate social responsibility projects. Our commitment to sustainability has enabled us to continuously deliver superior performance despite being in a challenging industry.

We give utmost priority to learning and development which is enabled through research, knowledge sharing from our joint ventures with international bodies, the drive to use the latest innovative, unconventional methodologies, and others. Further, AEL rewards 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, and investment in training and development focusing on new engineering disciplines, all of which contributes to creating engaged employees. Moreover, the open-door culture that prevails at AEL has helped with grievance handling and resolution.

Another critical differentiator of AEL's unique culture is our rigorous monitoring of project and plant performance through progress and performance review meetings held every month for each ongoing project and production plant. While enabling effective project management over the years these review meetings have proven to be a platform for brain storming, knowledge sharing, and sharing of best practices.

Anti-corruption and integrity

At AEL, there is zero tolerance of corruption and unethical behaviour which is communicated to our employees through:

- The orientation of new employees where they are introduced to the Company culture
- Code of Ethics
- The policy on disciplinary management
- Adequately addressing conflict of interest
- Annual Key Staff Forum meeting headed by the MD

We enforce anti-corruption through:

- Internal audit function
- Systems audit function
- Compliance committee
- Annual renewal of TRACE Membership where an annual surveillance is carried out
- Whistle-blowing policy
- Audits by principals and partners

Our anti-corruption efforts apply to persons who are not employees but are authorised to act on behalf of the Company or represent it such as consultants while it also encompass non-controlled persons or entities that provide goods or services under contract including all our subcontractors and labour suppliers. The financial audit and the systems audit ensures stability, adequacy, and effectiveness. Moreover, we have a whistle-blowing policy in place that assures confidentiality and no risk of reprisal.

Research and development

AEL has pioneered and introduced a number of innovations to the sector since its inception.

We undertake research and development with various reputed bodies to improve current practices, to encourage innovation, and to take the industry forward.

This year we collaborated with the University of Moratuwa to explore the possibility of using scrap tyres in gabion wall construction.

VALUE ENGINEERING SOLUTIONS INTRODUCED IN 2019/20

Over the years, we have pioneered a number of technological innovations to the sector and we continue to improve value engineering solutions by adapting unconventional techniques and state-of-the-art methodology. Here are some of the value engineering solutions adapted in 2019/20:

- In the Sri Lanka Technological Campus (SLTC) – Hostel Building project we utilised the existing landscape and design in building a G+3-story accommodation building. The design was made so that minimum excavations and clearing of trees was needed. Design was made according to existing land elevations to get the maximum natural lighting and air ventilation keeping the natural growth of trees and surrounding.

- Construction of Nanotechnology Building – Homagama: This project is carried out following the Leadership in Energy and Environmental Design (LEED) system. This is the most widely used green building rating system in the world. The design of the building showcases following features: Natural lighting, water efficiency, passive heating/cooling, eco-friendly features through the use of solar panels. We integrated other features such as the external skin of the buildings which is a modular shading device to minimise solar exposure thereby reducing the energy demand of the internal air-conditions that is compulsory for the scientific instrumentation.
- Bloemendal Housing project: A new plastering machine is used in this project which is more efficient and productive.
- Central Expressway project: The use of beam launcher, a highly efficient system for construction of bridges with concrete beams girder "I", "T", "M", and "U" beams. Some advantages of the Beam Launcher (BL) include: Fast and efficient beam erection, ease of assembly, reduced manpower usage, no temporary ground supports are required, self-launching, and easy to adapt. AEL also used Beam Trolleys (BT) to deliver the pre-cast beams and subsequently picked up by the Beam Launcher for setting into the final position.

NOTABLE RECOGNITION AND AWARDS IN 2019/20

As a testament to our striving for excellence and the execution of our core ethos of value engineering, we were recognised with awards and prizes in 2019/20, by a number of institutions. Below is a selection of some of our awards we received during the year:

- Annual Report Awards 2019 (Construction Companies – Gold) awarded by The Institute of Chartered Accountants of Sri Lanka for the third consecutive year.
- Best Corporate Citizen Sustainability Award – 2019 (Category of Ten Best Corporate Citizens) awarded by The Ceylon Chamber of Commerce for the third consecutive year.
- CMA Excellence in Integrated Reporting Awards – 2019 (Best Integrated Report – Trade and Commerce Sector) awarded by CMA Sri Lanka.

For the full list of awards and recognitions please refer to page 288.

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

COMPLIANCE

The effective operation of all the components discussed in 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.

FUTURE OUTLOOK

Our vertical-integration ventures as well as our investments into diversified businesses will help the Group grow further as well as increase our knowledge pool. The ongoing joint venture projects with international partners continue to foster our construction arm where we adapt the latest technologies available in the industry. Over the years, we have pioneered many innovative techniques and unconventional methods in our operations. Thus, our knowledge base improves every year. 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

Human Capital

We consider our employees to be our greatest asset and our workforce is made up of skilled, committed individuals who execute their roles in a highly professional manner. At AEL, we provide our employees with a space that encourages learning and development and career progression in a rapidly changing business environment.

From recruitment onwards, we try to instill our corporate values in our employees to fulfil our strategic imperatives and for the smooth running of operations. We incentivise our employees to keep them engaged and we empower them by focusing on professional development. 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.

Due to the nature of our business, guaranteeing health and safety parameters is an absolute priority for AEL. We try to create a safety culture in all our operations to prevent occupational risks, hygiene, safety and health conditions, and the quality of life in the workplace.

GRI 405-1

WORKFORCE PROFILE IN 2019/20

Total workforce by age and gender

Age category	Male	%	Female	%	Total	%
Age < = 30	471	28	68	4	539	32
30 < age < 50	952	56	63	4	1,015	60
Age > = 50	142	8	3	–	145	8
Total	1,565	92	134	8	1,699	100

Total daily-paid labourers by age and gender

Age category	Male	%	Female	%	Total	%
Age <=30	393	45	2	–	395	45
30 < age < 50	364	41	–	–	364	41
Age >= 50	123	14	2	–	125	14
Total	880	100	4	–	884	100

Total staff by category (excluding labour)

Category	Total
Management professional	165
Technical	491
Clerical and supportive (Operational)	427
Skilled and unskilled	616
Total	1,699

Total staff province wise

S/No.	Province	Workforce Staff	Workforce Daily paid labourers
1.	Western	1,379	593
2.	Central	21	9
3.	Northern	204	202
4.	Southern	19	15
5.	North Western	30	65
6.	North Central	46	0
	Total	1,699	884

GRI 202-1, 202-2

RECRUITMENT AND RETENTION

Given the nature of our industry, there is a dearth of highly-skilled workers. As a leading player in the sector, our recruitment strategy is aimed at attracting the best possible talent and then developing their skills and experience to make them a valuable asset to the Company. Our recruitment and remuneration policy are in place to streamline recruitment. We offer positions and remuneration packages without taking into consideration gender or any other biases. 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 316 industrial placements offered during the period.

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 401-1

New recruitments by gender (excluding labour)

Male	%	Female	%	Total
427	92	38	8	465

New recruitments by category (excluding labour)*

Category	Total
Management and professional	34
Technical	129
Clerical and supportive (Operational)	126
Skilled and unskilled	176
Total	**465**

* In addition to our staff, there were 893 labour recruitments during the 2019/20 Financial Year.

Employee turnover by gender (excluding labour)

Male	%	Female	%	Total
353	91	36	9	389

Employee turnover by category (excluding labour)*

Category	Total
Management and professional	29
Technical	70
Clerical and supportive (Operational)	100
Skilled and unskilled	190
Total	389

* In addition to our staff, there were 845 labour turnover during the 2019/20 financial year.

GRI 404-1

TRAINING AND DEVELOPMENT

Operating in a highly competitive, changeable landscape due to the nature of the sector as well as the increasing digitalisation of the sector, we offer training programmes that meet the needs of the present and prepare our employees for the future. Digitalisation has brought about disruptive changes as well as groundbreaking innovations in the field of construction. Over the years, we have become pioneers of the industry by adapting the latest methodologies and techniques and investing in state-of-the-art machinery. Through our training programmes, including on-the-job, in-house, and external training in both local and foreign locations, sponsorships, and others, we provide our employees with opportunities for professional development and furthering their careers.

A total of LKR 6.56 Mn. was invested on training and development. There was a total of 62 external and 115 internal training programmes conducted during the reporting year with a participation of 2,677 employees. The number of total training hours stood at 17,807 hours. There was an average of 9.6 hours for staff and 1.8 hours for labourers.

- **62** external and **115** internal training programmes
- **2,677** participants
- **316** Industrial placements in 2019/20
- **LKR 6.56** Mn. Invested on training and development
- **6.9** Average training hours per employee

AVERAGE TRAINING HOURS BASED ON GENDER

Males	**6.6** hours
Females	**11.6** hours

AVERAGE TRAINING HOURS BASED ON CATEGORY

Staff	**9.6** hours
Workers	**1.8** hours

Training Need Analysis (TNA)

Using our Training Needs Analysis, we identified the training and development needs of our employees. Individual training requirements are mainly captured through annual performance appraisals and ongoing discussions with the Management. Divisional/Department Heads play a vital role in identifying gaps and training needs, where respective HR Departments are providing a summary of TNA to the Corporate HR Department. Outlined below are the methods used at present to get inputs for the annual training plan:

- Requests made through performance appraisals
- Non-compliance reports developed through quality management systems/ environmental management systems and health and safety management Systems audits in the preceding year
- Interviews conducted through structured questionnaires among project managers and senior staff to identify training needs of their lower level staff members
- Job descriptions are used to identify competencies and these are evaluated against the competency matrix to identify competence gaps
- Identified training needs are communicated to Corporate HR Department for the preparation of Company-wide learning and training plan.

An employee evaluation system is maintained by the Human Resource Department where all employees are evaluated annually. This enables the Management to identify the capabilities of employees as well as the areas that needs to be improved.

AEL's internal capacity

Access Engineering is equipped with a strong internal training capability as described below:

- Pool of internal trainers
- Modern training room facilities
- On-the-job training opportunities (Based on the employee requests as well as company requirements inter-division/inter-subsidiary transfers happen)
- Automated working environment – SAP/HRIS
- The Central Equipment Division where employees are internally trained to maintain the company owned vehicle fleet

GRI 404-2

Training programmes overview

Internal training programmes

Internal	External
On-the-Job Trainings	Institutional trainings
In-house trainings – (using Company's own resources and expertise)	Ad hoc trainings
Knowledge sharing sessions Industrial training	Customised trainings (considering organisational requirements and individual requirements)

Internal training programmes

Training area	Number of programs	Total participants	Training hours
Health and safety	66	908	4,941
Environmental	4	52	50
Technical	45	1,199	6,714
Total	115	2,159	11,705

External training programmes

Training area	Number of training programmes conducted	Total participants	Training hours
Health and safety	5	44	670
Environmental	1	5	35
Technical	56	469	5,397
Total	62	518	6,102

Creating a learning culture at AEL

Our goal is to create a learning culture at AEL through innovative learning and development initiatives. The following steps have contributed to creating a learning culture at AEL:

Knowledge sharing is a habit

Across Access Engineering, we engage in different types of projects where the methods and techniques used for one project may differ from another. We have provided an opportunity for the best-performing employees to share their experience in knowledge sharing sessions with employees at the same level. This has become one of the popular initiatives at AEL.

Guidance to charter

Becoming a Chartered Engineer is the ultimate objective of any engineer. We guide every fresh engineering graduate towards achieving the Chartered status. Voluntary class room trainings are conducted by Chartered Engineers for fresh graduates. This initiative is also considered as a method of transferring tacit knowledge to the next level.

Learning is a part of our overall strategy

At Access Engineering, learning is considered as a part of the company overall strategy where we adopt the 70, 20, 10 principle of training. We believe in 70% of on-the-job experience, 20% of mentoring and 10% of classroom/ lecture style trainings. Knowledge and experience gained from each project is immense and knowledge sharing sessions play a tremendous role in disseminating knowledge across the Organisation.

Transparency

Company has a structured career path along with a linked salary structure. Employees are aware about their career stages within the Organisation and requirements that need to be fulfilled. We provide respective training by identifying their competency gaps to build the next generation of employees to the Company. Employees are provided clear information as to what learning is available to them and how they can go about requesting it.

Cross-team communication

Cross-department communication plays a major role in our learning strategy. We encourage cross team employees to engage more and to share expertise outside the confines of their own teams.

New ideas/innovation is encouraged

Learning is not just an opportunity to gain new skills and knowledge, but also to explore and understand new ways of doing things. The culture of learning goes hand in hand with our organisational culture where new ideas are welcomed at all levels. By encouraging innovation within the Organisation, employees are naturally going to want to learn as much as they can in order to springboard new thinking. This could mean wanting to be involved in specific learning interventions, but it could also mean a desire to learn from one another and see what other people around the business are doing.

Financial support for learning

At employees' request and upon approval of his/her superior, Company provides financial support for employees to pursue their higher education. Our intention is to encourage employees to persue their postgraduate studies and to increase their contribution towards business while building their own career. Employees who are engaged in higher education are encouraged to study company processes and procedures to suggest optimum solutions to the Company.

Resources are easily accessible

The Company maintained library within our corporate office premise facilitates knowledge enhancement at no cost.

Time is provided for employees to reflect

Some of the most powerful and lasting learning experiences happen not just from the experience itself, but from the learners taking the time to reflect, assess and ask questions once the intervention is over. We have implemented PDCA concept for process improvement and employees can continually suggest and implement process improvements with the consent of their superior.

Challenges faced in employee training

We faced the following challenges in executing our training and development programmes in the Company:

Engaging learners with training

Ensuring that employees are fully engaged with the learning platform and content is a problem faced in training and development. This is mainly because the trainee either cannot understand the objectives or does not see the relevance of training to him or her. Sometimes, it may be that the mode of delivery feels stale and uninteresting.

Delivering consistent training

It increases the difficulty of providing consistent training due to projects/plants being geographically dispersed and with the pressure of project completion time frames.

Quantifying training effectiveness

It is challenging to figure out which metrics to use and how to incorporate them into post-training assessments. Apart from enhancing knowledge and skills, measuring training effectiveness has proven to be an important tool to boost employee engagement and retention. Results and measurements of past training also act as critical indicators while planning future workshops.

Different learning habits

Current workforce consists of different age groups. As an example, they have a radically different relationship with technology. Therefore those employees have different learning habits.

GRI 401-2

Employee benefits

We offer our employees myriad benefits to keep them incentivised, to raise their levels of engagement, and to attract and retain talent. These benefits keep our employees motivated to achieve operational objectives. The following outlines the benefits offered by AEL to its employees:

List of benefits available to full-time employees

i. Performance-based recognition
ii. Career development
iii. Annual bonus
iv. Performance-based incentives
v. Surgical and hospitalisation coverage (extended to the whole family)
vi. Festival advance
vii. Morning and evening tea with snacks
viii. Annual staff outing
ix. Sports day
x. Christmas carnival
xi. Providing meals and transport when working extended hours/on holidays
xii. Library facilities
xiii. Corporate T-shirts
xiv. Personal accident and death insurance coverage
xv. Death donations

List of benefits available to temporary or part time employees

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

Monetary

- Fair and transparent compensation
- Grade specific benefits such as Company-maintained vehicles, drivers, dedicated parking, mobile phones, and others
- Annual bonuses
- Performance-based rewards and incentives
- Payment of professional subscriptions
- Surgical and hospitalisation cover
- Medical reimbursement scheme
- Providing scholarships to children of employees
- Death donation
- Festival advances

Non-monetary

- A well reputed employer brand
- Overseas exposure via factory and field visits, joint execution of projects with international partners
- Exposure to well-known industry experts
- A wide range of training and development opportunities both internal and external
- Cross functional team building and training
- Various employee engagement events such as the employee get together, trips, sports carnival, and others
- Providing employees with recreation facilities such as facilities for sports
- Employee recognition programmes
- Provision of snacks for morning and evening tea
- A cheerful working environment
- Exposure to latest working and operating systems such as the ERP, DMS, Smart Boards
- Corporate t-shirts
- Library facilities

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 2019/20

Number of employees entitled to parental leave	138
Number of employees that took parental leave	10
Number of employees that returned to work after parental leave ended	5
Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	7

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 and 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 the belonging to Access Engineering family.

With exception to the compulsory leave entitlements, confirmed employees are entitled for seven days medical leave per annum. If an employee faces an accident during work or otherwise, employees are given paid leave-addition to the seven days of medical leave.

We encourage employees to participate in our employee engagement initiatives such as annual staff outing, Christmas carnival (Family event), sports carnival etc. HR staff is trained in employee counselling and employees are given the opportunity to contact them even in case of a personal issue. Confidentiality is highly assured in the process. Employees are regularly trained on skills that are required to maintain a proper work-life balance.

A stimulating working environment

Our work environment is interesting and stimulating where employees are provided with an engaging environment to work in. We have such a unique office layout design at our corporate office where open office concept is in place.

Access Tower which is the Company's corporate headquarters is an "A-Graded" office complex located in the Central Business District of Colombo 02. Access Tower is housed with all the facilities of a modern building including adequate lighting, air-conditioning, backup power, water, sanitary facilities, lunch rooms with open views of the Colombo skyline, security, and others.

Similarly employees who are located island wide at our construction sites and production plants are provided with air-conditioned office premises, accommodation, dining areas with a kitchen, adequate sanitary facilities, security, and other facilities.

Involvement of employees in CSR activities

To promote the spirit of volunteerism and charity, 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 to manage them. We also consider employee participation in CSR activities at their performance appraisals. We are happy to report that our employees at proactively involved in our projects during the year with great enthusiasm.

GRI 404-3

PERFORMANCE EVALUATION

We evaluate our employees through a fair, transparent performance management system. Our Performance Measurement efforts has further streamlined 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 theirs' 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

Given the nature of our industry and our operations, we have taken stringent measures to ensure the health and safety of all our employees, not only on our work sites but at our office premises as well. 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. Our health and safety management system is currently certified for ISO 45001:2018.

COVID-19 workplace preparedness and response guide

Access Engineering PLC, formulated a "COVID-19 Workplace Preparedness and Response Guide" prior to resuming operations, as the very first step.

Further, following initiatives were taken and are still in force, to ensure prevention of COVID-19:

- Educating and making employees aware of COVID-19 control measures and best practices
- Requesting employees to self-declare their health condition, prior to reporting to work
- Enforcing controls when entering the office and worksites (e.g. mandating wearing of masks, checking of temperature, frequent cleaning of hands, etc.)
- Limiting workers physically reporting to work, by carefully selecting, considering their location of residence, mode of transportation, etc.

- Managing visitors (mandating declaring of health condition via the Visitor Questionnaire)
- Making arrangements to work from home, wherever feasible
- Cleaning and disinfecting common touchpoints and areas, periodically
- Reorganising layouts at sites to maintain adequate distance among workers (accommodations, meal rooms, etc.)
- Providing adequate resources (e.g. face masks, face shields, gloves, sanitisers, disinfecting agents, foot operated sinks, etc.)
- Having an emergency action plan to act in a suspected COVID-19 case
- In the event of a suspected COVID-19 patient, having an isolation room to hold the suspect until he/she is transferred to the hospital
- Decentralising payments to suppliers/ subcontractors, by routing payments to respective sites, and directing them to make the payment (to avoid suppliers/ subcontractors visiting the Head Office)

GRI 403-2

Health and safety parameters

Total safety hours	8,265,082
Fatalities*	1
Major accidents**	9
Minor accidents	4
Frequency of major accidents	1.09
Frequency of minor accidents	0.48
LTIFR (Lost time injury frequency rate)	1.57

* A fatality is defined as loss of life

** A major accident is defined as one where the worker is unable to report to work for three 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 practicing operational controls based on the results of risk assessment (e.g. 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 45001 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 predetermined 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 in sites/plants
- Ensuring 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

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 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 such as site visits by the District Labour Commissioner or Team at least twice a 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.

Ratio of basic salary and remuneration of women to men by employee category

Category	Remuneration–Women/Men
Corporate Management	1 : 1
Senior Management	1 : 1
Manager/Assistant Manager	1 : 1
Senior Executive/Executive	1 : 1
Junior Executive	1 : 1
Clerical and supportive	1 : 1

FUTURE OUTLOOK

Recruitment

We offer equal employment opportunities to all employees. As in the previous years we will be continuing our initiatives to strengthen our employer brand in order to offer a better employee value preposition. Further, we always focus on attracting the best coming out from universities. Apart from that our rigorous recruitment and selection process ensures getting best talent on board. As social media has a big impact over people management we will be focusing on social media platforms in attracting best potential candidates on board.

Retention

As an organisation we are always providing a challenging job for each and every employee and a good remuneration on a par with the industry. This bond keeps the individual and the Organisation all the time where each position has a clear and a defined career path to pursue their career. Obviously this is the reason for creating a strong institutional and individual fit. Further, the Company has a clear focus on succession planning and leadership development. This also has had a big impact over employee retention.

Innovation

Access Engineering continuously spreads awareness on the need for improvement and out of the box thinking and motivates employees towards it.

We use the following methods to inculcate a learning and a innovation culture that challenges existing practices.

- Benchmarking industry best practices at GLOCAL (Global and Local) level
- Taking suggestions from all levels
- Quality circles which have been implemented plant/project wise where each employee gives ideas for continuous improvement of their processes – PDCA
- Open door policy that enables any employee to convey their ideas, suggestions and opinions to the management
- Key Staff Forum – where MD address key staff each year and getting suggestions through face to face discussions

We have introduced innovative techniques to the construction industry which includes diaphragm wall technique, post tensioning method for high rise buildings, utilisation of pre-cast invented concrete tees for underwater concrete works and introducing flyover construction to Sri Lanka.

Commitment

Having a committed workforce is considered as a non-monetised asset. In order to have a committed workforce we have a unique organisational culture that encourages employee engagement at each level. Sports activities/Christmas carnival/staff outings are such employee engagement initiatives. Additionally, career development opportunities, open door policy/effective communication, performance based rewards have made our culture stronger to have a committed workforce.

Social and Relationship Capital

CUSTOMER CAPITAL

Guided by our ethos of value engineering, we offer competitive solutions to our broad customer base. Our vast project portfolio and the number of nationally-significant infrastructure projects we have undertaken attest to our leadership position within the sector.

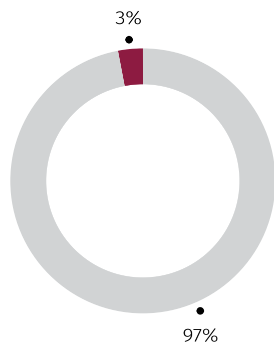
We deliver tailor-made, personalised services to our customers from the initial phase of the project until its completion. We adhere to global best practices and are able to offer expertise through our international partnerships that have enabled knowledge sharing. Our diversified business portfolio 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.

We execute our projects with a view of sustainability and our main focus has been on sustainable construction solutions that help to lower carbon output. This focus on sustainable development in turn helps our customers to 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.

CUSTOMER MIX



VALUE ENGINEERING SOLUTIONS

We are an entity that offer engineering acumen of the highest order to generate and deliver optimum value to our stakeholders which is why we look on our enterprise as value engineering. In addition to the number of projects we execute in the island, we possess an integrated portfolio of engineering services that include engineering 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.

We are one of the largest local Engineering, Procurement, and Construction (EPC) contractors present in Sri Lanka. As per the categorisation of engineering disciplines by the Construction Industry Development Authority (CIDA) we are allowed to undertake projects under the following engineering disciplines:

- Highways
- Water supply and sewerage
- Buildings
- Bridges
- Irrigation and land drainage
- Dredging and reclamation
- Maritime construction
- Piling
- Soil nailing and stabilisation
- Electrical installation (Low-tension)
- Heavy steel fabrication

In addition to above we are also one of the country's largest construction material producers including asphalt, ready mix concrete, and crusher products. We also operate a number of quarries around the country. In the present order book of the Company the majority of projects are roads and highways, flyovers, buildings, piling, and telecommunication projects.

Our highly-skilled employees along with state-of-the-art equipment and machinery are able to execute any task that are put forward to them and to undertake large-scale projects.

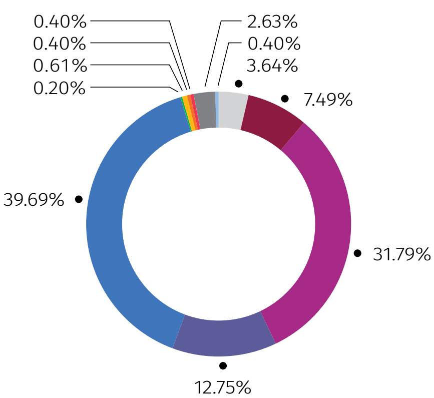
We have diversified and ventured into real estate which has allowed us to collaborate with different internal business units resulting in operational and financial synergies.

Our ISO certified Quality Assurance and Management Systems ensure that all regulations regarding safety, health, environment, 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.

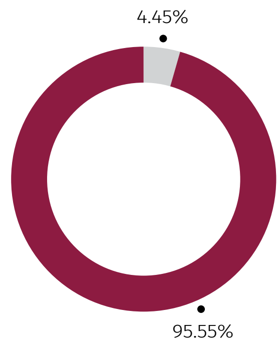
CUSTOMERS BY ENGINEERING FIELD



Services
- Piling
- Mechanical and steel fabrication workshops
- Supply of asphalt concrete
- Quarry operations and aggregate production
- Supply of ready mix concrete
- Engineering designs

Products
- Roads and highways
- Bridges and flyovers
- Water and wastewater
- Building and other
- Telecommunication infrastructure

CUSTOMERS BY CATEGORY



- Engineering projects
- Engineering services

ENGINEERING SERVICES

Engineering designs

We are equipped to execute cutting-edge engineering designs on 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 solutions to our customers. Our Design Division uses design software such as ETAB, STAADPRO, SAP 2000, SAFE, Auto Cad, ADAPT BUILDER, ADAPT, and AUTODESK REVIT.

In 2019/20 we continued a number of engineering design projects such as the Mannar Wind Power project in which the pile design was economised by verifying the depth from a Static Load Test and the design of pile foundation were based on Euro Codes. We also provided fatigue checks for both pile caps and pile foundations as per Euro Codes considering the varying wind load.

For the Bloemendhal Housing project we used structural sections of previous projects when selecting the structural element dimensions of the project so that the mywan formwork system of previous projects could be used. This resulted in both cost and time saving. Further, exiting piles caps were used to support manholes without providing additional micro piles as a solution to peaty soil conditions at the site.

In the design and construction of 1,000 housing units at Stadiumgama for UDA, we reduced the number of columns and piles by cantilevering the corridors. This resulted in a cost reduction enabling AEL to get a competitive advantage during the tendering stage. We were also able to save costs from the pile foundations in the Marina Square project.

The Division will use the BIM (Building Information Management) system more frequently during project execution in future. We will also look to invest in new tools to perform design jobs more effectively and efficiently and to enhance soft skills of the Division's employees. We are also focused to make our designs more dynamic and competitive to meet the ever changing needs of the construction industry both locally and globally.

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 2020	Date of Commencement	Expected/ Actual date of completion of design works	Client
01.	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	Completed	March 2016	March 2020	Urban Development Authority
02.	Sri Lanka Technological Campus (SLTC) Research Centre, Padukka	Architectural and structural design of two storey buildings and landscaping	Building	Ongoing	August 2019	April 2020	Sri Lanka Technological Campus (SLTC)
03.	Mannar Wind Power Project – Phase 1 Construction of 100MW semi dispatchable wind farm	Design of – Pile foundation for 33 numbers of wind turbines/generators Admin building, accommodation buildings, security houses, sport complex, boundary walls and water tanks 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 2020	Ceylon Electricity Board
04.	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.
05.	Proposed housing complex for UDA at 601 Watta, Bloemendhal	Design of 15 storey building with 450 apartments units, including pile foundation, sumps, overhead water tank and superstructure	Building	Ongoing	November 2018	April 2021	Urban Development Authority
06.	Design of proposed Kohuwala and Gatambe flyovers	Design of Kohuwala flyover with two abutments and two piers on the pile foundation Design of Gatambe flyover with three abutments, twelve numbers of piers and one composite bridge with two abutments, extension to existing Gannoruwa Bridge, approaches, retaining wall and road work	Bridges and flyovers, Road works	Ongoing	November 2019	Kohuwala flyover – Oct 2021, Gatambe flyover – March 2022	Road Development Authority

No.	Project name	Description of work carried out	Type	Status as of 31 March 2020	Date of Commencement	Expected/ Actual date of completion of design works	Client
07.	"Marina Square" – Proposed mixed development at No. 250, Srimath Ramanathan Mawatha, Colombo 15	Design consultation of five 36 storey buildings comprising 1,068 apartment units including the commercial complex and swimming pools	Building	Ongoing	March 2020	December 2022	Harbour Village (Pvt) Ltd.
08.	Design and construction of 1,000 housing units at Stadiumgama for UDA	Design of four 15 storey buildings comprising 1,000 housing units. Scope of work includes design of pile foundation, sumps, overhead water tank and the superstructure	Building	Ongoing	March 2020	March 2023	Urban Development Authority

Piling

We specialise in piling work that is a fundamental requirement to maintain safety in multi-story 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 among so many others.

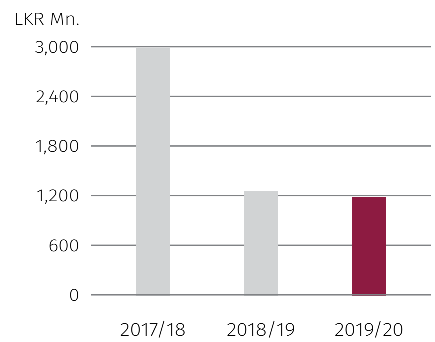
In 2019/20 we carried out piling work of the Maritime Facilitation Centre under the Port Access Elevated Highway Project. The project scope included the construction of 171 number of piles with a diameter of 900 mm, 1000 mm, 1200 mm and 1500 mm and a depth of 30 – 40 metres. Deploying three numbers of Bauer BG boring rigs, the project was completed within the stipulated time period. Project planning and execution was challenging due to its location within the heart of the metropolitan city of Colombo where the project had to be executed with a tough environment management and monitoring system in order to maintain noise, vibration, and other parameters within the stipulated limits.

We hope to introduce new and innovative foundation construction techniques, equipment and machinery to reduce cost, time, and improve quality.

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

- Piling and soil nailing works of Marina Square mix development at No. 250, Srimath Ramanathan Mawatha, Colombo 15
- Piling work of proposed low cost housing project at Bloemendhal
- Piling work of the Ambathale storm water pumping station
- Piling work of the 100MW Mannar wind power project
- Piling work of the proposed tea factory complex of George Steuart Teas (Pvt.) Ltd. at Biyagama
- Piling work of the District Hospital Beruwala (Phase 1)
- Piling work of the Maritime Facilitation Centre under the Port Access Elevated Highway Project

PILING REVENUE



HDD and telecommunication services

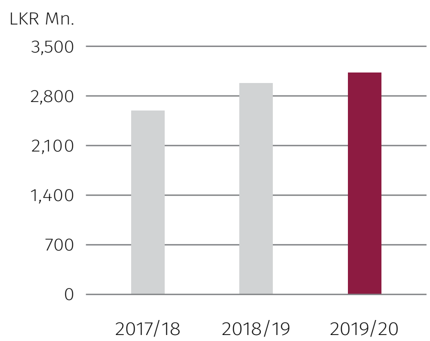
The Telecommunication services Division undertakes the development and construction of HDD and telecommunication infrastructure in the country which form an essential part of economic development linking the rural areas to the urban. The Division is equipped with Horizontal Directional Drilling (HDD) machines, cable blowing machines, micro trenching machines, and optical fibre splicing machines among so many others. We have been a trusted partner to major telecommunication companies in the country and our contribution has been recognised in the past.

The Division carried out the following works during 2019/20:

- Total HDD distance – Approximately 0.06 km
- Total cable blowing distance – Approximately 91.9 km
- Total optical fiber network development distance – Approximately 178.8 km
- Total sites connected during the year – 123 nos.
- New subscriber connections – 5,744 connections
- PEO TV connections – 3,782 connections
- Fibre to the home (FTTH) New Subscriber connections – 1,420 connections
- Fibre to the home (FTTH) Network Development – 6,040 new ports
- The division also successfully completed and handed over FTTH works of the Colombo Lotus Tower.

PRODUCTION PLANTS

SALE OF CONSTRUCTION RELATED MATERIALS



Asphalt plants

Our asphalt plants are located in Kotadeniyawa, Mathugama, Mailapitiya, Vavuniya, and Giriulla. The total installed capacity was 536 TPH.

Crusher plants

Our crusher plants are located in Mirigama, Mathugama, and Vavuniya. The total installed capacity was 390TPH.

Batching plants

Batching plants are located in Kandana, Balapitiya, Mabima, Wattala, and Peliyagoda. The total installed capacity was 315 m3/H.

Quarry operations

During the year the Company had quarries operated in Vavuniya, Hakmana, Wallalavita, and Meerigama.

Manufactured sand plant

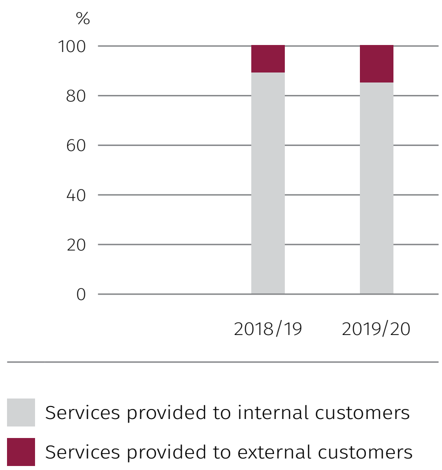
The Company operated a M-Sand (manufactured sand) plant at Meerigama with an installed capacity of 50 TPH since September 2019.

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.

ANALYSIS OF WORKSHOP REVENUE



CUSTOMER SERVICE AND ENGAGEMENT

In order to provide a world-class service to our customers, we 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	→ Description of the project and key deliverables → Obtaining of bidding documents
	Site visits	→ Understanding of the actual ground situation → Gathering vital information/technical data for preparing bidding documents
	Queries and clarifications	Follow-up queries and clarifications are sought from the customer where required
	Formal bidding	→ Submission of formal bid together with the technical and financial proposal → Submission of guarantees/bonds as required
	Negotiations	Once shortlisted the client commences negotiations and further clarifications are sought if required
Implementation	Kick-off meeting	Happens prior to work commencement where the following is discussed in great detail: → Obligations of parties → Project implementation schedule and the way forward
	Progress review meeting	Every two weeks at the site where the project progress is discussed at length including Site challenges and proposed actions
	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

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

01 Each Project Manager, Plant Manager, Activity Centre Manager, and Departmental Head nominates an officer to record customer complaints

02 The relevant officer records the complaint and communicates it to responsible people according to the nature of complaint

03 The relevant officer reviews the complaint and takes immediate actions to rectify the issue raised, if possible

04 Subsequently the relevant officer shall investigate and determine the root cause(s) and record in the customer complaint register

05 Corrective actions are taken to avoid recurrence by eliminating the root causes identified

06 Effectiveness of actions are evaluated within a reasonable time period

07 Finally feedback is obtained from the complainer and further actions are taken if required

MARKETING COMMUNICATIONS OR SPECIAL PROMOTIONS

The majority of our infrastructure projects are awarded through a transparent bidding structure where marketing does not play a big role. However, while we do not engage in large-scale marketing operations, 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 Corporate Communication team whose scope of the work involves ensuring responsible advertising.

In order to provide better understanding of the Access Engineering brand, the brand values needs to be reflected more accurately through all communications platforms so that the stakeholder management will be consistent. As a result

We engaged in implementing a corporate communication strategy to enhance the Access Engineering brand story to the stakeholder groups including the cyber audience in order to get engaged with the brand.

Based on the implemented integrated communication strategy, steps were taken towards aligning the brand story towards all internal and external communication platforms while maintaining brand consistency across all mediums.

- Facebook and LinkedIn profiles were initiated aligning to the branding strategy during the month of August, 2019 and weekly posts are being uploaded to engage our target audience
- The Corporate Youtube channel highlights engineering marvels in order to create awareness. We also feature our upcoming projects under "creating tomorrow's heritage"
- The key milestones of our projects and all corporate events are highlighted through press publications on a timely basis
- Frequent updates are done to the corporate website that include job opportunities, share trading activities, project progress, awards received etc. to keep our stakeholders informed
- The revamping of the website is under progress
- The newsletter blog is done on a quarterly basis highlighting corporate events, project highlights, awards received, the summary of trading activities, and many more insights of our employees like construction techniques and innovative strategies implemented for our projects
- Moreover, we are engaged in regular and proactive brand building activities such as outdoor advertising including;
  - Banners, pennants, etc.
  - Vehicle branding
  - Work-wear branding
  - Advertisements
  - Sponsorships

CHALLENGES FACED IN 2019/20 AND OUR RESPONSES

Challenges faced	Our response
The imposition of island-wide curfew in mid-March 2020 to control the spread of COVID-19 pandemic required us to temporarily halt all ongoing construction work and completely shutdown our production plants. The situation continued till the end of the financial year. This resulted in fixed overheads, depreciation and servicing of finance cost amidst no revenue generation.	Cost cutting measures were immediately put in place. Each major project and project management unit devised respective business continuity plans so that work could resume immediately after the curfew is lifted. Working from home (WFH) arrangements were also implemented so that works such as engineering designs could be carried out remotely without any disruption. We also implemented a sound and effective system within our working environments to prevent the spread of the virus in line with the Government's regulations. The Company also took the advantage of the CBSL relief measures extended to corporates. The full impact of these measures will be realised only in 2020/21.
Delays in the commencement of mega scale infrastructure development projects – delays were seen in the award of projects, finalisation of funding lines for projects, tendering of projects and commencement. While this phenomena is common in the engineering and construction field it poses several challenges to all industry participants. Some of those challenges include not having continuous work, fixed overheads reducing margins due to lack of work.	We maintain a healthy and diversified construction order book comprising of confirmed and signed projects that is usually 2+ years of company revenue. Additionally the business development teams continuously follow up a list of potential pipeline projects.
Rising raw material prices – the prices of major raw materials including sand, cement, steel were continuously on the rise. So was the rising cost of labour. This results in weakening of margins.	We maintain an adequate quantity of the major raw materials required for projects so as to avoid any panic buying and there by higher raw material prices. Further, for imported raw materials such as bitumen we continuously seek new suppliers so that the most competitive price could be secured.
Increasing price of imports in the wake of a weakening rupee – purchase price of construction materials that needs to be imported for projects was continuously increasing due to the fast depreciation of rupee in the global market. This too affected the margin of projects.	A portion of the project is maintained in foreign currency as a natural hedge whenever possible as per the conditions of contract
Disruption to operations due to severe weather conditions such as floods and the drought	Accurate project planning and execution so as to avoid any unusual delays. For example in building projects all internal block and masonry works and finishing works could be scheduled earlier to be executed in days of severe weather.
Shortage of skilled labour – there is a severe shortage of skilled labour particularly in the fields of carpentry, bar bending and masonry. This affects smooth flow of operations and the quality of workmanship.	We absorb labourers with vocational training skills through our continuous training programmes.
Inconsistencies in the implementation of policy decisions – frequent changes made to national policies, regulatory bodies and their administrative structures delay the commencement and execution of projects	While this is out of our direct control we manage this through proactive means such as maintaining a very healthy and diversified construction order book.

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	4,262	1,605,135	0.16
1,001	–	10,000	2,942	12,468,395	1.25
10,001	–	100,000	1,287	42,231,375	4.22
100,001	–	1,000,000	283	79,704,376	7.97
		Over 1,000,000	58	863,990,719	86.40
Total			8,832	1,000,000,000	100.00

CATEGORIES OF SHAREHOLDERS

Category	Number of shareholders	Number of shares	Percentage %
Local individuals	8,304	745,391,366	74.54
Local institutions	440	220,624,175	22.06
Foreign individuals	71	4,114,341	0.41
Foreign institutions	17	29,870,118	2.99
Total	8,832	1,000,000,000	100.00

DIRECTORS' SHAREHOLDING AS AT 31 MARCH 2020

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	35,130,325	3.51
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 D S Weerakkody	10,000	0.00
Mr S D Perera	2,000,000	0.20
Prof K A M K Ranasinghe	100	0.00
Mr N D Gunaratne	Nil	Nil

SHARE PRICES FOR THE YEAR

Market price per share	2019/20 LKR	2018/19 LKR
Highest	24.00 (18.11.2019)	21.00 (09.04.2018)
Lowest	11.90 (17.05.2019)	12.70 (27.03.2019)
As at end of the year	13.20	13.00

PUBLIC HOLDING

The shares that are held publicly account for 42.836% of the total shareholding comprising 8,812 shareholders.

The float adjusted market capitalisation of the Company was LKR 5,654.4 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 2020 Number of shares	31 March 2020 Percentage %	31 March 2019* Number of shares	31 March 2019* Percentage %
1. Mr Sumal J S Perera	250,000,000	25.000	250,000,000	25.000
2. Mr J C Joshua	101,000,000	10.100	101,000,000	10.100
3. Mrs R M N Joshua	70,000,000	7.000	70,000,000	7.000
4. Mr Shamal J S Perera	50,811,814	5.081	50,811,814	5.081
5. Mrs D R S Malalasekera	45,000,000	4.500	45,000,000	4.500
6. Mr R J S Gomez	35,130,325	3.513	75,130,325	7.513
7. Foresight Engineering (Pvt.) Ltd.	30,824,098	3.082	30,000,000	3.000
8. Hatton National Bank PLC / Access International (Pvt.) Ltd.	30,000,000	3.000	NIL	NIL
9. Mr S D Munasinghe	24,000,000	2.400	24,000,000	2.400
10. Mr S H S Mendis	24,000,000	2.400	24,000,000	2.400
11. Mr D A R Fernando	24,000,000	2.400	24,000,000	2.400
12. Employees Provident Fund	20,478,289	2.048	20,478,289	2.048
13. SEB AB – Tundra Sustainable Frontier Fund	18,282,027	1.828	19,282,027	1.928
14. Sri Lanka Insurance Corporation Ltd. – General Fund	14,607,170	1.461	NIL	NIL
15. Access Medical (Pvt.) Ltd.	13,000,000	1.300	13,000,000	1.300
16. Mercantile Investments and Finance PLC	12,671,925	1.267	NIL	NIL
17. Mr M J Fernando	10,832,688	1.083	7,102,869	0.710
18. Nuwara Eliya Property Developers (Pvt.) Ltd.	8,102,042	0.810	8,102,042	0.810
19. Sri Lanka Insurance Corporation Ltd. – Life Fund	7,465,751	0.747	1,070,000	0.107
20. Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	5,072,312	0.507	5,072,312	0.507
	795,278,441	79.528	768,049,678	76.805
Others	204,721,559	20.472	231,950,322	23.195
Total	1,000,000,000	100.000	1,000,000,000	100.000

* Comparative shareholdings as at 31st March 2019 of the twenty largest shareholders as at 31 March 2020

INVESTOR RELATIONS

We consider regular communication with our investors as a top priority and work towards providing timely, accurate information on a consistent basis through various channels.

This has led to long-standing relationships with our investors.

We make presentations at investor forums organised by stock-broker firms to provide information to our investors. 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. The Company also participates in investor forums organised by stock-broker firms. We also maintain a dedicated investor relations email *investor.relations@accessengsl.com*. In addition, any shareholder could meet Directors by prior appointment. Company Managing Director and other representatives meet overseas and local fund managers, overseas and local institutional investors, research firms, stockbroking companies, high net worth individuals upon request

Release dates of interim financial statements – 2019/20

Quarter	Due date	Actual release date
1	15 August 2019	13 August 2019
2	15 November 2019	14 November 2019
3	15 February 2020	14 February 2020
4	31 May 2020	26 May 2020

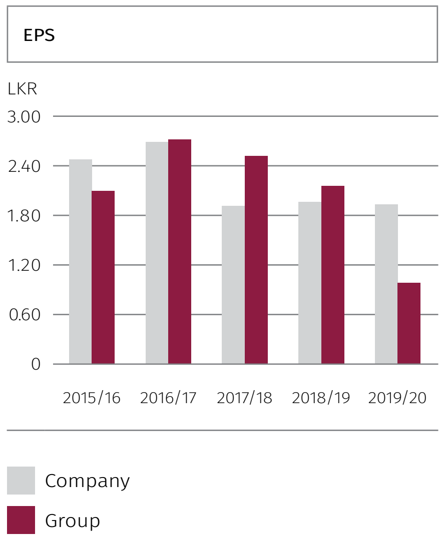
Release date of Annual Report – 2018/19

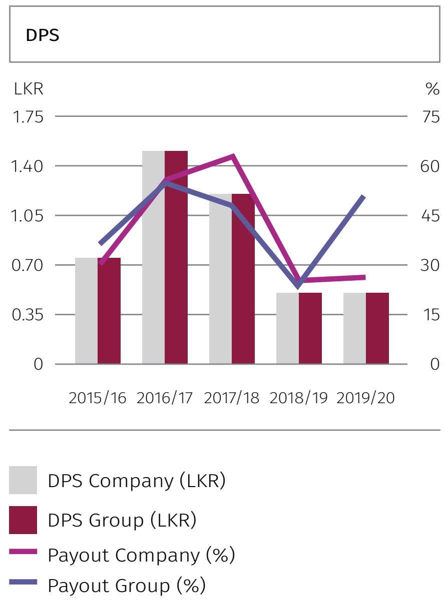
	Due date	Actual release date
Annual Report	31 August 2019	18 July 2019
AGM	30 September 2019	9 August 2019

DIVIDEND POLICY

- The Company dividend policy of declaring 40% - 50% of the Company profits remained unchanged during 2019/20
- Earnings and dividends since listing are as below:

	2019/20		2018/19		2017/18		2016/17		2015/16	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
EPS (LKR)	0.98	1.93	2.15	1.96	2.51	1.91	2.71	2.68	2.09	2.47
DPS (LKR)	0.5	0.5	0.5	0.5	1.20	1.20	1.50	1.50	0.75	0.75
Payout (%)	51	26	23	25	48	63	55	56	36	30





- An interim dividend of LKR 0.25 per share was declared for 2019/20 on 22 November 2019 and paid in full by the Company on 3 December 2019.
- The final dividend of 2018/19 amounting to LKR 0.25 was paid on 11 June 2019

Performance of shares relative to ASPI

	31 March 2020	1 April 2019	Change %
AEL Price LKR	13.20	13.20	0.00
ASPI	4,571.63	5,567.77	(17.89)
S&P SL 20	1,943.55	2,716.71	(28.46)
Capital Goods	608.27	790.08	(23.01)

TRADING STATISTICS

	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016
Number of shares traded	357,123,112	102,113,697	108,091,199	146,979,343	199,334,867
Value of shares traded (LKR)	6,756,606,637	1,637,455,435	2,728,514,261	3,624,740,014	4,570,150,971
Number of days traded	231	240	236	242	241
Number of trades	71,138	24,276	10,750	25,709	36,018

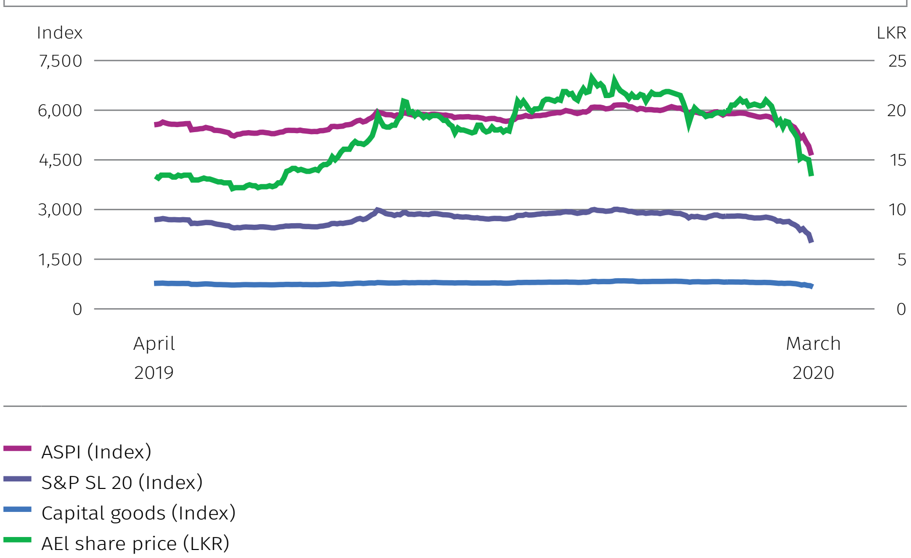
DETAILS OF THE DEBENTURE ISSUE

In November 2015 AEL issued 50 million rated, senior, unsecured, redeemable debentures with tenures of 5-8 years raising LKR 5 Bn. The bulk of these debentures will have to be paid in 2020/21 upon maturing. The Company and the debentures were rated "(SL) A+ with a stable outlook" by ICRA Lanka Limited and was reaffirmed same during the year. The debentures were listed on the Colombo Stock Exchange on 23 November 2015.

During 2019/2020 out of the 4 types of debentures in issue only the debentures bearing coupon 10.25% were traded the details of which are as follows:

	2019/20	2018/19
Market price per debenture	LKR	LKR
Highest	99.37 (13.03.2020)	Not traded
Lowest	99.37 (13.03.2020)	Not traded
As at end of the year	99.37	Not traded

AEL TRADING



GRI 206-1

BUSINESS PARTNER CAPITAL

Being a leading construction company with multiple business lines, we engage with a large number of business partners and suppliers for the timely completion of our projects. Over the years, we have built solid, interdependent relationships with our partners.

Business partners form 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 in 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 BUSINESS PARTNERSHIPS

We have 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.

Our international partnerships and consortium projects allow us to expand into other markets as well as to share knowledge with reputed, international entities.

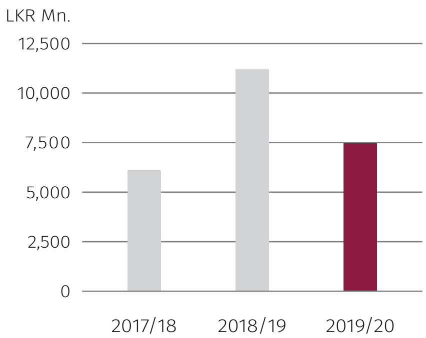
The PPP (Private and Public Partnerships) model has eased the constraints on the Government Treasury. Further, partnerships make it possible to address pertinent issues of the industry through collective lobbying.

During the year under review, the main projects executed as a subcontractor included the Mannar Wind Power project, water front integrated development, Deduruoya water supply project and the ODEL mall development. The only consortium project during the year was the Central Expressway project and the only PPP project during the year was the Borella Housing Project. No joint venture projects were carried out during the year.

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

Partner status	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
As a subcontractor	3,583.97	4,054.50	2,707.13	4,244.68	2,525.79	3,684.05	6,240.17	6,290.79
As a joint venture partner	–	–	–	–	41.00	444.66	734.92	717.61
In public private partnerships (PPP)	1,224.43	1,710.42	2,102.70	854.95	–	–	–	–
As a partner of a consortium	2,583.61	5,354.63	1,226.50	40.53	–	–	–	–
Total	7,392.02	11,119.55	6,036.33	5,140.16	2,566.79	4,128.71	6,975.09	7,008.40

VALUE DERIVED FROM BUSINESS PARTNERSHIPS



GRI 102-9, 102-10

TYPE OF SUPPLIERS IN 2019/20

Type of supplier	Number of suppliers as at 31 March 2020
Local	14,701
Foreign	449
Inter company	28
Internal	83
Total	15,261

SELECTION AND EVALUATION OF SUPPLIERS

As a responsible corporate entity, we follow a stringent process in the selection and evaluation of suppliers. The process may change according to 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 selection 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 14000 Certification	Availability of ISO 14000 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	The following list is in addition to EPF, ETF and Gratuity related Acts: → Wages Boards Ordinance → Factories Ordinance → Workmen's Compensation Ordinance → Employment of Women, Young Persons and Children Act → Shop and Office Employees act → Industrials Disputes Act
Environmental	Regulations imposed by the National Environment Act
	Regulations imposed by the Mines and Minerals Act
	Regulations imposed by the Coast Conservation Act
	Regulations imposed by the Marine Pollution Prevention Act
	Regulations imposed by the Fauna and Flora Protection Ordinance
	Regulations imposed by the Forest Ordinance
	Regulations imposed by the Soil Conservation Act
	Regulations imposed by the State Land Ordinance
	Regulations imposed by the Explosives Principle Act
	Under above regulations the suppliers are required to obtain the following where applicable: → Environmental Protection License (EPL) → Mining License → Archaeology Clearance → UDA Clearance

GRI 204-1

SPENDING ON LOCAL SUPPLIERS

Province	Material purchases LKR	CAPEX LKR	Total LKR	Local purchases made from the budget %
Western	1,720,159,388	15,147,213	1,735,306,602	39
Nothern	780,803,032	36,205,602	817,008,634	76
North Central	312,223,811	5,314,502	317,538,313	65
North Western	169,434,587	1,300,875	170,735,462	83
Southern	71,354,140	1,407,249	72,761,388	60
	3,053,974,958	59,375,441	3,113,350,399	49

ENVIRONMENT CRITERIA IN THE SELECTION OF SUPPLIERS

We are committed to manage the environmental impact of our supply chain and are committed to reduce CO^2 emission and pollution in the supplier screening and selection process. We have obtained the certification ISO 14001:2015, which provides a framework for environment protection. In all procurement processes agreed objectives are measured so that non-compliance is highlighted and corrective actions are taken.

AEL focuses on environmental criteria when selecting a supplier where environmental responsibility covers their obligation to;

- Minimise environmental impact to the society
- Manage any waste
- Demonstrate wiliness to improve business whilst preserving flora, fauna, natural resources
- Avoid or stop pollutants contact with water, land, and air

Especially in our supplier evaluation process, we have allocated a substantial score for supplier's Environmental certificates obtained for their business operations. AEL's operations mostly depend on gravel, sand and aggregates, and bituminous products which are more harmful to the environment. Hence, it is important for us to have a systematic approach to minimise this environmental impact while achieving business goals. To this effect we request NBRO (National Building Research Organization) test reports from suppliers and check the borrow pits where AEL has the sole right to approve/revoke the status of suppliers. These indicators are used as criteria for evaluating suppliers on environmental grounds.

Packaging	Degree of conformance with specifications
Legislations	Conformance with applicable legislations
Waste management	Soundness and quality of waste management practices adopted
Process adaptation	Use of technology and methodologies to preserve resources Reduce impact on the environment due to operational work (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
Test reports	Availability of test reports for inspection
ISO 14001 Certification	Availability of ISO 14001 Certification
Material transportation, handling, and unloading	Use of correct mode of transportation especially with bulk cargo and environmentally-friendly safe handling
Rules and regulations	Degree of compliance with environmental rules and regulations
License requirements	Degree of compliance with license requirements

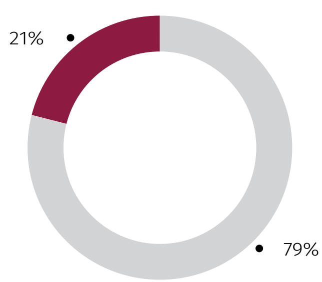
We have internal plants for supplying bitumen, ready mixed concrete, aggregate base course under our vertical integration strategy

In addition to above, AEL also carries out periodic plant and site visits of suppliers in order to identify their sustainable measures in place for sourcing raw materials, production process and distribution of materials for buyers. AEL is vigilant to monitor supplier and subcontractor activities to gauge their;

- Emission to air (CO2, other pollutants)
- Chemical pollution of water resources
- Land contamination
- Waste management and by-products released to the environment
- Energy use (renewable)
- Vibration and noise
- Recycling and waste prevention

Further, our strategy for importing major raw materials is to bulk order bitumen, cement (partnership with supplier), piling machines and plant spare parts. We also mostly use sea freight since air freight is more expensive and carbon intensive. In the financial year 2019/20 mode of transportation was as follows.

RAW MATERIAL MODE OF TRANSPORTATION



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 45001:2018 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 2019/20

Type of supplier	New suppliers added during 2019/20
Local	1,893
Foreign	60
Inter-company	1
Internal	5
Total	1,959

NEW AND CONTINUED PARTNERSHIPS IN 2019/20

While continuing our partnerships from previous years, we completed preliminary work for the formation of new partnerships in the field of bridges and flyovers. We entered into a number of strategic alliances to strengthen our position in the industry.

Our strategic alliance with China Harbour Engineering Company and Mustafa's Singapore for the development of Marina Square continued during the year. Our strategic alliance 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. We also take part in large infrastructure development projects spearheaded by the private sector such as the Odel Mall Development, Havelock City Development, Marina Square Development, and Tri – Zen Development.

The working relationships of Access Engineering with foreign principals 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 the below table 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.	The Institute of Chartered Accountants of Sri Lanka	Approved Training Institution for Business and Corporate 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.	Employers' Federation of Ceylon	Member

CIDA Registrations

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	Maritime construction	C – 1
7	Dredging and reclamation	C – 7
8	Piling	GP – B1
9	Soil nailing and stabilisation	SP – 1
10	Electrical installations (Low Tension)	EM – 1
11	Heavy steel fabrication	EM – 1

SOCIAL CAPITAL

Being a leading corporate citizen in our sector, we consistently engage with the communities that we operate in. We are cognisant of our role in the community for the smooth running of our operations as well as interdependent formation of beneficial relationships. Long-term sustainability is one of the greatest collective challenges we face and it requires unity and collaborative efforts among all communities. We are a company that undertakes infrastructure projects of national importance and our projects have contributed to economic and community development, raising the standards of living, and urbanisation.

GRI 419-1

In our engagement with the larger community, we comply with all the necessary regulations and we can report that during the year, we have had no fines or instances of breaching regulations. Further, we funded community development projects throughout the year. These projects are organised by a dedicated CSR Committee that selects, reviews, and executes potential CSR projects. The committee evaluates the CSR policy, the CSR budget, and project objectives rigorously before the implementation stage. All our CSR initiatives concerning the preservation of the environment are given in Natural Capital section (page 116). During the year, we invested LKR 16.4 Mn. on CSR projects.

ACCESS ENGINEERING SOCIAL RESPONSIBILITY POLICY

Our social responsibility policy 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 116)

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.

OUR COMMUNITY DEVELOPMENT PROJECTS IN 2019/20

Enhance the Future

In continuing our efforts to uplift rural education, we have implemented “Enhance the Future” a project aimed at developing infrastructure in rural schools. The objective of this program is to develop 4 schools per annum, at a total cost of LKR 10 Mn. As the 1st phase of this project, we completed the construction of a class room building for Pinnakanda Vidyalaya Godakawela that can accommodate up to 70 students. AEL staff provided technical support services such as designing, drawings preparation, and consulting. In addition, they were involved in procurement of material and managing the project.

Fabrication and donation of school chairs and desks

In our contribution to 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.

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. From the inception, we have distributed 2,590 pairs of desks and chairs among a selection of 73 schools around the island.

Construction of a children's park for Delwala Sir Olcott Maha Vidyalaya

This was an initiative by AEL employees of the Mirigama plant. The project entailed constructing a children's park for the school. The repairing of playground equipment was done using scrap iron and the general site clearance, painting, and other works were completed by our own employees. This project will benefit around 150 students in the future.

Renovation of library building of Mahakanadarawa Yaya 1, Primary School

To support learning of young students, we undertook this project to renovate the library building of the A/M/Mahakanadarawa Yaya 1, Primary School Mihintale. We carried out renovations such as roof and ceiling repairing, colour washing, electrical wiring, installation of lights and wall fans, refurbishment of doors and windows with the help of our employees. Moreover, we provided the school with book racks, chairs, office tables, and donated books and posters.

Construction of sanitary facilities for Pubbiliya Kanishta Vidyalaya

This was another project that aimed at improving sanitary facilities where a restroom block was constructed for the Pubbiliya Kanishta Vidyalaya.

Construction of sanitary facilities for the Central Dispensary Kotadeniyawa

This project was initiated by the employees of the Kotadeniyawa asphalt plant after surveying the needs of the area. We identified that the Central Dispensary Kotadeniyawa was lacking sanitary facilities and as a solution we constructed restrooms for male and female patients who visit the dispensary. The plant employees were involved in land clearance, brick laying, and plastering.

Donation of school desks and benches to Siri Seelarathana Sunday School, Mathugama

This project was initiated by the Mathugama plant to enhance the relationship with members of that community and to address needs of the Sunday school. After an initial assessment of the infrastructure needs of the Mathugama area, we came to the conclusion that the students of the Sunday school were lacking basic infrastructure. With the participation of the plant staff, desks and benches were procured and painted and handed over to the students on 11 December 2019. Around 200 students from the eight classes will be benefitted from this project. This project also helped to create goodwill between AEL and the villagers of the Mathugama and Walallawita areas where we operate two quarries, a crusher and an asphalt plant.

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.

THE IMPACT OF OUR CSR ACTIVITIES

Promoting sustainability

The CSR activities have enabled us to instil a culture of sustainability and responsible living among our employees.

Through continuous involvement in CSR activities employees gain seamless knowledge and build a positive perception towards their society and towards nature.

The holistic view developed in the minds of an employee makes him sensitive to the natural environment and the needs of the surrounding communities.

Raising Industry standards

By nature construction industry is considered a hindrance to sustainability. Through our various CSR programmes carried out continuously we have been able to change the negative mindset of localities to some extent over the years. For example our tree planting programmes have enabled us to offset the impact of felling. Similarly the productive use of construction debris such as steel to construct school desks and chairs has also changed the attitude of people in project vicinity. Through these various programmes we have also been able to set an example to other industry players.

Promoting volunteerism and team work

Any employee irrespective of his job role, is encouraged to take part in CSR activities voluntarily. Most of the successful CSR initiatives carried out by the Company are results of selfless efforts of diverse group of employees representing engineering, finance, system implementation and quantity surveying departments. Similarly there is strong team dynamics at work during CSR programmes enhancing cohesiveness among employees.

Development of personal skills and soft skills

By encouraging cross functional employees to team up and achieve a task like completing a CSR project develops personal skills as well as soft skills during interactions with the top management, external partners, consultants, employees from other collaborations, movements etc. Employees are also given the opportunity to engage in insightful discussions, exploring future trends and themes in corporate giving.

Making Access Engineering an employer of choice

CSR activities especially that are carried out for the advancement of the construction industry enable us to better position our self in attracting talent and becoming the employer of choice. It is a proven truth that candidates prefer to join a corporate that is socially responsible compared to a corporate that is not.

Natural Capital

We are fully aware of the nature of our business and the impact our operations can have on the environment, the community, greenhouse gas emissions and global warming. However, we are taking necessary steps not only to minimise our impact but to be a part of the solution through inbuilt systems and processes in our business units as well as the utilisation of the latest technology available.

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.

ENVIRONMENTAL 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

Intending to mitigate the environmental consequences of its business operations, we have initiated a programme to plant trees in different locations across the country. Tree planting is a tradition that we have upheld over the years to preserve natural vegetation wherever possible. During the year, 3,012 trees were planted under the programme.

Educating employees about environmental and social impact

We conducted internal and external training sessions to educate employees on environmental impacts. The sessions included waste management, environmental pollution, and global warming among several others. A total of 57 participants attended the sessions. Further, in addition to the environment training sessions, awareness sessions on environment management systems are carried out along with the management system internal audits.

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	16
Filed prior to the reporting period that were resolved during the period	7
Filed during the period and under processing	5
Total	**28**

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.

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.

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.
- Maintaining a plant nursery (small scale) attached to the mechanical workshop, so that plants will be available for internal tree planting programmes as well as for outsiders
- Control measures to avoid environmental emergencies/incidents (e.g. secondary containments for oil/fuel storage, etc.)
- Minimum disturbance to the existing ecosystem during site office construction whenever feasible (e.g. environmental friendly site office construction with natural environment)
- Considering environment concerns of the suppliers, during the supplier evaluation
- Compliance to environmental statutory requirements [e.g. EPL conditions, material (ABC, Quarry, Soil) transportation, etc.]
- Promoting employees to adopt practices which conserve our environment (e.g. using lunch boxes instead of lunch sheets, etc.)

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.

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.

ENERGY MANAGEMENT

Our sector contributes to the highest percentage of energy-related CO_2 emissions. Therefore, we are conscious our role as a thought leader in the industry to minimise our consumption of energy through various means.

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 117 for our energy conservation methods.

GRI 302-1

Energy consumption within at AEL

Type of energy	Units consumed	Conversion ratio	Total energy consumption (Megajoules)
Diesel (ltr.)	7,938,761	38.3	304,054,546
Petrol (ltr.)	193,081	33.6	6,487,522
Kerosene (ltr.)	3,137	37.0	116,069
Electricity (kWh)	1,862,668	3.6	6,705,605
Total			317,363,742

GRI 302-3

Energy intensity

Total energy consumption (Megajoules)	317,363,742
Year end number of employees	2,583
Energy intensity measured in terms of energy consumption per employee (Megajoules)	122,866

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)	7,938,761	2.74	21,752,205
	Petrol (Litres)	193,081	2.28	440,225
	Kerosene (Litres)	3,137	2.28	7,152
Indirect emission	Electricity (kwh)	1,862,668	0.71	1,322,494
Total emission (Direct + Indirect)				23,522,076

GRI 303-1, 303-3

WATER MANAGEMENT

Water is a scare resource and we consider water preservation as a top priority. Consequently, sustainable practices have been adapted 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 119 for our water conservation methods.

GROUND WATER

25,694
(Cubic meters)

SURFACE WATER

7,730
(Cubic meters)

PIPE BORNE WATER

88,292
(Cubic meters)

TOTAL WATER CONSUMPTION 2019/20

121,716
(Cubic meters)

WATER RECYCLED AND REUSED

1,408
(Cubic meters)

PERCENTAGE OF WATER RECYCLED

1.16%

WASTE MANAGEMENT

We have adapted resource-efficient practices to reduce waste generation connected to our operations. These practices are integrated to our systems and processes in our effort to contribute to sustainable construction. Through our waste management system underpinned by the three R's (Reduce, Reuse, and Recycle), waste is segregated at source, stored safely and disposed in the most environmentally-sound way. Refer page 118 for our waste disposal techniques.

Paper consumption in 2019/20

Type of paper	Total consumption (Kgs)
A3 80 gsm	2,055.72
A4 80 gsm	11,827.85
A5 80 gsm	74.59
Total	13,958.16

TOTAL PAPER CONSUMPTION

13,958 kg

WASTE PAPER RECYCLED

405 kg

FULLY GROWN TREES SAVED

7 Numbers

OIL SAVED

710 L

ELECTRICITY SAVED

1,620 kwh

WATER SAVED

12,870 L

LANDFILL SAVED

1.22 M^3

REDUCTION IN GHG EMISSIONS (kg of Carbon emission)

81

Wastewater treatment

Wastewater is treated and reused at production plants and the workshop wherever possible (e.g. Mabima Concrete Batching Plant, Peliyagoda Concrete Batching Plant, Kandana Concrete Batching Plant, Kaduwela Workshop, etc.). In 2019/20, 1.16% of the total water consumed was recycled and reused as shown below:

Total water consumption (m^3)	121,716
Water recycled and reused (m^3)	1,408
Percentage of water recycled and reused (m^3)	1.16%

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

OPERATIONS WITH SIGNIFICANT ACTUAL AND POTENTIAL NEGATIVE IMPACTS ON LOCAL COMMUNITIES

Operation	Impact (on local community)	Control measures
Road	Damages to utility supplies during road works	Using equipment to detect underground utilities Taking prompt actions to restore/repair
Road/Bridge Projects	Safety hazards of the area	Barricading the working area Adhering to the Traffic Management Plan Using safety sign boards Managing traffic
	Public inconvenience on mobility	Providing advance notice to areas affected Determining alternate options for access and parking, if available Providing controlled access by keeping the traffic moving Managing traffic as per the Traffic Management Plan
	Air quality degradation due to dust and machinery	Watering to control dust generation Checking emissions of generators and other equipment
	Vibration and crack propagation	Measuring and monitoring the level of vibration Limiting the time of operation Conducting crack surveys and rectifying at the end of the project
Piling/General construction activities	Area nuisance due to noise	Monitoring noise levels to ensure they are within allowed range Ensuring that construction machinery is fitted with silencers to reduce noise Using soundproof or low noise equipment Limiting the time of operation
Operation of plants	Air quality degradation due to plant operation	Using sprinklers to control dust spread Testing the emission from the plant, to detect acceptability and act accordingly
General construction	Cultural issues	Appointing a public relationship officer to build relationship with the local community and to execute the project with minimal cultural disturbance Carrying out CSR projects in partnership with the local communities

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 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

We are conscious of our impact on the environment and we take every step to mitigate any negative impacts by engaging in responsible, sustainable infrastructure development. We will continue to invest in the latest technology which helps to minimise our carbon footprint. Our annual tree planting project will continue for the next foreseeable future. We will make further improvements to other eco-friendly measures while leveraging the latest, cutting-edge construction methodologies to reduce the use of raw materials and natural resources such as water.

GRI 102-55

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GRI 102-56

Independent Assurance Report to AEL

KPMG
(Chartered Accountants)
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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 2020. The Sustainability Indicators are included in the Access Engineering PLC's Integrated Annual Report for the year ended 31 March 2020 (the "Report").

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

Assured sustainability indicators	Integrated Annual Report page
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The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited assurance sustainability indicators	Integrated Annual Report page
Non-financial highlights	9
Information provided on the following	
Financial capital	72-82
Manufactured capital	83
Intellectual capital	84-87
Human capital	88-95
Social and relationship capital	96-115
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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 2020 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 2020, 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:

KPMG

Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by The Institute of Chartered Accountants of Sri Lanka.

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

31 July 2020

STEWARDSHIP

Board of Directors

Seated (Left to right) Saumaya Dharshana Munasinghe, Dalpadoruge Anton Rohana Fernando

Standing (Left to right) Shevantha Harindra Sudharaka Mendis, Niroshan Dakshina Gunaratne, Dinesh Weerakkody

Board of Directors

Seated (Left to right) Sumal Joseph Sanjiva Perera, Joseph Christopher Joshua

Standing (Left to right) Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe, Dilhan Perera, Ranjan John Suriyakumar Gomez

Board of Directors

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.

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. Companies under his purview include Access Realties (Private) Limited, Access Realties 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. He is also a Director of WUS Logistics (Private) Limited, ZPMC Lanka Company (Private) Limited and ARL Elevate (Private) Limited.

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 Realties (Private) Limited, Access Realties 2 (Private) Limited, Harbour Village (Private) Limited, Access Projects (Pvt) Ltd., Sathosa Motors PLC, WUS Logistics (Private) Limited and ARL Elevate (Private) Limited.

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, Access Realties (Private) Limited, Blue Star Realties (Private) Limited, Access Realties 2 (Private) Limited and ARL Elevate (Private) Limited.

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, Access Motors (Private) Limited, Access Realties (Private) Limited, Access Realties 2 (Private) Limited, ZPMC Lanka Company (Private) Limited and ARL Elevate (Private) Limited.

Dilhan Perera

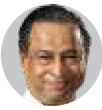
Non-Executive Director

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

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.



Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe

Independent Non-Executive Director

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

Niroshan Dakshina Gunaratne

Independent Non-Executive Director

Appointed to the AEL Board in 2011, he is 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.

Dinesh Weerakkody

Independent Non-Executive Director

Dinesh Weerakkody is the Chairman of Hatton National Bank PLC, Chairman of the International Chamber of Commerce Sri Lanka and Cornucopia Sri Lanka. He is a former Chairman of the National Human Resource Development Council of Sri Lanka, Commercial Bank of Ceylon PLC and the Employees' Trust Fund Board of Sri Lanka. He was also the Chairman of the Government appointed Committee to review the Banking Sector and NBFI consolidation and the Committee appointed to review the Budgetary Allocation for Education. He was also a Director of DFCC Bank. He is a Graduate in Business Administration (UK), a Fellow Member of both the Chartered Institute of Management Accountants (UK) and the Certified Management Accountants (Sri Lanka), Professional Member of the Singapore Human Resource Institute and holds an MBA from the University of Leicester. He currently serves in a number of private sector and MNC Boards and Chairs/Member of the Audit Committee and the Remuneration Committee in several of those companies. He is a Council Member of the Employers' Federation of Ceylon, Institute of Directors and a Financial Advisory Board Member of Sri Lanka Cricket and Caritas Sri Lanka.

Corporate Management Team

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

Standing (Left to right) Kosala Wickramasinghe, Niroshan Thilakarathne, Nilantha Iddagodage, Senarath Bandara, Lagath Gamalathge, Dharmasiri Chandrapala, Srimal Fernando

Corporate Management Team

Seated (Left to right) Shevantha Harindra Sudharaka Mendis, Saumaya Dharshana Munasinghe

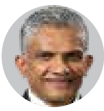
Standing (Left to right) Vasantha Manatunge, Manoaj Jayahsuriya, Dhanushka Munasinghe, Thasantha Kumara, M G Dhammika Deshapriya Silva, Pivithiri Jayasinghe, Prabashana Kumara

Corporate Management Team

Sumal Joseph Sanjiva Perera

Chairman

Profile given on page 134.



Joseph Christopher Joshua

Managing Director

Profile given on page 134.

Dalpadoruge Anton Rohana Fernando

Executive Director/
Chief Operating Officer

Profile given on page 134.

Shevantha Harindra Sudharaka Mendis

Executive Director/Director – Business Development

Profile given on page 134.

SAUMAYA DHARSHANA MUNASINGHE

Executive Director/Director – Business Development

Profile given on page 134.

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 41 years of experience in the civil engineering field and has worked in various capacities in the state sector as well as the private sector.

Dharmasiri Chandrapala

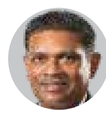
General Manager – Technical

T D D Chandrapala joined the Company in 2002 and counts over 14 years of experience at the Senior Management level of the Company. He holds a BSc in Civil Engineering and he is also a Chartered Civil Engineer. He has over 40 years of experience in the fields of Irrigation and Drainage, Building Construction, Water Supply, Roads and Bridges.

Manoaj Jayahsuriya

General Manager – Project Management Division I

Manoaj joined the Company in March 2006. He has over 33 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 the University of Sri Jayewardenepura, BSc (Hons) from the University of Colombo and a Postgraduate Diploma in Psychology as well as several naval professional qualifications. He also functions as a Director of Sathosa Motors PLC and Access Motors Private Limited.



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 Wastewater, Piling and Buildings in a senior level management capacity. He was also appointed as a Director to the Board of WUS Logistics Private Limited.

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 BSc (Hons) in Civil Engineering from the University of Moratuwa, Postgraduate Diploma in Structural Engineering from the University of Moratuwa and an MBA from Cardiff Metropolitan University. 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 20 years' experience in various disciplines of Civil Engineering including structural engineering designs, contract administration and project management in Sri Lanka and overseas.

Niroshan Thilakarathne

General Manager – Commercial

Niroshan presently serves in the capacity of General Manager – Commercial after serving in various capacities in the Company over a period of almost 16 years. He also has over six years of experience before joining Access Engineering 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. He also functions as a Director of Sathosa Motors PLC.

Prabashana Kumara

General Manager – Project Management Division II

Prabashana joined the Company in December 2006 as an Operations Manager – Telecom Projects. Since then he has risen from Senior Manager – Telecom Projects to Deputy General Manager and he is currently functioning as a General Manager (Project Management Division II). He holds a BSc in Electrical and Electronics Engineering from the University of Peradeniya. He has 20 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.

Thasantha Kumara

General Manager – Project Management Division IV

Thasantha joined the Company at the beginning of 2013. He has over 25 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 14 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.

Nilantha Iddagodage

Deputy General Manager – Finance

Nilantha joined the Company in 2008 and presently serves in the capacity of 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 the University of Sri Jayewardenepura and holds a BSc in Estate Management and Valuation (Special) degree from the University of Sri Jayewardenepura. He has over 14 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.

Dhanushka Munasinghe

Deputy General Manager – Project Management Division III

Dhanushka joined Access Engineering as an Engineer for Projects in 2005 and rose to Senior Engineer, Senior Manager (Project Management Division III) and is currently functioning as Deputy General Manager (Project Management Division III). He graduated from the University of Peradeniya with a B.Sc. in Engineering and pursued his MBA in Project Management at the University of Moratuwa. He is also a Chartered Engineer with memberships in the Institution of Engineers of Sri Lanka, Institute of Chartered Professional Managers, and the Institute of Management of Sri Lanka.

Corporate Management Team

Pivithiri Jayasinghe

Deputy General Manager – Project Management Division II

Pivithiri joined Access Engineering in 2008 as a Trainee Site Engineer attached to the piling division. He then rose to becoming Manager, Senior Manager and was promoted to Deputy General Manager (Project Management Division II) in 2019. He holds a BSc (Hons) in Civil Engineering from the University of Moratuwa and is also a Chartered Engineer.

Lagath Gamalathge

Deputy General Manager – Project Management Division I

Lagath joined Access Engineering in 2007 as an Accountant for Projects and since then he has risen from Manager to Senior Manager roles and is now operating in his present placement as Deputy General Manager (Project Management Division I). Lagath graduated from the University of Sri Jayawardenapura with a Bachelor of Commerce, specialising in marketing; following which he also completed an MBA at Cardiff Metropolitan University. He has over 20 years of experience in diversified fields such as manufacturing, operations and trading in Sri Lanka and overseas. Lagath is also a member of the Chartered Professional Managers of Sri Lanka.

M G Dhammika Deshapriya Silva

Deputy General Manager – Engineering Designs

Dhammika joined Access Engineering in 2007 as a Senior Design Engineer. Since then he has risen from Manager Engineering Design to Senior Manager Engineering Designs and is currently operating as the Deputy General Manager Engineering Designs. He holds both a BSc (Hons) in Engineering and a M.Eng in Structural Engineering from the University of Moratuwa. Dhammika is a Fellow member of the Institution of Engineers, of Sri Lanka and a Member of the Society of Structural Engineers of Sri Lanka. He is a recognised structural Engineer eligible to design and approve high rise buildings in Sri Lanka under the IESL and UDA regulations. He is an International Professional Engineer recognised in 20 leading countries under the Washington Accord. He has over 18 years of experience in various disciplines of Civil Engineering mainly in structural engineering designs together with the constructions.

Senarath Bandara

Deputy General Manager – Business Development

Senarath has served in the capacity of Civil Engineer for a foreign construction company for seven years. He joined Access Engineering in 2004 as a Planning Engineer. Then he rose to Senior Engineer Planning, Senior Manager Engineering and is currently functioning as the Deputy General Manager – Business Development. He graduated from the University of Peradeniya with a BSc in Civil Engineering, after which he followed through with an MBA from the University of Moratuwa and Diploma in Commercial Arbitration. Senarath is also a corporate member of the Institution of Engineers of Sri Lanka. He has over 20 years of experience in the fields of Civil Engineering Construction, Planning, Contract Administration, Dispute Resolution, Project Management and Business Development.

Corporate Governance

"Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society."

Sir Adrian Cadbury, UK

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

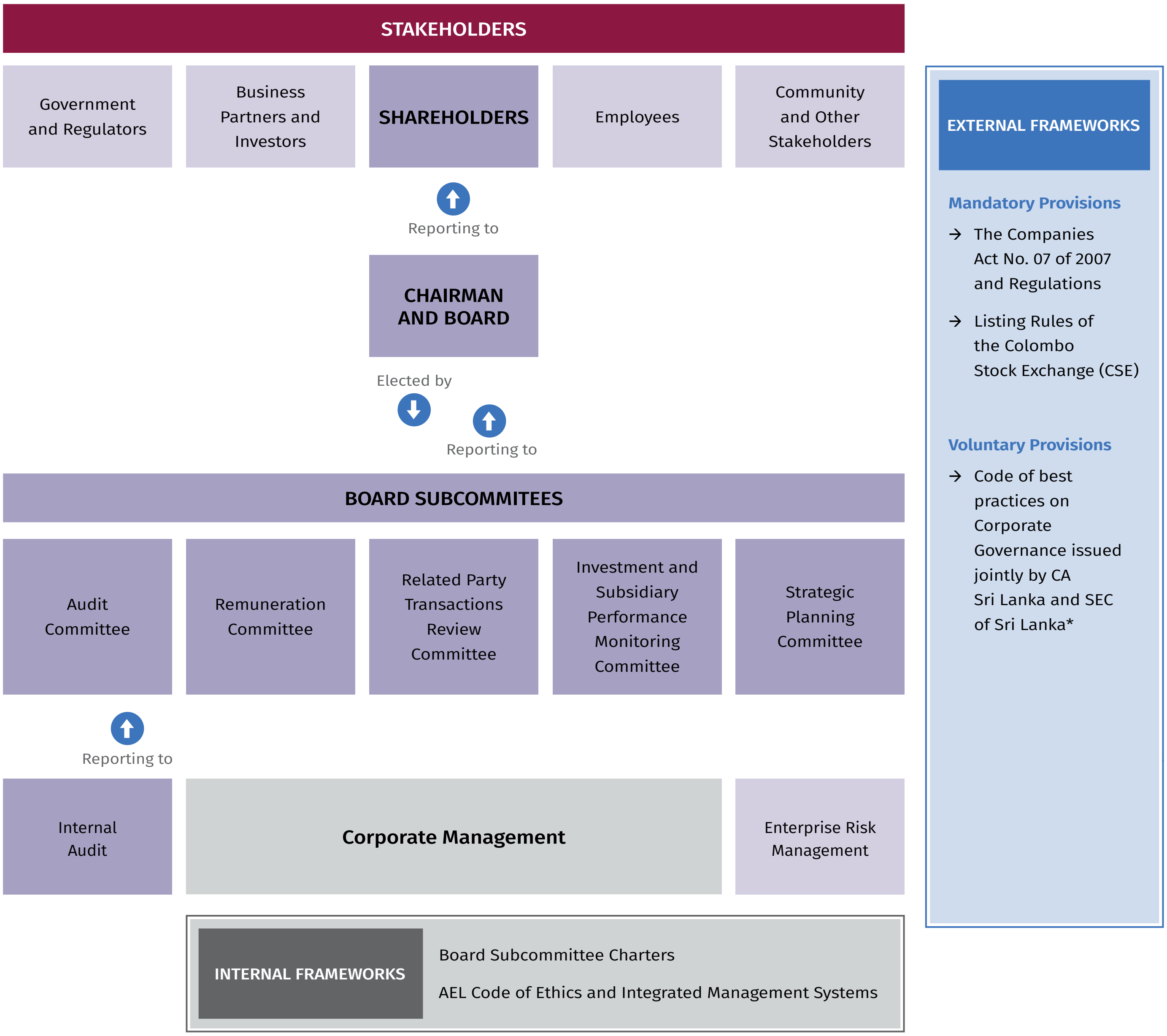
Any administrative or governance structure is strong and efficient as long as same is backed by the overall ethics and values of the Organisation. In compliant with the country's laws and regulations, we have built our ethical framework for improved transparency and adopted our ethics in our culture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

At 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 in 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 guide us throughout our journey and we have also firmly embedded the same into 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 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 designing 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.



* AEL has fully complied with the 2013 "Code" and has complied with almost the full 2017 "Code" to the extent of business exigencies and as required by AEL.

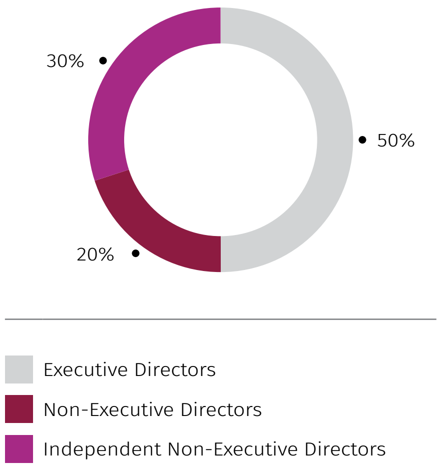
Our competitiveness in the market space and the successful past track record is a direct result of the work that embodies contribution from a wide range of stakeholders including shareholders, investors, employees, suppliers, community, etc. Hence the corporate governance structure of AEL emanates from these various stakeholders with whom we foster sustainable value creation.

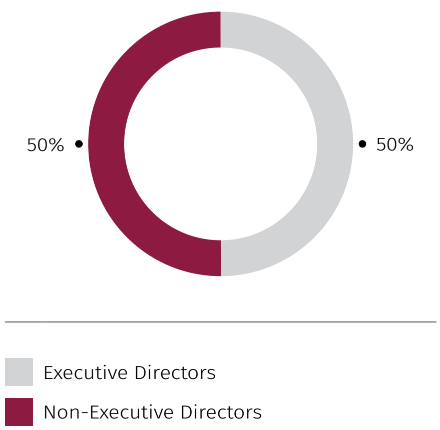
THE CHAIRMAN

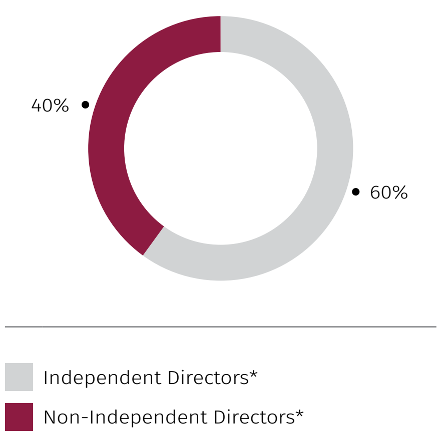
Chairman of the Company who acts in an Executive capacity is mainly responsible for directing the affairs of the Board while maintaining effective external relationships and practice of good corporate governance. The Chairman is responsible for making sure that the agenda, minutes of prior meetings, 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 154.

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 141. 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 (3) 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.







* Out of Non-Executive Directors

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 Company'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 134 to 135.

BOARD EVALUATION

The Board caries out a self-evaluation of its performance both individually as well as collectively against economic, environmental, and social targets/goals set at the beginning of each year. Results of these evaluations are properly minuted 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.

BOARD SUBCOMMITTEES

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

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

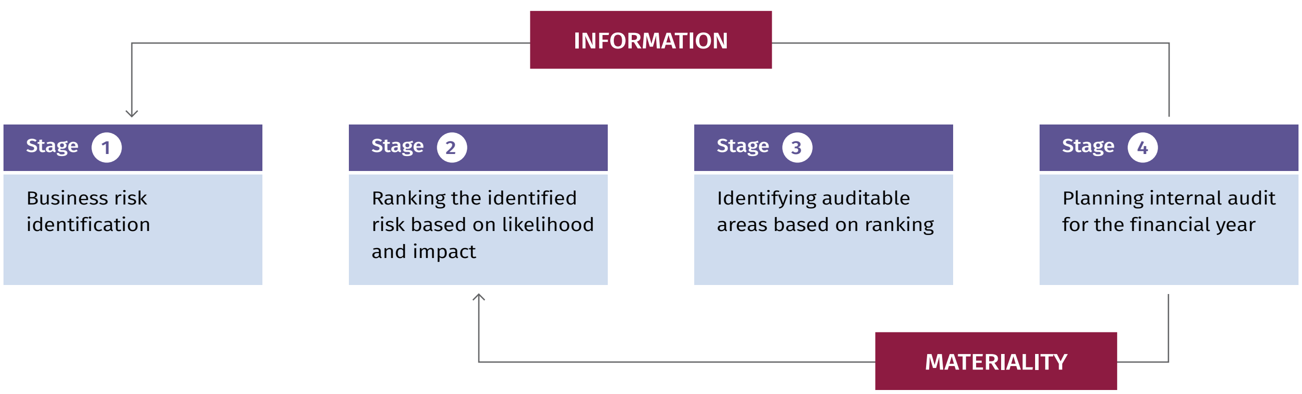
GRI 405-1

Committee and composition	Key areas of responsibilities	Committee report reference
Audit Committee		
Three (03) Independent Non-Executive Directors and one (01) 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 financial reporting.	Page 165
Related Party Transactions Review Committee		
Three (03) Independent Non-Executive Directors and one (01) 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 167
Remuneration Committee		
Three (03) Independent Non-Executive Directors and one (01) Non-Executive Director.	Setting up the remuneration policy and making recommendations to the Board on recruitment, remuneration and performance evaluation.	Page 168
Investment and Subsidiary Performance Monitoring Committee		
Five (05) members including three (03) Independent Non-Executive Directors and two (02) Executive Directors.	Assessing and monitoring existing and new investments of AEL and report observations and recommendations to the Board.	Page 169
Strategic Planning Committee		
One (01) Independent Non-Executive Director and three (03) Executive Directors.	Focusing on planning and setting strategic directions to achieve goals and objectives of the Company.	Page 170

INTERNAL AUDIT

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 the malfunctions and exceptions of the internal controls is done by the Internal Audit Division of the Company which aims on 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. The internal audit function 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 has embedded in, all operative activities and business units 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 function 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 2020/21 were identified to be statutory compliance, information technology, enterprise resource planning system, public complaints, insurance process, procurement and financial reporting.

CORPORATE MANAGEMENT OF ACCESS ENGINEERING

With the objective of achieving sustained value creation for the benefit of all 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 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 138 to 140.

INTERNAL FRAMEWORKS

Board committee charters

Each Board subcommittee of AEL has its own Charter which clearly sets out the subcommittee's roles and responsibilities, duties, powers and authority and the composition. These Charters help the Board to meet its regulatory commitments while also enabling it to uphold good governance.

GRI 102-16

BUSINESS ETHICS

We believe that despite a mere profitability motive, an entity should uphold its ethics 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 are firmly guided to abide by the following ethics.

AEL'S CODE OF ETHICS

→ Equality
- Recognising the rights of all stakeholders
- Carrying out activities with due consideration to their rights

→ Self regulation
- Solving conflicts in a fair and expeditious manner
- Meeting all regulatory requirements

→ Honesty
- Conducting business in a professional manner
- Upholding the principles of fair play

→ Cooperativeness
- Upholding a healthy business environment
- Cooperating with other businesses and professionals

→ Integrity
- Being transparent about business activities
- Serving all stakeholders with honesty

→ Discipline
- Having company interest over self-interest
- Carrying out work in an orderly manner

INTEGRATED MANAGEMENT SYSTEMS

At AEL, we have established and implemented Quality, Environment, and Health, and Safety Management Systems which meet the requirements of international standards. Further the Company's Quality, Environment, and Health and Safety Management Systems are upgraded and certified to the latest international standards, ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 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, assessing and managing risk, satisfying interested parties while enabling AEL to improve its processes, reduce environmental impacts, protect the workforce and increase the market share.

The Corporate Management of AEL ensures its commitment and provision of adequate resources for the effective implementation of management systems, while internal audits are carried out to ensure conformance with the management systems and periodically reviewed for continual 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, 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 capital, technology, and information.

Our quality policy

- → AEL 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.

Environment 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 AEL to –

- Manage and improve our environmental performance (managing 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 include 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 is a leading infrastructure development solutions provider in Sri Lanka, committed to preventing injury and ill health to employees, subcontractors, suppliers and the general public according to applicable health and safety regulations of the country and its safety manual.

In satisfying this commitment, AEL 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 AEL by requiring periodic review in line with Management review procedures.

REPORT ON BOARD SUBCOMMITTEES

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 2018/19. The Committee appointed by the Board of Directors comprises three (03) Independent Non-Executive Directors and one (01) Non-Executive Director of the Board.

Members of the Audit Committee:

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

The Audit Committee Charter formalises the authority, responsibilities and specific duties pertaining to the Committee as follows;

1. Overseeing preparation, presentation and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards;
2. Ensuring compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial related regulations and requirements;

3. Ascertaining that the Company's internal controls and risk management processes are adequate and meet the Sri Lanka Auditing Standards requirements;
4. Assessing the independence and performance of the Company's External Auditor;
5. Making recommendations to the Board pertaining to appointment, reappointment and removal of External Auditors and to approve remuneration and terms of engagement of the External Auditor.

Audit Committee Report is given on page 165.

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 of the Company. This recommendation is made to the Board, which is responsible for the final determination upon consideration of such recommendations.

Comprising three (03) Independent Non-Executive Directors and one (01) Non-Executive Director of the Board, this Committee is appointed by the Board.

Members of the Remuneration Committee:

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

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 Committee is also responsible to ensure that related party transactions of the Company are compliant with the regulatory provisions of Coprate Governance and the Listing Rules of the CSE. The Rules set out in this section further provide certain measures to prevent Directors, Managing Director or substantial shareholders taking advantage of their positions. This Committee comprises three (03) Independent Non-Executive Directors and one (01) 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 formalises the authority, responsibilities and specific duties pertaining to the Committee. Refer page 167 for the Related Party Transactions Review Committee Report.

Investment and Subsidiary Performance Monitoring Committee

Since the investment decisions and performance of previous investment decisions are essential to be reviewed, this Board Subcommittee was set up, comprising three (03) Independent Non-Executive Directors and two (02) Executive Directors. The purpose of the Committee is to discuss prospective investments and performance monitoring of subsidiaries/associates prior to discussion of the relevant maters at Board meetings.

Members of the investment and subsidiary performance monitoring committee

Prof Kulatilleke Arthanayake Malik Kumar Ranasighe (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:

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

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)	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 170.

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.

Members of the Compliance Committee:

Rohana Fernando (Chairman)	Chief Operating Officer/Executive Director
V K Manatunge (Convener)	Senior General Manager
Manoaj Jayasuriya	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 most economic, efficient and effective use of resources as well as safeguard assets.

Beyond the mandatory requirements to set-up the Audit, Remuneration and Related Party Transactions Review Committees, AEL has also set-up its Strategic Planning Committee, Compliance Committee and Subsidiary Performance Monitoring Committee described above voluntarily for enhanced transparency and good governance on a 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.

EXTERNAL FRAMEWORKS

The main external frameworks that govern the system of corporate governance at AEL include; the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance jointly issued by CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC). Company's compliance with each of these provisions is given on pages 150 to 164.

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
CSE Listing Rule 7.6 – Contents of Annual Report			
(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's and Chief Executive Officer holding's 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 2019/20 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	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 2019/20 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	→ Board of Directors (Ref. page 134 and 135) → Compliance with Code of Best Practice on Corporate Governance jointly issued by CA Sri Lanka and SEC (Ref. page 152 to 163) → Annual Report of the Board of Directors (Ref. page 182) → Notes to the Financial Statements (Ref. page 202 to 282) → Audit Committee Report (Ref. page 165)	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	→ Related Party Transactions Review Committee Report (Ref. page 167) → Notes to the Financial Statements	Complied

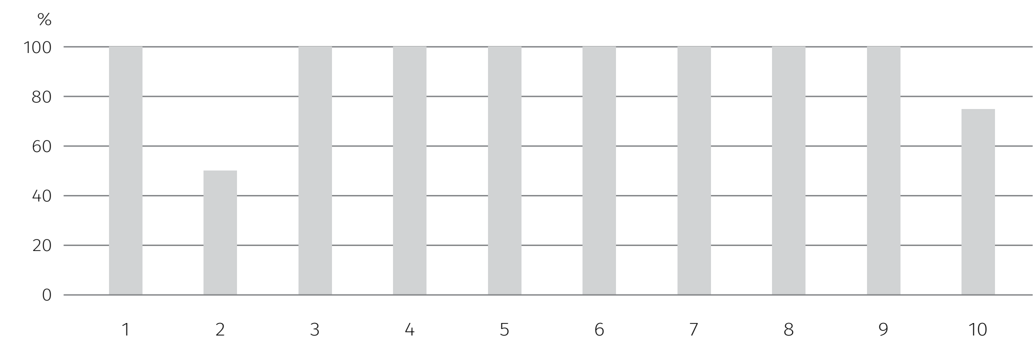
Statement of Compliance under Section 7. 10 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance

Principal	Description	Comment/Reference	Compliance status
CSE Listing Rule 7. 10 – Corporate Governance			
a. and b.	Compliance with corporate governance rules	Annual Report of the Board of Directors on the affairs of the Company	Complied
CSE Listing Rule 7. 10. 1 – Non-Executive Directors			
a., b. and c.	Composition of the Non-Executive Directors	Board of Directors	Complied
CSE Listing Rule 7. 10. 2 – Independent Directors			
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
CSE Listing Rule 7. 10. 3 – Disclosures Relating to Directors			
a. and b.	Determination of independence or non-independence of each Non-Executive Director	→ 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 2019/20 no new Director was appointed	
CSE Listing Rule 7. 10. 4 – Criteria for Defining "Independence"			
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
CSE Listing Rule 7. 10. 5 – Remuneration Committee			
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 (Ref. page 168)	Complied
CSE Listing Rule 7. 10. 6 – Audit Committee			
a.	Composition	Audit Committee Report (Ref. page 165)	Complied
b.	Functions	Audit Committee Report	Complied
c.	Disclosures in the Annual Report	Audit Committee Report	Complied

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

Principal	Comment	Compliance status
A. Directors		
A.1 The Board		
A.1	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 is set out on page 143. 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. 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. There are five subcommittees of the Board of which three are mandatory and two are voluntary. These committees ensure the Company's adherence to best practices of corporate governance in conducting business.	Complied
A.1.1	During the year five 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:	Complied

DIRECTORS' ATTENDANCE AT BOARD MEETINGS



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

As and when the need arises Special Board meetings are also conveyed though no such meeting was held during the year under review.

In addition to the above, the Board Subcommittees also met at various frequencies to discuss matters under their purview as elaborated in detail under their respective Reports.

Principal	Comment	Compliance status
A.1.2	A brief profile of each member of the Board of Directors and Corporate Management team is given on pages 134 and 135.	Complied
A.1.3	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. 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.	Complied
A.1.4	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
A.1.5	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. 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 to ensure balance of power and no Director dominates the conduct of meetings or the Board's decision-making process.	Complied
A.1.6	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 the directors could request for a resolution to be presented to the Board for the best interest of the Company.	Complied
A.1.8	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. 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 policymaking initiatives are some of the methods adopted during the year with respect to training and development.	Complied
A.2 Chairman and Chief Executive Officer (CEO)		
A.2	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. Decision-making at the highest level happens by adopting the rule of simple majority. No one individual is vested with unfettered powers of decision-making.	Complied

Principal	Comment	Compliance status
A.2.1	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 MD and COO give leadership to the Corporate Management team who is collectively responsible for the conduct of day-to-day operations.	Complied
A.3 Chairman's Role		
A.3	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. 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.	Complied
A.3.1	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
A.4 Financial Acumen		
A.4	A brief profile of each member of the Board of Directors is given on pages 134 and 135.	Complied
A.5 Board Balance		
A.5	The Board compromises of ten Directors of which five are Executive Directors and five are Non-Executive Directors. This ratio was maintained throughout the financial year. Composition of the Board is set out on page 143. 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	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 Directors 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	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 143.	Complied
A.5.3	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 Directors 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 Non-Executive Directors for the financial year 2019/20, they were considered as continuing to be independent.	Complied

Principal	Comment	Compliance status
A.5.4	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	Based on the declarations submitted to the Board and other information available, the following Non-Executive Directors' of the Board were decided to be independent as at the end of the financial year. → D S Weerakkody → Prof K A M K Ranasinghe → N D Gunaratne The Board considered the annual declaration made by the Non-Executive Directors' to be a fair representation of their independence.	Complied
A.5.6	This is not applicable as there are no Alternate Directors in the Company.	N/A
A.5.7	This is not applicable as the Chairman of the Company is not the CEO.	N/A
A.5.8	Please refer comment under A.5.7.	N/A
A.5.9	The Chairman holds meetings with the Non-Executive Directors without the presence of Executive Directors as and when necessary. During the year one such meeting was held.	Complied
A.5.10	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
A.6 Supply of Information		
A.6	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	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	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 within two weeks of the meeting the decisions taken and the discussion points are minuted and circulated for their review/comments and finalisation.	Complied

Principal	Comment	Compliance status
A.7 Appointments to the Board		
A.7	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 Company does not have a Nomination Committee in place. However, the existing Board members function in a manner that is similar to a formally appointed Nomination Committee in matters concerning new appointments to the Board.	Complied
A.7.2	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	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.
A.8 Re-election		
A.8	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 Non-Executive Director to appear for re-election every year and as such 2019 saw the re-election of R J S Gomez 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. In terms of the Articles of Association of the Company D S Weerakkody will retire by rotation and being eligible will offer himself for re-election at the forthcoming Annual General Meeting.	Complied
A.8.1	In terms of the Articles of Association of the Company, one Non-Executive Director is required to retire by rotation every year. The re-election of Non-Executive Directors is sanctioned by the shareholders at the AGM of the Company.	Complied
A.8.2	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.	N/A. No new Directors appointed during the year.
A.8.3 Resignation		
A.8.3	Before the formal resignation the Directors explain their reasons for the resignation decision and the same is being minuted 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.

Principal	Comment	Compliance status
A.9 Appraisal of Board Performance		
A.9	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	In order to retain the enthusiasm in company operations 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 addresses the performance remarks of the individual Board members that he has observed during the year.	Complied
A.9.2	Members of the Board and Board Committees carried out self-assessments of their performance for the FY 2019/20 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 2020/21 were identified. Each individual Director was satisfied of his performance in the FY 2019/20. Over the years, both individual and collective performance appraisal of the Board has facilitated continuous development and improvement.	Complied
A.9.3	When a member's name is up for re-election, rest of the Board members discuss the value addition brought by that particular member to the Board and the contribution made thereof. Based on the discussion points the decision is made as to re-elect the member or not to. The discussion points are minuted under the Board meeting minutes.	Complied
A.9.4	The performance of the Board has been appraised though a formalised process of individual appraisal by enabling each member to self-appraise on an anonymous basis.	Complied
A.10 Disclosure of Information in Respect of Directors		
A.10	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	Please refer the following pages for the information relating to Directors of the Company.	Complied

Information requirement	Page/s
→ Brief profile	134 and 135
→ Nature of Expertise	134 and 135
→ Related Party Transaction	254 to 257
→ Other directorships held	256
→ Attendance of Board meetings	152
→ Composition of Board committees	144
→ Attendance of committee meetings	165 to 170
→ Remunerations	257

Principal	Comment	Compliance status
A.11 Appraisal of Chief Executive Officer		
A.11	Not applicable as the Company doesn't have a CEO.	N/A
A.11.1	Not applicable as the Company doesn't have a CEO.	N/A
A.11.2	Not applicable as the Company doesn't have a CEO.	N/A

Principal	Comment	Compliance status
B. Directors' Remuneration		
B.1 Remuneration Procedure		
B.1	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	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	The Remuneration Committee appointed by the Board consisted of four Non-Executive Directors out of which three were independent.	Complied
B.1.3	Details of the Remuneration Committee are given on page 148 of this Report.	Complied
B.1.4	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 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.2 Level and Make Up of Remuneration		
B.2	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 to attract and retain Directors of high calibre to direct the Company. 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.	Complied
B.2.1	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	As the remuneration of the key personnel are 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 is also decided by the same process, also providing specific targets in the Executive Directors' TOR which directs the Executive Directors' in achieving overall organisational performance goals.	Complied
B.2.3	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.	Complied
B.2.4	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 extent of contribution and value addition towards achieving the set targets and objectives of a particular year is the key determinant in deciding the performance related element of the remuneration of the Executive Directors.	Complied

Principal	Comment	Compliance status
B.2.6	Not applicable as there are no executive share options in the Company.	N/A
B.2.7	Provisions of Schedule E of the Code were followed in designing schemes of performance related remuneration.	Complied
B.2.8	There are no compensation commitments (including pension contributions) in Directors contracts of service.	N/A
B.2.9	Company's objective is to avoid early termination by all means.	Complied
B.2.10	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 Non-Executive Directors' do not have any share options in the Company.	Complied
B.3 Disclosure of Remuneration		
B.3	Compensation paid to Key Management Personnel is given in page 257 of this Report. Remuneration Committee Report is given in page 168.	Complied
B.3.1	Names of the members of the Remuneration Committee and the compensation paid to Key Management Personnel are given in pages 148 and 257 of this Report respectively.	Complied
C. Relations with Shareholders		
C.1 Constructive Use of the Annual General Meeting (AGM) and conduct of General Meetings		
C.1	The Company considers the AGM as the primary tool of communication with shareholders. The Notice of Meeting inviting all shareholders is given on page 292 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. General 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.	Complied
C.1.1	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	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 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 Secretaries note the casted votes in favour of the passed resolutions accordingly.	Complied
C.1.4	Before the AGM date, the Company Board and the respective subcommittees 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 raised to answer them.	Complied
C.1.5	The Notice of Meeting and related documents are circulated to the shareholders 15 working days prior to the AGM. 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. The Board encourages all shareholders to attend and actively participate in the AGM. The shareholders may raise any queries they have with the Directors.	Complied

Principal	Comment	Compliance status
C.2 Communication with Shareholders		
C2	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 www.accessengsl.com is updated with financial and project related information, corporate disclosures and other press releases for public viewing.	Complied
C.2.1	Refer comment given under C.2.	Complied
C.2.2	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 has disclosed the contact information in all their publications and always encouraged the shareholders to connect. Accordingly the Company has a separate page indicating Investor information such as the market price per share.	Complied
C.2.4	The point of contact is given on page 04 of this Report.	Complied
C.2.5	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	Both the Company Secretary as well as members of the Board act as contact points in relation to shareholder matters.	Complied
C.2.7	Responses for shareholder queries directly sent to individual members of the Board are sent by the respective members. Queries directed to the Company Secretary are responded by the Directors via the Company Secretary.	Complied
C.3 Major and Material Transactions		
C.3	Refer the Related Party Transactions Review Committee Report on page 167 and Note 29 of Notes to the Financial Statements.	Complied
C.3.1	Refer the Related Party Transactions Review Committee Report on page 167 and Note 29 of Notes to the Financial Statements.	Complied
C.3.2	Refer the Related Party Transactions Review Committee Report on page 167 and Note 29 of Notes to the Financial Statements.	Complied
D. Accountability and Audit		
D.1 Financial Reporting		
D.1	The Annual Report of the Board of Directors on the Affairs of the Company making the relevant declarations is given on page 182 of this Report.	Complied
D.1.1	This Integrated Report fulfills this requirement	Complied
D.1.2	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. 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.	Complied

Principal	Comment	Compliance status
D.1.3	The Financial statements itself has the respective declaration stating that all standards, legal requirements are met with and the DGM Finance signs the financial statements below that declaration. Additionally an annual declaration is also signed by the DGM Finance confirming the same.	Complied
D.1.4	The Annual Report of the Board of Directors on the Affairs of the Company making the relevant declarations, is given on page 182 of this Report.	Complied
D.1.5	"Directors Responsibility for Financial Reporting", "Statement of Auditors" and the "Directors Statement on Internal Control" are given on pages 188, 190 and 189 respectively.	Complied
D.1.6	"Management Discussion and Analysis" is given on pages 72 to 124 of this Report	Complied
D.1.7	Not applicable as there was no serious loss of capital during the year.	N/A
D.1.8	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 and favourable treatment. All related party transactions as defined in Sri Lanka Accounting Standards – LKAS 24 "Related Party Transactions" are disclosed in Note 29 to the Financial Statements.	Complied
D.2 Risk Management and Internal Controls		
D.2	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. The Board Audit Committee is responsible to the Board for ensuring the effective operation of the system of internal controls to achieve objectives of the Company.	Complied
D.2.1	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. The Directors' responsibility for maintaining a sound system of internal control is given in the Board of Directors' Statement on Internal Control on page 189.	Complied
D.2.2	The confirmation of the Risk assessment conducted and the principal risks faced by the Company are disclosed in the Enterprise Risk Management report given on pages 171 of this Report.	Complied
D.2.3	The Company has an internal audit function headed by the 'Chief Internal Auditor' and overseen by the Board Audit Committee.	Complied
D.2.4	Operation and review of internal controls is done by the internal audit function as a continuous and ongoing 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. In 2019/20 the Board was satisfied with the effectiveness of the system of internal control in place within the Company.	Complied
D.2.5	Refer page 189 for the "Directors Statement on Internal Controls".	Complied

Principal	Comment	Compliance status
D.3 Audit Committee		
D.3	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 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	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
D.3.3 Disclosures		
D.3.3	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 in the meetings and decision-making.	Complied
D.4 Related Party Transactions Review Committee		
D.4	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 an extraordinary gain through the same.	Complied
D.4.1	Company has considered the guidelines provided in the LKAS 24 in defining the related parties, in developing the Charter for the Related Party Transactions Review Committee.	Complied
D.4.2	In compliance with the requirements of the voluntary Code of Corporate Governance, the Related Party Transactions Review Committee comprise three Non-Executive Directors who are also independent. Further the COO/Executive Director attends the meetings upon invitation by the Committee.	Complied
D.4.3	Company has developed a Charter for the Related Party Transactions Review Committee clearly defining the objective/duties of the Committee, each member's duties and responsibilities and administrative arrangements etc.	Complied
D.5 Code of Business Conduct and Ethics		
D.5	Refer page 146 of this Report – Stewardship – Business Ethics.	Complied
D.5.1	The Company 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 engineering in any manner. The violation of the Code of Ethics is an offence which is subject to disciplinary action.	Complied
D.5.2	The price sensitive transactions relating to Investments are monitored through the Investment and Subsidiary Performance Monitoring Committee and through the Audit Committee. Significant matters are informed to the Board for further action.	Complied
D.5.3	Refer the report of the Related Party Transactions Review Committee on page 167.	Complied
D.5.4	Refer pages 141 to 170 of this Report – Stewardship.	Complied
D.6 Corporate Governance Disclosures		
D.6	This Report on the Company's compliance with the CA Sri Lanka/SEC "Code of Corporate Governance" meets this requirement.	Complied
D.6.1	Same as D.5	Complied

Principal	Comment	Compliance status
E. Institutional Investors		
E.1 Shareholder Voting		
E.1	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	The most structured and continuous dialogue the Company has with the shareholders is the AGM. The Chairman is available to meet shareholders at the end of each AGM and can be met on appointment on other occasions. The Chairman then communicates the views and concerns of shareholders to the Board as a whole.	Complied
E.2 Evaluation of Governance Disclosure		
E.2	Institutional investors are encouraged to give due weight to all relevant factors drawn to their attention in evaluating Companies' governance arrangements.	Complied
F.1 Investing/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	The Company encourages individual shareholders to participate in General Meetings and exercise their voting rights.	Complied
G. Internet of things and Cybersecurity		
G.1	Refer Enterprise Risk Management on page 179 of this Annual Report (IT – related risk)	Complied
G.2	The functions of the CISO is carried out by the Manager IT reporting to the Senior General Manager.	Complied
G.3	Relevant risks are discussed at Internal Audit Report and reported the same to Audit Committee. High risk matters are referred to the Board for further actions.	Complied
G.4	Issues are addressed at the Integrated Risk Management audit annually carried out by an independent third party and identified issues are reported through the management letter.	Complied
G.5	The Company adheres to the required level of cybersecurity analysing the gravity of requirement and the IT department does continuous monitoring to mitigate the identified risk.	Complied
H. Environment, Society and Governance (ESG)		
H.1.1 Reporting of ESG Factors	Refer Page 72 to 124 of the Annual Report – Management Discussion.	Complied
H.1.2 Environmental Factors	Refer Page 72 to 124 of the Annual Report – Management Discussion.	Complied
H.1.3 Social Factors	Refer Page 72 to 124 of the Annual Report – Management Discussion.	Complied
H.1.4 Governance	Refer Pages 141 to 149 of the Annual Report – Corporate Governance for this requirement.	Complied
H.1.5 Board's role on ESG Factors	The Company understands its role and responsibility in ESG reporting and ensures that the Company adheres to the ESG reporting requirements.	Complied

Statement of Compliance under Section 168 of Companies Act No. 07 of 2007

Principal	Description	Comment	Compliance status
Section 168 – Contents of Annual Report			
(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 on the affairs of the Company	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 on the affairs of the Company	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 on the affairs of the Company	Complied
(1) (k)	Be signed on behalf of the Board by two Directors of the Company.	Financial Statements	Complied

AUDIT COMMITTEE REPORT

The Committee was established under the Corporate Governance rules of Section 7. 10. 6 of the Colombo Stock Exchange and the 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 Committee continued to review and report to the Board on the Group's financial reporting, internal control and risk management processes and the performances, independence and effectiveness of external auditors.

ROLE OF THE AUDIT COMMITTEE

The role of the Audit Committee is to oversee and report to the Board on the Group's financial reporting system, compliance with legal and regulatory requirements, internal control mechanism, risk management process, internal audit function and review of Independence and performance of External Auditors, with a view to safeguarding the interests of the shareholders and all other stakeholders.

COMMITTEE COMPOSITION

There were no changes to the composition of the Committee as at 31 March 2019. 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 the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and Securities Exchange Commission of Sri Lanka, Committee membership comprises three (3) Independent Non-Executive Directors and one (1) Non-Executive Director of the Board.

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 the 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	21 April 2019	21 May 2019	9 August 2019	13 November 2019	12 February 2020
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 2019/20 Internal Audit Plan and continued to monitor progress against this Plan during the year. Results and management actions arising from the reviews undertaken in 2019/20 were discussed in detail at each of the Committee's meetings. The Head of Internal Audit attended all of the Committee's meetings during 2019/20 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.

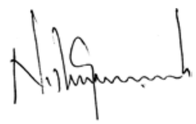
The Audit Committee has recommended to the Board that Messrs KPMG be reappointed as the Independent External Auditor and that the reappointment be included in the agenda of the Annual General Meeting.

POTENTIAL FINANCIAL IMPLICATION ARISING FROM COVID-19 PANDEMIC

The committee regularly monitored the Group's known and emerging exposures in relation to the changes in the external regulatory and political environment, including the possible impact on the Group's risk management activities and the recent emerging global spread of COVID-19. The Committee reviewed the risk and going concern assessment carried out by the Management after considering the existing and potential financial impact of COVID-19 in the revised budget, cash flow projections and funding arrangements. Further the Committee is satisfied that the Group and the Company is able to continue as a going concern and adequate disclosures have been made in these Financial Statements.

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.



N D Gunaratne

Chairman – Audit Committee

31 July 2020

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

PURPOSE OF THE COMMITTEE

The Related Party Transactions Review Committee was established to advise the Board in relation to transactions with the related parties as defined by LKAS 24. The Committee also exercises 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 of Sri Lanka. The Committee has also adopted best practices as recommended by The Institute of Chartered Accountants of Sri Lanka.

ROLE OF THE COMMITTEE

The role of the 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

There were no changes to the composition of the Committee as at 31 March 2019. The Committee continued to comprise three Independent Non-Executive Directors and one Executive Director/COO, 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 Exchange Commission of Sri Lanka, the Committee comprised the following members:

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

The brief profiles of the existing members of the Committee are given on pages 134 and 135 of the Annual Report.

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	21 May 2019	9 August 2019	13 November 2019	12 February 2020
Niroshan Dakshina Gunaratne (Chairman)	✓	✓	✓	✓
Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe	✓	✓	✓	✓
Dinesh Weerakkody	✓	✓	✓	✓
Rohana Fernando	✓	✓	×	✓

TERMS OF REFERENCE

The Committee is governed by the written terms of reference, approved by the Board of Directors, which is carefully designed to discharge the Committee's purpose, duties and responsibilities. The Committee's duties and responsibilities are set out in accordance with requirements stipulated by the Code of Best Practices on Related Party Transactions published by the Securities and Exchange Commission of Sri Lanka, regulations issued by the Colombo Stock Exchange and LKAS 24. Terms of reference of the Committee includes:

- 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 transaction 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 transaction to the Committee.
- To recommend the creation of a special committee to review and approve the proposed related party transaction, 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 transaction 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 29 of Notes to the Financial Statements.

DECLARATION

A declaration was given by the Board of Directors as a negative statement to reflect that, there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned of the rule 9.3.2 in the Listing Rules of the Colombo Stock Exchange, requiring disclosure in the Annual Report.

N D Gunaratne

Chairman
Related Party Transaction Review Committee

31 July 2020

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 of three (3) Non-Executive Independent Directors and One (1) Non-Executive Director. There were no changes to the composition of the committee during 2019/20.

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

The Committee's composition met the requirements of the rule 7. 10. 5 of Listing Rules of the Colombo Stock Exchange.

ROLE OF THE COMMITTEE

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

Responsibilities include,

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

The Committee is authorised by the Board to seek appropriate professional advice inside and outside the Company as and when it considers necessary.

MEETING ATTENDANCE

During the year 2019/20, the subcommittee members attended one meeting as set in the following table.

Name	24 February 2020
Dinesh Weerakkody (Chairman)	✓
Prof Kulathilake Arthanakyake Malik Kumar Ranasinghe	✓
Niroshan Dakshina Gunaratne	✓
Suresh Dilhan Perera	✓

Dinesh Weerakkody

Chairman
Remuneration Committee

31 July 2020

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 of 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, Managing Director 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.
- Advice the Management on what action should be taken for non-compliances noticed in investment and budgetary monitoring of subsidiaries/associates/joint venture.

MEETING ATTENDANCE

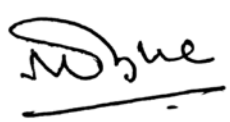
During the year 2019/20, the subcommittee members attended meetings as set in the table below:

Name	14 May 2019	31 July 2019	19 September 2019	16 November 2019	6 February 2020
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/ joint venture 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

31 July 2020

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 2019/20.

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

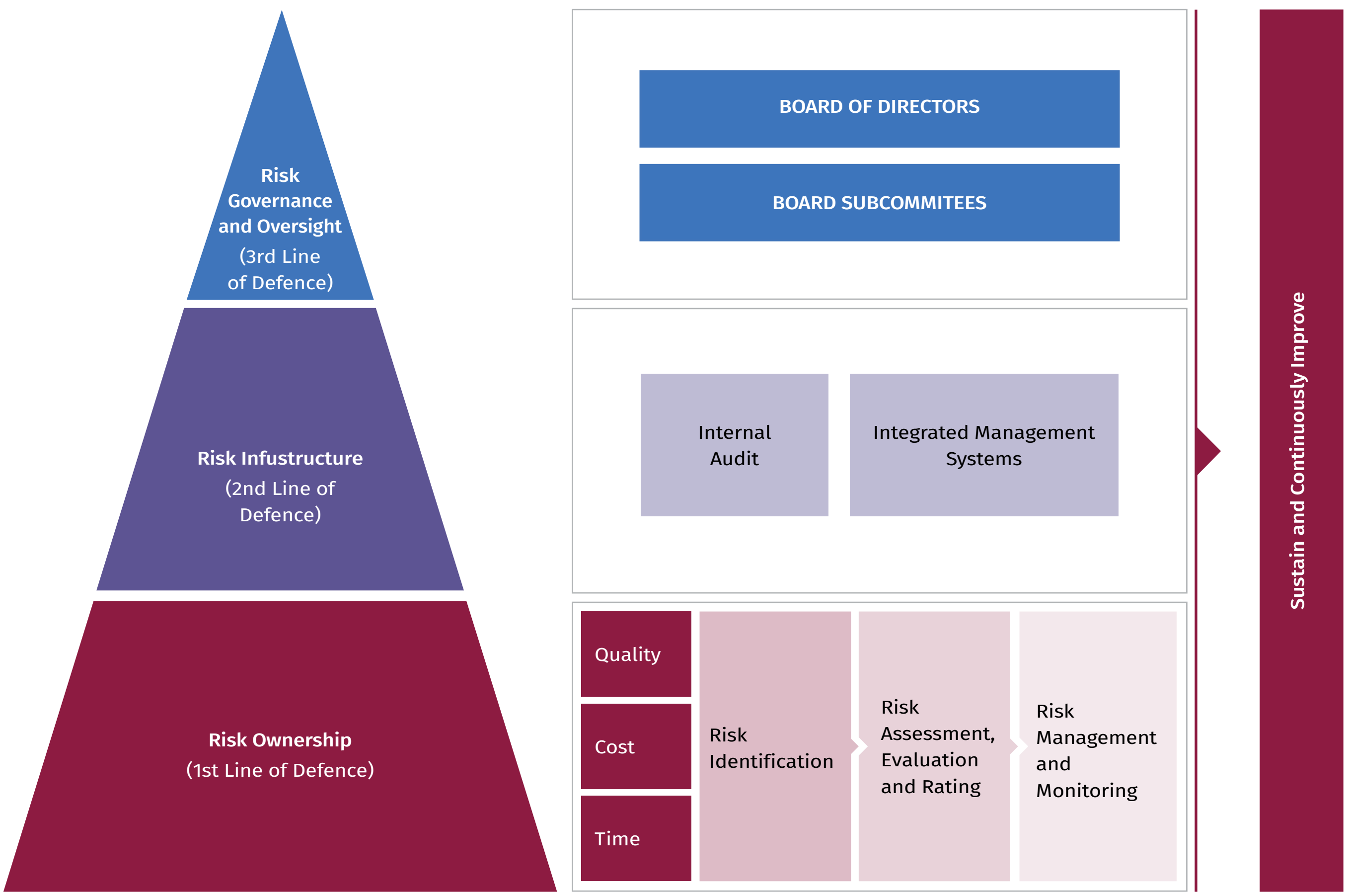
31 July 2020

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 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 Board Subcommittees to further sharpen focus on the Company's internal risk and control environment. The Company recognises that a consistent, agile and responsive approach to risk management is crucial to the sustainable delivery of its business objectives. Our approach to risk management has enabled us to strengthen our overall responsibility for managing risks, adopt industry best practices and improve our internal control frameworks.

The functions that enable AEL to effectively control its risks have been assigned to three levels. The First Line of Defence consists of operational managers who own and manage risks. They are also responsible for implementing corrective actions to address process and control deficiencies. The Second Line of Defence Consists of functions that monitor the implementation of effective risk management practices by operational managers, assist risk owners in defining the target risk exposure and report adequate risk-related information throughout the Company. The Third Line of Defence provides the governing body and the Corporate Management a comprehensive assurance based on the highest level of independence and objectivity within the Organisation, by the internal audit function.



RISK GOVERNANCE AND OVERSIGHT

To meet the requirements of corporate governance (voluntary and mandatory) and other regulatory bodies, 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. The risk governance and oversight function ensures that appropriate Board Subcommittees are involved in the oversight of risk processes coming under their purview and that the full Board is actively engaged in a robust dialogue about critical risks.

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 Company assets, 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. The ultimate responsibility for setting the risk appetite for the effective management of risk rests with the Board.

Board subcommittees

Board subcommittees are responsible for overseeing the development and implementation of policies relevant to their areas of scope, identification of emerging risks and monitoring the ongoing effectiveness of Company procedures. Acting within the authority delegated by the Board, the Strategic Planning Committee and the Audit Committee review specific risk profiles and receive 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.

Audit Committee

The Audit Committee 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, compliance with legal and regulatory requirements, and policies and ethics established by the Company.

Related Party Transactions Review Committee

The objective of the Committee is to ensure that the interests 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 of Sri Lanka.

Remuneration Committee

The Remuneration Committee assists the Board to discharge its responsibility by overseeing remuneration policies and practices of the Company. The 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), Senior 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.

Investment and Subsidiary Performance Monitoring Committee

The purpose of the Committee is to evaluate prospective investments and to monitor the performance of subsidiaries/associates prior to discussion of the relevant matters at Board meetings.

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 interests. 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 etc. Additionally, the Committee evaluates the progress of execution and effectiveness of the strategic plan and recommends changes to the plan where necessary and evaluates other issues or opportunities.

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 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.

RISK INFRASTRUCTURE

Risk infrastructure in place at AEL ensures that it is well prepared to address risks and includes our risk management policies, procedures, risk training and knowledge, databases and information. The internal audit function and the integrated management systems function play a vital role in setting out the risk infrastructure at AEL.

Internal audit function

The Company's Internal Audit Department which performs the internal audit function focuses on providing an independent oversight to the Board and the Audit Committee on the processes and controls that help to mitigate major risks.

Integrated management systems function

Our integrated management systems consist of the quality management system (QMS) which confirms with the requirements of ISO 9001:2015, the environmental management system (EMS) which conforms with the requirements of ISO 14001:2015 and the occupational health and safety management system (OHSAS) which conforms with the requirements of ISO 45001:2018. These integrated management systems are a pivotal component of our risk infrastructure.

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 they are biannually audited by the Management Systems external auditor Det Norske Veritas (DNV GL).

RISK OWNERSHIP

The risk ownership function at AEL is responsible for identifying, measuring, monitoring, and controlling risks at an operational level. This function also creates adequate risk awareness among the staff.

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 risk 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.

Primarily engaged in large scale infrastructure development projects, AEL is constantly challenged by the triple constraints of Time, Cost, and Quality and the principal risks we face emanate from them. These risks have been broadly categorised under 12 principal risk drivers as elaborated in the Risk Table and are constantly reported to the Board and its Subcommittees. At a more operational level, we adopt the following approach to managing these risks.

01 RISK IDENTIFICATION	Risk Identification is the process of determining risks that could potentially prevent the enterprise from achieving its objectives. It includes documenting and communicating the concerns.
02 RISK ASSESSMENT, EVALUATION AND RATING	Risk registers are used to assess and evaluate risks. All identified risks are assessed at three levels (high/medium/low) with reference to the likelihood of occurrence and the potential impact. Tolerance levels and trigger points are also defined for each identified risk.
03 RISK MANAGEMENT AND MONITORING	Based on the risk scores derived from the risk register, the respective functions formulate strategies to curtail and mitigate these risk exposures. Risks are monitored at multiple levels within the Organisation including at functional level, Board Subcommittee and Board level. Identified risks, the risk registers, mitigation plans and performance of each identified risk are evaluated at these levels throughout the year.

RISK IDENTIFICATION

An ongoing appraisal of the Company's risk profile is made by the Board. The level of risk the Company 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. Our risk appetite has been determined by the senior leadership to ensure that it is embedded in critical business processes.

RISK ASSESSMENT, EVALUATION AND RATING

Risk matrix for risk assessment

The following risk matrix is used by AEL as a technique for assessing and evaluating its risk. This matrix mainly focuses on risk analysis based on qualitative perception.

SEVERITY / LIKELIHOOD	LOW	MEDIUM	HIGH
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)

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;

Risk rating process

The following diagram summarises the risk rating process of AEL:

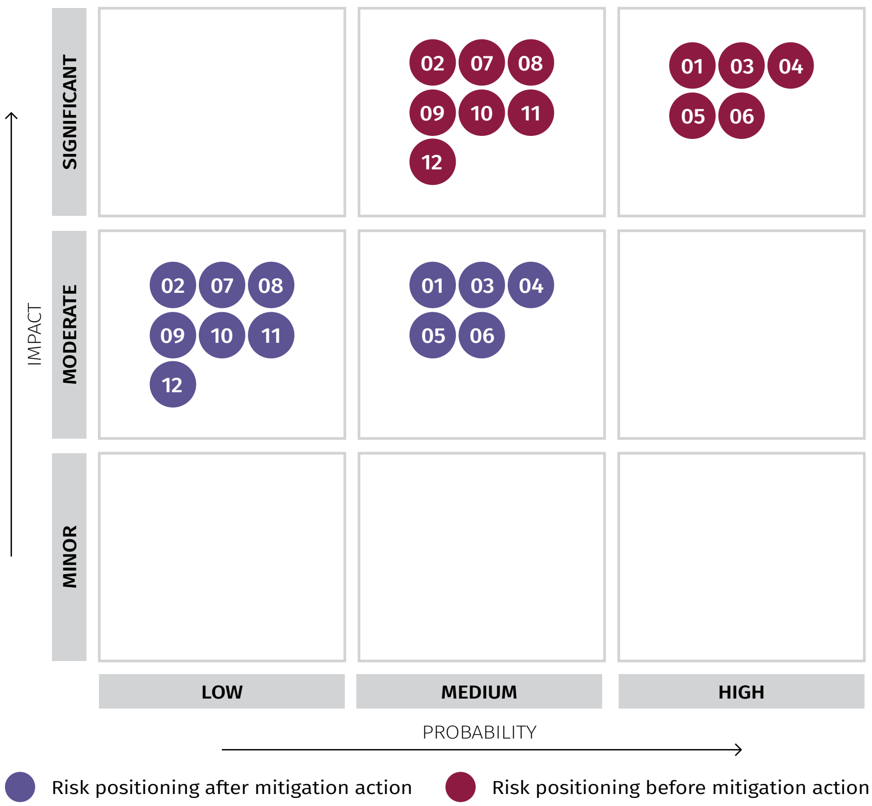
Objectives

- 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 that are 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.

The Board and the Audit Committee concluded that the level of risk associated with the Company's principal risks is currently consistent with the Company'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 Company, including those that would threaten its business model, future performance, solvency or liquidity.

Our principal risks



RISK MANAGEMENT AND MONITORING

The risk management and monitoring function at AEL measures the effectiveness of responses given to risks identified while evaluating their implementation against the plan and taking necessary corrective measures where deviations are evident.

Enterprise Risk Management

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2018/19	2019/20
01 Operational risks	Operational risks are the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.	→ Delays in project deliverables → Cost overruns → Unsatisfactory product performance → Quality not meeting specified requirements → Loss of profits, credibility and reputation	→ 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 → Conducting frequent progress review meetings for business units to monitor work progress and budgetary controls and accordingly taking precautionary actions when and where necessary → Use of appropriate methodologies → Use of advanced technology and new construction techniques to expedite project implementation and reduce cost → Training and skills enhancement	Unchanged	Increase
				Since the latter part of 2019/20, the Company faced a potential risk arising from the outbreak of the COVID-19 global pandemic. Nevertheless, the Company has managed to resume operations after a temporary disruption and is able to continue as a going concern.	
02 Technological risk	This risk factor involves issues or concerns associated with the technologies involved in the execution methods and operational technology of the project.	→ Failure to compete in the market as a result of technological obsolescence in the processes.	→ Investment in new technology → Upgrading of knowledge through training and development, industrial visits → Partnering with foreign principals and on-the-job knowledge transfer	Unchanged	Unchanged
				In 2019/20, the Group made considerable investments to adopt new technologies on par with global industry practices.	
03 Socio-economic and political risk	Socio-economic and political factors have a direct impact on the operational and investment activities of the Company.	→ Loss of social license to operate as a result of corporate behaviour against the interests of the society. → The weakening of the Rupee adds increased market pressures to the business of the Group → Negative impact on budgetary control due to political uncertainties	→ The severity of the socio-economic and political variables is evaluated during the corporate planning sessions on an annual basis → Contingency plans are incorporated in the corporate plan → An overall feasibility study is conducted including socio-economic and political risks, in order to prevent any potential risk from investing in new ventures.	Unchanged	Unchanged
				During 2019/20, the Company engaged in various community related activities, including community development and philanthropic initiatives while maintaining healthy stakeholder relationship. Influence by economic and political risks on Company performance was minimised by strong strategic planning.	

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2018/19	2019/20
04 Human capital and labour risk	Failure to attract and retain key management could lead to a lack of necessary expertise or lack of continuity in executing strategy.	→ 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 → 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	→ Recruitment of the best talent pool in the industry → Conducting periodic performance appraisals of staff → Continuous training and development of staff both on-site and off-site → Adopt market-based compensation, including appropriate incentive packages → Giving freedom to employees to meet their senior managers at any time, for discussing their work-related matters	Unchanged During 2019/20, 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.	Unchanged
05 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.	→ Downgrading in CIDA Accreditation → Impact on achieving continual growth of the Company → Damage stakeholder relationships → Impairing Company reputation	→ Maintain accreditations: ISO 9001, ISO 14001, and OHSAS 45001 → Focused training on health, safety and environment to all employees → Regular management meetings, evaluating performance and identifying improvements → Internal audit function to monitor the proper implementation of safety standards with the support of safety officers attached to each project site → R and D into new techniques in construction which cause less impact to the environment → Periodic evaluation of stakeholders (mainly sub-contractors and suppliers) on environmental grounds	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 2019/20.	Unchanged

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2018/19	2019/20
06 Compliance risk	Compliance risk may arise due to the failure to abide by any law or regulatory requirements applicable to the Company. 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.	→ Risk on going concern of the Company → Impact on continuity and growth of the Company operations → Impairing Company reputation → Reduction in profitability due to legal fees and penalties	→ Conducting periodical assessments on the extent of compliance with the statutory requirements → 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 → Complying with the CSE reporting requirements on a periodic basis → Strictly following the expert advice on issues related to income and other taxation	Unchanged During 2019/20, Group adopted its risk mitigation strategies to maintain a high standard of regulatory compliance.	Unchanged
07 Competition risk	Increased competition has the possibility of reducing market share and margins.	→ Total revenue growth → Underlying operating margin → Underlying earnings per share → Work won and secured and probable orders	→ Ensuring high standards of quality in finished products → Increasing productivity and efficiency in order to ensure our prices remain competitive despite increasing wage, energy and transportation costs → Increasing efficiency through R and D, investment in new technology and the adoption of best practices → Diversifying business operations to reduce the impact of competition	Increased During 2019/20, 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.	Unchanged
08 Finance risk	Probability of loss inherent in financing methods which may impair the ability to provide an adequate return.	→ Weakening of cash flows due to higher debtor positions → Unavailability of sufficient working capital, negatively affecting the smooth functioning of day-to-day operations of the Group → Negative impact on profitability → Downgrading Company rating for investors	→ 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 → Liquidity risk is managed by bank facilities and monitoring headroom → Interest rate risk in respect of surplus cash is managed by making deposits with suitable financial institutions	Increased During 2019/20 there was continuous monitoring of liquidity management strategies. The Treasury Division was supported by the finance functions of respective businesses.	Increased

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2018/19	2019/20
09 Reputation risk	Reputation risk is the risk that an event or incident could damage the image of the Company.	→ Deteriorating qualifications for bidding → Negative effects on total revenue growth → Underlying operating margin → Underlying earnings per share → Negative impacts on work won and secured and probable orders	→ 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 → Adopting stringent quality assurance policies with regard to goods/materials procured from third parties as well as the inputs, processes and outputs of own products → Ensuring effective communication with various stakeholders including employees, customers, suppliers, and other stakeholders and the community at large → Ensuring compliance with relevant laws and regulations → The Code of Ethics of the Company is expected to be followed by all employees without any exception	Unchanged The Group's policies, procedures and best practices were the foundation of its uncompromising approach to ethical and transparent business during 2019/20.	Unchanged
10 IT-Related Risk	Breakdowns and failures in information systems and the use of obsolete systems will adversely affect the smooth operations of the Company.	→ Impact on regulatory reporting deadlines of SEC and CSE → Reduce underlying operating margin due to cost of time and data recovery → Impairing goodwill of the Company due to loss of credibility	→ Maintaining a well-established IT governance structure → Maintaining a proper "back up" system in order to overcome data loss → Implementing a password/access control policy → Incorporating necessary validation and verification functions at the information entry level → Carrying out Application Control Audits → 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	Unchanged Majority of the Group's IT systems are centralised to ensure uniformity and standardisation across the Group.	Unchanged
11 Procurement risk	Material/services price variations and availability of them will adversely affect the progress of the business.	→ Reducing underlying operating margin → Inability to meet the completion targets → Degrading quality standards of works → Impact of unfavourable exchange rate fluctuations	→ Developing new products to improve quality and manage costs → Establishing relationships with many global and local suppliers for raw materials and commodities in order to reduce over-dependency on a single supplier/brand → Adoption of backward integration strategies → Entering into forward contracts for raw material purchases → Regular supplier evaluations are conducted to ascertain their financial strength, social and environmental conduct	Increase The procurement risk has primarily increased due to the de-valuation of the Sri Lankan Rupee.	Increase

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2018/19	2019/20
12 Fraud risk	Fraud risk arises due to weaknesses in the internal controls, which could result in financial losses.	→ Loss of reputation of the Group → Decrease in operating profitability of the Group → Going concern of the Company.	→ The Internal Audit Department conducts audits on a regular basis in the areas, which are susceptible to the occurrence of fraud → Authority and approval limits are implemented for all functions of the Company, making the employees accountable for their actions → Ensuring appropriate segregation of duties → Every key activity is subject to the scrutiny of another suitably skilled and authorised employee → When fraud is detected, immediate remedial action is taken to prevent repetition → Employees are encouraged to report any genuine concerns regarding fraud and malpractice → Whistle-blowing policy	Unchanged During 2019/20, the Group has managed to continue with robust internal controls to mitigate risks associated with frauds and maintained an ethical working environment for employees.	Unchanged

FINANCIAL CALENDAR

Eighth Annual General Meeting	9 August 2019
First Quarter Report	9 August 2019
Second Quarter Report	13 November 2019
Third Quarter Report	12 February 2020
Fourth Quarter Report	21 May 2020
Final Dividend for 2018/19	11 June 2019
First Interim Dividend for 2019/20	3 December 2019

FINANCIAL REPORTS

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 2020. This Report covers Chairman's Message, Corporate Governance and Management Structure, Enterprise Risk Management, Auditors Report Independent Assurance on Non-Financial Reporting and all other relevant information for the year ended 31 March 2020, 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. (2019 – LKR 5,000 Mn.) Rated Senior Unsecured Redeemable Debentures at a par value of LKR 100/- 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 BUSINESS ACTIVITIES

Access Engineering PLC manages a portfolio of diverse range of business including Construction, Construction-Related Material, Property and Automobile. Refer Note 1.3 to the Financial Statements on page 202 for a brief description of the principal activities of the Company and subsidiaries.

SUBSIDIARY INVESTMENT ACTIVITIES DURING THE YEAR

The Company invested LKR 925 Mn. during the year in WUS Logistic (Private) Limited a fully owned subsidiary of the Company. Furthermore, the investment in Horizon Holdings Ventures (Private) Limited, a fully owned subsidiary of AEL during the year was disposed of.

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 on pages 13 to 16 Segment-wise contribution to Group revenue, results, assets and liabilities are provided in Note 4 (page 209) to the Financial Statements.

FINANCIAL STATEMENTS

The Financial Statements of the Group and the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs), issued by The Institute of Chartered Accountants of Sri Lanka and comply with requirements of the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange inclusive of specific disclosures, duly signed by two Directors on behalf of the Board and the Auditors are included on Page 197 in this Annual Report and forms part and parcel hereof.

FINANCIAL RESULTS AND APPROPRIATIONS

Revenue

Revenue generated by the Group amounted to LKR 24,027 Mn. (2019 – LKR 32,277 Mn.) whilst Company revenue amounted to LKR 17,917 Mn. (2019 – LKR 19,356 Mn). Breakdown of revenue is provided in Note 5.1 (page 211) to the Financial Statements.

Profits and appropriations

The Group profit after tax and Group profit attributable to equity holders of the Parent for the year were LKR 928 Mn. (2019 – LKR 2,245 Mn.) and LKR 979 Mn. (2019 – LKR 2,150 Mn.) respectively. Whilst the profit after tax of the Company was LKR 1,927 Mn. (2019 – LKR 1,962 Mn.)

The Group total comprehensive income attributable to parent was LKR 1,140 Mn. (2019 – LKR 2,164 Mn.) and the Company's total comprehensive income for the year was LKR 1,951 Mn. (2019 – LKR 1,973 Mn.).

Access Engineering PLC for the year ended 31 March	2020	2019
	LKR '000	LKR '000
Profit after tax	1,927,095	1,961,595
Other adjustments	(36,339)	(244,279)
Balance brought forward from the previous year	9,682,281	8,714,965
Amount available for appropriation	11,573,037	10,432,281
1st interim dividend of LKR 0.25 per share (2019 – LKR 0.25)	(250,000)	(250,000)
2nd interim dividend of LKR Nil per share (2019 – LKR 0.25)	Nil	(250,000)
Final dividend declared of LKR Nil per share (2019 – LKR 0.25)	Nil	(250,000)
Balance to be carried forward to next year	11,323,037	9,682,281

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

As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007.

A first interim dividend of LKR 0.25 per share was declared on 22 November 2019 and paid on 3 December 2019.

Revenue reserves

The Revenue reserves of the Group and the Company as at 31 March 2020 amounted to LKR 12,834 Mn. (2019 – LKR 12,195 Mn.) and LKR 11,534 Mn. (2019 – LKR 10,085 Mn.) respectively. The movement and composition during the year are disclosed in the Statement of Changes in Equity on page 198.

Accounting policies

The significant accounting policies adopted in the preparation of Financial Statements of the Group and the Company are given on pages 202 to 282 of the Annual Report. SLFRS 16 – "Leases" and IFRIC 23 – "Uncertainty over Income Tax Treatments" have been adopted with effect from 1 April 2019 and no any other changes in the accounting policies adopted by the Group and the Company during the year.

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 202 to 282. Figures pertaining to the previous period have been restated where necessary to conform to the presentation for the year under review.

Donations

Total donations made by the Group and the Company as at 31 March 2020 amounted to LKR 2,939,092 (2019 – LKR 1,668,400) and LKR 876,378 (2019 – LKR 1,596,286) 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 113 to 115 of the Annual Report.

Property, plant and equipment (PPE) and intangible assets

The Group and the Company capital expenditure on property, plant and equipment amounted to LKR 572 Mn. (2019 – LKR 1,163 Mn.) and LKR 257 Mn. (2019 – LKR 705 Mn.) respectively and all other related information and movements have been disclosed in Note 11 (pages 222 to 228) to the Financial Statements.

Additions to intangible assets of the Group and the Company during the year amounted LKR 2.1 Mn. (2019 – 39.9 Mn.) and LKR Nil (2019 – LKR 3.39 Mn.) respectively. All other related movements to intangible assets are disclosed under the Note 14.1 (page 235) to the Financial Statements.

MARKET VALUE OF PROPERTIES

Market value of property, plant and equipment

All freehold land and buildings owned by Group companies were revalued as at 31 March 2020 and carrying value adjusted accordingly. The details of freehold land and buildings are given in Note 11.3 (Page 228) to the Financial Statements.

Land holdings

The extents, locations and valuations of the Group's freehold land holdings are given below:

Location	Extent			Carrying Value of Assets
	A	R	P	LKR
Access Engineering PLC				
No. 336/1, Low Level Road, Jalthara, Ranala	–	3.0	38.40	80,000,000
No. 267, Dehiwala Road, Maharagama	–	3.0	1.00	242,000,000
No. 278, Alubogahalanda,Jalthara,Ranala	3.0	3.0	4.86	82,000,000
No. 117, Dehiwala Road, Boralasgamuwa	–	2.0	35.00	225,000,000
Dickowita – Hendala	2.0	3.0	10.18	18,007,200
Weliwita – Kaduwela	2.0	–	–	64,000,000
Divigalahena – Hakmana	10.0	–	–	10,000,000
Access Realties (Private) Limited				
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	4,025,903,931
Access Realties 2 (Private) Limited				
30 Stories Buildings at No. 278/4, Colombo 2	–	–	–	6,770,814,500
Sathosa Motors PLC				
Peliyagoda – Leasehold land	2.0	–	23.93	5,133,746
No. 86, Vauxhall Street, Colombo 2	–	–	28.70	326,086,000
Access Projects (Private) Limited				
No: 278, Kekulanvila Road, Jaltara, Ranala	2.0	1.0	38.38	82,000,000
No. 42 A, Yatawathura, Malagala, Padukka	–	3.0	10.00	11,000,000
No: 281, Kekulanvila Road, Jaltara, Ranala	–	–	20.00	5,477,000

Location	Extent A	Extent R	Extent P	Carrying Value of Assets LKR
WUS Logistics (Private) Limited				
No. 540, Maligagodella Watta, Aswedduma Junction, Aluthapola, Negambo	41.0	2	27.45	900,000,000
Kimbulapitiya, Negambo	–	–	136.25	13,008,718
Harbour Village (Private) Limited				
No:250, Srimath Ramanathan Mawatha, Kotahena, Colombo 15	5.0	–	–	2,400,000,000

Investment properties

Investment properties of business units, when significantly occupied by Group companies, are classified as property, plant and equipment 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 Group and Company level is LKR 10,331 Mn. (2019 – LKR 10,729 Mn.) and LKR 560 Mn. (2019 – LKR 416 Mn.) respectively. All information related to revaluation of the investment properties is provided in Note 13.2 (Page 233) to the Financial Statements.

INVESTMENTS

A detailed description of the Company's investment in quoted shares held as at 31 March 2020 is given in Note 21 (Page 244) to the Financial Statements.

In addition, a detailed description of the Company's fixed deposits and debentures held as at 31 March 2020, are given in Notes 22, 17 and 20 (Page 244, 240 and 243) to the Financial Statements.

STATED CAPITAL

The Stated Capital of the Company is LKR 9,000 Mn. representing 1,000 million ordinary shares (2019 – LKR 9,000 Mn. representing 1,000 million ordinary shares), as given in Note 24 (Page 245) to the Financial Statements.

DEBENTURE

Debenture of the Company is LKR 5,000 Mn. representing 50 million debentures (2019 – LKR 5,000 Mn. of 50 million debentures), as given in Note 26.1 (pages 247 and 248) 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 26.1 to the Financial Statements on Page 248.

SHARE INFORMATION

Shareholders

There were 8,832 shareholders registered as at 31 March 2020 (7,226 shareholders as at 31 March 2019). The details of distribution of shares are given on Page 104 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 104 to 106 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 188.

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 132 to 135.

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 D S Weerakkody 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 291.

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 on page 157.

BOARD COMMITTEES

The Audit Committee, Remuneration Committee, Strategic Planning Committee and the Related Party Transactions Review Committee, investment and subsidiary performance monitoring committee function as Board Subcommittees, with Directors, who possess the requisite qualifications and experience. The number of Board meetings held and the number of meetings attended by the Directors is given on page 165. The composition of the said Committees as at 31 March 2020 is as follows.

Audit Committee

Mr N D Gunaratne – Chairman

Prof K A M K Ranasinghe

Mr S D Perera

Mr D S Weerakkody

Remunerations 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

Declaration under Rule 9.3.2. (d) of Listing Rules

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining a Relate Party Transactions during the Financial Year ended 31 March 2020.

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 2020 as recorded in the Interests Register are given in this Report under Directors' shareholding.

EMPLOYEE SHARE OWNERSHIP PLANS

The Group does not operate any share option scheme.

RELATED PARTY TRANSACTIONS

The Company's transactions with related parties, given in Note 29 (pages 254 to 257) to the Financial Statements.

Non-recurrent related party transactions

There were no non-recurrent related party transactions of which aggregate value exceeded 10% of the equity or 5% of the total assets of the Company during the year ended 31 March 2020, which require specific disclosures in the Annual Report as required by Listing Rule 9.3.2 of the Colombo Stock Exchange and the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate exceeded 10% of the consolidated revenue of the Group as per 31 March 2020 audited Financial Statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed under Key Management Personnel compensation in Note 29.6 to the Financial Statements on page 257.

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 29 (pages 254 to 257) 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 2020 and 31 March 2019 are as follows.

	Shareholding as at 31 March 2020	Shareholding as at 31 March 2019
Mr S J S Perera	250,000,000	250,000,000
Mr J C Joshua	101,000,000	101,000,000
Mr R J S Gomez	35,130,325	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	100
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 Personnel 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.

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 141 to 170 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 72 to 124.

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 2020 a total of 2,583 persons were in employment (2,458 persons as at 31 March 2019). Refer Human Capital on pages 88 to 95 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 2020 trade and other payables of the Group and the Company amounted to LKR 11,013 Mn. (2019 – LKR 12,491 Mn.) and LKR 7,152 Mn. (2019 – LKR 8,529 Mn.) respectively. Refer trade and other payables in Note 28 of page 253.

The Group strives to integrate principles of sustainable practices in its value chain through extensive stakeholder consultations, the findings of which are integrated into 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 116 to 124 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 Group and the Company and all other known statutory dues as were due and payable by the Group and the Company as at the Statement of Financial Position date have been paid or, where relevant provided for, except as specified in Note 30 (page 258) to the Financial Statements covering commitments and contingencies.

CONTINGENT LIABILITIES

Except as disclosed in Note 30 (page 258) 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 171 to 180.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Except for the matters disclosed in Note 31 (page 262) to the Financial Statements, there were no material events as at the date of the Auditor's Report, which require adjustment to or disclosure in the Financial Statements.

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 and its subsidiaries have adequate resources to continue its operations in the foreseeable future.

INDEPENDENT AUDITORS' REPORT

The Report of the Independent Auditor on the Financial Statements of the Company is given on Page 190.

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 4,209,618 is payable by the Company to the Auditors for the year under review comprising LKR 2,851,000 as audit fees and LKR 1,358,618 for non-audit services. (on Note 8 of page 214)

The Auditors have expressed their willingness to continue in office. 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 31 July 2020 and appropriate number of copies submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board as required.

ANNUAL GENERAL MEETING

The Ninth Annual General Meeting will be held on 16 September 2020 consideration the current regulations/restrictions prevailing in the country due to the COVID-19 pandemic, in line with the Guidelines issued by Colombo Stock Exchange (CSE) and on the assumption that no curfew will be in force on that date and that there would be no restrictions imposed by the authorities on conduct on meetings.

The notice of the Annual General Meeting appears on page 292.

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

31 July 2020
Colombo

Statement of Directors' Responsibility

The Section D.1.5 of the "Code of Best Practice on Corporate Governance 2017" issued by The Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors present a Responsibility Statement on preparation and presentation of Financial Statements in the Annual Report together with a statement by the Auditors about their reporting responsibilities.

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 on pages 190 to 195.

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 the affairs of the Company and its subsidiaries at the end of each financial year. These statements consist of the Statement of Comprehensive Income giving a true and fair view of the profit or loss of the Company and its subsidiaries for the financial year, the Statement of Financial Position giving a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year, Statement of Changes in Equity, 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.

As required by the Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfied the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 07 of 2007, and have obtained a certificate from the Auditors, prior to declaring all dividends. The Directors are of the view that they have discharge their responsibilities as set out in this statement.

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 30 to the Financial Statements covering commitments and contingencies.

By Order of the Board,

P W Corporate Secretarial (Private) Limited
Secretaries

31 July 2020
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 SLFRS and LKAS, 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 2018/19 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 and other regulatory requirements. The consolidated Financial Statements for the year ended 31 March 2020 have been audited by Messrs KPMG, Chartered Accountants.

S J S Perera
Chairman

J C Joshua
Managing Director

N D Gunaratne
Chairman, Audit Committee

31 July 2020

Independent Auditors' Report

KPMG
(Chartered Accountants)
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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 2020, 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 196 to 282.

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 2020, 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

RECOGNITION OF REVENUE

Refer Note 5 to the Consolidated Financial Statements.

Risk description	Our response
The major components of Group’s revenue comprises revenue from construction contracts amounting to LKR 15.9 Bn. for the year ended 31 March 2020. 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. 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 audit procedures on construction revenue included, → Obtaining and understanding of assessing the design, implementation and operating effectiveness of the Group’s key internal controls over revenue recognition. → 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. → Discussing with the Group management and project managers the performance of the major contracts in progress during the year and comparing the contract revenue recognised for a sample of contracts in progress during the year with certifications from quantity surveyors appointed by the customers or payment applications from the in-house surveyor. → On a sample basis, inspecting of project contract agreements with customers and subcontractors to identify key terms and conditions, including contracting parties, contract period, contract sum, scope of the work and evaluating whether these key terms and conditions had been appropriately reflected in the total estimated revenue and cost to complete under the forecasts of contracts.

VALUATION OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Refer Note 11 and 13 to the Consolidated Financial Statements.

Risk description	Our response
The Group has property, plant and equipment and investment properties amounting to LKR 4.9 Bn. and LKR 10.3 Bn. respectively which are measured at fair value in the statement of financial position as at 31 March 2020 with gain on fair value changes for the year ended 31 March 2020 from property, plant and equipment and investment properties amounting to LKR 230.4 Mn. and LKR 64.2 Mn. respectively in the statement of profit or loss and other comprehensive income. Property, plant and equipment and investment properties 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 property, plant and equipment and investment properties in accordance with recognised industry standards. Further, the uncertainty on the impact of COVID-19 introduced significant estimation uncertainty in relation to the measurement of the market value of property, plant and equipment and investment properties. 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 audit procedures included, → Assessing the objectivity, independence, competence and qualifications of the external valuers. → Assessing the key assumptions applied and conclusions made in determining the fair value of the investment properties and comparing the fair value of properties with evidence of current market values. → Assessing the appropriateness of the valuation techniques used by the external valuers, taking into account the profile of the investment properties. → Challenging how valuers had assessed the impact of COVID-19 to assess whether that it was appropriately considered in the measurement in valuing properties to determine the fair value of the property, plant and equipment and 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.

KPMG

IMPAIRMENT ASSESSMENT OF GOODWILL AND INVESTMENTS IN SUBSIDIARIES

Refer Note 14 and 15 to the Consolidated Financial Statements

Risk description	Our response
As at 31 March 2020, the goodwill and investment in subsidiaries amounting to LKR 1.2 Bn. and LKR 13.9 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. Further, the uncertainty on the impact of COVID-19 introduced significant estimation uncertainty in relation to the Management's assumptions and estimation of future cash inflows and outflows when preparing cash flow projections. We have identified the assessment of impairment of goodwill and impairment of investments in subsidiaries as a key audit matter because judgement is required in identifying indicators of impairment and impairment assessment process involves significant Management judgement and required the management to make various assumptions in the underlying cash flow forecasts.	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 by considering COVID-19 pandemic 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. → Obtaining the Company's cash flow projections covering a period of 12 months from the reporting period end date and challenging these key assumptions used in preparing the projections. → Considering the adequacy of the Group disclosures in the financial statements in respect of impairment testing.

KPMG

CARRYING VALUE OF INVENTORIES

Refer Note 18 to the Consolidated Financial Statements

Risk description	Our response
The Group has significant levels of inventory amounting to LKR 8.3 Bn. as at 31 March 2020. There is inherent risks relating to specially 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. Further, COVID-19 outbreak resulted in interruption in business activities and resulted in loss of income from some of the individuals which would adversely affect the ability to sell its inventories with a reasonable margin which would potentially impact on the net realisable value. Given the level of judgements and estimates involved, there is a risk that carrying value of inventory could be misstated. 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.	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. → Comparing, on a sample basis, the carrying value of inventories with sales prices subsequent to the end of the reporting period. → 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. → Challenging how Management had assessed the impact of COVID-19 to assess whether that it was appropriately considered in the Measurement of inventory provision at year end. In particular, we challenged Management's assessment of the likelihood of a severe economic downturn caused by COVID-19 at the reporting date with reference to the reasonable and supportable information available to Management at that date. 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 2020, and inquired the management over the reasonableness of the valuation performed by the surveyor.

KPMG

RECOVERABILITY OF TRADE RECEIVABLES

Refer Note 19 to the Consolidated Financial Statements

Risk description	Our response
The Group trade receivables are stated in the financial position at their fair value less any provision for irrecoverable amounts. As at 31 March 2020 net of trade receivables were LKR 11.6 Bn. after provisions of LKR 234.5 Mn. 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. 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. The rapidly evolving consequences of COVID-19 and government, business and consumer responses could result in significant adjustments to the allowance within the current financial years. Given the level of subjectivity nature of significant Management judgements involved, impairment of trade receivables being considered as a key audit matter.	Our audit procedures included, → On sample basis circularised trade receivable 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. → 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. → 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. → Challenging how Management had assessed the impact of COVID-19 within the credit losses model to assess whether that it was appropriately considered in the Measurement of doubtful debts at year end. In particular, we challenged Management's assessment of the likelihood of a severe economic downturn caused by COVID-19 at the reporting date with reference to the reasonable and supportable information available to management at that date.

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.

KPMG

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

31 July 2020

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
For the year ended 31 March		2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR
Revenue	5.1	24,026,524,618	32,277,441,194	17,917,039,628	19,356,105,575
Cost of sales		(20,218,748,732)	(27,093,199,821)	(15,622,640,045)	(16,183,403,341)
Gross profit		3,807,775,886	5,184,241,373	2,294,399,583	3,172,702,234
Other income	6.1	599,152,527	481,768,869	1,314,228,230	647,816,174
Administrative expenses		(2,037,920,324)	(1,852,100,797)	(777,836,151)	(765,960,002)
Other expenses		(41,697,487)	(34,199,999)	(29,875,397)	(24,951,305)
Operating profit		2,327,310,602	3,779,709,446	2,800,916,265	3,029,607,101
Finance cost	7.1	(1,415,099,351)	(1,520,195,874)	(975,114,199)	(1,078,964,678)
Finance income	7.1	843,479,736	869,305,906	669,574,645	594,015,983
Share of results of equity-accounted investees, net of tax	16.2	(8,610,025)	(273,936)	–	–
Profit before tax		1,747,080,962	3,128,545,542	2,495,376,711	2,544,658,406
Income tax expense	9.1	(819,505,859)	(883,188,540)	(568,282,115)	(583,063,290)
Profit for the year		927,575,103	2,245,357,002	1,927,094,596	1,961,595,116
Profit attributable to:					
Equity holders of the parent		979,247,287	2,150,223,368	1,927,094,596	1,961,595,116
Non-controlling interest		(51,672,184)	95,133,634	–	–
Profit for the year		927,575,103	2,245,357,002	1,927,094,596	1,961,595,116
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit liability	27.1	(51,054,764)	19,092,533	(47,461,268)	15,447,533
Revaluation of land and buildings	11.1/11.2	230,350,057	–	78,118,356	–
Related tax	9.1	(7,670,412)	(4,608,927)	(6,670,213)	(4,325,309)
Other comprehensive income for the year, net of tax		171,624,881	14,483,606	23,986,875	11,122,224
Total comprehensive income for the year, net of tax		1,099,199,984	2,259,840,608	1,951,081,471	1,972,717,340
Total comprehensive income attributable to:					
Equity holders of the parent		1,139,528,880	2,164,068,924	1,951,081,471	1,972,717,340
Non-controlling interest		(40,328,896)	95,771,684	–	–
Total comprehensive income for the year, net of tax		1,099,199,984	2,259,840,608	1,951,081,471	1,972,717,340
Basic earnings per share	10	0.98	2.15	1.93	1.96
Dividend per share	24.3	–	–	0.50	0.50

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

Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 March	Note	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Assets					
Non-current assets					
Property, plant and equipment	11.1/11.2	4,936,918,659	5,198,089,223	2,574,753,034	3,067,938,263
Right-of-use assets	12.1	259,194,678	–	25,808,317	–
Investment properties	13.1	10,330,805,144	10,729,192,520	560,007,200	415,800,000
Investment properties – work-in-progress	13.3	1,896,474,092	492,568,921	–	–
Intangible assets and goodwill	14.1	1,248,103,670	1,406,234,214	37,384,532	47,196,982
Investments in subsidiaries	15	–	–	13,865,857,707	13,230,857,707
Equity-accounted investees	16.1	889,376,338	898,019,125	855,465,410	855,465,410
Non-current financial assets	17	110,220,036	1,420,363,347	110,220,036	1,008,933,068
Deferred tax assets	9.4	33,901,427	–	–	–
		19,704,994,044	20,144,467,350	18,029,496,236	18,626,191,430
Current assets					
Inventories	18.1	8,297,097,495	6,578,633,179	2,269,730,808	1,440,013,027
Trade and other receivables	19.1	14,064,151,231	13,737,627,879	11,393,520,734	10,084,363,584
Amount due from related parties	29.2	239,117,758	126,895,989	890,226,038	409,622,868
Current tax assets	9.3	95,204,109	55,203,106	–	–
Other current financial assets	20	4,173,097,257	2,697,690,207	3,478,697,449	2,466,744,153
Short-term investments	21	71,321,630	25,769,394	71,321,630	25,769,394
Short-term deposits	22	1,268,925,720	2,209,898,751	600,671,244	492,509,058
Cash and cash equivalents	23	2,164,437,939	2,485,877,649	214,926,490	1,075,663,894
		30,373,353,139	27,917,596,154	18,919,094,393	15,994,685,978
Total assets		50,078,347,183	48,062,063,504	36,948,590,629	34,620,877,408
Equity and liabilities					
Equity					
Stated capital	24.1	9,000,000,000	9,000,000,000	9,000,000,000	9,000,000,000
Revaluation reserve		469,042,894	258,652,205	210,819,173	152,660,185
Retained earnings		12,365,267,222	11,936,129,031	11,323,036,990	9,932,281,210
Equity attributable to equity holders of the parent		21,834,310,116	21,194,781,236	20,533,856,163	19,084,941,395
Non-controlling interest	33	2,552,784,328	2,393,297,382	–	–
Total equity		24,387,094,444	23,588,078,618	20,533,856,163	19,084,941,395
Non-current liabilities					
Government grants	25	5,484,707	5,704,096	–	–
Lease liabilities	12.2	137,350,213	–	–	–
Loans and borrowings	26	56,142,279	5,097,947,765	1,650,279	5,188,152,871
Employee benefit liabilities	27	360,269,657	263,326,437	278,609,201	193,452,552
Deferred tax liabilities	9.4	2,393,539,864	2,165,728,615	469,814,674	519,040,038
		2,952,786,720	7,532,706,913	750,074,154	5,900,645,461
Current liabilities					
Bank overdraft	23	516,221,235	329,833,689	125,036,649	–
Trade and other payables	28	11,012,743,258	12,491,096,071	7,151,916,529	8,528,943,819
Amount due to related parties	29.3	34,806,787	24,486,763	36,601,865	279,991,521
Lease liabilities	12.2	10,497,052	–	27,692,165	–
Loans and borrowings	26	10,911,060,875	3,637,207,534	8,099,866,742	402,128,177
Current tax liabilities	9.3	222,056,620	424,288,511	210,400,050	411,867,608
Unclaimed dividends		31,080,192	34,365,405	13,146,312	12,359,427
		22,738,466,019	16,941,277,973	15,664,660,312	9,635,290,552
Total liabilities		25,691,252,739	24,473,984,886	16,414,734,466	15,535,936,013
Total equity and liabilities		50,078,347,183	48,062,063,504	36,948,590,629	34,620,877,408
Net asset per share		21.83	21.19	20.53	19.08

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

D A R Fernando
Chief Operating Officer

31 July 2020
Colombo

Statement of Changes in Equity

Group	Attributable to equity holders of the parent					
	Stated capital LKR	Revaluation reserve LKR	Retained earnings LKR	Total LKR	Non-controlling interests LKR	Total equity LKR
Balance as at 1 April 2018	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)
Adjusted balance as at 1 April 2018	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
Total comprehensive income for the year	–	–	2,164,068,924	2,164,068,924	95,771,684	2,259,840,608
Transactions with owners of the Company – contributions and distributions						
Cash dividends	–	–	(500,000,000)	(500,000,000)	–	(500,000,000)
Changes in ownership interests						
Disposal of subsidiary-Horizon Knowledge City Limited	–	(146,046,240)	146,061,660	15,420	(15,420)	–
Balance as at 31 March 2019	9,000,000,000	258,652,205	11,936,129,031	21,194,781,236	2,393,297,382	23,588,078,618
Impact of adopting SLFRS 16	–	–	–	–	(184,140)	(184,140)
Adjusted balance as at 1 April 2019	9,000,000,000	258,652,205	11,936,129,031	21,194,781,236	2,393,113,242	23,587,894,478
Profit for the year	–	–	979,247,287	979,247,287	(51,672,184)	927,575,103
Other comprehensive income for the year, net of tax	–	210,390,689	(50,109,096)	160,281,593	11,343,288	171,624,881
Total comprehensive income for the year	–	210,390,689	929,138,191	1,139,528,880	(40,328,896)	1,099,199,984
Transactions with owners of the Company – contributions and distributions						
Cash dividends	–	–	(500,000,000)	(500,000,000)	–	(500,000,000)
Non-controlling interest of Access Motors (Private) Limited right issue	–	–	–	–	199,999,982	199,999,982
Balance as at 31 March 2020	**9,000,000,000**	**469,042,894**	**12,365,267,222**	**21,834,310,116**	**2,552,784,328**	**24,387,094,444**

Company	Stated capital LKR	Revaluation reserve LKR	Retained earnings LKR	Total equity LKR
Balance as at 1 April 2018	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)
Adjusted balance as at 1 April 2018	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
Total comprehensive income for the year	–	–	1,972,717,340	1,972,717,340
Transactions with owners of the Company – contributions and distributions				
Cash dividends	–	–	(500,000,000)	(500,000,000)
Balance as at 31 March 2019	9,000,000,000	152,660,185	9,932,281,210	19,084,941,395
Impact of adopting SLFRS 16	–	–	(2,166,703)	(2,166,703)
Adjusted balance as at 1 April 2019	9,000,000,000	152,660,185	9,930,114,507	19,082,774,692
Profit for the year	–	–	1,927,094,596	1,927,094,596
Other comprehensive income for the year, net of tax	–	58,158,988	(34,172,113)	23,986,875
Total comprehensive income for the year	–	58,158,988	1,892,922,483	1,951,081,471
Transactions with owners of the Company – contributions and distributions				
Cash dividends	–	–	(500,000,000)	(500,000,000)
Balance as at 31 March 2020	**9,000,000,000**	**210,819,173**	**11,323,036,990**	**20,533,856,163**

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

Figures in brackets indicate deductions.

Statement of Cash Flows

		Group		Company	
For the year ended 31 March		2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR
Cash flows from operating activities					
Profit before tax		1,747,080,962	3,128,545,542	2,495,376,711	2,544,658,406
Adjustments for:					
Depreciation of property, plant and equipment	11.1/11.2	1,029,071,381	1,077,028,529	813,980,582	873,104,852
Depreciation of right-of-use assets	12.1	37,755,948	–	56,082,789	–
Amortisation and impairment of intangible assets	14.1	19,455,491	34,591,799	9,812,450	9,169,035
Provisions for employee benefits	27.1	70,570,126	64,266,599	48,850,715	46,824,048
Impairment losses/write-off of trade and other receivables/ inventories		84,289,845	70,866,144	2,659,927	22,448,339
Gain on fair value changes of investment properties	13.1	(64,207,200)	–	(144,207,200)	–
Loss on fair value changes of short-term investments	6.1	9,447,660	9,791,387	9,447,660	9,791,387
Gain on disposal of property, plant and equipment	6.1	(36,460,854)	(62,587,664)	(24,851,149)	(40,038,992)
Loss on asset write-off	8	1,217,636	–	1,217,636	–
(Gain)/Loss on disposal of subsidiary	6.1	5,527,503	5,977,460	(185,000,000)	(140,010,000)
Gain on disposal of equity accounted investees	6.1	–	(6,427,534)	–	–
Gain on disposal of maturity of unit trust	6.1	(2,892,766)	–	(2,892,766)	–
Amortisation of government grant	25	(219,389)	(219,389)	–	–
Share of profit of equity-accounted investees, net of tax	16.2	8,610,025	273,936	–	–
Dividend income	6.1	(1,123,761)	(1,340,836)	(862,789,874)	(332,979,009)
Net finance cost	7.1	571,619,615	650,889,968	305,539,554	484,948,695
Operating profit before working capital changes		3,479,742,222	4,971,655,941	2,523,227,035	3,477,916,761
Changes in:					
Inventories		(1,703,296,023)	(531,218,240)	(832,656,184)	167,488,183
Trade and other receivables		(556,309,629)	(2,537,685,709)	(1,319,067,593)	(1,444,269,783)
Other current financial assets		(142,719,618)	(502,322,172)	(113,310,957)	(455,748,911)
Amounts due from related parties		(112,221,769)	72,789,822	(480,603,170)	(172,773,121)
Trade and other payables		(1,297,603,114)	2,000,457,622	(1,284,581,464)	936,379,932
Amounts due to related parties		10,320,024	(44,071,428)	(243,389,656)	248,449,982
Cash generated from/(used in) operating activities		(322,087,907)	3,429,605,836	(1,750,381,989)	2,757,443,043
Interest paid		(1,009,393,345)	(1,194,682,725)	(604,506,447)	(744,443,042)
Income tax paid	9.3	(834,443,968)	(338,370,025)	(815,456,331)	(167,987,537)
Gratuity paid	27	(24,681,670)	(20,767,885)	(11,155,334)	(16,199,790)
Net cash flows generated from/(used in) operating activities		(2,190,606,890)	1,875,785,201	(3,181,500,101)	1,828,812,674

Statement of Cash Flows

		Group		Company	
For the year ended 31 March		2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR
Cash flows from investing activities					
Purchase of property, plant and equipment	11.1/11.2	(572,318,137)	(1,163,188,146)	(257,060,629)	(704,596,318)
Purchase of intangible assets	14.1	(2,071,342)	(39,996,158)	–	(3,392,293)
Purchase of investment properties	13.1	(12,605,424)	(15,243,007)	–	–
Purchase of investment properties - work-in-progress	13.3	(503,905,171)	(90,090,613)	–	–
Proceeds from sale of Property, plant and equipment		70,010,596	105,658,776	38,017,145	74,204,133
Investment in equity securities		(54,999,896)	–	(54,999,896)	–
Investment in unit trust		(250,000,000)	–	(250,000,000)	–
Acquisition of subsidiary, net of cash		(900,000,000)	–	(900,000,000)	–
Investment in subsidiary		–	–	(25,000,000)	(126,572,560)
Investment in 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		474,949,844	762,119,876	475,000,000	765,000,000
(Investments in)/withdrawal from short-term deposit		929,598,513	(121,716,019)	(94,968,695)	(195,686,786)
Proceeds from sale of unit trust		252,892,766	–	252,892,766	–
Dividends received		1,123,761	1,340,836	862,789,874	332,979,009
Interest received		342,935,844	523,258,061	202,709,907	230,742,709
Net cash flows generated from/(used in) investing activities		(224,388,646)	301,993,606	249,380,472	672,677,894
Cash flows from financing activities					
Dividends paid to equity holders of the parent		(500,000,000)	(500,000,000)	(500,000,000)	(500,000,000)
Proceeds from issue of shares to non-controlling interest		199,999,982	–	–	–
Proceeds from borrowings	26.2	23,312,362,280	11,954,669,609	3,605,000,000	5,011,000,000
Repayment of borrowings	26.2	(21,081,669,606)	(12,299,674,552)	(1,095,168,163)	(6,513,832,740)
Payment of lease liabilities	12.2	(23,524,376)	(6,116,140)	(63,486,261)	–
Net cash flows generated from/(used in) financing activities		1,907,168,280	(851,121,083)	1,946,345,576	(2,002,832,740)
Net increase/(decrease) in cash and cash equivalents		(507,827,256)	1,326,657,724	(985,774,053)	498,657,828
Cash and cash equivalents at the beginning of the year		2,156,043,960	829,386,236	1,075,663,894	577,006,066
Cash and cash equivalents at the end of the year	23	1,648,216,704	2,156,043,960	89,889,841	1,075,663,894

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

Figures in brackets indicate deductions.

Index to the Financial Statements

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, 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 2.

The ordinary shares of the Company are listed at the Colombo Stock Exchange.

Access Engineering PLC does not have any identifiable parent of its own. The Company is the ultimate parent of the Group.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Access Engineering PLC for the year ended 31 March 2020, 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.

1.3 Principal activities and nature of operations

Company

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

Subsidiaries, joint venture and associate

The principal activities and nature of operations of subsidiaries, joint venture and associate are as follows.

Name	Principal activities	Percentage of equity interest 2020	Percentage of equity interest 2019
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 for 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
Access Motors (Private) Limited [Previously known as 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	Commercial property development for lease and rental	Nil	100
Harbour Village (Private) Limited	Residential and commercial property development.	60.83	60.83
WUS Logistics (Private) Limited	Commercial property development for lease and rental	100	Nil
ZPMC Lanka Company (Private) Limited	Commission, repair, and maintenance of port machinery	30	30
Blue Star Realties (Private) Limited	Residential property development	50	50

All the companies are incorporated in Sri Lanka.

Horizon Holdings Ventures (Private) Limited, fully owned subsidiary of AEL was disposed on 20 March 2020.

AEL has acquired 100% voting shares of WUS Logistics (Private) Limited on 30 September 2019.

There are no other significant changes in the nature of the principle business activities of the Group or the Company 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 07.

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 requirement of the Companies Act No. 07 of 2007, provide appropriate disclosures as required by Listing Rules of Colombo Stock Exchange.

This is the first set of the Group's Annual Financial Statements in which SLFRS 16 – "Leases" and IFRIC 23 – "Uncertainty over Income Tax Treatments" have been applied.

Changes to the significant accounting policies due to adoption of this standard are described in Note 2.9.

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 188), "Annual Report of the Board of Directors" (Refer page 182) and in the statement appearing with the Statement of Financial Position (Refer page 197) of this Annual Report.

The Financial Statements for the year ended 31 March 2020, were approved and authorised for issue by the Board of Directors on 31 July 2020.

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.

Accounting Standard	Note
Financial assets and financial liabilities that have been measured at fair value – SLFRS 9	34
Employee benefit liability recognised based on actuarial valuation – LKAS 19	27
Land and buildings stated at revalued amounts – LKAS 16	11
Investment property measured at fair value – LKAS 40	13

2.4 Functional and presentation currency

The 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.

2.6 Summary of 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.

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 2020 is included in the following notes.

Accounting policies	Note
Revenue recognition	5
Revaluation of property, plant and equipment	11
Fair value of the investment property	13
Impairment of non-financial assets: key assumption underlying recoverable amount	2.8.5
Measurement of defined benefit obligation: key actuarial assumptions	27
Measurement of ECL allowance for trade receivables	19
Fair value measurement of financial instruments	35
Impairment of financial assets: key assumption underlying recoverable amount	34
Income Tax (current tax and deferred tax)	9
Recognition and measurement of provisions and contingencies: key assumption about the likelihood and magnitude of an outflow of resources	30

Impact of COVID-19 pandemic

The post-lockdown implications have increased the uncertainty of estimates made in preparation of the Financial Statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to businesses arising from the actions of stakeholders such as government, businesses, and customers.
- the extent and duration of the expected economic downturn due to impact on GDP capital markets, credit risk of our customers, impact of unemployment and possible decline in consumer discretionary spending.
- the effectiveness of Government and Central Bank measures that have and will be put in place to support businesses through this disruption and economic downturn.

The significant accounting estimates impacted by these forecasts and associated uncertainties are related to expected credit losses and recoverable amount assessments of non-financial assets, recoverable value of property plant and equipment and net realisable value of inventory.

The impact of COVID-19 pandemic on accounting estimates is discussed under the relevant notes to these Financial Statements.

2.7 Going concern

In light of ongoing COVID-19 pandemic situation, the Group and the Company has assessed its going concern and a detailed disclosure of its assessments are provided below.

As a result of island-wide curfew imposed by the Government in March – May 2020, several Group operations were temporarily disrupted. Nevertheless work on certain construction projects continued from end of April while complying with the public health related regulations imposed by the relevant authorities. By early May 2020 most of the remaining construction projects and production plants resumed work within confined worksites with necessary approval from the authorities. Due to the temporary disruption of operation caused, construction sector, production of construction related material sector and automobile sector expected an adverse impact to the first quarter results of 2020/21. While we anticipate a short-term downturn in the Group’s and the Company’s immediate financial results, we are confident of returning back to normal without much delay.

In preparing Financial Statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern and Management has assessed the anticipated post lockdown economic implications on the Group and the Company. The Group and the Company has in place a sound business continuity plan supported by the Corporate Management and relevant line managers.

By assessing the Company's strong order book which comprises confirmed and signed projects spanning next 2-3 years with secured funding, best corporate governance practices, initiated cost management practices, well secured funding through local banks, bilateral and multilateral funding, ability defer non-essential capital expenditure, Group and Company expected to improve during the second quarter. Unutilised bank facilities of the Company as at 31 March 2020 amounted to LKR 25.3 Bn.

Having evaluated the presentations made by the Group companies on their future outlook, the Directors are satisfied that the Company and its subsidiaries have adequate resources to continue its operations at least, but not limited to, 12 months from the reporting date, to justify adopting the going concern basis in preparing theses Financial Statements.

2.8 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 16 and IFRIC 23.

Following accounting policies which have been applied consistently by the Group, are considered to be significant but are not covered in any other sections.

2.8.1 Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries prepared as per Accounting Standard – SLFRS 10 – "Consolidated Financial Statements". Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights 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 reassesses 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 in 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.

2.8.2 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 12 months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 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 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax liabilities are classified as non-current liabilities.

2.8.3 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.

2.8.4 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 into 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.

2.8.5 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 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.

2.8.6 Statement of cash flows

The Statement of Cash Flow 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 on integral part of the Group's cash management.

2.9 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied SLFRS 16 – "Leases", which is effective for the annual reporting periods beginning on or after 1 January 2019 and IFRIC 23 – "Uncertainty over Income Tax Treatments" from 1 April 2019 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, 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.

2.9.1 SLFRS 16 – "Leases"

SLFRS 16 supersedes LKAS 17 – "Leases", IFRIC 4 – "Determining whether an Arrangement Contains a Lease", SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

The Group applied SLFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

The Group applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease under SLFRS 16. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

Previously, the Group classified property leases as operating leases under LKAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at their carrying amount as if SLFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group applied this approach to its largest property lease.

The Group used a number of practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

The following table summarised the impact of transition of SLRFS 16 as at 1 April 2019:

	Group	Company
Right-of-use assets	151,557,532	81,891,106
Lease liabilities	151,523,212	84,057,809
Retained earnings	–	(2,166,703)
Non-controlling interests	(184,140)	–

2.9.2 IFRIC 23 – "Uncertainty over Income Tax Treatments"

The Group applied IFRIC 23 – "Uncertainty over Income Tax Treatments" retrospectively with the cumulative effect of initially applying the interpretation being adjusted to the opening balance of retained earning.

Due to the transition method chosen by the Group in applying this interpretation, comparative information throughout these financial statements have not been restated.

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under LKAS 12. It does not apply to taxes or levies outside the scope of LKAS 12 nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Group has applied significant judgements and estimates to recognise and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affect those judgements. However, the application of IFRIC 23 did not have an impact on 1 April 2019, to the Group and Company.

3. NEW AND AMENDED STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

Following amendments to Sri Lanka Accounting Standards issued not yet effective as at the reporting date have not been applied in preparing the Consolidated Financial Statements. The Group plans to apply these amendments to the standards from their effective dates. A summary of the requirements stipulated by the amendments and their possible impact on financial statements, when implemented, is presented in below:

- **Amendments to SLFRS 3: Definition of a Business** – The amendments to the definition of a business in SLFRS 3 – "Business Combinations" have been made to help the entities determine whether an acquired set of activities and assets is a business or not. These amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test. The amendments are applied prospectively for the annual periods beginning on or after 1 January 2020 with early application permitted.

  The Group is assessing the potential impact on its financial statements resulting from the application of amendments to Sri Lanka Accounting Standard – SLFRS 3. This amendment is not expected to have a significant impact on the financial statements of the Group.

- **Amendments to LKAS 1 and LKAS 8: Definition of Material** – The amendments LKAS 1 – "Presentation of Financial Statements" and LKAS 8 – "Accounting policies, Changes in accounting Estimates and Errors" align the definition of "material" across the standard and clarify certain aspects of the definition. The new definition states that, "information is material if omitting or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments are applied prospectively for the annual periods beginning on or after 1 January 2020 with early application permitted.

  The Group is assessing the potential impact on its financial statements resulting from the application of amendments to LKAS 1 and LKAS 8. This amendment is not expected to have a significant impact on the financial statements of the Group.

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 operates of work shops.

4.1 Business segment

For the year ended 31 March 2020	Construction	Construction-related material	Property	Automobile	Adjustments and eliminations	Group total
	LKR	LKR	LKR	LKR	LKR	LKR
Revenue						
External customers	15,962,176,290	3,049,209,361	821,279,100	4,193,859,867	–	24,026,524,618
Inter-segment	699,343,963	1,665,698,544	79,181,624	2,100,572	(2,446,324,703)	–
Total revenue	16,661,520,253	4,714,907,905	900,460,724	4,195,960,439	(2,446,324,703)	24,026,524,618
Segment operating profit	2,552,723,468	368,297,285	517,335,942	194,740,221	(1,305,786,314)	2,327,310,602
Net finance income/(cost)	(343,308,294)	–	84,591,797	(336,845,213)	23,942,095	(571,619,615)
Share of results of equity-accounted investees, net of tax (Note 16.2)	–	–	–	–	(8,610,025)	(8,610,025)
Income tax expense	(297,200,640)	(99,459,281)	(313,417,372)	62,193,628	–	(647,883,665)
IFRIC 23 – Uncertainty over income tax treatments	–	(171,622,194)	–	–	–	(171,622,194)
Segment profit	1,912,214,534	97,215,810	288,510,367	(79,911,364)	(1,290,454,244)	927,575,103
Capital expenditure	196,547,769	126,134,504	637,255,483	198,353,864	(67,391,546)	1,090,900,074
Depreciation and amortisation	697,524,972	159,724,225	48,373,348	127,086,824	15,817,503	1,048,526,872
As at 31 March 2020						
Segment assets	36,543,359,658	1,957,822,424	19,424,724,742	6,547,237,417	(14,394,797,058)	50,078,347,183
Segment liabilities	16,717,442,852	824,067,995	4,917,319,466	4,376,220,888	(1,143,798,462)	25,691,252,739

For the year ended 31 March 2019	Construction LKR	Construction-related material LKR	Property LKR	Automobile LKR	Adjustments and eliminations LKR	Group total LKR
Revenue						
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)	–
Total revenue	18,134,497,476	4,439,901,179	846,365,480	11,125,759,978	(2,269,082,919)	32,277,441,194
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 16.2)	–	–	–	–	(273,936)	(273,936)
Income tax expense	(389,859,053)	(193,204,237)	(172,410,277)	(119,484,842)	(8,230,131)	(883,188,540)
Segment profit	1,789,925,154	270,119,830	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
As at 31 March 2019						
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

In addition to segment results, income tax expense has been allocated to other segments for better presentation.

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 construction contracts, sale of goods and provision of services, which fall within the Group's ordinary activities net of trade discounts and turnover-related taxes.

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 judgments 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:

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. An expected loss on a contract is recognised immediately in profit or loss.

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.

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.

5.1 Revenue

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Roads and highways construction	3,746,371,567	7,714,437,252	3,746,371,567	7,714,437,252
Water and drainage construction	2,270,224,503	1,943,306,411	2,270,224,503	1,943,306,411
Bridge construction	15,577,062	313,975,166	15,577,062	313,975,166
Building and other construction	9,877,304,916	7,688,431,841	8,662,520,093	6,280,505,777
Sale of construction-related material	2,998,653,271	2,928,948,071	3,117,901,506	2,967,881,616
Hiring income	69,026,342	104,194,304	69,341,907	111,559,900
Fabrication income	34,227,990	12,739,453	34,227,990	12,739,453
Design income	–	–	875,000	11,700,000
Vehicle sales and after sales services	4,193,859,867	10,798,544,580	–	–
Rental income	820,879,620	772,065,156	–	–
Service charges	399,480	798,960	–	–
	24,026,524,618	32,277,441,194	17,917,039,628	19,356,105,575

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

Dividends income is recognised when the Group's/Company's right to receive the payment is established.

6.1 Other income

For the year ended 31 March	Note	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Dividend income		1,123,761	1,340,836	862,789,874	332,979,009
Rent income		5,784,428	8,516,397	17,519,955	17,808,107
Loss on fair value changes in short-term investments		(9,447,660)	(9,791,387)	(9,447,660)	(9,791,387)
Gain on disposal of property, plant and equipment		36,460,854	62,587,664	24,851,149	40,038,992
Foreign exchange gain		80,738,920	102,097,953	50,707,878	72,554,983
Sundry income		175,611,705	79,791,131	35,707,068	54,216,470
Restaurant and membership income		247,308,056	236,776,201	–	–
Gain/(Loss) on disposal of subsidiary		(5,527,503)	(5,977,460)	185,000,000	140,010,000
Gain on maturity of unit trust		2,892,766	–	2,892,766	–
Gain on disposal of equity-accounted investees		–	6,427,534	–	–
Gain on fair value changes of investment property	13.1	64,207,200	–	144,207,200	–
		599,152,527	481,768,869	1,314,228,230	647,816,174

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.

7.1 Net finance income/(cost)

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Finance income				
Interest income on fixed deposits	116,731,488	177,435,834	69,826,964	35,328,834
Interest income on repurchase agreements	27,997,150	17,610,244	27,900,721	403,846
Interest income on debenture	140,151,604	158,371,447	98,129,757	100,087,412
Other interest income	74,500,710	40,365,952	19,975,263	18,620,849
Interest income on related party loan	–	–	1,142,603	–
	359,380,952	393,783,477	216,975,308	154,440,941
Interest income on retention receivable	120,187,806	109,521,475	88,688,359	73,574,088
Interest income on staff loans	8,446,374	5,599,330	8,446,374	5,599,330
Interest income on contract liability	355,464,604	360,401,624	355,464,604	360,401,624
Total finance income	843,479,736	869,305,906	669,574,645	594,015,983
Finance cost				
Interest on finance leases	(17,053,965)	(1,201,143)	(7,120,617)	–
Interest on bank overdraft	(69,418,092)	(92,658,929)	(749,410)	(236,983)
Interest on debenture	(495,992,072)	(494,636,902)	(513,910,060)	(512,505,934)
Interest on bank loan	(440,195,377)	(482,929,335)	(91,777,276)	(150,948,624)
Interest expense on related party loan	–	–	(616,438)	(2,450,959)
	(1,022,659,506)	(1,071,426,309)	(614,173,801)	(666,142,500)
Unwinding of prepaid retention receivable expenses	(120,187,806)	(109,521,475)	(88,688,359)	(73,574,088)
Unwinding of prepaid staff loan expenses	(8,446,374)	(5,599,330)	(8,446,374)	(5,599,330)
Unwinding of significant financing component	(263,805,665)	(333,648,760)	(263,805,665)	(333,648,760)
Total finance cost	(1,415,099,351)	(1,520,195,874)	(975,114,199)	(1,078,964,678)
Net finance cost	(571,619,615)	(650,889,968)	(305,539,554)	(484,948,695)

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.

		Group		Company	
For the year ended 31 March		2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR
Profit before tax is stated after charging all expenses including following:					
Auditors' remuneration – Statutory audit and related services		7,407,786	7,414,500	2,851,000	2,851,000
Auditors' remuneration – Non-audit services		1,721,618	2,416,193	1,358,618	804,165
Loss on fair value changes in short-term investments		9,447,660	9,791,387	9,447,660	9,791,387
Write-off/provision for/(reversal of) of trade receivables		95,171,198	30,148,714	(1,893,950)	17,282,129
Provision for/(reversal of) of retention receivables		4,286,940	2,290,362	1,615,474	(5,150,881)
Provision for/(reversal of) write-off of inventories		(15,168,293)	38,427,068	2,938,403	10,317,091
Donations		2,939,092	1,668,400	876,378	1,596,286
Staff expenses		3,422,397,805	3,144,410,693	2,447,430,748	2,520,799,347
CSR expense		16,903,390	13,504,671	16,443,795	12,563,806
Depreciation of property, plant and equipment	11.1/11.2	1,029,071,381	1,077,028,529	813,980,582	873,104,852
Amortisation and impairment of intangible assets	14.1	19,455,491	34,591,799	9,812,450	9,169,035
Depreciation of right-of-use assets	12.1	37,755,948	–	56,082,789	–
Loss on asset write-off		1,217,636	–	1,217,636	–
Staff expenses					
Defined benefit plan costs – Gratuity	27.1	70,570,126	64,266,599	48,850,715	46,824,048
Defined contribution plan costs – EPF		159,419,156	140,721,208	100,748,906	98,723,499
Defined contribution plan costs – ETF		34,563,080	35,180,300	25,187,228	24,680,873
Directors' emoluments and fees	29.6	80,989,500	77,550,367	46,746,500	44,445,500
Staff cost		2,984,524,871	2,691,980,233	2,147,565,464	2,180,228,531
Performance incentives		92,331,072	134,711,986	78,331,935	125,896,896
		3,422,397,805	3,144,410,693	2,447,430,748	2,520,799,347

	Group		Company	
As at 31 March	2020	2019	2020	2019
Number of employees	3,216	3,047	2,583	2,458

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.

IFRIC 23 – "uncertainty over income tax treatments"

IFRIC 23 – "Uncertainty over Income Tax Treatments" was applicable to financial years commencing from 01 April 2019 and the Group adopted the above interpretation during the year under review. This IFRIC 23 provides guidance on determining taxable profits, tax bases, unused tax credits and tax rates when there is an uncertainty over the income tax treatment.

Upon the adoption of the interpretation, the Group recognised LKR 172 Mn. on the income tax expense for the year.

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 property 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 set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

Transfer pricing

As prescribed in Inland Revenue Act No. 24 of 2017 and gazette notification on transfer pricing Group and Company have complied with the arm's length principles relating to transfer pricing.

9.1 The major components of income tax expense for the years ended 31 March 2020 and 2019 are:

		Group		Company	
For the year ended 31 March		2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR
Consolidated statement of profit or loss					
Current income tax:					
Current income tax charge	9.2	446,442,480	757,966,350	432,640,981	640,686,224
Adjustments in respect of current income tax of previous year	9.3	15,201,775	44,978,082	19,914,517	11,431,203
IFRIC 23 – Uncertainty over Income Tax Treatments	9.3	171,622,194	–	171,622,194	–
Deferred tax:					
Relating to origination and reversal of temporary differences	9.4	186,239,410	80,244,108	(55,895,577)	(69,054,137)
Income tax expense reported in the statement of profit or loss		819,505,859	883,188,540	568,282,115	583,063,290
Consolidated statement of other comprehensive income					
Deferred tax related to items recognised in other comprehensive income during in the year:					
Net loss/(gain) on actuarial gains and losses		(12,288,956)	4,608,927	(13,289,155)	4,325,309
Net gain on revaluation of land and buildings		19,959,368	–	19,959,368	–
Deferred tax charged to other comprehensive income	9.4	7,670,412	4,608,927	6,670,213	4,325,309

9.2 Reconciliation between accounting profit and current tax expense

For the year ended 31 March	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Accounting profit before tax	1,747,080,962	3,128,545,542	2,495,376,711	2,544,658,406
Aggregate non-deductible expenses	1,391,619,724	1,588,023,198	313,473,324	615,664,714
Aggregate allowable items	(320,859,467)	(1,359,212,945)	(179,856,023)	(539,179,026)
Current year tax losses not utilised	150,995,815	–	–	–
Tax losses set-off against the current taxable income	–	(62,601,718)	–	–
Total statutory income	2,968,837,034	3,294,754,077	2,628,994,012	2,621,144,094
Exempted income	(889,492,868)	(368,959,193)	(862,789,873)	(332,979,009)
Taxable income	2,079,344,166	2,925,794,884	1,766,204,139	2,288,165,085
Taxable income at 2%	283,117,996	267,255,189	–	–
Taxable income at 14%	441,362,860	–	441,362,860	–
Taxable income at 24%	6,675,749	–	–	–
Taxable income at 28%	1,347,434,863	2,658,539,695	1,324,088,581	2,288,165,085
Dividend tax at 14%	752,698	–	752,698	–
	2,079,344,166	2,925,794,884	1,766,204,139	2,288,165,085
Tax at 2%	5,662,360	5,345,104	–	–
Tax at 14%	61,790,800	–	61,790,800	–
Tax at 24%	1,602,180	–	–	–
Tax at 28%	377,281,762	744,391,115	370,744,803	640,686,224
Dividend tax at 14%	105,378	8,230,131	105,378	–
Current income tax charge	446,442,480	757,966,350	432,640,981	640,686,224

9.3 Current tax liabilities/(assets)

As at 31 March	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Balance at the beginning of the year	369,085,405	22,151,620	411,867,608	(60,699,819)
Disposal of subsidiary	4,905	(345,173)	–	–
Provision made during the year	446,442,480	757,966,350	432,640,981	640,686,224
IFRIC 23 – Uncertainty over Income Tax Treatments	171,622,194	–	171,622,194	–
Adjustment for the prior year	15,201,775	44,978,082	19,914,517	11,431,203
Payments made during the year	(834,443,968)	(338,370,025)	(815,456,331)	(167,987,537)
WHT recoverable	(41,060,280)	(117,295,449)	(10,188,919)	(11,562,463)
Balance at the end of the year	126,852,511	369,085,405	210,400,050	411,867,608
Made up as follows				
Current tax assets	(95,204,109)	(55,203,106)	–	–
Current tax liabilities	222,056,620	424,288,511	210,400,050	411,867,608
	126,852,511	369,085,405	210,400,050	411,867,608

9.4 Deferred tax liabilities/(assets)

As at 31 March	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Balance at the beginning of the year	2,165,728,615	2,145,470,679	519,040,038	590,652,004
Disposal of subsidiary	–	(56,795,760)	–	–
Expense for the year recognised in profit or loss	186,239,410	80,244,108	(55,895,577)	(69,054,137)
Expense for the year recognised in OCI	7,670,412	4,608,927	6,670,213	4,325,309
Adjustment for expected credit loss – recognised in equity	–	(7,799,339)	–	(6,883,138)
Balance at the end of the year	2,359,638,437	2,165,728,615	469,814,674	519,040,038
Made up as Follows				
Deferred tax assets	(33,901,427)	–	–	–
Deferred tax liabilities	2,393,539,864	2,165,728,615	469,814,674	519,040,038
	2,359,638,437	2,165,728,615	469,814,674	519,040,038

9.5 Deferred tax provision as at the year end is made up as follows:

As at 31 March	2020 Temporary difference LKR	2020 Tax effect on temporary difference LKR	2019 Temporary difference LKR	2019 Tax effect on temporary difference LKR
Group				
Accelerate depreciation for tax purpose	1,749,247,403	489,789,273	2,079,912,540	582,375,511
Revaluation of land and building to fair value	7,186,002,480	2,012,080,694	6,020,088,239	1,685,624,705
Revaluation of investment land to fair value	416,606,700	41,660,670	–	–
Leasehold land and buildings (right-of-use assets)	8,108,872	2,270,485	–	–
Provision for impairment of trade receivables	(116,632,270)	(32,657,036)	(117,196,717)	(32,815,081)
Provision for inventories	(12,525,003)	(3,507,001)	(8,933,871)	(2,501,484)
Defined benefit obligation	(329,645,738)	(92,300,806)	(239,125,131)	(66,955,036)
Lease Liability	(37,875,468)	(10,605,131)	–	–
Tax loss set-off	(168,188,255)	(47,092,711)	–	–
	8,695,098,721	2,359,638,437	7,734,745,060	2,165,728,615
Company				
Accelerate depreciation for tax purpose	1,616,798,561	452,703,597	1,929,926,322	540,379,370
Revaluation of land and building to fair value	301,575,164	84,441,046	230,291,707	64,481,678
Revaluation of investment land to fair value	416,606,700	41,660,670	–	–
Leasehold buildings (right-of-use assets)	25,808,317	7,226,329	–	–
Provision for impairment of trade receivables	(108,759,238)	(30,452,587)	(113,051,056)	(31,654,296)
Defined benefit obligation	(278,609,201)	(78,010,576)	(193,452,552)	(54,166,714)
Lease Liability	(27,692,165)	(7,753,805)	–	–
	1,945,728,138	469,814,674	1,853,714,421	519,040,038

Recoverability of temporary difference arising from losses

Deferred tax assets can only be recognised to the extent it is probable there will be future taxable profits. Subsequent to the reporting date, the Group has reviewed the current impact of COVID-19 on these future taxable profits and concluded that deferred tax assets can continue to be recognised in full.

9.6 Applicable rates of income tax

Company

Income tax provision for the Company is calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the notice issued by the Department of Inland Revenue, the instructions of the Ministry of Finance on 12 February 2020 (No. PN/IT/2020-03) "Implementation of proposed changes to the Inland Revenue Act No. 24 of 2017" and further amended by the notice dated on 8 April 2020, No. PN/IT/2020-03 (Revised) issued by the Department.

As per the instructions issued by Department of Inland Revenue dated 6 May 2020, notice No. PN/IT/2020-06 "Computation of Income Tax Payable and Payments for the Year of Assessment 2019/20", taxable income computed for the full year needs to be apportioned over the two periods by applying the pro rata basis based on the time (9 months and 3 months) and the relevant tax rates for two periods should be applied. Company has computed the current tax based on the above instructions and remitted the tax payments on the same basis. The Company has adopted above on the basis that said amendments to the Inland Revenue Act No. 24 of 2017 would be made in near future.

In terms of above the income tax provisions of companies have been calculated on their profit at the standard rate of 28% up to 31 December 2019 and 14% thereafter. Though the legislative process relating to the amendments to laws needs to be completed in order for the tax rate to be considered as substantively enacted as at the reporting date, the difference between computing the current tax liability using the proposed rate of 14% and the existing rate of 28%, which have an immaterial impact on the results.

Deferred tax for the year has been computed on the enacted rate (28%) as per Inland Revenue Act No. 24 of 2017, since the proposed rates (14%) or (24%), have not been substantially enacted.

Impact of proposed tax rates changes on deferred tax assets and liabilities

As at 31 March	Group LKR	Company LKR
Deferred tax rate at 28%		
Deferred tax expense/(income)		
– Recognised in income statement	186,239,410	(55,895,576)
– Recognised in other comprehensive income	7,670,412	6,670,213
Deferred tax (assets)/liabilities	193,909,822	(49,225,363)
Deferred tax rate at 24% and 14%		
Deferred tax expense/(income)		
– Recognised in income statement	(274,036,385)	(234,396,633)
– Recognised in other comprehensive income	(16,737,195)	(28,905,733)
Deferred tax assets	(290,773,580)	(263,302,366)
Total Impact		
Deferred tax expense/(income)		
– Recognised in income statement	(460,275,795)	(178,501,057)
– Recognised in other comprehensive income	(24,407,607)	(35,575,945)
Deferred tax assets	(484,683,402)	(214,077,002)

Subsidiaries

Access Realties (Private) Limited

As per the agreement entered in to 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 in to 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. Other income of the Company is taxable at 28%.

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% (LKR 1,039,486,177/-) because the management is under the impression that the asset will not be disposed prior to the expiration of BOI concessionary rate period. Deferred tax on other assets (apart from land and buildings) has not been recognised on the basis that reversal of temporary differences will take place within the BOI concessionary rate period.

Access Realties 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. 8 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 (3) years from the date of 4 April 2013. Further insertion of new section under 48 D of Inland Revenue (amendment) Act No. 9 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 01 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 (02) years reckoned from the date of commencement of commercial operations whichever year is earlier as determined by Commissioner General of Inland Revenue. Accordingly, the profit arising from the business us exempt from income tax for the period covering 1 April 2017 to 31 March 2029. Other income of the Company is taxable at 28%.

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% (LKR 840,465,160/-), because the management is under the impression that the asset will not be disposed prior to the expiration of BOI concessionary rate period. Deferred tax on other assets (apart from buildings) has not been recognised on the basis that reversal of temporary differences will take place within the BOI concessionary rate period.

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 2020 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 provision in the Inland Revenue Act No. 24 of 2017 and amendments thereto, the Company and subsidiary are liable for income tax at 28% .

Sathosa Motors PLC has recognised LKR 66.1 Mn. as a deferred tax asset on the deductible temporary differences arising from tax losses, defined benefit obligations, obsolete stocks, debtor impairment and right of use assets.

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 rate is 28%.

Deferred Tax Asset amounting to LKR 118,238,846/- 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 2019 – LKR 142,615,596/-).

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 2020. 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. 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%. Deferred tax rate is 28%.

The Company has made provisions on the deferred tax liability for the revaluation of business asset (land) and the temporary differences arising on employee benefits. Deferred tax asset amounting to LKR 39,069,623/- (2019 – Nil) has not been recognised for deductible temporary difference as the management is of the opinion that the reversal of taxable asset will not be crystallised in the BOI exemption period.

WUS Logistics (Private) Limited

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%.

Provision for tax assessments

Company – Income Tax Assessment received for years of assessment 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17

The Department of Inland Revenue has raised an assessment on income tax for the years of assessment 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17, 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 890,897,683/- plus penalty of LKR 441,077,492/-. The company has filed valid appeal against these assessments. Determination for the assessment 2015/16 has been received and Inland Revenue Department allowed claim under the section 17 A. Company has made necessary provisions for these assessments during the financial year 2019/20.

Sathosa Motors PLC – Tax 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. 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 leave has been refused to pursue the case and as such, there is no pending litigation. 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 instructions have been given by the Company to withdraw the case.

The company's legal professionals are of the opinion that the Company will not be able to defend against the these cases, therefore the Company has made a provision in full for these assessments during the financial year ended 31 March 2019.

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.

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
Profit attributable to ordinary equity holders of the parent (LKR)	979,247,287	2,150,223,368	1,927,094,596	1,961,595,116
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)	0.98	2.15	1.93	1.96

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.

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.

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.

Depreciation

Depreciation is recognised in profit or loss on a 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
Freehold building	10-50 years
Leasehold building	8-9 years
Plant and machinery	3-10 years
Motor vehicles	4-8 years
Lease hold – Motor vehicles	4 years
Office equipment	3-12 years
Furniture and fittings	3-13 years
Tools	3-10 years
Other construction equipment	5 years

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

	Freehold					
	Land	Building	Plant and machinery	Motor vehicles	Office equipment	Furniture and fittings
	LKR	LKR	LKR	LKR	LKR	LKR
Cost or valuation						
Balance at 1 April 2018	1,466,429,451	600,404,566	4,905,826,179	844,133,333	436,857,354	335,668,379
Additions	–	36,018,320	253,231,115	443,977,674	34,876,309	34,701,620
Transfers	–	1,260,000	10,114,734	6,353,214	–	(1,753,171)
Disposals/derecognition	–	–	(86,547,918)	(83,070,384)	(1,052,501)	(1,387,560)
Disposal of subsidiary	(765,000,000)	–	–	–	(158,800)	–
Balance at 31 March 2019	701,429,451	637,682,886	5,082,624,110	1,211,393,837	470,522,362	367,229,268
Additions	3,374,000	33,163,734	209,208,188	76,763,177	71,987,171	29,682,606
Transfers	–	–	–	–	–	–
Disposals/derecognition	–	(34,634,545)	(4,574,297)	(120,399,907)	(3,534,582)	(418,346)
Revaluation adjustment	187,925,759	42,424,298	–	–	–	–
Balance at 31 March 2020	**892,729,210**	**678,636,373**	**5,287,258,001**	**1,167,757,107**	**538,974,951**	**396,493,528**
Accumulated Depreciation and Impairment Losses						
Balance at 1 April 2018	–	91,772,803	2,483,239,079	564,366,823	327,956,911	168,548,330
Depreciation charge for the year	–	27,700,714	562,697,534	120,384,565	55,622,535	41,156,148
Transfers	–	–	5,351,073	4,157,241	–	(177,419)
Disposals/derecognition	–	–	(74,106,203)	(60,761,417)	(944,518)	(1,174,185)
Balance at 31 March 2019	–	119,473,517	2,977,181,483	628,147,212	382,634,928	208,352,874
Depreciation charge for the year	–	31,136,987	543,856,596	127,548,553	54,485,529	42,334,035
Transfers	–	–	–	–	–	–
Disposals/derecognition	–	(34,634,545)	(4,479,768)	(93,453,491)	(1,150,104)	(229,603)
Balance at 31 March 2020	**–**	**115,975,959**	**3,516,558,311**	**662,242,274**	**435,970,353**	**250,457,306**
Carrying value						
At 31 March 2020	**892,729,210**	**562,660,414**	**1,770,699,690**	**505,514,833**	**103,004,598**	**146,036,222**
At 31 March 2019	701,429,451	518,209,369	2,105,442,627	583,246,625	87,887,434	158,876,394

Group property, plant and equipment with a cost of LKR 2,365 Mn. (2019 – LKR 1,781.30 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 2019/20 (2018/19-Nil).

Assets under construction

Capital work in progress includes, construction cost incurred to construction of Bodyshop at No. 156, Divulapitiya, Raththanapitiya, Boralasgamuwa.

	Freehold		Leasehold			
	Tools	Other construction equipment	Building	Motor vehicles	Capital work in progress	Total
	LKR	LKR	LKR	LKR	LKR	LKR
	826,644,380	444,199,739	457,994,225	24,353,214	117,949,899	10,460,460,719
	55,181,193	45,797,268	18,031,622	–	241,373,025	1,163,188,146
	(8,361,563)	–	26,980,567	(6,353,214)	(28,240,567)	–
	(9,793,417)	–	–	(18,000,000)	–	(199,851,780)
	–	–	–	–	(59,933,583)	(825,092,383)
	863,670,593	489,997,007	503,006,414	–	271,148,774	10,598,704,702
	45,798,702	4,768,487	3,540,255	4,000,000	90,031,817	572,318,137
	–	–	306,102,921	–	(306,102,921)	–
	(1,844,597)	(12,215,757)	–	–	(3,652,195)	(181,274,226)
	–	–	–	–	–	230,350,057
	907,624,698	**482,549,737**	**812,649,590**	**4,000,000**	**51,425,475**	**11,220,098,670**
	505,587,688	210,659,145	112,829,597	15,407,241	–	4,480,367,617
	158,126,367	70,233,096	41,107,570	–	–	1,077,028,529
	(5,173,654)	–	–	(4,157,241)	–	–
	(8,544,344)	–	–	(11,250,000)	–	(156,780,667)
	649,996,057	280,892,241	153,937,167	–	–	5,400,615,479
	117,398,353	73,819,067	38,358,928	133,333	–	1,029,071,381
	–	–	–	–	–	–
	(1,578,683)	(10,980,655)	–	–	–	(146,506,849)
	765,815,727	**343,730,653**	**192,296,095**	**133,333**	**–**	**6,283,180,011**
	141,808,971	**138,819,084**	**620,353,495**	**3,866,667**	**51,425,475**	**4,936,918,659**
	213,674,536	209,104,766	349,069,247	–	271,148,774	5,198,089,223

Property, plant and equipment pledged as security

Property pledged as securities against loans and borrowings are described in Note 26.3.

The Group and the Company reviewed the carrying values of property, plant and equipment as at the reporting date especially the potential impact the COVID-19 pandemic could have on the Group's and the Company's assets and determined that no impairment is necessary, after evaluating their business continuity plans and is satisfied the steps taken to safeguard the assets.

There were no restrictions existed on the title of the assets of the Group as at the reporting date.

There are no temporarily idle assets as at the reporting date.

11.2 Company

	Freehold					
	Land	Building	Plant and machinery	Motor vehicles	Office equipment	Furniture and fittings
	LKR	LKR	LKR	LKR	LKR	LKR
Cost or valuation						
Balance at 1 April 2018	181,000,000	67,000,000	4,628,243,085	654,305,213	306,483,443	129,671,980
Additions	–	30,428,432	193,995,927	369,711,774	15,810,751	2,642,493
Disposals/derecognition	–	–	(82,264,353)	(77,302,205)	(917,001)	(859,929)
Balance at 31 March 2019	181,000,000	97,428,432	4,739,974,659	946,714,782	321,377,193	131,454,544
Additions	–	–	139,195,671	3,673,177	54,514,623	9,180,919
Disposals/derecognition	–	(25,634,545)	(4,443,654)	(88,622,073)	(1,346,959)	(216,487)
Revaluation adjustment	55,000,000	23,118,356	–	–	–	–
Balance at 31 March 2020	**236,000,000**	**94,912,243**	**4,874,726,676**	**861,765,886**	**374,544,857**	**140,418,976**
Accumulated Depreciation and Impairment Losses						
Balance at 1 April 2018	–	6,718,356	2,343,667,603	453,120,756	243,829,467	110,174,761
Depreciation charge for the year	–	7,131,823	524,102,170	82,275,420	36,970,830	9,815,183
Disposals/derecognition	–	–	(71,970,887)	(54,993,238)	(816,741)	(646,554)
Balance at 31 March 2019	–	13,850,179	2,795,798,886	480,402,938	279,983,556	119,343,390
Depreciation charge for the year	–	11,814,666	495,611,971	88,288,678	33,967,625	8,934,033
Disposals/derecognition	–	(25,634,545)	(4,443,633)	(75,727,551)	(1,150,104)	(171,127)
Balance at 31 March 2020	**–**	**30,300**	**3,286,967,224**	**492,964,065**	**312,801,077**	**128,106,296**
Carrying value						
At 31 March 2020	**236,000,000**	**94,881,943**	**1,587,759,452**	**368,801,821**	**61,743,780**	**12,312,680**
At 31 March 2019	181,000,000	83,578,253	1,944,175,773	466,311,844	41,393,637	12,111,154

Company property, plant and equipment with a cost of LKR 2,032.10 Mn. (2019 – LKR 1,571.33 Mn.) have been fully-depreciated and continue to be in use by the Company.

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.

Freehold		
Tools	Other construction equipment	Total
LKR	LKR	LKR
724,233,633	444,199,739	7,135,137,093
46,209,673	45,797,268	704,596,318
(9,793,417)	–	(171,136,905)
760,649,889	489,997,007	7,668,596,506
45,727,752	4,768,487	257,060,629
(1,514,630)	(12,215,757)	(133,994,105)
–	–	78,118,356
804,863,011	**482,549,737**	**7,869,781,386**
496,355,067	210,659,145	3,864,525,155
142,576,330	70,233,096	873,104,852
(8,544,344)	–	(136,971,764)
630,387,053	280,892,241	4,600,658,243
101,544,542	73,819,067	813,980,582
(1,502,858)	(10,980,655)	(119,610,473)
730,428,737	**343,730,653**	**5,295,028,352**
74,434,274	**138,819,084**	**2,574,753,034**
130,262,836	209,104,766	3,067,938,263

11.3 Revaluation of land and buildings

Company

The freehold land and buildings of the Company were revalued as at 31 March 2020 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 2020 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;

					Significant unobservable input			
Location	Extent	Building square feet	Number of buildings	Valuation technique	Estimated price per perch	Estimated price per square feet	Fair value LKR Mn.	Correlation to fair value
Access Engineering PLC								
Land depicted at No. 336/1, Low Level Road, Jalthara, Ranala	3 R and 38.4 P	9,070	1	Open Market Value Basis	LKR 500,000	LKR 750-1,500	90	Positive
Land depicted at No. 278, Alubogahalanda, Jalthara, Ranala	3 A 3 R and 4.86 P	35,100	1	Open market value basis	LKR 100,000-150,000	LKR 1,000-1,750	142	Positive
Land depicted at Weliwita, Kaduwela	2 A	–	–	Open market value basis	LKR 200,000	–	64	Positive
Land depicted at Divigalahena, Pananwela, Hakmana	10 A	–	–	Open market value basis	LKR 62,500	–	10	Positive
Access Projects (Private) Limited								
Land depicted at No. 278, Kekulanvila Road, Jaltara, Ranala	2 A 1 R and 38.38 P	50,748	1	Depreciated replacement cost basis for buildings and open market value basis for land	LKR 125,000-225,000	LKR 600-3,000	210	Positive
Land depicted at No. 42 A, Yatawathura, Malagala, Padukka	3 R 10 P	–	–	Open market value basis	LKR 60,000-100,000	–	11	Positive
Land depicted at No. 281, Kekulanvila Road, Jalthara, Ranala	20 P	1,551	1	Open market value basis	LKR 250,000	LKR 1,500-3,000	8.3	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.

Land carried at cost (fair value)

Location	Extent	Number of buildings	Acquisition date
Sathosa Motors PLC			
Land depicted at No. 86, Vauxhall Street, Colombo 2	28.70 P	1	17 May 2017

The carrying amount of revalued land and buildings if they were carried at cost less depreciation and impairment, would be as follows:

	Group		Company	
As at 31 March	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Cost	289,402,923	222,942,181	110,461,118	80,032,686
Accumulated depreciation and impairment	(51,600,289)	(40,419,561)	(15,539,189)	(10,023,000)
Net carrying amount	237,802,634	182,522,620	94,921,929	70,009,686

12. RIGHT-OF-USE ASSETS AND LEASES

Right-of-use assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Leases

Accounting policy

Set out below are the new accounting policies of the Group upon adoption of SLFRS 16, which have been applied from the date of initial application. The Group has applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4.

Accounting policy applicable from 1 April 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from debt financing arrangements at the inception of the lease period.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SLFRS 16.

Accounting policy applicable prior to 1 April 2019

For contracts entered into before 1 April 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

(a) fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

(b) the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

the purchaser had the ability or right to operate the assets while obtaining or controlling more than an insignificant amount of the output;

the purchaser has the ability or right to control physical access to the assets while obtaining or controlling more than an insignificant amount of the output; or

facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's Statement of Financial Position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Amounts recognised in the statement of financial position and profit or loss

Set out below are the carrying amounts of the Group's right-of-use assets and the movements for the period ended 31 March 2020.

12.1 Right-of-use assets

As at 31 March 2020	Group LKR	Company LKR
Origination from initial application of SLFRS 16	151,557,532	112,165,577
Reclassification from prepayments	4,646,700	–
Reclassification from prepaid lease rentals	214,500,000	–
Balance at the end of the year	**370,704,232**	**112,165,577**
Accumulated depreciation		
Origination from initial application of SLFRS 16	–	30,274,471
Depreciation charge for the year	37,755,948	56,082,789
Reclassification from prepaid lease rentals	73,753,606	–
Balance at the end of the year	**111,509,554**	**86,357,260**
Carrying value		
As at 31 March 2020	**259,194,678**	**25,808,317**

Impairment of right-of-use assets

The Group does not foresee any impairment of right-of-use assets due to the lockdown economic implication of COVID-19 and does not anticipate discontinuation of any assets for which the Group has the right to use. Lease liabilities are not assessed as there are no known moratorium received for the lease payments so far.

12.2 Lease liabilities

	Group		Company	
As at 31 March	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Balance at the beginning of the year	–	6,116,140	–	–
Impact from initial implication of SLFRS 16	151,523,212	–	84,057,809	–
Additions	4,254,300	–	–	–
Interest expense	16,633,081	–	7,120,617	–
Payments made during the year	(23,524,376)	(6,116,140)	(63,486,261)	–
Balance at the end of the year	**148,886,217**	–	**27,692,165**	–
Interest in suspense	(1,038,952)	–	–	–
Balance at the end of the year	**147,847,265**	–	**27,692,165**	–
Payable within one year	10,497,052	–	27,692,165	–
Payable after one year	137,350,213	–	–	–
Balance at the end of the year	**147,847,265**	–	**27,692,165**	–

12.3 Amounts recognised in profit or loss on SLFRS 16 – Leases

	Group LKR	Company LKR
2019/20 Leases under SLFRS 16		
Depreciation of right-of-use assets	**37,755,948**	**56,082,789**
Interest expense on lease liabilities	**16,633,081**	**7,120,617**
2018/19 operating lease under LKAS 17		
Operating lease expenses	54,252,468	59,004,626

12.4 Amounts recognised in cash flows for 2019/20 on SLFRS – Leases

As at 31 March 2020	Group LKR	Company LKR
Payment of lease liabilities	**(23,524,376)**	**(63,486,261)**

There were no right-of-use assets pledged by the Group and the Company as security for facilities obtained from the Banks.

13. 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.

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.

13.1 Quantitative and qualitative disclosures of the investment properties

As at 31 March	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Balance at the beginning of the year	10,729,192,520	10,713,949,513	415,800,000	415,800,000
Additions (subsequent expenditure)	12,605,424	15,243,007	–	–
Disposal of subsidiary	(475,200,000)	–	–	–
Gain on fair value changes	64,207,200	–	144,207,200	–
Balance at the end of the year	10,330,805,144	10,729,192,520	560,007,200	415,800,000
Rental income derived from investment properties	980,002,884	941,430,170	13,082,576	11,459,910
Direct operating expenses (including repair and maintenance) generating rental income	(145,734,213)	(84,759,832)	–	–

13.2 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 2020.

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 2020. 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.

Description of valuation techniques used and key inputs to valuation of investment properties;

Location	Extent	Freehold building square feet	Significant unobservable input: Estimated price per perch	Significant unobservable input: Estimated price per square feet	Significant unobservable input: Number of buildings	Significant unobservable input: Fair value LKR Mn.	Significant unobservable input: Correlation to fair value
Access Engineering PLC							
Land depicted at No. 117, Dehiwala Road, Boralasgamuwa*	2 R and 35.5 P	12,784	LKR 2,000,000	LKR 6,000	1	300	Positive
Land depicted at No. 267, Dehiwala Road, Maharagama	3 R and 1 P	–	LKR 2,000,000	–	–	242	Positive
Land depicted at Dickowita, Hendala	2 A 3 R and 10.18 P	–	LKR 40,000	–	–	18	Positive
Access Realties (Private) Limited							
Land depicted at Nos. 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 25.65 P	216,718	LKR 9,000,000- LKR 10,000,000	LKR 10,000	1	4,026	Positive
Access Realties 2 (Private) Limited							
30 Stories Buildings at No. 116 and 118, Dawson street, Colombo 2	–	404,554	–	LKR 16,000	1	6,771	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 23).

Summary description of valuation methodologies can be found in property plant and equipment Note 11.3.

13.3 Investment properties – Work-in-progress

	Group	
As at 31 March	2020	2019
	LKR	LKR
Balance at the beginning of the year	492,568,921	402,478,308
Additions	503,905,171	90,090,613
Acquisition through business combination	900,000,000	–
Balance at the end of the year	**1,896,474,092**	**492,568,921**

Investment properties work in progress consists the development at No. 250, Srimath Ramanathan Mawatha, Kotahena, Colombo 15 by Harbour Village (Private) Limited and development at No. 340, Maligagodella Watta, Kimbulapitiya by WUS Logistics (Private) Limited.

14. 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	Expenditure on research activities is recognised in profit or loss as incurred. 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.
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 and goodwill 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.

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	3-10 years

Derecognition

An intangible asset is derecognised upon disposal or 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.

14.1 Reconciliation of beginning and ending balances by classes of assets

	Group				Company	
	Software LKR	Goodwill LKR	Leasehold right LKR	Total LKR	Software LKR	Total LKR
Cost/Revaluation						
At 1 April 2018	111,469,271	1,179,598,942	214,500,000	1,505,568,213	93,093,482	93,093,482
Additions	39,996,158	–	–	39,996,158	3,392,293	3,392,293
At 31 March 2019	151,465,429	1,179,598,942	214,500,000	1,545,564,371	96,485,775	96,485,775
Transfer to right-of-use assets	–	–	(214,500,000)	(214,500,000)	–	–
Additions	2,071,342	–	–	2,071,342	–	–
At 31 March 2020	**153,536,771**	**1,179,598,942**	**–**	**1,333,135,713**	**96,485,775**	**96,485,775**
Accumulated amortisation and impairment losses						
At 1 April 2018	49,106,098	–	55,632,261	104,738,359	40,119,758	40,119,758
Amortisation	16,470,454	–	18,121,345	34,591,799	9,169,035	9,169,035
At 31 March 2019	65,576,552	–	73,753,606	139,330,158	49,288,793	49,288,793
Transfer to right-of-use assets	–	–	(73,753,606)	(73,753,606)	–	–
Amortisation	19,455,491	–	–	19,455,491	9,812,450	9,812,450
At 31 March 2020	**85,032,043**	**–**	**–**	**85,032,043**	**59,101,243**	**59,101,243**
Carrying value						
At 31 March 2020	**68,504,728**	**1,179,598,942**	**–**	**1,248,103,670**	**37,384,532**	**37,384,532**
At 31 March 2019	85,888,877	1,179,598,942	140,746,395	1,406,234,214	47,196,982	47,196,982

Software in intangible assets mainly consists of the SAP enterprise resource planning system software and SAP user license acquired by the Company.

Due to the adoption of SLFRS 16 – "Leases", Leasehold right has been transferred to right-of-use assets (Note 12.1).

Intangible assets with a cost of LKR 15 Mn. (2019 – LKR 12 Mn.) and LKR 6 Mn. (2019 – LKR 6 Mn.) have been fully amortised and continue to be used by the Group and the Company respectively.

There were no intangible assets pledged by the Group and the Company as security for facilities obtained from the banks (2019-Nil).

Sathosa Motors PLC has impaired DMS software amounting to LKR 619,415/- (2019-Nil) during the year.

Having evaluated the business continuity plans and cash flows of each cash-generating unit where the Group has recognised a goodwill, the Group determined that no impairment provision is required for the carrying value of goodwill due to the COVID-19 pandemic as at reporting date.

15. INVESTMENTS IN SUBSIDIARIES

Accounting policy

Investment 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.

			Company	
	Number of shares	Effective holding	2020	2019
		%	LKR	LKR
Sathosa Motors PLC	5,093,745	84.42	1,196,572,767	1,196,572,767
Access Realties (Private) Limited	199,922,532	100	7,996,901,280	7,996,901,280
Access Projects (Private) Limited	16,000,000	80	1,000,000,000	1,000,000,000
Horizon Holdings Ventures (Private) Limited*	–	–	–	290,000,000
Harbour Village (Private) Limited	174,970,574	60.83	2,747,383,660	2,747,383,660
WUS Logistics (Private) Limited	92,500,000	100	925,000,000	–
			13,865,857,707	13,230,857,707

* Company has disposed the investment in Horizon Holdings Ventures (Private) Limited during the current financial year (Note 32.2).

Accounting estimate – Provision for impairment

An impairment assessment was carried out as at 31 March 2020 and it was concluded that net realisable value of all the investments included under unquoted investments exceed its carrying value.

Having evaluated the business continuity plans and the cash flows (where necessary) of each subsidiary, the Group determined that no impairment provision is required for the carrying value of subsidiaries due to the COVID-19 pandemic as at 31 March 2020.

16. EQUITY-ACCOUNTED INVESTEES

Accounting policy

The Group's interests in equity-accounted investees comprise interest in associate and joint venture.

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.

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 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 results 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.

Investments in equity accounted investees are carried at cost less any accumulated impairment losses.

16.1 Carrying amount of interest in equity-accounted investees

	Number of shares	Effective Holding %	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Investment in joint venture						
Blue Star Realties (Private) Limited	80,300,000	50	749,912,543	774,424,848	800,000,000	800,000,000
Investment in an Associate						
ZPMC Lanka Company (Private) Limited	5,546,544	30	139,463,795	123,594,277	55,465,410	55,465,410
			889,376,338	898,019,125	855,465,410	855,465,410

16.2 Group's share of total comprehensive income

For the year ended 31 March	2020 LKR	2019 LKR
Group's share of profit		
Joint venture	(24,512,305)	(27,355,709)
Associate	15,902,280	27,081,773
	(8,610,025)	(273,936)

16.3 Investment in joint venture

The Group has invested on 30 May 2016, 50% interest in Blue Star Realties (Private) Limited, a joint venture involves 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.

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:

	2020 LKR	2019 LKR
Non-current assets	13,016,010	16,717,522
Current assets	5,380,270,830	3,199,255,213
Non-current liabilities	(163,666,694)	(139,808,447)
Current liabilities	(3,789,425,225)	(1,586,944,757)
Net assets (100%)	1,440,194,921	1,489,219,531
Group's share of net assets (50%)	720,097,461	744,609,766
Goodwill	29,815,082	29,815,082
Carrying amount of interest in joint venture	749,912,543	774,424,848
Revenue	–	–
Total comprehensive income (100%)	(49,024,610)	(50,999,773)
Group share of total comprehensive income (50%)	(24,512,305)	(25,499,887)
Group's share of total comprehensive income	(24,512,305)	(25,499,887)

There were no dividends received from the joint ventures during 2019/20 (2018/19 – Nil).

The joint venture had no material contingent liabilities or capital commitments as at 31 March 2019 or as at 31 March 2020.

16.4 Investment in an associate

The Group has a 30% interest in ZPMC Lanka Company (Private) Limited, which has entered in to 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.

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:

	2020 LKR	2019 LKR
Non-current assets	9,124,364	3,334,191
Current assets	786,570,332	680,787,562
Non-current liabilities	(6,946,913)	(2,820,481)
Current liabilities	(324,598,203)	(269,967,050)
Net assets (100%)	464,149,580	411,334,222
Group's share of net assets (30%)	139,463,795	123,594,277
Carrying amount of interest in associate	139,463,795	123,594,277
Revenue	897,593,735	641,005,164
Total comprehensive income (100%)	52,924,392	90,130,872
Group share of total comprehensive income (30%)	15,902,280	27,081,773
Group's share of total comprehensive income	15,902,280	27,081,773

There were no dividends received from the associate during 2019/20 (2018/19 – Nil).

The associate had no material contingent liabilities or capital commitments as at 31 March 2019 or as at 31 March 2020.

Having evaluated the business continuity plans and the cash flows (where necessary) of each investment in joint venture and associate, the Group determined that no impairment provision is required for the carrying value of investment in joint venture and associate due to the COVID-19 pandemic as at 31 March 2020.

17. 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.

	Group		Company	
As at 31 March	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Investments in debentures				
National Development Bank PLC	–	775,598,826	–	564,353,479
Hatton National Bank PLC	–	534,320,123	–	334,135,191
Sampath Bank PLC	110,220,036	110,444,398	110,220,036	110,444,398
	110,220,036	1,420,363,347	110,220,036	1,008,933,068

18. 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 comprised 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.

18.1 Inventories

		Group		Company	
As at 31 March		2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR
Inventories		3,841,304,955	3,247,868,811	1,739,694,668	1,047,971,776
Work in progress		3,860,544,377	3,239,510,879	530,036,140	391,275,251
Goods in transit		643,002,056	143,858,583	–	766,000
Less: Provision for inventories	18.1.1	(47,753,893)	(52,605,094)	–	–
		8,297,097,495	6,578,633,179	2,269,730,808	1,440,013,027

18.1.1 Movement in provision for inventories

	Group	
As at 31 March	2020	2019
	LKR	LKR
Balance at the beginning of the year	52,605,094	62,539,133
Reversal of inventory provision	(4,851,201)	(9,934,039)
Balance at the end of the year	**47,753,893**	52,605,094

There were no inventories pledged by the Group or the Company as security for facilities obtained from the banks (2019 – Nil).

Having evaluated the Companies with COVID-19 related revenue decline and/or the nature of the inventories carried and assessed whether it was required to adjust the carrying value of the inventory prior to reflecting them at the lower of cost or net realisable value, where applicable, declines in inventory values were recognised in the Statement of Profit of Loss.

19. 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 method (EIR) less any provision for impairment.

Provision for impairment of receivables

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.

ECL are probability-weighted estimate of credit losses. It is 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.

19.1 Trade and other receivables

		Group		Company	
As at 31 March		2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR
Trade receivables	19.2	11,567,486,315	11,134,597,403	10,007,501,087	8,743,200,936
Other receivables	19.3	526,166,736	578,398,535	186,302,872	132,657,681
Advance and prepayments	19.4	1,897,579,286	1,862,525,106	1,127,471,893	1,055,301,311
Contract assets		72,918,894	162,106,835	72,244,882	153,203,656
		14,064,151,231	13,737,627,879	11,393,520,734	10,084,363,584

19.2 Trade receivables

As at 31 March	Note	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Trade receivables		11,802,028,601	11,276,042,127	10,116,260,324	8,856,251,992
Less: Provision for impairment of receivables	19.2.1	(234,542,286)	(141,444,724)	(108,759,237)	(113,051,056)
		11,567,486,315	11,134,597,403	10,007,501,087	8,743,200,936

19.2.1 Movement in provision for impairment of trade receivables

As at 31 March	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Balance at the beginning of the year	141,444,724	89,218,894	113,051,056	71,219,168
Provision for impairment of trade receivables	93,097,562	52,225,830	(4,291,819)	41,831,888
Balance at the end of the year	234,542,286	141,444,724	108,759,237	113,051,056

Impact on provision due to COVID-19 is disclosed under Note 36.3.1.

19.3 Other receivables

As at 31 March	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Margin on bond	101,181,632	94,428,836	101,181,632	94,428,836
Other tax receivables	348,351,273	227,194,484	56,685,768	9,477,407
Others	76,633,831	256,775,215	28,435,472	28,751,438
	526,166,736	578,398,535	186,302,872	132,657,681

19.4 Advances and prepayments

As at 31 March	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Deposits and prepayments	106,588,769	100,683,652	58,400,300	53,862,954
Advances	1,689,062,589	1,675,342,588	1,002,927,744	951,751,235
Refundable deposit	101,927,928	86,498,866	66,143,849	49,687,122
	1,897,579,286	1,862,525,106	1,127,471,893	1,055,301,311

20. OTHER CURRENT FINANCIAL ASSETS

Accounting policy

This mainly comprise retention receivable, staff loans and current portion of investment in debentures which have been designated as financial assets at amortised cost and measured at amortised cost using EIR method and are subject to impairment.

		Group		Company	
As at 31 March		2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR
Retention receivable	20.1	2,399,367,376	2,272,742,317	2,209,171,974	2,044,588,378
Staff loans		75,728,494	65,264,342	68,860,376	62,472,227
Prepaid retention receivable expenses		356,454,650	352,321,246	293,163,455	352,321,246
Prepaid staff loan expenses		8,859,305	7,362,302	8,859,305	7,362,302
Investment in debentures	20.2	1,332,687,432	–	898,642,339	–
Total other current financial assets		4,173,097,257	2,697,690,207	3,478,697,449	2,466,744,153

20.1 Retention receivable

		Group		Company	
As at 31 March		2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR
Retention receivable		2,468,109,491	2,337,197,492	2,215,875,506	2,049,676,436
Less: Provision for impairment of retention receivable	20.1.1	(68,742,115)	(64,455,175)	(6,703,532)	(5,088,058)
		2,399,367,376	2,272,742,317	2,209,171,974	2,044,588,378

20.1.1 Movement in provision for impairment of retention receivable

	Group		Company	
As at 31 March	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	64,455,175	62,164,813	5,088,058	10,238,939
Provision for/(reversal of) impairment of retention receivables	4,286,940	2,290,362	1,615,474	(5,150,881)
Balance at the end of the year	68,742,115	64,455,175	6,703,532	5,088,058

20.2 Investment in Debentures

	Group		Company	
As at 31 March	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
National Development Bank PLC	775,587,172	–	564,288,655	–
Hatton National Bank PLC	557,100,260	–	334,353,684	–
	1,332,687,432	–	898,642,339	–

Above investment in debenture were previously classified under non-current financial assets and current year classified to other current financial assets due to its maturity within 12 months.

21. 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 2020 LKR	Cost 2019 LKR	Market value 2020 LKR	Market value 2019 LKR
Group/Company					
Quoted investments					
Nation Lanka Finance PLC	12,300	453,009	453,009	8,610	7,380
Lanka Indian Oil Corporation PLC	36,600	1,035,414	1,035,414	578,280	636,840
Touchwood Investments PLC	21,600	–	414,108	–	–
Horana Plantations PLC	7,500	538,464	538,464	127,500	127,500
The Colombo Fort Land & Building Company PLC	5,000	499,533	499,533	37,500	67,500
Namunukula Plantations PLC	3,300	527,231	527,231	257,400	211,200
Richard Pieris & Co PLC	50,000	798,848	798,848	390,000	460,000
Browns Investments PLC	31,200	78,000	78,000	59,280	53,040
People's Merchant PLC	100	1,976	1,976	870	920
CIC Holdings PLC	204,000	23,517,007	23,517,007	7,139,983	7,853,983
Softlogic Holdings PLC	208,500	6,110,307	6,110,307	2,564,550	3,336,000
Vallibel One PLC	123,300	3,210,050	3,210,050	1,479,600	1,763,190
Central Investments & Finance PLC	1,000,000	–	10,000,000	–	–
People's Leasing & Finance PLC	864,818	15,109,200	15,109,200	10,550,780	11,247,960
Commercial Bank of Ceylon PLC	39	–	–	2,344	3,849
Tess Agro Company PLC	80	–	–	24	32
Sampath Bank PLC	404,411	54,999,896	–	48,124,909	–
Total		106,878,935	62,293,147	71,321,630	25,769,394

Due to the COVID-19 outbreak, share prices have decreased as at 31 March 2020.

22. 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 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Fixed deposits	1,268,925,720	2,209,898,751	600,671,244	492,509,058
	1,268,925,720	2,209,898,751	600,671,244	492,509,058

23. 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 Flows, 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.

	Group		Company	
As at 31 March	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Cash at bank	2,095,378,832	1,969,574,144	171,519,979	953,906,395
Cash in hand	49,713,281	27,137,726	43,406,511	21,757,499
Investment in short-term call deposit	19,345,826	489,165,779	–	100,000,000
Cash and cash equivalent in the Statement of Financial Position	2,164,437,939	2,485,877,649	214,926,490	1,075,663,894
Bank overdraft	(516,221,235)	(329,833,689)	(125,036,649)	–
Cash and cash equivalent for the purpose of Statement of Cash Flows	1,648,216,704	2,156,043,960	89,889,841	1,075,663,894

Company

Property located at No. 117, Dehiwala Road, Boralasgamuwa is secured on overdraft facility obtained for the value of LKR 125 Mn. (Note 13.2).

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.

24. CAPITAL AND RESERVES

24.1 Stated capital

	2020		2019	
	Number of shares	Value of shares LKR	Number of shares	Value of shares LKR
Issued and fully paid				
At the beginning of the year	1,000,000,000	9,000,000,000	1,000,000,000	9,000,000,000
At the end of the year	1,000,000,000	9,000,000,000	1,000,000,000	9,000,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in case of a poll.

24.2 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.

24.3 Dividends

The following dividends were declared and paid by the Company for the year:

	Company	
As at 31 March	2020	2019
	LKR	LKR
Dividends on ordinary shares		
Final dividend*	250,000,000	–
Interim dividend	250,000,000	250,000,000
Second interim dividend	–	250,000,000
Total dividends	500,000,000	500,000,000
Dividend per share	0.50	0.50

*Dividend paid out of previous year's profits.

25. 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.

	Group	
As at 31 March	2020	2019
	LKR	LKR
Balance at the beginning of the year	5,704,096	5,923,485
Amortisation	(219,389)	(219,389)
Balance at the end of the year	5,484,707	5,704,096

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.

26. 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.

		Group		Company	
As at 31 March		2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR
Current portion of loans and borrowings					
Debentures	26.1	5,007,016,667	–	5,187,906,728	–
Term Loans	26.2	5,904,044,208	3,637,207,534	2,911,960,014	402,128,177
		10,911,060,875	3,637,207,534	8,099,866,742	402,128,177
Non-current portion of loans and borrowings					
Debentures	26.1	1,650,279	5,007,311,765	1,650,279	5,188,152,871
Term loan	26.2	54,492,000	90,636,000	–	–
		56,142,279	5,097,947,765	1,650,279	5,188,152,871

26.1 Debentures

	Group		Company	
As at 31 March	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	4,825,670,000	4,825,670,000	5,000,000,000	5,000,000,000
Debentures issued during the year	–	–	–	–
Balance at the end of the year	4,825,670,000	4,825,670,000	5,000,000,000	5,000,000,000
Interest payable	182,996,946	181,641,765	189,557,007	188,152,871
Carrying value as at the end of the year	5,008,666,946	5,007,311,765	5,189,557,007	5,188,152,871
Debenture payable within one year	5,007,016,667	–	5,187,906,728	–
Debenture payable after one year	1,650,279	5,007,311,765	1,650,279	5,188,152,871
	5,008,666,946	5,007,311,765	5,189,557,007	5,188,152,871

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 in 1,743,300 No's of type 01 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.

Details regarding the listed debentures are as follows:

Instrument type	Type 01	Type 02	Type 03	Type 04
Issue date	18 November 2015	18 November 2015	18 November 2015	18 November 2015
Maturity date	18 November 2020	18 November 2021	18 November 2022	18 November 2023
Interest frequency	Semi-Annually	Semi-Annually	Semi-Annually	Semi-Annually
Coupon rate (%)	10.25	10.45	10.72	10.95
Effective annual yield (%)	10.51	10.72	10.01	11.25
IROCGS* as at reporting date (%)	9.7	9.79	9.83	9.87
Market Values				
Highest (LKR)	99.37	Not traded	Not traded	Not traded
Lowest (LKR)	99.37	Not traded	Not traded	Not traded
Last traded (LKR)	99.37	Not traded	Not traded	Not traded
Last traded date	13 March 2020	Not traded	Not traded	Not traded
Other ratios as at date of last trade				
Interest Yield (%)	11.20	N/A	N/A	N/A
Yield to Maturity (%)	11.19	N/A	N/A	N/A

*Interest rate of comparable Government Securities.

Debt security-related ratios

	Company	
For the year ended/as at 31 March	2020	2019
Debt to equity ratio (%)	0.39	0.29
Quick assets ratio (%)	1.06	1.51
Interest cover (%)	4.91	4.78

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
Percentage Utilisation against allocation (B/A)	100%	100%

26.2 Term loans

As at 31 March	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Balance at the beginning of the year	3,727,843,534	4,072,848,477	402,128,177	1,904,960,917
Obtained during the year	23,312,362,280	11,954,669,609	3,605,000,000	5,011,000,000
Repayment during the year	(21,081,669,606)	(12,299,674,552)	(1,095,168,163)	(6,513,832,740)
Balance at the end of the year	5,958,536,208	3,727,843,534	2,911,960,014	402,128,177
Loan payable within one year	5,904,044,208	3,637,207,534	2,911,960,014	402,128,177
Loan payable after one year	54,492,000	90,636,000	–	–
	5,958,536,208	3,727,843,534	2,911,960,014	402,128,177

26.3 Analysis of loans and borrowings

Company name	Lending institution	Nature of the facility	Interest rate and security	Maturity	Loan value LKR Mn.	2020 LKR Mn.	2019 LKR Mn.
Company							
Access Engineering PLC	Seylan Bank Limited	Bank loan	AWPLR unsecured	12 months	400	–	402.13
	National Development Bank	Bank loan	AWPLR-0.1% unsecured	12 months	900	900	–
	Commercial Bank of Ceylon PLC	Bank loan	AWPLR-0.1% unsecured	12 months	2,000	2,011.96	–
Group							
Access Projects (Private) Limited	Commercial Bank of Ceylon PLC	Bank loan	AWPLR+2.00% Guarantee land situated at No. 42 A, Yatawathura, Malagala, Padukka	36 months	4	–	0.22
		Bank loan	AWPLR+2.0% Guarantee of form work system	48 months	28	4.68	11.68
		Bank loan	AWPLR+2.0% Guarantee of aluminium profile machine	48 months	14	2.9	6.41
Sathosa Motors PLC	Commercial Bank of Ceylon PLC	Revolving short-term loans	Market rate over AWPLR Unsecured	1 month	1,070	935	1,070
		Import loan	Market rate over AWPLR Unsecured	1 month	329	265.34	328.79
	Hatton National Bank PLC	Import loan	AWPLR+1% Unsecured	1 month	354	–	353.79
	Bank of Ceylon	Revolving short-term loans	Market rate over AWPLR Unsecured	1 month	594	594	500
	National Development Bank	Revolving short-term loans	Market rate over AWPLR Unsecured	3 months	300	300	300
	Seylan Bank Limited	Revolving short-term loans	Market rate over AWPLR Unsecured	3 months	400	400	–

Company name	Lending institution	Nature of the facility	Interest rate and security	Maturity	Loan value LKR Mn.	2020 LKR Mn.	2019 LKR Mn.
Access Motors (Private) Limited	National Development Bank	Short-term loans	12.75% fixed rate Corporate guarantee from Sathosa Motors PLC	4 months	200	200	193.24
	Hatton National Bank PLC	Bank loans	AWPLR+1% (renew monthly) Corporate guarantee from Sathosa Motors PLC	4 months	200	68.77	97.33
		Letter of credit and temporary over draft facilities	AWPLR+1% Corporate guarantee from Sathosa Motors PLC	4 months	550	275.88	464.25

27. 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 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 27.2.

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:

	Group		Company	
As at 31 March	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	263,326,437	238,920,256	193,452,552	178,275,827
Current service cost	40,488,636	38,015,162	25,636,409	27,213,707
Interest cost	30,081,490	26,251,437	23,214,306	19,610,341
Actuarial (gains)/losses	51,054,764	(19,092,533)	47,461,268	(15,447,533)
	384,951,327	284,094,322	289,764,535	209,652,342
Less: Payments made during the year	(24,681,670)	(20,767,885)	(11,155,334)	(16,199,790)
Balance at the end of the year	360,269,657	263,326,437	278,609,201	193,452,552

27.1 Expense recognised in the Statement of Profit or Loss and Other Comprehensive Income

	Group		Company	
As at 31 March	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Current service cost	40,488,636	38,015,162	25,636,409	27,213,707
Interest cost	30,081,490	26,251,437	23,214,306	19,610,341
Expense recognised in Statement of Profit or Loss	70,570,126	64,266,599	48,850,715	46,824,048
Actuarial (gains)/losses recognised in other comprehensive income	51,054,764	(19,092,533)	47,461,268	(15,447,533)
Total provision for the year	121,624,890	45,174,066	96,311,983	31,376,515

27.2 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:

27.3 Company

An independent actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2020 by professional actuaries – Messrs K A Pandit.

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:

	2020	2019
Discount rate (%)	10	12
Expected annual average salary increment rate (%)	8.50	8.50
Staff turnover factor (%)	3	2
Retirement age (years)	55 years	55 years

Discount rate

Due to the sudden fall in capital markets, the decline in high quality long term corporate bond rates and as a result of COVID-19, the Company have used a long term interest rate of 10% p.a to discount future liabilities.

Expected annual average salary increment rate

Based on the actual salary increment rate of the Company over the past few years and having evaluated the business continuity plan, adjustments have not been made to expected annual average salary increment rate, to value future liabilities.

Staff turnover factor

Based on the actual staff turnover of the Company over the past few years, Company has used staff turnover factor of 3% p.a to value future liabilities.

27.4 Group

(a) Sathosa Motors PLC

An actuarial valuation of the provision for employee benefits was carried out as at 31 March 2020 by Actuarial & 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:

	2020	2019
Discount rate (%)	10	11-12
Expected annual average salary increment rate (%)	5-10	10-11
Staff turnover factor (%)	5-30	5-30
Retirement age (years)	55	55

27.5 Sensitivity of assumptions used

A quantitative sensitivity analysis for significant assumptions as at 31 March is, as shown below:

	Group		Company	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Effect on the defined benefit obligation liability				
Increase by one percentage point in discount rate	(26,565,058)	(17,812,879)	(22,703,913)	(15,666,877)
Decrease by one percentage point in discount rate	30,527,280	20,450,660	26,257,854	18,118,424
Increase by one percentage point in salary increment rate	30,819,094	21,703,698	26,386,935	18,564,411
Decrease by one percentage point in salary increment rate	(27,276,945)	(19,197,400)	(23,194,511)	(16,275,423)

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.

27.6 Future expected contributions to the defined benefit plans

The following payments are expected contributions to the employee benefit obligation in future years:

	Company	
	2020	2019
	LKR	LKR
Within the next 12 months (next annual reporting period)	27,888,970	24,015,934
Between 1 and 2 years	10,533,204	6,804,533
Between 3 and 5 years	53,723,152	34,741,703
Between 6 and 10 years	149,157,644	115,291,126
Total expected payments	**241,302,970**	180,853,296
Weighted average duration of the projected benefit obligation (years)	11	11

28. 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.

	Group		Company	
As at 31 March	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Trade creditors	4,810,692,297	4,347,999,090	4,012,683,917	3,469,940,107
Other tax payable	29,553,370	67,145,069	–	–
Accrued expenses	883,444,708	1,317,694,016	414,096,767	450,941,804
Mobilisation advance	1,889,248,500	4,042,630,803	1,763,217,949	3,753,883,196
Advances received	2,353,282,562	1,683,071,460	310,995,899	99,368,623
Retention payable	633,513,749	550,367,734	508,354,343	438,742,086
Security deposit	269,449,817	151,547,315	–	–
Contract liability	143,558,255	330,640,584	142,567,654	316,068,003
	11,012,743,258	12,491,096,071	7,151,916,529	8,528,943,819

29. RELATED PARTY DISCLOSURE

Accounting policy

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties as per Sri Lanka Accounting Standard LKAS 24 – "Related Party Disclosures".

29.1 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 2020, the Group has not recorded an impairment of receivables relating to amounts owed by related parties (2019 – LKR 53,360/-).

Disclosure as per the requirement of Colombo Stock Exchange listing rule sec 9.3.2 and Code of Best Practices on related party transactions, under the Security Exchange Commission Directives issues under Section 13 (C) of the Security Exchange Commission Act is on Page 167 Related Party Transaction 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.

29.2 Amounts due from related parties

		Group		Company	
As at 31 March		2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR
Access International (Private) Limited		39,745,822	36,823,772	30,282,369	30,865,432
Access Civimech (Private) Limited		5,056,236	59,164,293	5,017,582	58,852,293
Access International Projects (Private) Limited		99,186,003	10,816,410	92,978,595	10,347,602
Access Industrial Systems (Private) Limited		84,101,086	13,201	–	13,201
Sathosa Motors PLC		–	–	109,459,201	80,271,363
Harbour Village (Private) Limited		–	–	19,488,176	158,538,693
Access Projects (Private) Limited		–	–	138,522,457	70,734,284
Access Motors (Private) Limited		–	–	2,254,714	–
Blue Star Realties (Private) Limited		462,110	–	462,110	–
Access Real Estate (Private) Limited		1,102,545	18,000	–	–
Access Lifestyle (Private) Limited		705,882	995,286	–	–
ZPMC Lanka (Private) Limited		576,886	82,913	–	–
Access Transport & Services (Private) Limited		–	18,638,000	–	–
ATSL International (Private) Limited		180,400	–	180,400	–
Access Residencies (Private) Limited		1,225,369	85,474	–	–
Access Solar (Private) Limited		1,070,693	312,000	–	–
Access Natural Water (Private) Limited		5,704,726	–	–	–
WUS Logistics (Private) Limited		–	–	491,580,434	–
		239,117,758	126,949,349	890,226,038	409,622,868
Less: Provision for impairment	29.2.1	–	(53,360)	–	–
		239,117,758	126,895,989	890,226,038	409,622,868

29.2.1 Movement in Provision for impairment of amounts due from related parties

	Group	
As at 31 March	2020	2019
	LKR	LKR
Balance at the beginning of the year	53,360	–
Impact of adopting SLFRS 9	–	3,756
Provision for/(reversal of) impairment of amounts due from related parties	(53,360)	49,604
Balance at the end of the year	–	53,360

29.3 Amounts due to related parties

	Group		Company	
As at 31 March	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Access International (Private) Limited	19,232,849	7,477,059	19,221,509	5,159,821
Access Natural Water (Private) Limited	394,513	582,114	163,309	268,939
Access International Projects (Private) Limited	2,277,290	1,780,196	–	843,268
Reprographics (Private) Limited	508,723	410,598	444,008	410,598
Access Motors (Private) Limited	–	–	3,366,857	10,500,000
Access Projects (Private) Limited	–	–	404,189	13,607,369
Sathosa Motors PLC	–	–	50,067	18,967
Access Realties (Private) Limited	–	–	7,769,380	248,607,559
CRDS Development (Private) Limited	–	575,000	–	575,000
ARL Elevate (Private) Limited	–	–	5,181,975	–
Access Industrial Systems (Private) Limited	427,139	–	571	–
Access Civimech (Private) Limited	5,039,118	452,678	–	–
Access Energy solutions (Private) Limited	5,023,101	9,021,931	–	–
Access Solar (Private) Limited	1,813,207	3,614,913	–	–
Access Lifestyle (Private) Limited	90,847	278,907	–	–
Access Transport & Services (Private) Limited	–	293,367	–	–
	34,806,787	24,486,763	36,601,865	279,991,521

29.4 Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties:

	Group		Company	
For the year ended	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Subsidiaries				
Sales of goods/rendering of services	–	–	767,445,395	549,200,749
Purchases of goods/receiving of services	–	–	(219,513,225)	(447,228,654)
Dividend received	–	–	861,666,113	331,638,173
Loan Received/(repayment)	–	–	(245,000,000)	245,000,000
Interest paid	–	–	(17,917,988)	(17,869,032)
Investment in shares	–	–	(925,000,000)	(126,572,560)
Equity-accounted investees				
Sales of goods/rendering of services	3,501,230	5,903,895	2,081,384	867,143
Other related party companies				
Sales of goods/rendering of services	332,522,847	583,152,313	89,718,884	340,835,079
Purchases of goods/receiving of services	(286,609,199)	(379,103,698)	(255,487,419)	(133,762,957)

29.5 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
Subsidiaries							
Access Realties (Private) Limited	✓	✓	✓	✓	✓	✓	✓
Access Realties 2 (Private) Limited	✓	✓	✓		✓	✓	✓
A R L Elevate (Private) Limited	✓	✓		✓	✓	✓	✓
Sathosa Motors PLC	✓	✓			✓		✓
Access Motors (Private) limited	✓						✓
Access Projects (Private) Limited	✓				✓		
Harbour Village (Private) Limited	✓	✓			✓		
WUS Logistics (Private) Limited	✓	✓			✓		
Associate							
ZPMC Lanka Company (Private) Limited		✓					✓
Joint venture							
Blue Star Realties (Private) Limited	✓					✓	

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
Other related party companies							
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	✓			✓			
C.R.D.S. Development (Private) Limited		✓					
Reprographics (Private) Limited	✓			✓			
Access Lifestyle (Private) Limited	✓			✓			
ATSL International (Private)Limited	✓	✓	✓				

29.6 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 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 include:

(a) The KMP's domestic partner and children;

(b) Children of the KMP's domestic partner; and

(c) Dependent 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.

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

		Group		Company	
For the year ended 31 March		2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR
Short-term employee benefits	8	80,989,500	77,550,367	46,746,500	44,445,500
Total compensation paid to key management personnel		80,989,500	77,550,367	46,746,500	44,445,500

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to Key Management Personnel.

30. 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.

The commitments and contingent liability of the Group and the Company as at 31 March 2020, relates to the following:

30.1 Disclosure – Company

30.1.1 Legal claim contingency

30.1.1.1 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 rescheduled to be called for further trial on 27 October 2020.

Case No. DMR/930/2017

The case of money recovery by Nilmini Shiroma Bombuwala against three defendants 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 3rd defendant. This matter is fixed for further trial on 14 October 2020 and 12 November 2020.

Case No. DLM 136/2018

The case of money recovery by NIC 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 27 August 2020 for settlement.

Case No. DPS 297/19

Special matter was filed by M Ashiq Haseem against the two defendants namely, 1st defendant: Senok Trade Combine (Pvt) Ltd. 2nd defendant: Access Engineering PLC. The claim of LKR 50,000,000/- made against the defendants seeking an injunction to prevent the defendants from constructing the building more 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. The case is fixed to be called for replication on 26 August 2020.

Case No. DPS 298/19

The land matter was filed by Fathima Saneeha Mansoor against the two defendants namely, 1st Defendant: Senok Trade Combine (Pvt) Ltd., and 2nd defendant: Access Engineering PLC. The claim of LKR 50,000,000/- made against the defendants seeking an injunction to prevent the defendants from constructing the building more 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. The case is fixed to be called for replication on 26 August 2020.

30.1.1.2 Legal cases filed by the Company

Case No. 6362/M

The case of money recovery by Access Engineering PLC against defendant namely, Tharanga Metal and their Director. The claim LKR 3,930,069.78 together with interest is made against defendant for the claim of renting out the equipment. This matter was fixed for summons on 12 October 2020.

Case No. 12362/19

The accused has been charged for fraudulently drawing cheques with the knowledge of that there are no money in account for sum of LKR 1,500,000/- 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 1,500,000/- 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 re-fixed for trial by the plaintiff on 29 October 2020.

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 defendants namely, 1st defendant: City Constructions Developers (Private) Ltd., 2nd defendant: I D Wijerathne, 3rd defendant: R S P Gunawardena. This case is re-fixed for trial by the plaintiff on 29 October 2020.

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 defendants namely, 1st defendant: City Constructions Developers (Private) Ltd., 2nd defendant: I D Wijerathne, 3rd defendant: R S P Gunawardena. This case is re-fixed for trial by the plaintiff on 29 October 2020.

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 30.09.2018 together with the legal interest on aggregate of the above cases from 1 October 2018 is made against defendants. Summons have been issued through the Ministry of Foreign Affairs. Report on the service of summons on the 1st defendant is due. The 2nd defendant sought time to file its proxy and power of attorney and the same is due on the next date. The case is to be called on 4 August 2020.

30.1.2 Guarantees

Bank guarantees issued by the banks on behalf of the Company are as follows:

Bank	Amount LKR
Nations Trust Bank PLC	1,080,004,940
Hatton National Bank PLC	1,036,425,451
Sampath Bank PLC	32,368,800
Bank of Ceylon	286,957,930
People's Bank	2,003,218,605
National Development Bank PLC	765,634,658
Commercial Bank of Ceylon PLC	29,700,000
Cargills Bank Limited	561,779,158
Seylan Bank PLC	755,910,849
DFCC Bank PLC	21,379,478
	6,573,379,869

Corporate guarantees issued by the Company on behalf of Access Projects (Private) Limited, Sathosa Motors PLC, and Harbour Village (Private) Limited, for banking facilities are LKR 250 Mn., LKR 500 Mn. and LKR 300 Mn. respectively.

30.1.3 Tax assessments

PAYE tax assessment received for 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. Based on expert advice the directors are confident that the ultimate resolution would be in favour of the Company and will not have materiel adverse impact on the Financial Statements of the Group.

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 December 2016 to 31 December 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 and initial hearing conducted.

Value added tax assessment received for the taxable period 1 March 2016 to 31 March 2016

The Department of Inland Revenue has raised an assessment of value added tax for the taxable period 1 March 2016 to 31 March 2016, assessing import purchase claimed amount is in the return not agreed with the assessment and to pay value added tax LKR 4,933,327/- plus penalty of LKR 3,995,995/-. The Company has filed valid appeal against this assessment.

Value added tax assessment received for the taxable period 1 August 2016 to 31 August 2016

The Department of Inland Revenue has raised an assessment of value added tax for the taxable period 1 August 2016 to 31 August 2016, assessing a SVAT supply difference in original return and amended return to pay value added tax LKR 171,886/- plus penalty of LKR 142,682/-. The company has filed valid appeal against this assessment.

Value added tax assessment received for the taxable period 1 June 2017 to 30 June 2017

The Department of Inland Revenue has raised an assessment of value added tax for the taxable period 1 June 2017 to 30 June 2017, assessing SVAT supply difference in original return and amended return. The difference is treated as taxable supply and to pay value added tax LKR 251,157/- plus penalty of LKR 148,398/-. The Company has filed valid appeal against this assessment.

Value added tax assessment received for the taxable period 1 September 2017 to 30 September 2017

The Department of Inland Revenue has raised an assessment of value added tax for the taxable period 1 September 2017 to 30 September 2017, assessing two invoices have been issued which are disallowed to pay value added tax LKR 33,008/- plus penalty of LKR 16,504/-. The Company has filed valid appeal against this assessment.

Value added tax assessment received for the taxable period 1 February 2017 to 28 February 2017

The Department of Inland Revenue has raised an assessment of value added tax for the taxable period 1 February 2017 to 28 February 2017, assessing disallowed invoices included in the return to pay value added tax LKR 343,960/- plus penalty of LKR 220,134/-. The Company has filed valid appeal against this assessment.

Value added tax assessment received for the taxable period 01 January 2018 to 31 January 2018

The Department of Inland Revenue has raised an assessment of value added tax for the taxable period 1 January 2018 to 31 January 2018, assessing disallowed invoices included in input to pay value added tax LKR 365,713/- plus penalty of LKR 157,257/-. The Company has filed valid appeal against this assessment.

Nation building tax assessment received for the taxable period 1 April 2017 to 30 July 2017

The Department of Inland Revenue has raised an assessment of nation building tax for the taxable period of 1 April 2017 to 30 July 2017, assessing a delay in payment of tax, LKR 357,485/- charged as penalty. The Company has filed valid appeal against this assessment.

Based on the expert advise, the directors are confident that ultimate resolution would be in favour of the Company and there will not have material adverse impact on the Financial Statements of the Company on above tax assessments.

30.2 Disclosure – Group

Sathosa Motors PLC

Corporate Guarantee

Corporate guarantee issued by Sathosa Motors PLC on behalf of Access Motors (Private) Limited is LKR 1,077.30 Mn. as at 31 March 2020 for the purpose of working capital requirement, have been revised for an amount of LKR 481.5 Mn. and USD 1 Mn. as at the reporting date.

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	58,425,772	533,342,907	591,768,679
Hatton National Bank PLC	–	106,604,558	106,604,558

31. EVENTS AFTER THE REPORTING PERIOD

The impacts from post-lockdown financial and economic implications on Group's and Company's going concern, estimation uncertainty, credit risk, liquidity risk and exchange rate risk are disclosed in relevant and to these Financial Statements:

Post-lockdown operations

Subsequent to the reporting date, the Group has monitored the operation performance, internal actions as well as other relevant external factors (such as changes in any of the government restrictions). No adjustments to the key estimates and judgements have been identified that impact the financial position as at 31 March 2020. Where any material changes in key estimates and judgements have been identified, updates have been made to the financial statements as adjusting post reporting period events or disclosure to these financial statements.

Temporary suspension of imports

The new limitations recently imposed on the importation of commercial vehicles by the Government Gazette notification No. 2176/19 dated 22 May 2020, is negatively impacting regular business, which is the sale of vehicles and spare parts of Sathosa Motors PLC and Access Motors (Private) Limited.

32. 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 acquire. For each business combination, the Group elects whether to measure the non controlling interests in the acquire at fair value or at the proportionate share of the acquire'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 acquire.

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.

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.

32.1 Investment in subsidiary – 2019/20

WUS Logistics (Private) Limited

Access Engineering PLC acquired 100% of the issued shares of WUS Logistics (Private) Limited at a total consideration of LKR 900 Mn. on 30 September 2019. WUS Logistics (Private) Limited owns a land of 41.5 acres situated in Kimbulapitiya will be developed for warehousing.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of WUS Logistics (Private) Limited as at the date of acquisition were:

Assets	Fair value recognised on acquisition LKR
Investment properties – Work-in-progress	900,000,000
Total Identifiable net assets at fair value	900,000,000
Goodwill arising on acquisition	–
Purchase consideration transferred	900,000,000
Net cash outflow on acquisition of subsidiary	900,000,000

Further investment of LKR 25 Mn. has been made on 9 October 2019.

There is no contingent consideration of the acquisition of WUS Logistics (Private) Limited.

Access Motors (Private) Limited

During the year Sathosa Motors PLC has invested LKR 199,999,982 for 13,003,900 shares in Access Motors (Private) Limited. There was no change in the holding percentage.

32.2 Disposal of subsidiary 2019/20

The Group disposed its investment in Horizon Holdings Ventures (Private) Limited on 20 March 2020. The fair value of assets and liabilities thus disposed are as follows:

	LKR
Investment property	475,200,000
Other receivables	79,918
Short-term investments	5,226,548
Trade and other payables	(29,118)
Cash and cash equivalents	50,155
Total identifiable net assets disposed	480,527,503
Loss on disposal	(5,527,503)
Cash and cash equivalents	(50,155)
Net cash proceeds from sale of subsidiary	474,949,845

32.3 Investments in subsidiary 2018/19

Access Realties (Private) Limited

Access Engineering PLC further invested LKR 126,572,560/- in Access Realties (Private) Limited in 2018/2019, a fully owned subsidiary of AEL involving the commercial property development for lease and rental.

32.4 Disposal of subsidiary 2018/19

The Group disposed its investment in Horizon Knowledge City Limited during the financial year 2018/2019. 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
Total identifiable net assets disposed	770,977,460
Loss on disposal	(5,977,460)
Cash and cash equivalents	(2,880,124)
Net cash proceeds from sale of subsidiary	762,119,876

33. NON-CONTROLLING INTERESTS

Non-controlling interest is measured at their proportionate share of the acquires 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	2020 %	2019 %
Access Projects (Private) Limited	Sri Lanka	Construction	**20**	20
Sathosa Motors PLC	Sri Lanka	Automobile	**15.58**	15.58
Harbour Village (Private) Limited	Sri Lanka	Property development	**39.17**	39.17

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 2020	Access Projects (Private) Limited LKR	Sathosa Motors PLC LKR	Harbour Village (Private) Limited LKR	Total LKR
Non-current assets	312,381,029	1,625,675,538	626,836,668	2,564,893,235
Current assets	1,240,210,420	4,921,561,886	5,639,368,153	11,801,140,459
Non-current liability	(27,850,853)	(346,113,550)	(52,137,636)	(426,102,039)
Current liability	(1,098,925,526)	(4,030,107,340)	(1,935,207,022)	(7,064,239,888)
Net asset	425,815,070	2,171,016,534	4,278,860,163	6,875,691,767
Net asset attributable to non-controlling interest	85,163,014	791,591,788	1,676,029,526	2,552,784,328
Revenue	1,913,253,786	4,195,960,439	–	6,109,214,225
Profit/(loss) for the year	82,335,747	(79,911,367)	(140,171,117)	(137,746,737)
Other comprehensive income	55,094,283	3,325,437	(494,213)	57,925,507
Total comprehensive income	137,430,030	(76,585,930)	(140,665,330)	(79,821,230)
Profit/(loss) attributable to non-controlling interest	16,467,149	(13,234,306)	(54,905,027)	(51,672,184)
OCI attributable to non-controlling interest	11,018,857	518,015	(193,584)	11,343,288
Total comprehensive income attributable to non-controlling interest	27,486,006	(12,716,291)	(55,098,611)	(40,328,896)
Cash flows from/(used in) operating activities	(193,477,626)	(166,407,576)	12,265,788	(347,619,414)
Cash flows from/(used in) investment activities	34,378,357	(124,765,694)	813,782,160	723,394,823
Cash flows from/(used in) financing activities	(17,337,306)	(103,118,048)	(9,503,885)	(129,999,239)
Net increase in cash and cash equivalents	(176,436,575)	(394,291,318)	816,544,063	245,816,170

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 liabilities	(29,130,166)	(154,933,136)	–	(46,478,710)	(230,542,012)
Current liabilities	(1,511,830,960)	(4,811,176,802)	–	(1,215,999,648)	(7,539,007,410)
Net assets	288,733,187	2,047,602,481	–	4,419,817,836	6,756,153,504
Net assets attributable to non-controlling interest	57,746,637	604,308,099	–	1,731,242,646	2,393,297,382
Revenue	1,886,397,426	11,125,759,978		–	13,012,157,404
Profit 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
Total comprehensive income attributable to non-controlling interest	20,122,568	61,149,963	(18)	14,499,171	95,771,684

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
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
Net increase (decrease) in cash and cash equivalents	357,058,191	343,558,048	–	70,820,851	771,437,090

Having evaluated the business continuity plans and the cash flows (where necessary) of each subsidiary, the Group determined that no impairment provision is required for the carrying value of non-controlling interest due to the COVID-19 pandemic as at 31 March 2020.

34. 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.

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 into 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.

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-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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 19.

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.

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.

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 currently 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.

34.1 Financial assets and liabilities by categories in accordance with SLFRS 9 – Group

	Financial instruments recognised through profit or loss		Financial instruments at amortised cost		Total		Financial liabilities measured at amortised cost	
As at 31 March	2020	2019	2020	2019	2020	2019	2020	2019
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets								
Equity securities	71,321,630	25,769,394	–	–	71,321,630	25,769,394	–	–
Trade and other receivables	–	–	13,609,211,188	13,456,501,011	13,609,211,188	13,456,501,011	–	–
Amounts due from related parties	–	–	239,117,758	126,895,989	239,117,758	126,895,989	–	–
Other current financial assets	–	–	2,840,409,825	2,697,690,207	2,840,409,825	2,697,690,207	–	–
Short-term deposits	–	–	1,268,925,720	2,163,147,483	1,268,925,720	2,163,147,483	–	–
Cash and cash equivalent	–	–	2,164,437,939	2,485,877,649	2,164,437,939	2,485,877,649	–	–
Corporate debt securities	–	–	1,442,907,468	1,420,363,347	1,442,907,468	1,420,363,347	–	–
Financial liabilities								
Unsecured bond issue	–	–	–	–	–	–	5,008,666,946	5,007,311,765
Bank overdraft	–	–	–	–	–	–	516,221,235	329,833,689
Interest-bearing borrowings	–	–	–	–	–	–	5,958,536,208	3,727,843,534
Trade payable	–	–	–	–	–	–	9,093,941,388	8,381,320,199
Amount due to related parties	–	–	–	–	–	–	34,806,787	24,486,763
Lease liabilities	–	–	–	–	–	–	147,847,265	–
Total	71,321,630	25,769,394	21,565,009,898	22,350,475,686	21,636,331,528	22,376,245,080	20,760,019,829	17,470,795,950

34.2 Financial assets and liabilities by categories in accordance with SLFRS 9 – Company

	Financial instruments recognised through profit or loss		Financial instruments at amortised cost		Total		Financial liabilities measured at amortised cost	
As at 31 March	2020	2019	2020	2019	2020	2019	2020	2019
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets								
Equity securities	71,321,630	25,769,394	–	–	71,321,630	25,769,394	–	–
Trade and other receivables	–	–	11,206,189,784	9,885,130,026	11,206,189,784	9,885,130,026	–	–
Amounts due from related parties	–	–	890,226,038	409,622,868	890,226,038	409,622,868	–	–
Other current financial assets	–	–	2,580,055,110	2,466,744,153	2,580,055,110	2,466,744,153	–	–
Short-term deposits	–	–	600,671,244	475,198,599	600,671,244	475,198,599	–	–
Cash and cash equivalent	–	–	214,926,490	1,075,663,894	214,926,490	1,075,663,894	–	–
Corporate debt securities	–	–	1,008,862,375	1,008,933,068	1,008,862,375	1,008,933,068	–	–
Financial liabilities								
Unsecured bond issue	–	–	–	–	–	–	5,189,557,007	5,188,152,871
Bank Overdraft	–	–	–	–	–	–	125,036,649	–
Interest-bearing borrowings	–	–	–	–	–	–	2,911,960,014	402,128,177
Trade payable	–	–	–	–	–	–	5,246,130,926	4,458,992,620
Amount due to related parties	–	–	–	–	–	–	36,601,865	279,991,521
Lease liabilities	–	–	–	–	–	–	27,692,165	–
Total	71,321,630	25,769,394	16,500,931,041	15,321,292,608	16,572,252,671	15,347,062,002	13,536,978,626	10,329,265,189

35. FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

35.1 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.

35.2 Fair value hierarchy

The following table shows fair value measurement hierarchy of the Group's assets, liabilities. It does not includes fair value information for financial assets and financial liabilities not measured at fair value if carrying amount is a reasonable approximation of fair value.

35.2.1 Fair value hierarchy – Group

		Fair value hierarchy							
		Level 1		Level 2		Level 3		Total	
As at 31 March		2020	2019	2020	2019	2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets									
Equity securities	34.1	71,321,630	25,769,394	–	–	–	–	71,321,630	25,769,394
Non-financial assets									
Land and building	11.1	–	–	–	–	1,571,365,583	1,842,118,751	1,571,365,583	1,842,118,751
Investment properties	13.1	–	–	–	–	10,330,805,144	10,729,192,520	10,330,805,144	10,729,192,520

35.2.2 Fair value hierarchy – Company

		Fair value hierarchy							
		Level 1		Level 2		Level 3		Total	
As at 31 March		2020	2019	2020	2019	2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets									
Equity securities	34.2	71,321,630	25,769,394	–	–	–	–	71,321,630	25,769,394
Non-financial assets									
Land and building	11.2	–	–	–	–	330,844,243	238,000,000	330,844,243	238,000,000
Investment properties	13.1	–	–	–	–	560,007,200	415,800,000	560,007,200	415,800,000

36. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES, AND POLICIES

36.1 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.

36.2 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.

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.

36.3 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.

36.3.1 Trade receivables

Customer credit risk is managed by each business units subject to group's established polices 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 credit worthiness, reviews external ratings, if they are available financial statements, credit agency information, industry information, and in some cases bank references. Each business units 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 the each class of financial assets disclosed in Note 34.

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.

Impact of COVID-19 pandemic

The COVID-19 pandemic post-lockdown situation of the country has impacted to the country's economy and business activities which would delay the settlements of customer dues. Composition of significant amount of government debtors and certified revenue of private debtors will reduce the possibility of default in payments.

The uncertainty is reflected in the assessment of expected credit loss calculation which are subject to a number of management judgements and estimates.

Based on the assessment carried, no further impairment provision is required to be made in the Financial Statements as at the reporting date in respect of impairment provision other than disclosed in Note 19.2.1.

As at 31 March, the aging analysis of trade receivables that were not impaired was as follows:

		Group		Company	
		2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR
Neither past due nor impaired		4,412,542,977	4,218,930,556	4,401,928,068	4,165,871,003
Past due but not impaired					
<30 days		577,313,907	2,662,376,615	363,803,199	1,609,521,610
30-60 days		1,609,726,928	829,482,039	1,195,262,680	430,993,119
61-90 days		954,048,377	350,023,068	741,424,838	191,191,827
91-120 days		646,271,519	1,026,593,311	208,860,926	726,209,888
>120 days		3,367,582,607	2,047,191,814	3,096,221,376	1,619,413,489
Total		11,567,486,315	11,134,597,403	10,007,501,087	8,743,200,936
Provision for impairment of trade receivables	19.2.1	234,542,286	141,444,724	108,759,237	113,051,056
Gross carrying value		11,802,028,601	11,276,042,127	10,116,260,324	8,856,251,992

36.3.2 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 equivalent as at 31 March 2020 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 2020 – 99%, (2019 – 99%) of the favorable balances of bank and financial institution were rated “A” or better for the Group:

	2020		2019	
Fitch rating – Group	LKR	%	LKR	%
AA+	742,713,222	22	1,434,914,931	31
AA	10,150,155	1	195,199,557	4
AA-	2,467,916,572	73	2,849,011,339	61
A+	39,715,390	1	23,467,644	1
A	78,619,753	2	117,293,018	3
A-	3,663,450	1	1,435,572	0
BBB-	19,052	0	–	0
BB+	–	0	25,302	0
BB	–	0	309,083	0
Not rating	249,489	0	230,960	0
Total	3,343,047,083	100	4,621,887,406	100

As at 31 March 2020 – 99% (2019 – 99%) of the favorable balances of bank and financial institution were rated “A” or better for the Company.

	2020		2019	
Fitch rating – Company	LKR	%	LKR	%
AA+	630,841,286	85	1,225,607,274	80
AA	6,090,950	1	72,448,962	6
AA-	362,902	0	99,004,204	6
A+	25,126,842	3	16,117,064	1
A	76,642,256	10	113,926,573	7
A-	2,354,500	1	1,435,572	0
BBB-	19,052	0	–	–
BB+	–	0	25,302	0
BB	–	0	309,083	0
Not rating	249,489	0	230,960	0
Total	741,687,277	100	1,529,104,994	100

The Group’s maximum exposure to credit risk for the components of the Statement of Financial Position at 31 March 2020 and 2019 is the carrying amounts as illustrated in Note 34.

36.3.3 Corporate debt securities

As at 31 March 2020 – 100% (2019 – 100%) were guaranteed by a banking institution with a rating of "A" or better for the Group.

	2020		2019	
Fitch rating – Group	LKR	%	LKR	%
AA+	557,100,260	39	–	–
AA-	110,220,036	8	200,184,932	14
A+	775,587,172	53	545,380,538	38
A	–	–	674,797,877	48
	1,442,907,468	100	1,420,363,347	100

As at 31 March 2020 – 100% (2019 – 100%) guaranteed by a banking institution with a rating of "A" or better for the Company.

	2020		2019	
Fitch rating – Company	LKR	%	LKR	%
AA+	334,353,684	33	–	–
AA-	110,220,036	11	–	–
A+	564,288,655	56	334,135,191	33
A	–	–	674,797,877	67
	1,008,862,375	100	1,008,933,068	100

36.4 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 liquidity 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.

As disclosed in Note 2.7, Board of Directors are satisfied that the Group and the Company have adequate liquidity and a business plan to continue business operations and mitigate the increased liquidity risk arising from COVID-19 post-lockdown economic implication, for the next 12 months from the reporting date.

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.

Maturity analysis

The table below summarises, the maturity profile of Group's/Company's financial liabilities at 31 March 2020 based on contractual payments:

		Contractual cash flow			
	Carrying amount	On demand	6 months or less	6-12 months	More than 1 year
	LKR	LKR	LKR	LKR	LKR
Non-derivative financial liabilities – Group					
Bank overdrafts	516,221,235	–	516,221,235	–	–
Trade and other payables	11,012,743,258	64,443,581	9,059,051,177	1,889,248,500	–
Amounts due to related parties	34,806,787	–	34,806,787	–	–
Interest-bearing borrowings	10,967,203,154	875,000	10,907,851,875	2,334,000	56,142,279
Unclaimed dividend	31,080,192	31,080,192	–	–	–
Lease liabilities	147,847,265	–	10,341,484	10,829,772	126,676,009

		Contractual cash flow			
	Carrying amount	On demand	6 months or less	6-12 months	More than 1 year
	LKR	LKR	LKR	LKR	LKR
Non-derivative financial liabilities – Company					
Bank overdraft	125,036,649	–	125,036,649	–	–
Trade and other payables	7,151,916,529	–	5,375,132,468	1,776,784,061	–
Amounts due to related parties	36,601,865	–	36,601,865	–	–
Interest-bearing borrowings	8,101,517,021	–	8,099,866,742	–	1,650,279
Unclaimed dividend	13,146,312	13,146,312	–	–	–
Lease liabilities	27,692,165	–	17,777,146	9,915,019	–

36.5 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.

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 projects 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.

		Group		Company	
Capital structure as at 31 March		2020	2019	2020	2019
	Note	LKR	LKR	LKR	LKR
Loans and borrowings	26	10,967,203,154	8,735,155,299	8,101,517,021	5,590,281,048
Bank overdraft	23	516,221,235	329,833,689	125,036,649	–
Total borrowings		11,483,424,389	9,064,988,988	8,226,553,670	5,590,281,048
Equity		24,387,094,444	23,588,078,618	20,533,856,163	19,084,941,395
Debt/Equity (%)		47.09	38.43	40.06	29.29

At the reporting date, the interest rate profile of the Group's/Company's interest-bearing financial instruments were:

	Group		Company	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Fixed rate instruments				
Financial assets	2,731,179,014	4,072,676,609	1,609,533,619	1,584,131,667
Financial liabilities	5,008,666,946	6,182,155,299	5,189,557,007	5,188,152,871
Variable rate instruments				
Financial liabilities	6,474,757,443	2,882,833,689	3,036,996,663	402,128,177

During the financial year, consecutive reductions in policy rates and monetary easing policies by Central Bank of Sri Lanka to encourage banks and finance companies to reduce lending rates.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group 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 on a regular basis.

Impact of COVID-19 pandemic

Due to the loss of foreign currency inflows to the country during the lockdown period of the COVID-19 pandemic, resulted in an increase in USD exchange rates against Sri Lankan Rupee (LKR) as at 31 March 2020. With the sharp depreciation of LKR against USD Dollar, Group has taken several measures to manage risk. Having foreign currency trade receivables and through foreign currency bank account balances to cover the exposure on foreign currency payables to extent possible.

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:

	2020				2019						
	EUR	USD	GBP	DJF	EUR	USD	GBP	DJF	SGD	JPY	THB
Trade and other receivables	3,390,676	5,435,318	–	–	367,621	4,578,844	39,369	–	–	–	–
Cash at bank	34,988	792,390	18,247	128,050	664,432	4,030,007	23,628	128,050	–	–	–
Trade and other payables	–	(1,918,640)	(236,411)	–	(30,773)	(1,343,819)	(618,221)	–	(8,599)	(56,427,200)	(7,648,824)
Net statement of financial position exposure	3,425,664	4,309,068	(218,164)	128,050	1,001,280	7,265,032	(555,224)	128,050	(8,599)	(56,427,200)	(7,648,824)

The summary quantitative data about the Company's exposure to currency risk as reported to the Management of the Company is as follows:

	2020				2019				
	EUR	USD	GBP	DJF	EUR	USD	GBP	DIF	SGD
Trade and other receivables	1,431	5,435,318	–	–	367,621	4,578,844	39,369	–	–
Cash at bank	34,988	252,924	18,247	128,050	664,432	1,851,674	23,628	128,050	–
Trade and other payables	–	(1,112,160)	–	–	(30,773)	(1,168,248)	–	–	(8,599)
Net statement of financial position exposure	36,419	4,576,082	18,247	128,050	1,001,280	5,262,270	62,997	128,050	(8,599)

The following significant exchange rates were applicable during the year 2019/20:

	Company/Group Year end spot rate	
	2020	2019
	LKR	LKR
EUR	207.96	197.80
USD	188.62	176.13
GBP	232.67	230.16
DJF	1.08	0.99
SGD	132.47	129.93
JPY	1.74	1.59
THB	5.79	5.54

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	2020		2019	
	Strengthening	Weakening	Strengthening	Weakening
	LKR	LKR	LKR	LKR
EUR (10% movement)	71,239,252	(71,239,252)	19,805,594	(19,805,594)
USD (10% movement)	81,279,192	(81,279,192)	127,959,005	(127,959,005)
GBP (10% movement)	(5,075,963)	5,075,963	(12,778,919)	12,778,919
DJF (10% movement)	13,829	(13,829)	12,677	(12,677)
SGD (10% movement)	–	–	(111,720)	111,720
JPY (10% movement)	–	–	(8,970,232)	8,970,232
THB (10% movement)	–	–	(4,237,143)	4,237,143

Company	2020		2019	
	Strengthening	Weakening	Strengthening	Weakening
	LKR	LKR	LKR	LKR
EUR (10% movement)	757,360	(757,360)	19,805,594	(19,805,594)
USD (10% movement)	86,315,706	(86,315,706)	92,684,358	(92,684,358)
GBP (10% movement)	424,546	(424,546)	1,449,926	(1,449,926)
DJF (10% movement)	13,829	(13,829)	12,677	(12,677)
SGD (10% movement)	–	–	(111,720)	111,720

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.

36.6 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 2020 and 2019.

36.7 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 24.3.

ANNEXES

Operating Structure

BOARD OF DIRECTORS → CORPORATE MANAGEMENT

- **PMD i**
  - Construction projects
  - Asphalt production plants
  - Concrete production plants
  - Aggregate production plants
- **PMD ii**
  - Construction projects
  - Mechanical a fabrication workshop
  - Concrete production plants
  - Piling unit
  - Scaffolding hiring unit
- **PMD iii**
  - Construction projects
- **PMD iv**
  - Construction projects
- **Business Development**
  - Project planning and development
  - Tendering
  - Business promotion
  - Corporate communication
  - Investor relations
  - Subsidiary management
- **Structural Design**
  - Structural and architectural design solutions
  - Design based value engineering solutions
- **Finance and Commercial**
  - Financial reporting and compliance
  - Budgets and monitoring
  - Procurement management
  - Treasury management
  - Working capital management
  - Tax planning and compliance
  - Fixed assets
- **Internal Audit**
  - Internal control and compliance audit
  - Process review audits
  - Risk management audit
- **Human Resource Management**
  - HR planning and recruitment
  - Personal administration
  - Policy development
  - Employee grievances
  - Training and development
  - Corporate social responsibility
  - Performance management
  - Compensation and benefits
  - Disciplinary management
  - Rewards and recognition
  - Employee welfare and well-being
- **Management Systems**
  - Management system and compliance audit
  - Technical audits
- **Corporate Office**
  - Project progress monitoring
  - Legal and compliance
  - Premises management
- **IT Services**
  - IT systems management
  - Help desk support
  - Network administration
  - Information security support

Nine Year Summary

		2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Statement of Profit or Loss and Other Comprehensive Income Highlights										
Revenue	LKR Mn.	24,027	32,277	26,056	20,448	17,625	16,514	16,373	13,900	7,320
Gross profit	LKR Mn.	3,808	5,184	4,061	4,732	3,977	3,815	4,186	3,061	2,121
EBITDA	LKR Mn.	3,414	4,891	5,044	4,300	3,748	3,322	3,771	2,883	2,159
EBIT	LKR Mn.	2,678	4,173	5,044	3,381	2,900	2,653	3,180	2,433	1,931
Net finance income/(cost)	LKR Mn.	(572)	(651)	(383)	150	95	110	136	239	102
Profit for the year	LKR Mn.	928	2,245	2,463	2,746	2,551	2,424	2,902	2,412	1,737
Profit attributable to owners	LKR Mn.	979	2,150	2,507	2,708	2,465	2,346	2,833	2,376	1,733
Statement of Financial Position Highlights										
Property, plant and equipment	LKR Mn.	4,937	5,198	5,980	5,428	4,791	4,222	3,787	3,741	2,672
Total non-current assets	LKR Mn.	19,705	20,144	21,171	16,074	12,357	9,155	7,349	7,579	6,641
Cash and cash equivalent	LKR Mn.	2,164	2,486	1,394	950	504	1,918	1,521	703	1,641
Short term deposits	LKR Mn.	1,269	2,210	2,041	2,922	6,792	1,048	1,140	1,371	883
Total assets	LKR Mn.	50,078	48,062	44,439	36,046	30,343	22,328	20,204	16,642	14,284
Stated capital	LKR Mn.	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Retained earnings	LKR Mn.	12,365	11,936	10,388	9,590	8,362	7,169	5,815	3,486	1,670
Equity attributable to equity holders	LKR Mn.	21,834	21,195	19,793	18,840	17,462	16,269	14,916	12,486	10,670
Loans and borrowings	LKR Mn.	10,967	8,735	9,086	5,737	5,846	350	65	8	13
Total non-current liabilities	LKR Mn.	2,953	7,533	7,528	5,680	5,603	514	359	259	174
Statement of Cash Flow Highlights										
Cash flows from operating activities	LKR Mn.	(2,191)	1,876	630	1,994	3,168	3,218	1,608	1,301	638
Cash flows from investing activities	LKR Mn.	(224)	302	(2,226)	(1,327)	(9,251)	(2,337)	(341)	(1,721)	(3,332)
Cash flows from/(used in) financing activities	LKR Mn.	1,907	(851)	1,753	(87)	4,532	(737)	(459)	(513)	4,116
Key Financial Ratios										
EPS	LKR	0.98	2.15	2.51	2.71	2.47	2.35	2.83	2.38	1.83
DPS	LKR	0.50	0.50	1.20	1.50	0.75	1.00	0.50	0.50	0.27
Net assets per share	LKR	21.83	21.19	19.79	18.84	17.46	16.27	14.92	12.49	10.67
Dividend payout	%	51	23	47.86	55.39	30.36	43	18	21	15
ROE	%	3.80	9.52	11.15	12.7	14.1	14.4	19	19.0	16.2
ROCE	%	6.58	11.69	14.83	12.3	12.3	15.4	20.5	18.9	17.5
Gearing	%	50.23	41.21	43.70	30.5	34.8	2.1	0.4	0.1	0.1
Current ratio	Times	1.3	1.7	1.57	2.3	2.7	2.6	2.8	2.4	2.3
Quick ratio	Times	1.0	1.3	1.16	1.7	2.3	2.1	2.3	1.9	1.8
Price per share	LKR	13.20	13	20.50	23.8	20.8	19.2	22.5	19.7	26.7
Investor Highlights										
Total number of shareholders	No.	8,832	7,226	5,816	6,119	5,757	4,610	2,196	2,153	1,838
Percentage of public holding	%	42.84	41.93	42.31	39.59	37.92	37.92	35.53	36.52	36.52
Value of shares traded	LKR Mn.	6,757	1,637	2,729	3,625	4,570	14,900	2,148	1,265	45
Number of trades	No.	71,138	24,276	10,750	25,709	36,018	49,154	10,229	13,535	975

Our Story

2001

Founded 1981

Incorporated 1989

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

CIDA SETTING THE STANDARDS CONSTRUCTION INDUSTRY DEVELOPMENT AUTHORITY

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 Realties (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.

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.

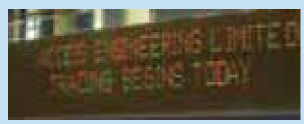
2010

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 thousand 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.

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.

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.

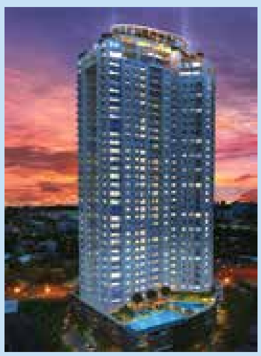
2014

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 Realties 2 (Private) Limited. AEL acquired 80% of issued share capital of Access Projects (Private) Limited an industry leader in interior and aluminium works.

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.

2016



AEL invested in 50% issued share capital of Blue Star Realties (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.

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.

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.

2019

WUS LOGISTICS

AEL acquired 100% of WUS Logistics (Private) Limited for the construction of Sri Lanka's largest single roof warehouse for Camso Loadstar. SML Frontier Automotive (Private) Limited was renamed Access Motors (Private) Limited. For the third consecutive year AEL was selected to the category of "Ten Best Corporate Citizens in the Country" by The Ceylon Chamber of Commerce.

Awards and Accolades

NATIONAL AWARD – 2019

for Construction Merit
(Residential Buildings – Urban Regeneration at Henamulla, Colombo 15)
Value exceeding LKR 750 Mn. Awarded by CIDA

BEST CORPORATE CITIZEN SUSTAINABILITY AWARD – 2019

(Sector Award – Winner)
Awarded by The Ceylon Chamber of Commerce

(Ten Best Corporate Citizens)
Awarded by The Ceylon Chamber of Commerce

PRESIDENTIAL ENVIRONMENT AWARDS – 2019

Vehicle Servicing Centre by Central Environment Authority

ANNUAL REPORT AWARDS – 2019

(Construction Companies – Gold)
Awarded by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

CMA EXCELLENCE IN INTEGRATED REPORTING AWARDS – 2019

(Best Integrated Report – Trade and Commerce Sector)
Awarded by CMA

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 Realties (Private) Limited
ASPI	All Share Price Index
AWPLR	Average Weighted Prime Lending Rate
BEAP	Batticaloa Emergency accident Project
BIA	Bandaranaike International Airport
Bn	Billion
BOI	Board of Investment
BSc	Bachelor of Science
CA	Chartered Accountants
CBSL	Central Bank of Sri Lanka
CCPI	Colombo Consumer Price Index
CEA	Central Environmental Authority
CEB	Ceylon Electricity Board
CED	Central Equipment Division
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

Short form	Definition
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
DJF	Djobouti Franc
DLP	Defect Liability Period
DMS	Document Management System
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 Tax Rate
EU	European Union
EUR	Euro
FCMA	Fellow of the Chartered Institute of Management Accountants
FRICS	Fellow – Royal Institution of Chartered Surveyors
FTTH	Fibre to the Home

Short form	Definition
FY	Financial Year
GBP	United Kingdom Pound Sterling
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GICS	Global Industry Classification Standards
GM	General Manager
GoSL	Government of Sri Lanka
GRI	Global Reporting Initiative
HDD	Horizontal Directional Drilling
HDPE	High Density Poly Ethylene
HR	Human Resources
HRIS	Human Resource Information System
HSMS	Health and Safety Management System
HTML	Hyper Text Markup Language
IAS	International Accounting Standards
ICC	International Chamber of Commerce/International construction consortium
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

Abbreviations

Short form	Definition
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
MOH	Ministry of Health
MSAN	Multi Service Access Node
N/A	Not Applicable
NBFI	Non-Bank Financial Institution
NBT	Nation Building Tax
NCI	Non-Controlling Interest
NCPI	National Consumer Price Index
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
PDCA	Plan-Do-Check-Act Cycle
PIM	Postgraduate Institute of Management
PHI	Public Health Inspector
PLC	Public Liability Company

Short form	Definition
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
QAQC	Quality Assurance and Quality Control
QMS	Quality Management System
R&D	Research and Development
RCC	Reinforced Cement Concrete
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 & Poors Sri Lanka 20
SAP	Systems Applications and Products in Data Processing
SEC	Securities and Exchange Commission of Sri Lanka
SGD	Singapore Dollar
SGM	Senior General Manager
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

Short form	Definition
SLTC	Sri Lanka Technological Campus
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 Grant 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
WEO	World Economic Outlook
WEF	With Effect From
WFH	Working From Home
YOY	Year on Year
WTG	Wind Turbine Generator
ZPMC	Zhenhua Heavy Industries Company Limited

Directors of Subsidiary Companies

Company Name	Name of Director
Sathosa Motors PLC	S J S Perera
	J C Joshua
	D A R Fernando
	S D Munasinghe
	W A C O Wijesinghe
	R S Dahanayake
	M M N De Silva
	M Jayahsuriya
	L N T Arachchige
	K A P Perera
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
Harbour Village (Private) Limited	M Ahmad
	S J S Perera
	J C Joshua
	D A R Fernando
	Zhong Yuan
	Zeng Nanhai
	Zhang Xiaoqiang
W U S Logistics (Private) Limited	S J S Perera
	J C Joshua
	D A R Fernando
	I S N Fernando
	L N A Silva

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of Access Engineering PLC will be held at the Sri Lanka Foundation, No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 7 on Wednesday, 16 September 2020 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, the Financial Statements for the year ended 31 March 2020 and the Report of the Auditors thereon.
2. To re-elect as a Director Mr D S Weerakkody 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

31 July 2020
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

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 16 September 2020 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

	For	Against
Resolution 1 To re-elect Mr D S Weerakkody who retires in terms of Article No. 88 (i) of the Articles of Association of the Company, as a Director		
Resolution 2 To authorise the Directors to determine donations for the ensuing year		
Resolution 3 To re appoint Messrs KPMG, Chartered Accountants as Auditors of the Company and authorise the Directors to determine their remuneration.		

In witness my/our* hands this .... day of .... Two Thousand and Twenty.

....

Signature of Shareholder/s

* Please delete the inappropriate words.
Instructions as to completion appear on the reverse.

INSTRUCTIONS AS TO COMPLETION

1. This Form of Proxy must be deposited at No. 278, Union Place, Colombo 2 not less than thirty-six (36) hours before the time fixed for the Meeting.
2. In perfecting the Form of Proxy please ensure that all details are legible.
3. If you wish to appoint a person other than a Director of the Company as your Proxy, please insert the relevant details in the space provided.
4. Please indicate with an "X" in the space provided, how your Proxy is to vote on the resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
5. In the case of a Company/Corporation, the Proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
6. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at The Secretaries' Office [i.e. P W Corporate Secretarial (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.

NAME OF COMPANY

Access Engineering PLC

REGISTERED OFFICE

Access Engineering PLC
Access Towers
278, Union Place, Colombo 2,
Sri Lanka
Phone: +94 11 760 6606
Fax: +94 11 760 6605
Web: www.accessengsl.com
Email: 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

INVESTMENT AND SUBSIDIARY PERFORMANCE MONITORING COMMITTEE

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

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Colombo 8,
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Phone: +94 11 464 0360
Fax: +94 11 474 0588

AUDITORS

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Chartered Accountants
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