Access-ability

ANNUAL REPORT 2020/21

Access ENGINEERING

Access-ability

Access-ability...the dual meaning our presentation of the word conveys, highlights two of the Company's fundamental strengths. The ability of Access Engineering over many years of enterprise has come to epitomise world class engineering, an innovative mindset, resilience to cope with challenge, including the pandemic and exemplary environmental consciousness. Accessibility is a key outcome of most of our projects. Be it a bridge, a road, a storied edifice and more, we're connecting cities, communities and hearts engendering economic prosperity and well being for all.

CONTENTS

Project: Design and Construction of Access Tower II
Year of completion: 2017

GRI 102-2

About Access Engineering

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 includes bridges and flyovers, roads and highways, harbours, water treatment plants and water supply projects, land drainage and irrigation schemes, power infrastructure, 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 2,700. Managerial, professional and technical staff account for over 650. We also possess an island wide network of quarries, crusher plants, asphalt plants, and concrete batching plants along with the latest machinery. Recently we also ventured into the production of autoclave aerated concrete (AAC) blocks through a related diversification.

Our 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 several 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 II (Private) Limited, ARL Elevate (Private) Limited, WUS Logistics (Private) Limited and Access Logistics (Private) Limited.

Other subsidiaries are Sathosa Motors PLC, which is 84% owned by AEL, Access Projects (Private) Limited (80% owned), Harbour Village (Private) Limited (60.83% owned) and recently acquired Lanka AAC (Private) Limited (50% owned). AEL has a 60% joint venture 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

This is the eighth 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 2020/21 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 6 (collectively referred to as the "Group"). Financial aspects cover the entire Group while other aspects cover only Access Engineering PLC. Nevertheless efforts have been initiated to include sustainability indicators of subsidiaries wherever possible while full implementation of same is expected in the medium-term. Access Engineering PLC's Integrated Annual Report 2020/21 covers the period from 1 April 2020 to 31 March 2021. 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 2020.

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 Reporting" issued by The Institute of Chartered Accountants of Sri Lanka
- Code of Best Practices 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
- United Nations Sustainable Development Goals (UNSDGs)
- 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 consolidated set of GRI standards.

EXTERNAL ASSURANCE

The financial statements and non-financial information included in this report have been audited by Messrs. KPMG who have expressed an opinion on true and fair view of the Annual Financial Statements and a limited assurance on the non-financial highlights and indicators on pages 214 to 219 and pages 151 and 152 respectively.

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 the 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

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Union Place, Colombo 2
Phone: +94 11 760 6606

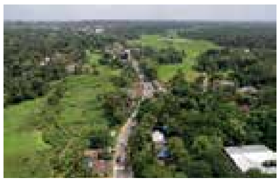
This Report is available in both print and online versions. The latter may be downloaded from the Company's website www.accessengsl.com

Milestones

FEBRUARY 2021

Commencement of design, construction and financing of 432 Affordable Housing at Orugodawatta – Phase 02

Award of construction of multi-storied public car park on Design, Build, Finance, Operate and Transfer (DBFOT) model at Union Place



JANUARY 2021

Commencement of widening and improvement of the Road Section from Nittambuwa Pasyala on Colombo-Kandy Road

Investment in 50% of equity of Lanka AAC (Private) Limited for LKR 131 Mn.

Opening of Sathosa Motors PLC Negombo Branch

DECEMBER 2020

Launch of Access Engineering Innovation Hub "Idea Nest"

Completion of Deduruoya Water Supply Project

NOVEMBER 2020

Commencement of piling and earth works for the New Terminal Building and Viaduct at Bandaranaike International Airport

OCTOBER 2020

Commencement of design, construction and financing of Housing Project at Elliot Place – Borella

SEPTEMBER 2020

Opening of 3S (Sales, Spare Parts and Service) facility and the all new full-body workshop of Access Motors

JULY 2020

Commencement of T – Mall Flyover Project in Kenya

MAY 2020

Commencement of design and construction of 1,000 Housing Units at Stadiumgama

APRIL 2020

Commencement of rehabilitation, improvement and maintenance of 200 Km of rural roads in Gampaha District (I – roads project)

GRI 102-45, 207-4

Group Structure

Business segment	Operating entities
CONSTRUCTION AND CONSTRUCTION-RELATED MATERIALS	Access Engineering PLC
	AEL East Africa Limited
	Access Projects (Private) Limited
	Lanka AAC (Private) Limited
PROPERTY	Access Realties (Private) Limited
	Access Realties II (Private) Limited
	Harbour Village (Private) Limited
	Blue Star Realties (Private) Limited
	W U S Logistics (Private) Limited
	Access Logistics (Private) Limited
	ARL Elevate (Private) Limited
AUTOMOBILE	Sathosa Motors PLC
	Access Motors (Private) Limited
MECHANICAL ENGINEERING	ZPMC Lanka Company (Private) Limited

* Effective Holding

GRI 102-4, 102-6, 207-4

Effective ownership	Principle activity	Markets served	Country of incorporation
Parent	Construction and supply of construction-related services and materials	Sri Lanka	Sri Lanka
100%	Construction	Kenya	Kenya
80%	Construction and supply of construction-related services and materials	Sri Lanka	Sri Lanka
50%	Supply of construction-related materials	Sri Lanka	Sri Lanka
100%	Commercial property development for lease and rental	Sri Lanka	Sri Lanka
100%	Commercial property development for lease and rental	Sri Lanka	Sri Lanka
60.83%	Residential and commercial property development (In partnership with China Harbour Engineering Company Limited and Mustafa's Pte. Ltd.)	Sri Lanka	Sri Lanka
60%	Residential property development	Sri Lanka	Sri Lanka
100%	Commercial property development for lease and rental	Sri Lanka	Sri Lanka
100%	Commercial property development for lease and rental	Sri Lanka	Sri Lanka
100%	Provision of recreation, food and beverage and support facilities at Access Towers	Sri Lanka	Sri Lanka
84.42%	Authorised distributor for ISUZU in Sri Lanka and Maldives	Sri Lanka and Maldives	Sri Lanka
42.21%*	Authorised distributor for Jaguar and Land Rover in Sri Lanka	Sri Lanka	Sri Lanka
30%	Commission, repair, and maintenance of container handling equipments (in partnership with ZPMC of China)	Sri Lanka and Overseas	Sri Lanka

GRI 102-7

Highlights

		2020/21		2019/20		Change (%)	
		Group	Company	Group	Company	Group	Company
Earnings highlights and ratios							
Revenue	LKR Mn.	23,837	21,853	24,027	17,917	-1	22
Gross profit	LKR Mn.	4,138	2,908	3,808	2,294	9	27
EBITDA	LKR Mn.	4,050	3,711	3,419	3,686	18	1
EBIT	LKR Mn.	3,225	3,109	2,688	3,027	20	3
Earnings before tax	LKR Mn.	2,407	2,473	1,747	2,495	38	-1
Profit attributable to equity holders	LKR Mn.	2,386	2,329	979	1,927	144	21
Dividend	LKR Mn.	500	500	500	500	0	0
Earnings per share	LKR	2.39	2.33	0.98	1.93	144	21
Dividend per share	LKR	0.50	0.50	0.50	0.50	0	0
Dividend payout	%	21	21	51	26	-59	-19
Statement of financial position Highlights and ratios							
Total assets	LKR Mn.	56,060	42,353	50,078	36,949	12	15
Stated capital	LKR Mn.	9,000	9,000	9,000	9,000	0	0
Retained earnings	LKR Mn.	14,245	13,146	12,365	11,323	15	16
Total equity/shareholders' funds	LKR Mn.	26,515	22,396	24,387	20,534	9	9
Total liabilities	LKR Mn.	29,545	19,956	25,691	16,415	15	22
Current assets	LKR Mn.	30,372	20,251	30,373	18,919	0	7
Current liabilities	LKR Mn.	20,850	13,357	22,738	15,665	-8	-15
Net asset per share	LKR	23.83	22.40	21.83	20.53	9	9
Investor highlights and ratios							
Price per share	LKR	–	22.1	–	13.2	–	67
PE ratio	Times	–	9.5	–	6.8	–	39
Gross profit margin	%	17.36	13.31	15.85	12.81	10	4
Net profit margin	%	10.04	10.66	3.86	10.76	160	-1
Return on equity	%	9.03	10.40	3.80	9.38	138	11
Debt/Total assets	%	15.99	19.03	21.90	21.93	-27	-13
Debt/Equity	%	33.80	35.99	44.97	39.45	-25	-9
Interest coverage ratio	Times	3.85	4.75	2.60	4.86	48	-2
Current asset ratio	Times	1.46	1.52	1.34	1.21	9	26
Quick asset ratio	Times	1.04	1.36	0.97	1.06	7	28

MANUFACTURED CAPITAL

LKR 722 Mn. Investment in property, plant, and equipment

LKR 364.5 Mn. Invested in heavy machinery and equipment fleet

INTELLECTUAL CAPITAL

LKR 18.9 Mn. Invested to upgrade integrated information and planning systems

HUMAN CAPITAL

8,133 Total number of training hours

LKR 2.34 Mn. Investment on employee training and development

2,785 Staff and labourers

3.79 Lost time injury frequency rate

SOCIAL AND RELATIONSHIP CAPITAL

100% Project completion ratio

16,893 Registered suppliers

2,940 Pairs of desks and chairs, distributed to 83 schools

NATURAL CAPITAL

12,287 Trees planted

2,621 Cubic meters Water reused and recycled

141,142 Cubic meters Total water consumed

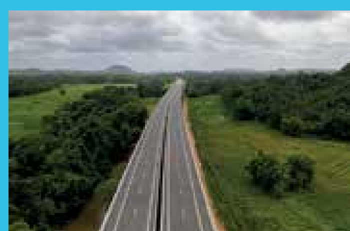
495,010,501 Megajoules Energy consumed

AWARDS

- Winner of the Best Corporate Citizen Sustainability Award 2020 (Sector Award – Winner) awarded by The Ceylon Chamber of Commerce.
- Winner of the Best Integrated Report – Construction Industry and Certificate of Merit at the Integrated Reporting Awards 2020 Awarded by CMA.
- Recipient of the National Award for Construction Performance 2020 for Civil Engineering Projects and for Reconstruction of Kochchikade bridge – bridge No. 38/3 on Peliyagoda – Puttalam Road (A-003)15) awarded by CIDA.

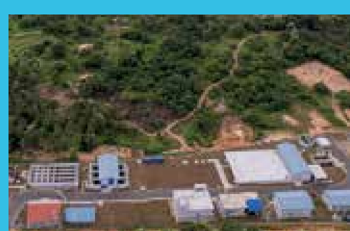
PROJECT HIGHLIGHTS

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

Completed a major portion of Sri Lanka's largest single roof warehouse



Completed Deduruoya water supply project

GRI 102-14

Chairman's Message

> Despite the challenges and turmoil of 2020, our performance was satisfactory. Although there were setbacks to our project timelines, we were able to successfully complete several key projects. We continued to make moves to further consolidate and strengthen our position in the local construction industry.

Dear Shareholders,

It was yet another turbulent year for the country and our Company. As the country started emerging from the effects of the 2019 Easter attacks and the political uncertainty surrounding the presidential elections, COVID-19 gripped the world, and its effects were felt in every corner of the planet. As countries started closing off their borders to fight off the spread of the virus, the global economy was adversely impacted.

In Sri Lanka, the corporate sector was not very conducive due to two outbreaks of the virus. This had a direct impact on the work undertaken by Access Engineering. Almost all our construction projects and production plants came to a complete standstill during the lockdown imposed during the first wave, and during the second wave, in areas where lockdowns and isolation were mandated, some projects faced temporary work disruptions. Our Group companies were also affected by COVID-19. With the import restrictions that were put in place, the automobile sector took a severe hit with a negative impact on vehicle sales, workshop operations and spare parts sales. Construction work on both of our condominium mixed developments, Marina Square Colombo and Capital Heights Rajagiriya, experienced temporary work disruptions. The sales teams could not operate to their full capacity, being unable to interact with customers, and thus the sale of apartments was affected. Access Projects, which is involved with construction, also experienced temporary work disruptions. Both Access Tower I and II had less than 100% occupancy level throughout the year as most tenants shifted to working from home. Upon request, we offered moratoriums, did not increase rentals, and opted for shorter lease tenures. Operations at Elevate were severely affected by the restrictions imposed on social gatherings throughout the year. Needless to say, we were not able to perform optimally during 2020/21.

Despite all these challenges and the turmoil of 2020, our performance was satisfactory. Our business continuity plans were put to the test and enabled us to resume operations quickly with a lower impact than otherwise. During FY 2020/21, we generated a Group revenue of LKR 23.8 Bn., slightly lower than the previous financial year. Group profit for the year was LKR 2.4 Bn., a year-on-year growth of 158%. This growth was the result of lower income tax expenses, lower Group administrative expenses, and improved gross margins. The Company generated LKR 21.9 Bn. in revenue, a year-on-year growth of approximately 22%, and profit after tax grew by 21% to LKR 2.3 Bn. Our construction-related materials segment experienced the biggest leap with 62% year-on-year growth, recording a turnover of LKR 7.6 Bn. Total Group assets grew 12% to LKR 56 Bn, while Company assets grew 14.6% to LKR 42 Bn. Net assets also grew at the Group and Company level to LKR 23.8 Bn. and LKR 22.4 Bn. respectively. We declared LKR 500 Mn. in dividends for FY 2020/21, the same as the previous financial year.

Although we experienced setbacks in our project timelines due to COVID-19, we were able to successfully complete several key projects. We handed over the 100 MW Mannar Wind Power Project, for which we were the exclusive BOP subcontractor for civil works to Vestas Asia Pacific, the world's largest wind turbine manufacturer. The project gave us immense experience that we will leverage for future projects. We also completed and handed over the Deduruoya Water Supply Project to the NWSDB.

We also commenced several large-scale infrastructure development projects during the year. These include the Nittambuwa-Pasyala road project along the Colombo-Kandy Road, the iRoads project for the rehabilitation and maintenance of rural roads in the Gampaha District, the Elliot Place housing project, and Stadiumgama and Orugodawatte housing projects for the UDA, and piling and earth work for the new terminal building and the viaduct at the Bandaranaike International Airport (BIA). The projects we commenced in 2020/21 will keep our resources and capacity tied up in the short to medium term.

During the year, we continued to make moves to further consolidate and strengthen our position in the local construction industry. Backwards integration continued with our investment in Lanka AAC (Pvt) Ltd., which is engaged in the production of autoclaved aerated concrete (AAC) blocks. We are already using these AAC blocks in most of our UDA projects and the warehousing project. We also invested in construction-related materials production to cater to the rising demand for asphalt and concrete. We anticipate that there will be rapid growth in the construction-related materials segment, given the reconstruction of the rural road networks and construction of expressways, as well as upcoming building construction projects. Our efforts in condominium mixed developments are fixed for the medium term. We are seeking to take advantage of the growing demand for logistics and warehousing space through further consolidation in this sector in the future. We also took a firm step to support the Government’s efforts in promoting Build, Operate, Transfer (BOT) projects during 2020/21, having been awarded the construction of a multi-storeyed car park in Union Place on a Design, Build, Finance, Operate, and Transfer (DBFOT) basis. We will continue to explore more PPP project execution such as these.

Now, more than ever, it is important to support our country and our communities, especially as we recuperate after having dealt with the brunt of the pandemic. We honour our responsibility to give back to the communities we operate in through our CSR initiatives and create social value by engaging in sustainable practices. We spent over LKR 35 Mn. during 2020/21 on CSR activities across the island. We continued our longstanding initiative for the fabrication and donation of school desks and chairs, albeit on a smaller scale due to the closure of schools for most of the year. 350 pairs of desks and chairs were distributed among 10 rural schools, and to date, we have fabricated and donated over 2,900 pairs of desks and chairs to over 80 schools. The tree planting programme we have been carrying out for over a decade continued, with over 9,000 trees planted during the year, consisting of Kumbuk, Domba, Karanda, Mee, and Kos. We initiated another tree planting programme, “Husma Dena Thuru”, in which we planted over 3,000 trees as of 31 March 2021. We also carried out CSR programmes for the renovation of Malayaparaththikulam Temple in Vavuniya and the construction of an 800 sq. ft. classroom building for Athawatunuwewa Vidyalaya, Welioya in the Godakawela Educational Zone and provided them with desks and chairs. I wish to highlight that across all our CSR efforts, our own AEL staff have voluntarily engaged in various capacities to complete the initiatives.

Our economic outlook for the country in the short to medium term is one with stringent fiscal and monetary policies. That being said, we also anticipate that building construction and infrastructure development will continue to be a focus for the foreseeable future. The Government will continue to explore new means of infrastructure development such as Public-Private Partnerships (PPPs) and BOTs to reduce the pressure on Treasury funding. This will be a key feature for AEL going forward, having already executed several PPPs and embarking on our first BOT project in the period under review. However, maintaining exchange rate stability will be critical to attracting foreign direct investments (FDIs), especially as we seek to attract investors to the Colombo Port City. This is important to AEL, since more FDIs would bring more opportunities to the Company.

We have confidence in our ability to weather any storm, thanks to our strategic direction and our resilience, and the past couple of years have truly put us to the test. Of course, I have to express my appreciation to all those who have carried us along on this journey. I would like to acknowledge the Board of Directors for their governance, guidance, and support. I thank the Corporate Management team, led by the Managing Director and Chief Operating Officer, and our employees for their continued efforts and embodying our ethos of value engineering. Finally, I would like to thank all our stakeholders, including our shareholders and investors for the continuous trust they have placed in us, and our customers and business partners, who have played a pivotal role in our past success.

SUMAL PERERA
Chairman

31 May 2021

Joint Statement from the Managing Director and the Chief Operating Officer

> As a result of COVID-19, approximately 10-15% of our production capacity was underutilised and approximately 20% of our productivity in construction projects lost due to lockdowns. We remained proactive and minimised the impacts through solid business continuity plans. And despite the challenges we faced, FY 2020/21 was another year of exceptional performance for Access Engineering.

Joint Statement from the Managing Director and the Chief Operating Officer

It's impossible to look at the past year without talking about how COVID-19 has radically altered the landscape of our economy. While the Government moved rapidly to respond to the pandemic in its early stages, the subsequent capital outflows and exchange rate depreciation intensified pressure on the country's economy which was already reeling from the aftermath of the attacks in 2019. The result was that our economy experienced a historically low contraction (-3.6%).

A ONCE-IN-A-LIFETIME SCENARIO

When FY 2020/21 commenced, the country found itself in an island-wide lockdown imposed by the Government in its efforts to contain the spread of the COVID-19 pandemic. With the lockdown extending well into the second week of May 2020, most of our construction projects, save for some such as our flagship Mannar Wind Power Project and Kimbulapitiya Warehousing Project, were put on hold during this period, as were our construction material plants. Once the lockdown had lifted, our construction projects and production plants were able to resume their operations without disruption until towards the end of the financial year.

We estimate that approximately 10-15% of our production capacity was underutilised and approximately 20% of our productivity in the execution of our construction projects was lost as a direct result of the lockdowns. Despite these challenges, we are happy to report that we did not experience any significant delays thanks to the proactive measures we had in place. All major business units had comprehensive Business Continuity Plans (BCPs) with effective mitigation strategies, including potential catch-up programmes for the loss in productivity and time. Work-from-Home (WFH) arrangements were implemented, with only essential staff working on our premises to carry out office operations. The COO and I held regular Corporate Management meetings to discuss ongoing issues and ways to address them, which helped tremendously in getting us back on our feet and resuming our operations without any further delays.

Our various business functions incorporated various means of dealing with the pandemic to best suit their needs and facilitate their teams to continue working:

- Regular body temperature monitoring and symptom observation.
- Disinfection cubicles and hand sanitising facilities provided to employees.
- Providing employees with the necessary hardware and software to work-from-home and held regular remote performance review meetings with all staff to enhance productivity.
- Facilities such as staff transportation, meals and accommodation were arranged to reduce the exposure of employees to society.
- Disinfections of office premises were conducted regularly.
- Meetings were conducted via online platforms such as MS Teams, Google Meet, and Zoom.
- A moratorium on rental charges or interest-free payment schedule provided to our tenants upon request.

PERFORMANCE IN 2020/21

We are pleased to report that FY 2020/21 was another year of exceptional performance by the Company. In the face of a challenging year, the Company's turnover grew 22% year-on-year (YoY) to LKR 21.9 Bn. Gross profit grew 27% YoY to LKR 2.9 Bn. and the Company's operating profit for the period was LKR 2.9 Bn., a YoY growth of 4%. After tax profit for the year at the Company level was LKR 2.3 Bn., a substantial 21% YoY growth.

Major projects that contributed to our stellar performance include the iRoad Project, the Central Expressway Project, the Anuradhapura Water Supply Project, the Nanotechnology Building Project, the Bluemendol Housing Project, the Elliot Place Housing Project, the Stadiumgama Housing Project, the Warehousing Project, and the Orugodawatte Housing Project. Construction-related material sales (asphalt, ready-mix concrete, etc.) also performed exceptionally well during the year with a top line of LKR 6.3 Bn., a 29% contribution to the top line.

Since we branched out into the production and sale of construction-related material in 2011, we have been on a journey of year-on-year growth, one that has led us to become a major player in Sri Lanka for the production of asphalt and ready-mix concrete. Today, through our island-wide network of production plants, we cater to both our internal projects and over 500 external customers which include many leading contractors. The performance of our material production and sales during FY 2020/21 was outstanding, with over 550,000 MT of asphalt and 130,000 m^3 of ready-mix concrete sold. We anticipate that the segment will continue to grow and account for a significant percentage of our Company's turnover in 2021/22 against the backdrop of road construction and rehabilitation including rural roads, expressway construction and maintenance, and building construction including private sector mixed development projects.

We continued to invest in capacity building measures, such as the establishment of two new crusher plants, to support asphalt production to cater to demand across the island, thereby increasing our market share. We invested in 50% of Lanka AAC (Pvt) Ltd., which is engaged in the manufacture of autoclave aerated concrete (AAC) blocks. These lightweight blocks are a viable substitute to conventional bricks and perform exceptionally well across a range of criteria including cost, weight, material consumption, and durability. It is also an effective solution to environmental concerns as the primary raw material used in the construction of AAC blocks is fly ash. Our 80%-owned subsidiary, Access Projects, was involved in several projects during the financial year including the Malabe Knowledge City development, the Altair mixed development, Capital Heights Rajagiriya, and the Defence Headquarters, to name a few.

Our real estate and property development arm also performed exceptionally well as a result of the following:

- Marina Square Colombo, Sri Lanka's largest harbourfront mixed development, made steady progress in terms of construction and sales. As at 31 March 2021, the project was well within schedule, with sub-structure works of all five towers nearing completion up to the podium level.
- Capital Heights Colombo was close to 80% complete by the end of the financial year with the final finishing and MEP works underway. We hope to complete the project during FY 2021/22 and hand over keys to buyers.
- WUS Logistics (Pvt) Ltd. completed over 90% of the stage 1 works including most of the common infrastructure work of the logistics park as at 31 March 2021. The logistic park includes Sri Lanka's largest single roof warehouse, which will be a catalyst in promoting Sri Lanka as a regional logistics hub. Additional work on this warehouse including the installation of an advanced fire system is under discussion.
- Access Tower I and II, which have consistently been among the most sought-after business addresses, had good occupancy levels of over 95% during FY 2020/21. An area on the 28th level which was previously allocated for the operation of "Elevate" in Access Tower II was converted to A-grade office space. Upgrades were made to Access Tower II, including the installation and commissioning of two new elevators connecting the ground floor, all car park floors, and the ninth level link lobby. The interior of the link lobby on the ninth level was enhanced with two state-of-the-art meeting rooms which can be booked by tenants. Access Towers also welcomed new tenants during the year.

The operations of "Elevate" were further severely affected due to restrictions imposed due to the pandemic. The business unit is being subject to a major review, including new directions, in order to continue with its service offerings.

Our automobile sector performance during FY 2020/21 was subdued due to various macroeconomic factors, including restrictions placed on the import of new vehicles, which had a negative impact on new vehicle sales for both commercial and luxury passenger vehicles. All possible measures were taken to mitigate the severe impact on the business due to these restrictions, such as increasing focus on after sales services, repairs, and spare part sales. Sathosa Motors was able to record a marginal profit for 2020/21. Investments made in previous years to uplift Sathosa Motors' workshops and 3S branch network expansion had paid off and we hope to reap more benefits in 2021/22. Access Motors opened its new 3S (Sales, Spare Parts, and Service) facility and an all-new full body workshop. Sathosa Motors, which continues to remain the market leader in the new vehicle sales of Japanese light commercial vehicles, established a new outlet in Negombo which also included the launch of sales and servicing of Isuzu Marine Engines.

Our 30% joint venture, ZPMC Lanka, continues to service port machinery at the Port of Colombo and Hambantota Port. It also carried out work in several overseas ports including Pakistan and Oman during the financial year.

Another milestone was achieved during 2020/21 with our successful bid made to the Urban Development Authority (UDA) for building a public car park at Union Place in the land adjacent to Access Tower. This design and build project will be implemented by us in partnership with the UDA on a 30 year Build, Operate, and Transfer (BOT) model, the first such project we have undertaken.

NOTABLE PROJECTS IN 2020/21

With all the challenges that we, along with the country, had to face, FY 2020/21 turned out to be a remarkable year in terms of project execution and new project initiation. We successfully completed the 100 MW Mannar Wind Power Project as the exclusive BOP subcontractor of Vestas, the world's largest wind turbine manufacturer. Having successfully completed all civil works entrusted to us and handing them over on time, the plant was declared open by the Hon. Prime Minister in December 2020.

The year saw Access Engineering make significant progress on several vital infrastructure projects across the country. Some of the notable projects we undertook include the following:

- We completed work on the Deduruoya Water Supply Project during the year. The project will benefit the residents of Nagollagama, Maho, and Polpithigama, who are vulnerable to various water-related diseases.
- We neared completion on the Anuradhapura Water Supply Project by the end of the financial year with 80% of the physical work completed and on track to be handed over to the National Water Supply and Drainage Board (NWSDB) in FY 2021/22. The project is expected to benefit over 75,000 residents in the Anuradhapura District who have been subject to chronic kidney diseases (CKDs) for years.
- We successfully completed all major works entrusted to us for the proposed Central Expressway Project (CEP) during FY 2020/21, with work on the toll plaza and administration buildings along with the extra work remaining at the end of the financial year.
- Work continued on the Asian Development Bank (ADB) funded iRoad project, which involves the rehabilitation, improvement, and maintenance of over 200 kms of rural roads in the Western Province. We ended the financial year with approximately 15% of the total project completed.
- Work on stage 1 of the Kimbulapitiya Logistics Park that includes the construction of Sri Lanka's largest single roof warehouse, was nearing completion at the financial year end.
- The Nanotechnology Building Project was nearing completion as at the end of the financial year. The work involves the expansion of the main laboratory, accommodation building, and new gatehouse with canteen building.

- The bulk of work on the Bluemendol Housing Project, which involves the construction of 450 housing units for underserved communities, was completed during the year and is on track to be completed and handed over to the Urban Development Authority (UDA) in FY 2021/22.

OTHER PROJECTS AND INITIATIVES IN 2020/21

Access Engineering embarked on several landmark projects during FY 2020/21, including:

- The Nittambuwa Pasyala Road Project, an extension to the already completed Kadawatha-Nittambuwa Road.
- The Elliot Place Housing Project was initiated on a public-private partnership (PPP) model. Construction commenced on the 400-unit 30-storey housing project aimed at the upper middle class, with excavation works well underway by the end of the financial year. This is the second PPP project we have collaborated with the UDA after the Borella Housing Project, which was completed and handed over to buyers in 2020/21.
- The Stadiumgama Housing Project, which involves the construction of 1,000 housing units for low-income earners, commenced during 2020/21 with all sub-structure works nearing completion by year end. We use our autoclaved aerated concrete (AAC) blocks in this project.
- The Orugodawatte Housing Project, which involves the construction of 432 affordable housing units for middle-income earners, commenced during the last quarter of the financial year.
- Commenced the piling work of the new terminal building and the viaduct of the Bandaranaike International Airport (BIA).
- Initiated the T-mall Flyover Project in Kenya together with partner Centunion of Spain. Our involvement includes the design and execution of all sub-structure works of the flyover and several footbridges.
- As a preferred partner of Dialog Axiata PLC and Sri Lanka Telecom PLC for over a decade, we continue to carry out work as a service provider for expanding their core networks.

VERTICAL INTEGRATION AND DIVERSIFICATION STRATEGY

Our vertical integration is a core strength of the Company, one that is largely responsible for our leadership position in the industry. Having begun our diversification and integration efforts several years ago, based on our capabilities and expertise we have started reaping the dividends of these efforts.

We continue to invest further in complementing our strengths in our core business activities, including our production plants and supply chain. Accordingly, we are looking to double our material production output and increase our market share in the short to medium term.

Our investments in condominium mixed developments are consolidated in the medium term until the completion and handing over of our two flagship projects, Marina Square Colombo and Capital Heights Rajagiriya. We are also looking at expanding our presence in the logistics and warehousing sector as part of efforts to build a significant presence in this growing business segment. We commenced work on Access Tower 3, the car park development project at Union Place, in partnership with the UDA.

INNOVATION AT ACCESS

With innovation and our penchant for new technology adoption having played a significant role in our growth story, Access Engineering have long been forerunners in introducing technological innovation to the local construction industry. This has been our competitive advantage over the years and is what has enabled us to truly live up to our vision of being Sri Lanka's foremost business enterprise in value engineering. We have long been one of the very few companies in Sri Lanka to have a commanding presence in several engineering disciplines. The CIDA accreditations we have obtained over the years are a testament to this and in 2020/21, we further strengthened our position with new accreditations for heavy construction, electrical installations (extra low voltage), and plumbing and drainage. Furthermore, our accreditation for bridges was upgraded to CS-2.

We continued to use and anchor on the technologies we have mastered over the years, including pre-fabricated flyovers, post-tensioning, horizontal directional drilling, diaphragm walls, microtrenching, and more. During FY 2020/21, we took another step forward with our investment in Lanka AAC (Pvt) Ltd. Autoclave aerated concrete (AAC) blocks are the latest addition to our product portfolio and we expect to use this extensively in future building construction projects to reap sustainable benefits.

We leverage cutting edge software in all our design work, which enables us to achieve perfect accuracy and deliver exceptional solutions. We also utilise software to achieve operational efficiencies across the business. The implementation of the Greentape e-procurement system during 2020/21 is an example of this and we expect the software to make our procurement function more efficient, productive, and transparent.

In line with our passion for innovation, we strive to foster and inculcate innovative thinking among the new generation of engineers. In 2020/21, we initiated the "Idea Nest", the first of its kind in Sri Lanka. "Idea Nest" provides staff members, undergraduate, and postgraduate students with a modern, vibrant working facility to empower them to work and develop innovative and creative ideas with no strings attached. Our vision for "Idea Nest" is for engineering students and academics to reap the maximum benefits from this opportunity and become great innovators, thereby introducing a culture of innovation that the country requires.

HUMAN CAPITAL

Human capital has always been our greatest asset. As one of the most preferred employers in the industry, we enjoy a high staff retention ratio above the industry average. Our 2,500+ strong workforce is our most prominent competitive edge in the market, and we invest in their talents to improve their skills. During the year, we conducted over 120 training programmes covering various topics such as job-specific training, corporate training, operational training, and soft skills for more than 2,000 participants over 8,000+ hours. We also provide on-the-job training opportunities for a variety of job categories including machine operators, carpenters, masons, and more.

Our employee retention efforts include offering remuneration packages above the industry average, financial and non-financial benefits, opportunities for career advancement, learning and development, and exposure to multidisciplinary sectors. We are also actively involved with the Vocational Training Authority of Sri Lanka to attract youth to engage in vocational skills by offering guaranteed employment with us. We are also a gender neutral employer giving equal opportunities to both men and women.

BUSINESS PARTNERSHIPS

Over the years, we have developed relationships with various business partners and established ourselves as pioneers in introducing new mechanisms of executing construction projects in joint partnership with international contractors from every corner of the world. This continued in 2020/21.

- We were the exclusive local construction partner for all civil works in the Mannar Wind Power Project, where the main contractor was Vestas Asia Pacific, the world's largest wind turbine manufacturer.
- We are the lead local contractor involved in carrying out substructure work at the new terminal and viaduct of the BIA.
- We are the exclusive contractor involved in carrying out substructure work of the T-mall flyover in Kenya in collaboration with Centunion of Spain, having successfully completed many landmark flyovers in Sri Lanka in joint partnership with us.
- We were shortlisted for several new flyovers to be awarded to execute in joint partnership with international contractors. The projects for the construction of the Gatembe Flyover and Kohuwela Flyover is due to commence in 2021/22.
- Our joint venture with ZPMC China for the commission, repair, and maintenance of port machinery continued in 2020/21 with projects undertaken in Sri Lanka and overseas.
- Our joint venture with China Harbour Engineering Company and Mustafa Singapore is engaged in the development of Marina Square Colombo, a flagship mixed development project in the north of Colombo with close proximity to Port City.

FUTURE OUTLOOK

With Sri Lanka at a critical juncture due to the negative impact of the COVID-19 pandemic on the economy, several sectors such as travel, tourism, event, and destination management have been severely impacted. Although there has been some policy stability with regard to monetary policy parameters such as interest rates and fiscal policy parameters such as tax rates applicable for construction remaining steady during 2020/21, the exchange rate volatility has had a negative impact on several industries. We expect this momentum to continue in the future. We also remain mindful of the threats faced by the industry, the lack of sufficient skilled local labour, pressure on margins caused by cost escalation due to the depreciation of the currency, and the negative effects of COVID-19-related lockdowns and travel restrictions.

However, it is important to note that in most economies, the growth of the construction industry is comparable to the growth in GDP, a phenomenon we have observed in our country as well during the post-war period. The construction industry employs close to 10% of the workforce and makes a similar contribution towards the GDP. Post-pandemic recovery would also be boosted by development activities connected to the construction industry, where the majority of goods and services could be created and acquired locally.

We are proud of our role as a key stakeholder in infrastructure development in the country. As such, we are always on the lookout for lucrative projects and have identified several opportunities.

- Having successfully completed work on the Mannar Wind Power Project, we are well geared to take on similar projects in the near future with the expertise we have gained. With the Government actively pursuing renewable energy projects, including solar energy, as a solution to environmental concerns, more opportunities will be available to local contractors.

Joint Statement from the Managing Director and the Chief Operating Officer

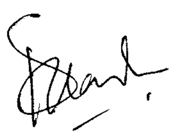
- The UDA has identified projects based on BOT models as a viable solution to reduce the burden on the treasury while simultaneously stimulating private sector participation in economic development. We see potential for our Company with the UDA undertaking such projects.
- With the success and effectiveness of the underserved resettlement programme spearheaded by the UDA over the past decade, the Authority is in the process of initiating similar projects which we anticipate will offer opportunities for us.
- Given the Government's agenda for improving the country's road and expressway network, it is actively looking into ways to implement the remaining sections of the Central Expressway and to improve the rural road network through projects like the iRoad project and 100,000 kms of rural road development. Similarly, the Elevated Road Network, which was recently awarded on a BOT model, will offer opportunities for local contractors.
- The Government is evaluating the construction of flyovers as a solution to heavy traffic congestion in key areas of the country. As a leader in flyover construction with several decades of experience across the country, Access Engineering is in a strong position to capitalise on any new flyover projects. The Company is pre-qualified for the construction of several flyovers in strategic locations outside and within Colombo.
- The port and aviation sector of the country look lucrative for local contractors with work commencing on the new BIA terminal building and the remaining East and West terminals of the Colombo South Port.
- The Government is firm in its commitment to providing increased access to pipe borne water, which will offer increased opportunities for water supply projects.

The Company is also open to opportunities for overseas expansion. However, we are adopting a selective approach, given that the local infrastructure development sphere is in a growth phase and offers lucrative opportunities. As such, we will only consider accepting overseas projects upon rigorous evaluation as in the case of the T-mall flyover of Kenya, where we were invited by our overseas partner.

ACKNOWLEDGEMENTS

We would like to express our appreciation to our customers, principals, business partners, shareholders, and all other stakeholders who have been a part of our past and ongoing growth story. We also want to convey our appreciation and thanks to our Chairman and the Board of Directors for their continued support and guidance during these incredibly challenging times. We especially want to thank our Corporate Management Team, Core Management Team, and all team members and staff for their passion, commitment, and hard work which continue to underline our success even during this challenging year.

CHRISTOPHER JOSHUA
Managing Director



ROHANA FERNANDO
Chief Operating Officer

31 May 2021

STRATEGY

Project: Design and Construction of Rajagiriya Flyover
Year of completion: 2018

Operating Environment

GLOBAL ECONOMY

As COVID-19 took hold during the early months of 2020, countries around the world entered lockdowns, bringing economic activity to a virtual standstill and leading to the worst recession in a century. As lockdowns lifted in the latter part of the year and the world adapted to the new normal, economic activity picked up again but the global economy had already taken a toll, with the International Monetary Fund (IMF) estimating that it contracted by 3.3% in 2020.

Although uncertainties continue to linger over the global economy, growth is projected at 6% in 2021, fuelled by recoveries in major economies as vaccination campaigns help to restore normalcy. However, Emerging Markets and Developing Economies (EMDEs), particularly those that rely on tourism and commodity exports, have been impacted more significantly by the pandemic and slower vaccine rollouts and thus are likely to take much longer to recover. As countries start to recover from the pandemic, it will be crucial for policymakers to prop up economies through public investment and other means of increasing productive capacity.

GLOBAL CONSTRUCTION INDUSTRY

Although the global construction industry was not spared from the effects of the COVID-19 pandemic, the global volume of output only declined by approximately 2.5%. This is likely due to construction being classified as an essential industry in most countries that enabled work to continue despite restrictions and a rebound in activity in Q4.

According to GlobalData, the increase in activity in the construction industry seen in Q4 is expected to continue well into 2021, and the industry is anticipated to grow by 5.2%. Australia and China have committed themselves to significant infrastructure investment, and under the new administration, the United States is also looking at a USD 2 Tn. plan to rebuild its infrastructure.

However, the recovery of the construction industry is predicated on the successful rollout of the vaccine and little to no interruption in activity. With the rise of new variants of COVID-19 and the challenges of distributing vaccines in EMDEs, uncertainty remains high. Furthermore, private investment in the sector will likely be severely impacted as businesses and investors across various sectors recover from the financial toll inflicted upon them in 2020.

SRI LANKAN ECONOMY

The Sri Lankan economy was in the midst of recovering from the Easter Sunday tragedy in 2019 when the global pandemic stopped the country in its tracks. In response, the Government of Sri Lanka (GoSL) took swift action and imposed a lengthy lockdown that successfully contained the spread of the virus. However, the country was hit by capital outflows, exchange rate depreciation, and increased pressure on government finances, leading to a historic economic contraction of -3.6%.

In February 2021, Sri Lanka's foreign reserves hit an 11-year low, and its exchange rate depreciated by -6.5% in Q1 to historic lows. Fitch Ratings downgraded Sri Lanka's sovereign rating from "B-" to "CCC", citing the country's medium-term foreign currency sovereign external debt repayment burden, low foreign exchange reserves, and increasing government debt.

Sri Lanka has concentrated its efforts on attracting Foreign Direct Investments (FDIs) as a key source of creating non-debt inflows by enhancing the country's investment environment. To this effect, the country advanced one place on the World Economic Forum's Global Competitiveness Index to 84th out of 141 countries and 99th out of 190 countries in the World Bank's Ease of Doing Business Index. Improving Sri Lanka's infrastructure will play a critical role in enhancing the country's investment environment. The past decade has seen great advancements in the country's infrastructure network, earning 61st position on the Global Competitiveness Index for infrastructure. However, more work will need to be done to improve Sri Lanka's global standing and attract potential investors.

The GoSL has adopted a pro-growth policy and together with the accommodative monetary policy stance of the Central Bank of Sri Lanka (CBSL), it is expected that the Sri Lankan economy will rebound strongly in 2021. The continued rollout of the vaccine and spillover effects from the recovery of the global economy are also expected to contribute to the strengthening of the economy. The Asian Development Bank (ADB) has projected economic growth to reach 4.1% in 2021 as a result of the GoSL's FDI push and reforms, and low interest rates driving private consumption and investment.

SWOT ANALYSIS

STRENGTHS

- Visionary leadership and skilled and capable top management support
- Diversified company operating across four sectors; construction and construction related materials, property, automobile and mechanical engineering
- 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
- Being a public quoted company on the Colombo Stock Exchange
- Growing net asset base
- Long-term relationship with financial institutes
- Commitment to value engineering resulting in high quality construction, low cost and speedy completion
- In-house service portfolio that complements construction projects including the designs office, piling division, production plants, workshops, etc.
- The decentralised operating structure for project execution that results in high productivity and efficiency
- Having the highest CIDA grading across the most number of engineering disciplines
- Long-term networking and relationship with clients, suppliers, and government
- Receiving best in class knowledge through executing 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
- Strong governance structure in place

WEAKNESSES

- Large portion of company revenue being dependent upon local economy
- Insufficient skilled labour to meet the demand
- Limited experience in overseas project execution

OPPORTUNITIES

- Ability to diversify the product portfolio (e.g. – AAC blocks)
- Overseas expansion with international partners
- Opportunity to execute projects on BOT and PPP basis
- Significant long-term government support for the industry
- Significant contributor to the GDP and total labour force
- Concessionary tax structures for large-scale BOI approved projects
- Lower corporate tax rates on construction industry
- Rising demand for urbanised and vertical living
- Development of Sri Lanka as a logistics hub for transshipment
- Promotion of Non-Conventional renewable Energy (NCRE)

THREATS

- Scarcity of skilled labour in the industry
- Disruptions to business continuation due to COVID-19 pandemic
- Migration of Sri Lankan professionals and skilled staff creating a scarcity of potential quality employees
- Possible delays in client payments resulting in higher finance cost
- Intense competition among existing competitors especially on bidding for government projects
- Barriers to penetrate overseas markets
- Competition from foreign construction firms in the local market
- Changes to monetary and fiscal policy negatively affecting infrastructure development
- Rising cost and scarcity of construction material (e.g. – Sand)
- Continuous rupee devaluation resulting in increased cost of imported raw materials

Operating Environment

ANALYSIS OF POLITICAL, ECONOMIC, SOCIAL, AND TECHNOLOGICAL FACTORS

PEST ANALYSIS

Political factors	
Ecological/ Environmental issues	• Concern on preventing environmental pollution (Air, water, and land pollution) • Continuation and renewal of operating licenses based on the stated rules and regulations of Central Environmental Authority (CEA) and Local Authorities • 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 Authority relating to working hours, minimum wage rates, leave, Employee Provident Fund, Employee 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 have 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 standards 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 (NWS&DB) • 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 GoSL
Funding, grants, and initiatives	• The tendency to increasingly engage in multilateral and bilateral funded projects will improve the flow of foreign funds and grants to the country • Terms negotiated by the GoSL including the criteria for local engagement will have a direct impact on construction contracts • Government budget allocations 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 considerable growth in infrastructure development • Terrorist activities such as the Easter Sunday attack in April 2019 would hamper the economic development and business sentiment in general

Economic factors	
National economies and trends	• Construction industry contributed to national GDP by 6.2% in 2020 • Funding constrains due to Treasury not allocating sufficient funds can influence the progress of infrastructure development activities
General taxation issues	• Reduction of income tax rates for the industry and exempting VAT from condominium housing unit developments is beneficial for the respective industries
Seasonality or other weather issues	• Extreme weather conditions affecting the progress of construction related activities
Special sector factors	• The emergence of the construction boom and high degree of attention towards condominium developments in the country will favour the building construction sector
Interest and exchange rates	• Interest rate specifies the borrowing capacity and influences the investment process especially if the projects are debt financed • Depreciation of the Sri Lankan rupee has led to foreign exchange losses and high cost of imports for raw materials such as cement and steel
International trade and monetary issues	• Tendency to import construction related materials and machinery from low cost destinations will reduce the cost of construction • Import restrictions imposed on selected goods limiting import dependent ventures • 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 • Remote working and working from home (WFH) becoming a trend due to the COVID-19 pandemic
Demographics	• Ageing population creating limitations for the potential workforce especially engaging in construction related works
Job perceptions	• Majority of the job seekers especially in construction industry trying to get into white-collar jobs than blue-collar jobs creating a scarcity of skilled labour
Superstitious believes	• Beliefs on auspicious and non-auspicious times of the day and the year in building construction sector and especially in individual house building sector
Consumer attitudes and opinions	• People becoming more environmental concern creating a tendency to demand for more sustainable construction technologies and methodologies. This result in further emphasis on Green construction methods
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	• Outbreak of COVID-19 and disrupting the usual business and daily life patterns of the people

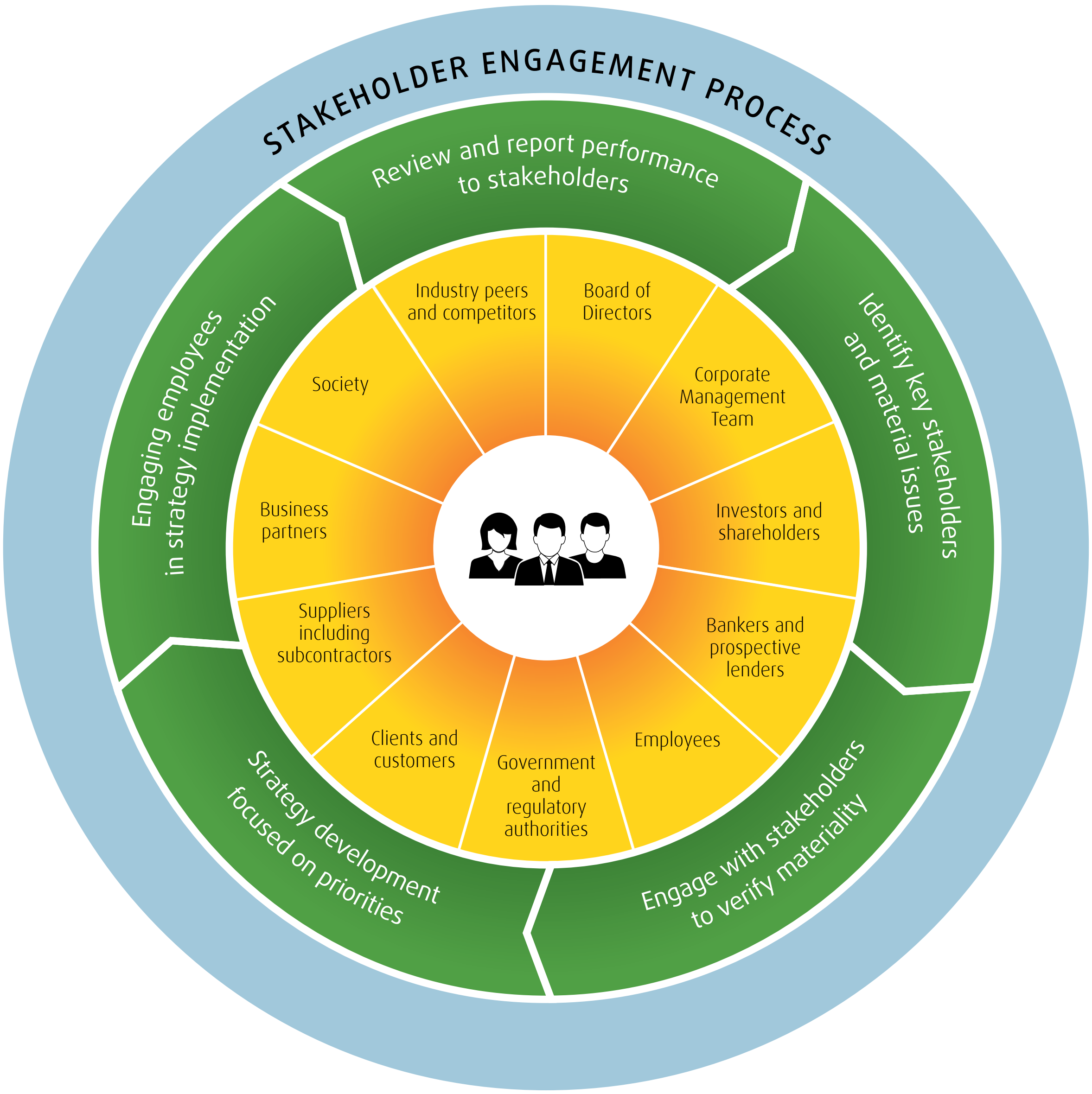
Operating Environment

Technology factors	
Competing technology development	Development of modern techniques that; – Reduce the use of natural resources and raw materials such as manufactured sand – Reduce pollution such as use of fly ash from powerplants to create concrete blocks – 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 – Remote monitoring of construction progress using drones – 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 been introduced and used in Sri Lanka
Innovation potential	Heavy emphasis on research and development to further initiate technological advancements and construction materials
Maturity of organisation's products/services	Construction related products and services do not face the problem of having a shorter life cycle. Most of the products are perceived as long-term investments. Technology and construction methods used in the industry evolves, creating better productivity

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

Stakeholder Engagement

Sustainable development is a key concern for Access Engineering. To achieve this, we engage with our internal and external stakeholders to gauge their short-term and long-term interests and concerns. Our stakeholder engagement process proactively engages all our stakeholders in line with our strategic priorities and once we identify their needs and expectations, we determine how best to integrate their concerns into our decision-making process.

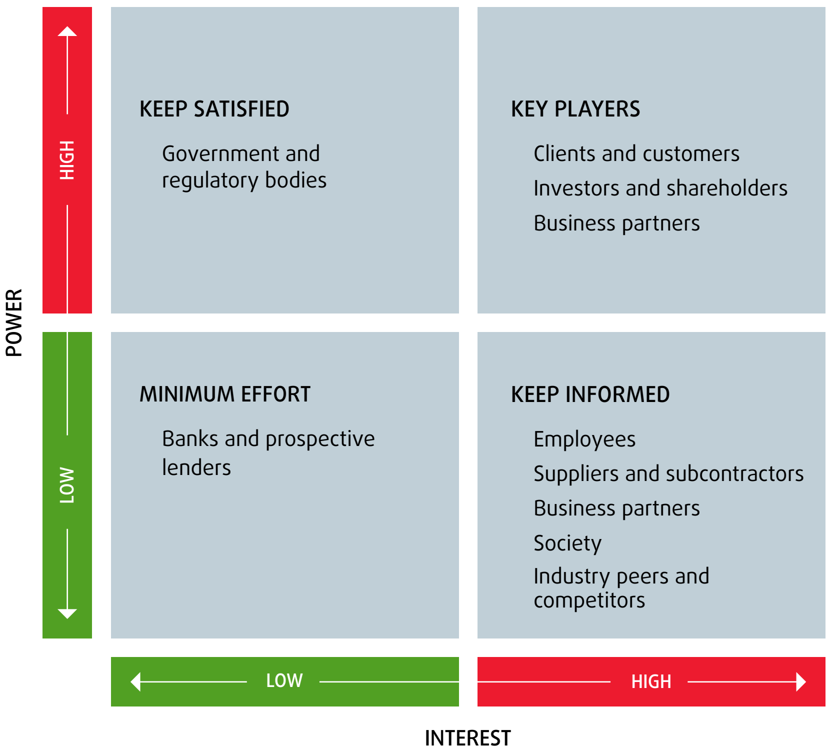


GRI 102-42, 102-43

Stakeholder Engagement

IDENTIFY KEY STAKEHOLDERS AND MATERIAL ISSUES

Our stakeholder engagement process begins with the identification of our key stakeholders and the issues that are material to them. This process involves the analysis of the internal and external environment while monitoring micro and macroeconomic factors and lining them up 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 in AEL's operations and activities, as shown below:



BASIS OF IDENTIFICATION AND SELECTION OF STAKEHOLDERS WITH WHOM TO ENGAGE

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. AEL remains mindful of engaging at least on a minimum level with other stakeholder groups.

ENGAGE WITH STAKEHOLDERS TO VERIFY MATERIALITY

Assessing the materiality of issues is an ongoing process that includes consulting with internal and external stakeholders. This enables AEL to accurately assess the materiality of issues and engage them in the early stages of the decision-making process.

STRATEGY DEVELOPMENT FOCUSED ON PRIORITIES

After the verification of issues with stakeholders, appropriate engagement strategies are developed which are then prioritised. Prioritisation of issues enables AEL to proactively attend to stakeholder concerns and direct its resources and management efforts to the issues at hand while reducing the lead time.

ENGAGE EMPLOYEES IN STRATEGY IMPLEMENTATION

The next stage of engagement is the implementation of prioritised strategies. AEL engages its employees in devising strategies to address stakeholder issues and implementing them based on the interest and power each stakeholder group exerts. This process devises methods of engagement with stakeholders which involve utilising the responsive methods that enable fast decision-making.

REVIEW AND REPORT PERFORMANCE TO STAKEHOLDERS

AEL reports the outcomes of the engagement process to stakeholders on a regular basis. The regulatory and statutory requirements which act as minimal criteria in deciding the frequency of engagement is also considered. AEL follows this process iteratively, improving the engagement with stakeholders in each cycle and delivering 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 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 the outside world • Protecting Company assets and shareholder interests • Establishing and enforcing a sound system of governance
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 AEL 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: • 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. 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 the extra mile for the benefit of the Company to achieve its goals and objectives. In return for their commitment, the employees expect AEL to provide them with a fair remuneration, 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.
Government and regulatory bodies	Maintaining cordial relationships with the GoSL is particularly important to the Company since most infrastructure projects are initiated by the Government. The client and the project proponent of the majority of our projects is a government institution. 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. The Government also expects us to actively participate in uplifting the industry standards. Regulatory bodies and authorities play a vital role in approving and reviewing completed, ongoing, and future infrastructure development projects. They also expect AEL to fully comply with all their rules and regulations.

Stakeholder Engagement

Stakeholder group	Rationale for engagement and expectations
Clients and customers	Maintaining cordial relationships with clients is important since most 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	The construction industry is heavily dependent on raw materials 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 can carry out work in an uninterrupted manner, who are trustworthy, competitive in terms of pricing, quality of service offered and flexibility, easy to communicate with, hold 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 AEL to be a leader in knowledge-based value engineering, we need to liaise with companies specialising in specific areas, enabling a valuable knowledge transfer process. They also collectively expect us to safeguard their interests and honour their obligations on time while building progressive sustainable relationships. As a Sri Lankan business enterprise having executed a vast number of infrastructure development projects in joint partnerships, business partners are a key stakeholder for AEL.
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 especially important to succeed in this industry. The general public also expects us to generate direct and indirect employment.
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 standards of the industry 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.

APPROACH TO STAKEHOLDER ENGAGEMENT

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 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	Continuous
	"News Within" newsletter Newsletter blog	Quarterly
	Performance appraisal and rewarding Annual get-together and staff outing Sports carnival Joint communication from MD and COO via mail to every employee Annual staff forum	Annual
	Employee satisfaction surveys	As and when required

Stakeholder group	Method of engagement	Frequency of engagement
Government and regulatory bodies	• Public private partnership projects • BOT 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 Notification Period (DNP)	Continuous
Suppliers and subcontractors	• Subcontractor/supplier evaluation • Progress review meetings • Updated website • Contract negotiation and communication • Procurement Committee meetings • "Green Tape" e-procurement platform	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

KEY TOPICS AND CONCERNS RAISED THROUGH STAKEHOLDER ENGAGEMENT

GRI 102-44

Stakeholder group	Key concerns raised during the year	Company response
Board of Directors	Facilitation of meetings with no physical interaction	Most of the Board meetings were conducted online via MS Teams or Zoom
	Rationalisation of business activities	• Scrutinised and strengthened the monitoring of subsidiary performance • Review subsidiaries that were underperforming with a view to restructure them for a new direction • Investments in forward and backward integration activities
Corporate Management Team	Improving efficiency and productivity	• Further strengthened cost and project management functions • Restructuring of some project execution units to better focus on their specialisations • Expansion of core business activities including investments in new material plants
	Timely securing of projects	Vigilant and proactive business development efforts
Investors and shareholders	Provision of a monetary return on their investment	Declared LKR 1 Bn. in dividends
	Providing up-to-date information about the affairs of the Company	• Regular updates on the website • 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 stockbroker companies • Participation at investor forums, both local and foreign • One-to-one meetings with institutional investors, stockbroker firms, research companies, etc.
Bankers and prospective lenders	Effective treasury management	Negotiated better terms with financial institutions and strengthened treasury management functions at the Group level
Employees	Need of recognising and rewarding high performers	Continued the performance-based evaluation and 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 technical aspects
	Need to provide staff with up-to-date information about the Company	"News Within" quarterly newsletter
Government and regulatory bodies	Need to participate in the infrastructure development drive/initiatives of the Government	Carried out infrastructure development projects throughout the country
	Need to jointly execute projects as investment partners	• Initiated the Company's first BOT project to build a public car park at Union Place • Commenced "Elliot Place Housing Project" on a PPP model with the UDA
	Need to comply with all government and 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

Stakeholder group	Key concerns raised during the year	Company response
Clients and customers	Speedy delivery of projects at a lower cost	Provided solutions that are cost effective 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
	Need to further improve transparency and efficiency in procurement	Completed preliminary work for the implementation of "Green Tape"; an online e-procurement system
Business partners	Need to maintain sound business relationships	• Carried out projects in partnership with foreign principals • Continuous training for business development staff
	Need to further enhance business partnerships beyond Sri Lanka	• Initiated the T – mall flyover project with one of our long-standing business partners; Centunion SA of Spain
Society	Addressing the timely needs of the public	• Carried out various social responsibility initiatives • Offered direct and indirect employment and training opportunities
	Enhancing the knowledge base of the industry	• Launched the Innovation Hub named "Idea Nest" to provide the younger generation with an opportunity to innovate • 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 the Central Expressway in partnership with local contractors

GRI 102-47, 103-1

Materiality

We determine the materiality of a matter to evaluate how it could affect our ability to create value over the short, medium, and long-term. As we formulate our strategy, we identify and assess material issues which then enables us to prioritise certain areas over others to better focus our efforts and resources. These topics are analysed according to their importance to the Company and its stakeholders by the Board and the Management.

AEL has identified aspects that are material to the Company and its stakeholders, in the context of its economic, environmental, and social agenda for sustainable value creation. The topics AEL considers to be important are accordingly rated as low, moderate, and high. AEL has adhered to the GRI Sustainability Reporting Guidelines "GRI Standards" in this process.

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

GRI 103-1, 103-2, 103-3

Materiality

MATERIALITY DETERMINATION PROCESS

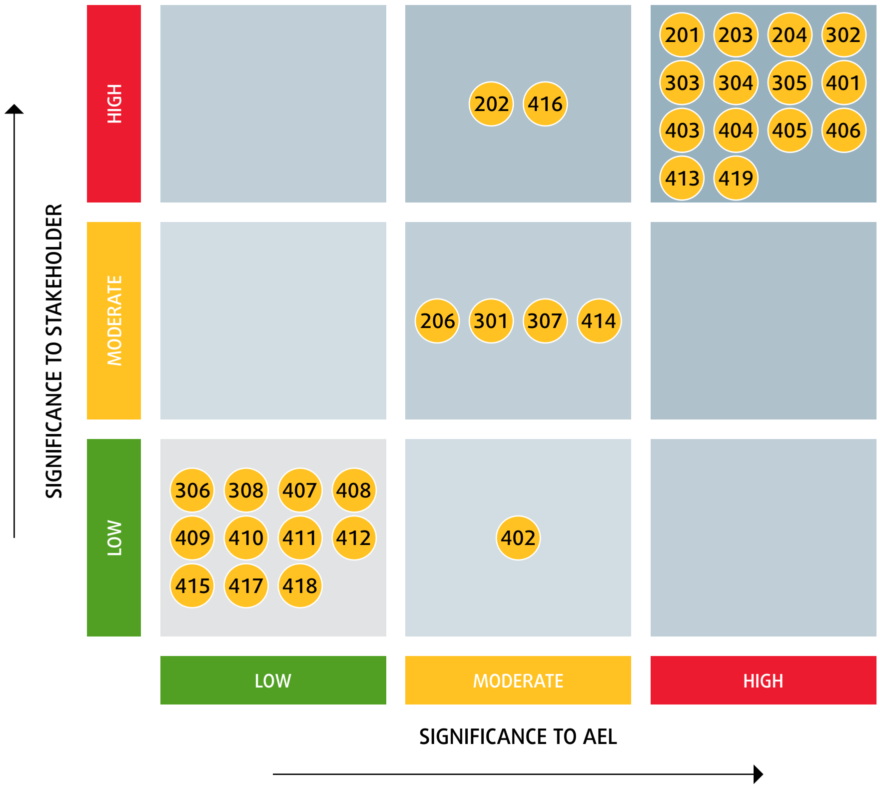
The materiality matrix shows the aspects that were identified to be material to AEL and its stakeholders based on the determination of the following factors.

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 the UN Global Compact and United Nations Sustainable Development Goals (UNSDG)



MANAGEMENT APPROACH

ECONOMIC PERFORMANCE

Economic viability is the foundation of long-term sustainability and a prime driver of stakeholder wealth maximisation, and thus is a significant material topic to AEL. We strive for organic and inorganic growth by engaging in various economic activities, acquisitions and mergers, and entering into new ventures. We make continuous investments in construction plants, equipment, and machinery as a means of supporting organic growth. We add new business verticals within our core construction activities as we deem necessary in order to gain new experience in diversified fields of engineering. We also acquire lucrative business ventures, make prudent investments, and move into related diversification to support our inorganic growth. In this endeavour during 2020/21 we invested in 50% of Lanka AAC (Pvt.) Ltd. which is into the construction of autoclave aerated concrete blocks. Similarly investments were made to establish new construction material production plants to cater the growing demand for asphalt.

Along with retaining sufficient resources to fuel our sustainable growth prospects, we also maintained our dividend disbursement at a satisfactory level, 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 primary 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.

GRI 103-1, 103-2, 103-3

PROCUREMENT PRACTICES AND CUSTOMER HEALTH AND SAFETY

AEL has established long-term, healthy relationships with its suppliers and subcontractors over the years. We evaluate suppliers through a stringent screening process and as part of our engagement with the local community, we strive to utilise as many local suppliers as possible. We also consider the health and safety of the general public to be of paramount importance. We conduct all our operations and build our infrastructure in accordance with all required health and safety guidelines. During 2020/21 we initiated the implementation of an e-procurement system; "Green Tape" to further streamline our procurement function and improve transparency.

ANTI-CORRUPTION AND ANTI-COMPETITIVE BEHAVIOUR

AEL takes every possible measure to prevent corruption from occurring. We educate our employees and evaluate our Company through annual financial reports, audits, and other controlling measures. We are cognisant of how anti-competitive behaviour can impact the industry as a whole and have always maintained cordial relationships with our competitors, reflective of our wish to maintain professionalism in our dealing with the external world.

ENERGY

AEL is aware that the construction industry is energy intensive with high electricity and fuel consumption. We adopt energy saving practices to minimise our consumption wherever possible, including:

- Using renewable energy such as solar power wherever possible
- Using and investing in energy efficient construction methodologies, equipment, and the latest technologies
- Recording, monitoring, and improving energy consumption
- Educating employees on the importance of being energy efficient
- Each business unit is given a target on energy consumption and monitored by our Management Systems Team

WATER

Our core business is a heavy consumer of water. 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 water
- Budgeting water consumption for each activity/project and rigorous monitoring of the 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 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), which is also externally verified. We set an annual target for emissions at the beginning of each financial year and conduct audits. The 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 EMS are the primary means of communication on biodiversity issues. We also plant trees and have implemented an 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 core element of AEL. 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 potential candidates. We incentivise our employees 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. Due to the nature of the industry, our workforce is primarily made up of male workers although we make every possible effort to recruit females. As a responsible corporate, we adhere to all local labour laws and regulations. We have prepared an employee handbook which communicates the benefits, rules and regulations, administrative matters, and 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 necessary regulations in remuneration and other benefits. We also conduct annual performance appraisals to monitor and evaluate employees' performance.

GRI 103-1, 103-2, 103-3

Materiality

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

TRAINING AND EDUCATION

In an industry with a dearth of highly skilled labour, AEL recognises the importance of training and development programmes. We offer internal and external programmes to employees, including those in worker categories. We conduct a training needs analysis through performance evaluations and recommendations of managers. AEL formulates a training calendar every year, after which a formal evaluation is conducted by the HR Department to help with gap analysis and provide feedback, which leads to further improvements.

DIVERSITY AND EQUAL OPPORTUNITY

The AEL family welcomes those from different backgrounds. We are a diverse, equal opportunity employer. Though most of our staff is made up of males, we make every effort to reduce the gap in gender by employing females. Our rewards scheme, promotions, and recruitments are conducted in a highly transparent and 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

AEL recognises that our projects may have a significant impact on the communities that we operate in. We support local communities by creating direct and indirect economic benefits, including generation of employment, sourcing materials locally, and engaging in community building initiatives. Our projects have the potential to affect local communities. We contribute to them 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 Annual Report also forms an important part of communicating our work to uphold communities. Our CSR programmes are constantly reviewed and evaluated at monthly progress meetings and performance review meetings. We comply with all applicable laws and regulations across all our operations.

Strategic Direction

Rooted in our vision, "To be the foremost Sri Lankan business enterprise in value engineering", AEL's strategy has been designed to deliver sustainable, profitable growth, creating value in the short, medium, and long-term for all our stakeholders. We adopt an inclusive, company-wide approach in the formulating our strategy by engaging all our stakeholders. The following are the strategic imperatives that drive our operations.

ENSURING SUSTAINABILITY IN ALL OPERATIONS

AEL is committed to sustainability and financial growth in all operations with a focus on the triple bottom line. Environmental preservation is a priority for AEL and we ensure that we conduct our operations in an accountable manner which minimises our environmental impact. We expand organically by strengthening our internal systems and processes, and externally, we acquire lucrative businesses that we consider having synergies with our core business and potential for expansion. 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 recognise that the sustainability of AEL rests on our highly skilled, loyal workforce and we continue to attract and recruit the best talent in the industry. We support our employees by any means possible to create a safe, healthy, and engaging working environment.

KPIs

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

WINNING HIGH QUALITY CONTRACTS IN OUR CHOSEN MARKETS AND FIELDS

Winning high quality contracts ensures that our brand is synonymous with high standard infrastructure projects in the country, which also forms the basis of our business continuity. Our leadership in the sector is the result of consistent, continued trust placed in us by our clients. We take care to maintain a balance between the orders at hand and bid capacity. We usually maintain our order book to the size of two years' revenue so that we can withstand any negative economic sentiment or delays in policy decisions. A large order book will restrict our capacity to bid and hence we maintain an optimum ratio between 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. To consistently win high quality contracts, we embrace new engineering disciplines and review the market to anticipate changes. Moreover, we continue to extend integrated service offerings utilising synergies/skills between services and construction projects 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

AEL is committed to delivering a best-in-class service to our clients through the prudent management and execution of our projects. Through the practice of value engineering, our core ethos, we deliver superior products and services at the lowest cost optimising the resources. Our internal processes work at the optimal levels to prevent any unforeseen circumstances. Stakeholder engagement at every stage of a project has helped us in the successful execution of our projects. We have also maintained leadership in the sector in quality, environment management, health and safety, and sustainability. We continue to raise the bar in terms of time, cost, and quality performance. Our use of cutting-edge technology and adoption of modern construction techniques have greatly enhanced our productivity.

KPIs

1. Revenue growth
2. Operating margin
3. Earnings 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

Strategic Direction

BEING THE PREFERRED PARTNER AMONG INTERNATIONAL CONTRACTORS

AEL has established itself as an industry leader over the years and our reputation and brand have enabled us to effect multiple business partnerships, including 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 established new partnerships with reputed international entities that have allowed us to expand beyond our shores and facilitated our investments. These synergies have led to knowledge sharing, knowledge transfer, and exposure to best practices in construction at the global level. In maintaining these relationships, we have evolved from 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

AEL's objective of being the preferred employer of choice has resulted in extending our offerings to our employees and potential employees. Operating in a sector that has a high turnover rate and a dearth of skilled labour, we focus on employee retention by investing in our workforce. We conduct leadership programmes (technical and non-technical) across 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. The result is that 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

Commitment to the Sustainability Development Goals

1 NO POVERTY

- Island-wide network of 16,893 suppliers fostering economic empowerment and creating livelihood
- New employment opportunities generated – 1,539 and Industrial placements – 135
- CSR projects - Sponsorships for the SOS Children's Village

2 ZERO HUNGER

- Maintaining a plant nursery attached to the mechanical workshop, so that plants will be available for internal tree planting programmes as well as for outsiders
- Providing buffet meals for site-based staff

3 GOOD HEALTH AND WELL-BEING

- Health-screening programme covering several sectors – Total of 720 screenings
- Personal accident and death insurance coverage for staff members
- CSR projects – Sponsorships for the Sri Lanka Welfare Society of the Blind

4 QUALITY EDUCATION

- Training and development – Total of 122 programmes for 2,014 participants covering 8,133 hours with an investment of LKR 2.34 Mn.
- On the job training to employees
- CSR projects – Desk and chair donation project, classroom building development, distribution of school books and bags

5 GENDER EQUALITY

- Gender equality practices
  - Maintain an equal ratio of basic salary remuneration between men and women
  - Gender equality in the workplace – providing equal pay packages, providing equal opportunities for progress and promotion, providing training and development opportunities for both men and women etc.
- MD's statement – "We are a gender neutral employer giving equal opportunities to both men and women"

6 CLEAN WATER AND SANITATION

- Water recycled and reused within the year: 2,621.15 m^3

7 AFFORDABLE AND CLEAN ENERGY

- Use of renewable energy sources whenever practicable
- Energy preservation methods – Usage of CFL and LED bulbs, insulation for roofs to control heating, procuring energy efficient machinery, etc.

8 DECENT WORK AND ECONOMIC GROWTH

- Employment – 2,785
- Value creation to staff through continuous training and development initiatives and timely performance evaluation and career development opportunities
- Financial and non-financial benefits to staff

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- IDEANEST – Innovation hub by AEL
- Innovative technology – 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

Commitment to the Sustainability Development Goals

10 REDUCED INEQUALITIES

- Contribution to employment outside Western province – 18% out of total employment

11 SUSTAINABLE CITIES AND COMMUNITIES

- Project locality – recruiting local workers and sourcing from local material suppliers whenever possible in project sites and thereby creating livelihood

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Adherence to CEA and other environmental regulations
- Initiatives to save raw materials

13 CLIMATE ACTION

- AAC blocks – substitution for traditional clay bricks and cement blocks made predominantly using Fly ash which is a by-product of the energy industry
- Anticipating and addressing concerns during the design stage which leads to reduction in energy consumption and consequently GHG emission in the long term
- Measuring emissions of generators, vehicles, and other machinery to identify any abnormal compositions in the emission
- CEA-approved agents used for recycling and reusing waste paper, barricade tapes, used batteries, glass wool, HDPE waste, etc.
- Total waste paper recycled – 463 kg

14 LIFE BELOW WATER

- Bentonite slurry is used in drilling pile boreholes to prevent the collapse of soil into the hole and avoid water absorption to the land
- Cement-contaminated water generated in the batching plants and cement and sludge contaminated vehicles is sent through a sedimentation process in CED and reused to wash truck mixtures, vehicles, etc.

15 LIFE ON LAND

- CSR projects – "*Husma Dena Thuru*" and other Tree Planting Project
- Patron Member of the Business and Biodiversity Platform of the Ceylon Chamber of Commerce

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

- Strong Corporate Governance Practices ensuring integrity and transparency

17 PARTNERSHIPS FOR THE GOALS

- AEL is a signed signatory to UNGC and is an active partner in achieving SDGs

Capital Trade-offs

AEL considers resource allocation to be a top strategic priority to facilitate our operations and maximise returns. The prudent allocation of our resources in the form of capitals, financial, manufactured, intellectual, human, social and relationship, and natural enables us to create sustainable value for our stakeholders.

The capitals interact with each other and operate interdependently to create and deliver value to all our stakeholders. The process of transforming the inputs into outputs and outcomes are illustrated in "Our Value Creation Model" on page 42.

Resource allocation is embedded in our corporate strategy, wherein our Management seeks to achieve equitable distribution of resources while taking into consideration the trade-offs in the allocation of financial capital and other resources to create value.

An example is how we invest in our human capital through various training and development initiatives. These programmes contribute to the professional development of our employees, improving their expertise in niche fields related to our operations. We consider this to be an investment rather than an expense as we believe that a well-trained employee will be more engaged and thus contribute to the overall efficiency of our operations. Although this may reduce the profit generated for financial capital, it has the long-term effect of improving the efficiency of our operations which will lead to efficiencies gained in time and costs. We adopt a similar attitude towards investment in community development initiatives, which creates social value and improves the Company's corporate image as a socially responsible corporate citizen. AEL recognises the significance of equitable resource allocation and capital trade-offs and their impact on the Company, its capitals, and its operations as a whole.

Our Value Creation Model

Key inputs

FINANCIAL CAPITAL

- Base of over 9,712 equity shareholders
- LKR 22.4 Bn. equity employed
- LKR 8.1 Bn. obtained from banks and financial institutions
- LKR 1.7 Bn. used in operations

MANUFACTURED CAPITAL

- LKR 364.5 Mn. invested in heavy machinery and equipment
- LKR 1.4 Bn. fleet of machinery
- 26 production plants in Sri Lanka

INTELLECTUAL CAPITAL

- LKR 18.9 Mn. invested to upgrade integrated information and planning systems
- The AEL Brand

HUMAN CAPITAL

- 122 internal and external training programmes conducted
- Total staff and labourers 2,785
- AEL organisational culture

SOCIAL AND RELATIONSHIP CAPITAL

- Network of 16,893 suppliers

NATURAL CAPITAL

- Energy consumption 495,010,501 joules
- Water use 141,142 Cubic metres

VALUE IN

Our value creation process

VALUE OUT

Outputs

FINANCIAL CAPITAL

- Profit after tax of LKR 2.33 Bn.
- LKR 802 Mn. interest paid to financial institutions
- LKR 1 Bn. dividends declared
- LKR 500 Mn. dividends paid during the year

MANUFACTURED CAPITAL

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

INTELLECTUAL CAPITAL

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

HUMAN CAPITAL

- LKR 2.6 Bn. paid and distributed among employees
- LTIFR ratio of 3.79
- 135 industrial placements offered

SOCIAL AND RELATIONSHIP CAPITAL

- 2,940 pairs of desks and chairs distributed to 83 schools
- LKR 2.45 Bn. paid to subcontractors
- LKR 3.05 Bn. spent on local suppliers
- LKR 4.1 Bn. worth of projects executed in joint partnerships

NATURAL CAPITAL

- 12,287 trees planted
- 463 kg of wastepaper recycled
- 92.6 kg reduction in GHG emissions

VALUE SHARED

Outcomes

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

- A diverse, innovative product portfolio
- A vibrant business entity that is resilient to changing client needs
- At the forefront of technological advancements

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, LOCAL COMMUNITY AND GOVERNMENT

- Infrastructure development driving local economic growth
- Development of the local community
- A corporate citizen committed to sustainable development
- An exemplary culture of compliance
- Public Private Partnerships leading to projects of National importance

ENVIRONMENT

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

Our Business Portfolio

CONSTRUCTION

- ROADS AND HIGHWAYS
- BUILDINGS AND PILING
- WATER AND WASTEWATER
- POWER INFRASTRUCTURE

OTHER

- AVIATION
- TELECOMMUNICATIONS
- ENGINEERING DESIGNS
- FABRICATION

CONSTRUCTION-RELATED MATERIALS

- ASPHALT PRODUCTION
- CONCRETE PRODUCTION
- QUARRY OPERATIONS
- CRUSHER OPERATIONS
- AUTOCLAVED AERATED CONCRETE BLOCK PRODUCTION

PROPERTY

- OFFICE AND COMMERCIAL SPACE LEASING
- REAL ESTATE SERVICES

AUTOMOBILE

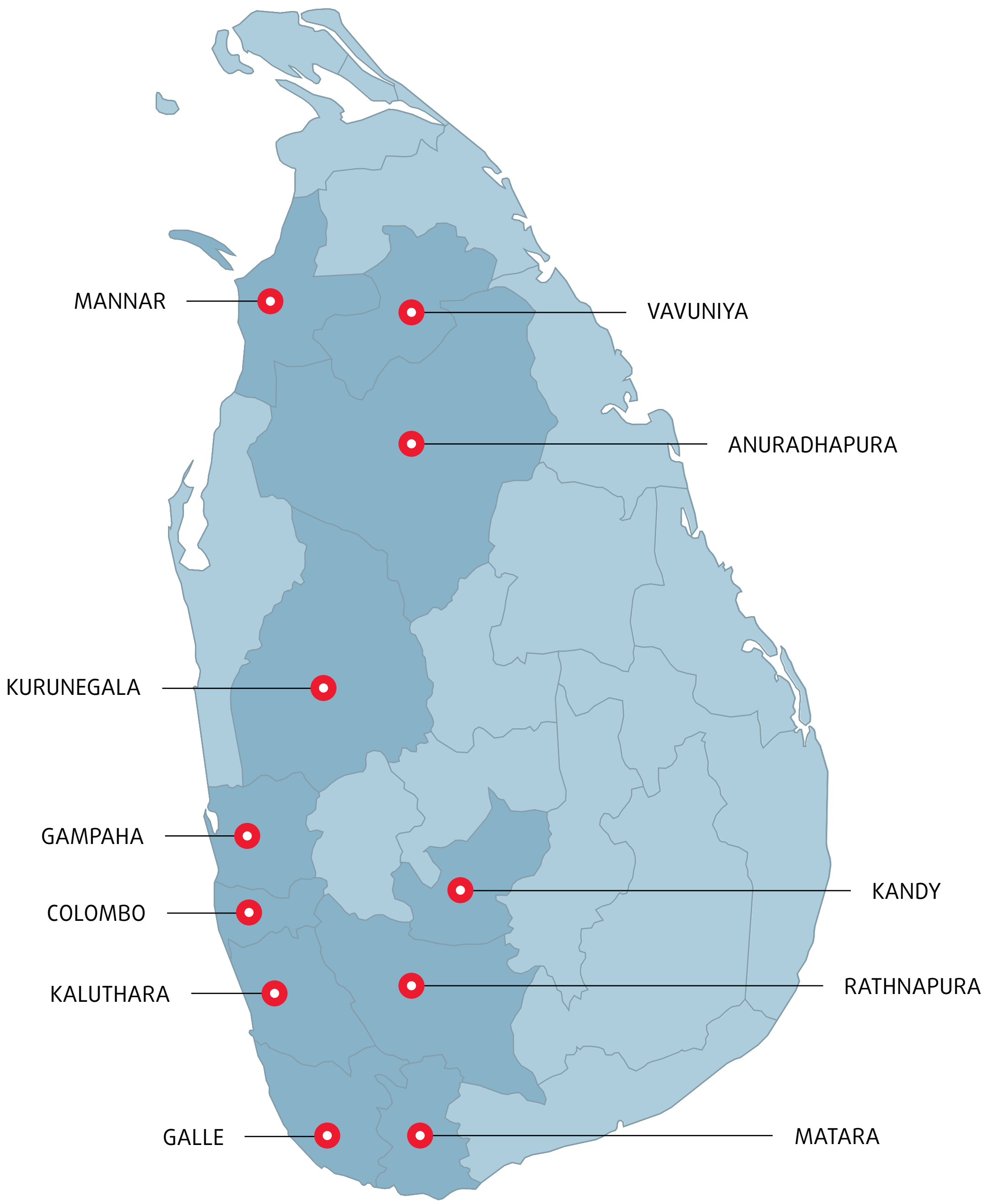
- NEW VEHICLE SALES
- SPARE PARTS SALES
- WORKSHOP SERVICES

LIGHT COMMERCIAL VEHICLES

LUXURY PASSENGER VEHICLES

MECHANICAL ENGINEERING

SPREAD OF AEL OPERATIONS IN 2020/21



Our Business Portfolio

ANURADHAPURA

- Anuradhapura North Water Supply Project – Phase I
- Dialog Optical Fibre Backbone Network Project

COLOMBO

- SLT New Subscriber Connection Project
- Dialog Sprout Connectivity Project
- Central Equipment Division – Kaduwela
- Scaffolding Unit – Ranala
- Fabrication Unit – Ranala
- Design Unit – Colombo 2
- Substructure, Piling and Diaphragm Wall Construction of Substructure, Piling and Diaphragm Wall Construction of ODEL Mall – Colombo 7
- Piling works and Diaphragm Wall construction works for proposed Commercial Development at Bauddhaloka Mawatha
- Piling Works of Sherwood Apartments' Condominium Development by Complement Investments – Battaramulla
- Piling Works of Maritime Facilitation Centre for Sri Lanka Ports Authority – Colombo 1
- Piling Works of Vallibel Finance – Kollupitiya
- Piling Works of Obesekarapura 300 Housing Units Project
- Muitistoried Car Park at Pettah
- Piling Works and Diaphragm Wall Construction of the Proposed City Hotel and Damro Showroom – Colombo 3
- Nanotechnology Building Phase IB – Homagama
- Stabilisation of Cut Slopes at Nugagahapura Housing Scheme
- Geotechnical Investigation of Roads from Port City to Madampitiya Sewerage Treatment Plant
- Excavation and Shoring Work Harbour Village
- Proposed Research Centre for SLTC – Padukka
- Urban Regeneration Project – City of Colombo
- Design, construction and financing of Housing Project at 601 Watta, Cyril C Perera Mawatha, Bloemendhal
- Design and Construction of 1,000 Housing Units at Stadiumgama
- Design, Construction and Financing of Housing Project at Elliot Place – Borella
- Design, Construction and Financing of 432 Affordable Housing Units at Orugodawatta – Phase 02

GAMPAHA

- Widening and Improvement of the Colombo-Kandy Road Section – Nittambuwa to Pasyala
- i Road Project
- Construction of Proposed Package – A of the Central Expressway Project Section II – Mirigama to Riloluwa
- Asphalt Plant – Kotadeniyawa
- Asphalt Plant II – Kotadeniyawa
- Quarry – Mirigama
- Crusher Plant – Mirigama
- Crusher Plant II – Mirigama
- Sand Washing Plant – Mirigama
- Concrete Batching Plant – Mabima
- Concrete Batching Plant – Peliyagoda
- Ceylax Naiwala Water Tower
- George Steuart Tea Factory – Kelaniya
- Piling Works for Grid Substation Project in Kirindiwela
- Damro Kelaniya Showroom
- Proposed Bauer Service Centre at Kadawatha
- The Development of a Logistics Park at Kimbulapitiya including Warehouse Facility for Camso Loadstar
- Damro showroom in Wattala
- Piling and Earth Works for the New Terminal Building and Viaduct at Bandaranaike International Airport

KALUTARA

- Asphalt Plant – Mathugama
- Crusher Plant – Mathugama
- Concrete Batching Plant – Kandana
- Quarry – Mathugama
- Quarry – Walallavita

KURUNEGALA

- Deduruoya Water Supply Project – Deduruoya
- Asphalt Plant – Giriulla

GALLE

- Dialog Sprout Connectivity Project
- Concrete Batching Plant – Balapitiya

MANNAR

- Civil Works of Construction of 100 MW semi dispatchable wind farm in Mannar Island
- Concrete Batching Plant – Mannar

RATNAPURA

- Dialog Optical Fibre Backbone Network Project

KANDY

- Asphalt Plant – Mailapitiya
- Crusher Plant – Mailapitiya
- Dialog Optical Fibre Backbone Network Project

MATARA

- Quarry – Hakmana

VAVUNIYA

- Asphalt Plant – Vavuniya
- Quarry – Omanthei
- Quarry – Maruthamadu
- Quarry – Vavuniya
- Crusher Plant – Vavuniya
- Crusher Plant II – Vavuniya
- Crusher Plant – Maruthamadu

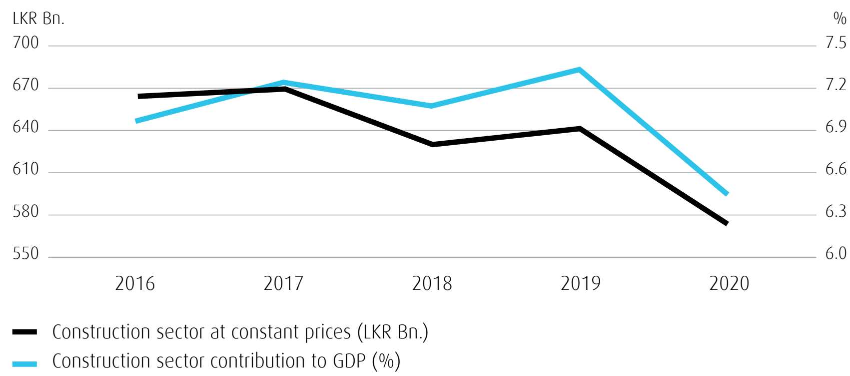
*Icon keys given on page 44

CONSTRUCTION

Industry sector discussion and analysis

The lockdown and ensuing restrictions led to a decline in construction and manufacturing activities in the country, which led to a -6.9% contraction in industry activities in 2020 against a 2.6% growth in 2019. Specifically, construction activities contracted by -13.2% in 2020 compared to 4% growth in 2019, while mining and quarrying activities contracted by -12.5% in 2020 compared to 2.8% growth in 2019. The slowdown in construction activities was reflected in the reduced availability of cement in the country (-11.5% in 2020) and reduction in building material imports, which was partly due to import restrictions. In the latter part of the year, a low interest rate environment led to Licensed Commercial Banks (LCBs) increasing credit granted to the private sector for construction activities, thus spurring a recovery in construction and mining activities.

YOY GROWTH



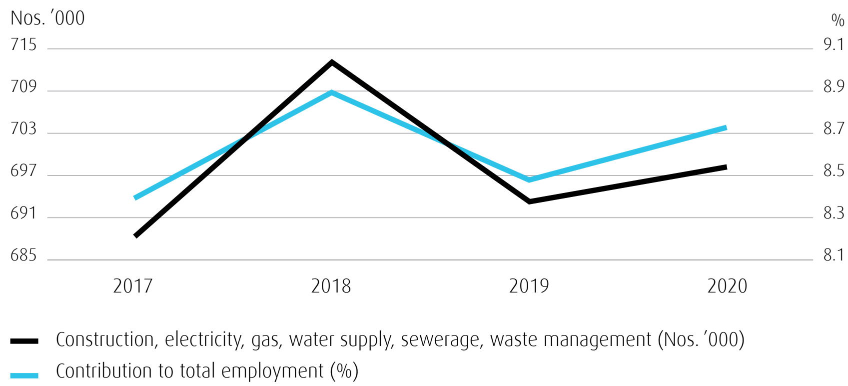
Source – CBSL 2020 Annual Report

Despite these setbacks, the construction segment's contribution to the country's GDP was 6.2% in 2020 compared with 6.9% in 2019, the second largest contributor to the Industries sector of the GDP. Although the country's economic infrastructure experienced several setbacks in development activities due to the impact of the COVID-19 pandemic, the strong infrastructure base of the country acted as a buffer and facilitated the continuation of economic activity during this challenging period. Most foreign-funded projects did not experience a slowdown due to the availability of sufficient funding support.

The investment in large-scale infrastructure projects is one of the key strategies that Sri Lanka has employed to fuel economic growth, with the Government's efforts to enhance the country's infrastructure sustaining growth in the manufacturing sector and expansion of municipal utilities contributing to the growth in construction spending. As personal income levels continue to rise along with household growth and population migration from rural to urban areas, the need for better construction facilities and road infrastructure developments and increased investment in railways, ports, power transmission, and water utilities will continue to grow as well.

The construction sector also employs a significant number of people and creates a vast number of indirect employment opportunities too. In 2020 the construction, electricity, gas, air conditioning, water supply, sewerage and waste management collectively accounted for 8.7% of the total workforce.

TOTAL EMPLOYMENT



Source – CBSL 2020 Annual Report

Financial and sustainability indicators

FINANCIAL (LKR)

Turnover	12,982,362,685
Assets	39,763,015,401
Profit	1,828,934,571

HEALTH AND SAFETY

Safety hours	7,913,591

HUMAN RESOURCES

Number of employees	2,375

SUSTAINABILITY

Electricity consumption	1,192,777 kWh
Water consumption	86,060 Cubic metres

Note 1 – Financial and sustainability indicators include only local operations
Note 2 – Sustainability indicators and safety hours are excluding Access Projects (Private) Limited.

Access Projects (Pvt) Ltd.

Access Projects is an 80% owned subsidiary of AEL providing architectural and engineering building solutions to a broad range of clients. The company primarily deals in the property development and leisure industry for construction, refurbishment, and renovation, and has a significant share in the aluminium and ceiling segment in Sri Lanka.

Access Projects is the local authorised agent in Sri Lanka for:

Aluk Group S.p.A. Italy for total aluminium works

Ninz S.p.A. Italy for steel fire-rated doors and non-fire doors

RAM Metal Industries LLC (UAE) for metal ceiling systems

Academy of Design (AOD) building designed and built by Access Projects.

AEL East Africa Limited

AEL East Africa Limited is a 100% owned subsidiary of AEL incorporated in the Republic of Kenya. The company is involved in the construction of the T-mall Flyover, a four-lane flyover on Lang'ata Road that is expected to reduce traffic congestion at several locations. The project scope also includes the construction of footbridges across Mbagathi Way and at Nyayo Stadium. The project commenced in July 2020 and AEL expects to complete its scope of work by May 2022.

CONSTRUCTION

ROADS AND HIGHWAYS

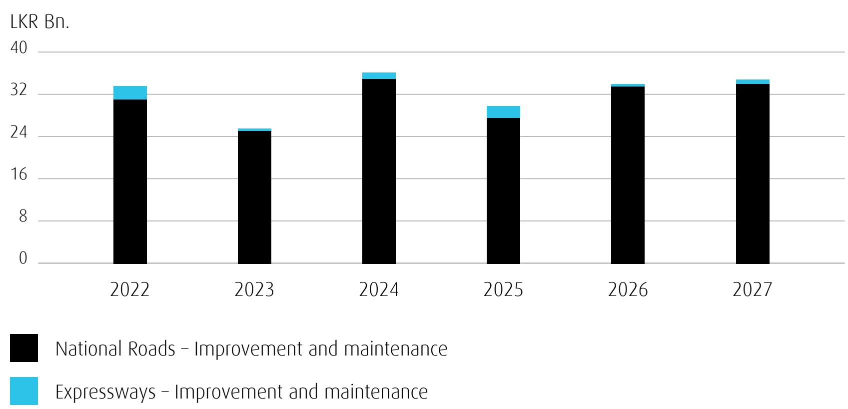
Industry sector discussion and analysis

Roads and transport networks are crucial components to alleviating poverty as they contribute to providing access to employment, business, health, and education services. Although the pandemic caused disruptions to ongoing development projects, particularly during mid-March to end-April 2020, the Road Development Authority (RDA) continued with its development activities during 2020.

The RDA incurred over LKR 200 Bn. for the maintenance and development of expressways and highways (LKR 99.7 Bn. and LKR 92.6 Bn. respectively), widening and improvement of roads, construction of bridges and flyovers (LKR 17.5 Bn.), and the rehabilitation of roads affected by natural disasters, a 48% increase over expenditure incurred in 2019. Development activities were primarily focused on improving the expressway network in the country.

As at the end of 2020, the total length of national highways comprising class A and class B roads maintained by the RDA measured approximately 12,224 kms and the total length of expressways measured 271.7 kms.

NATIONAL ROADS AND EXPRESSWAYS – IMPROVEMENT AND MAINTENANCE



Source – National Road Master Plan of the RDA (2018-2027)

Note – Contract values of all construction projects featured from page 52 to 78 have been updated as at 31 March 2021.

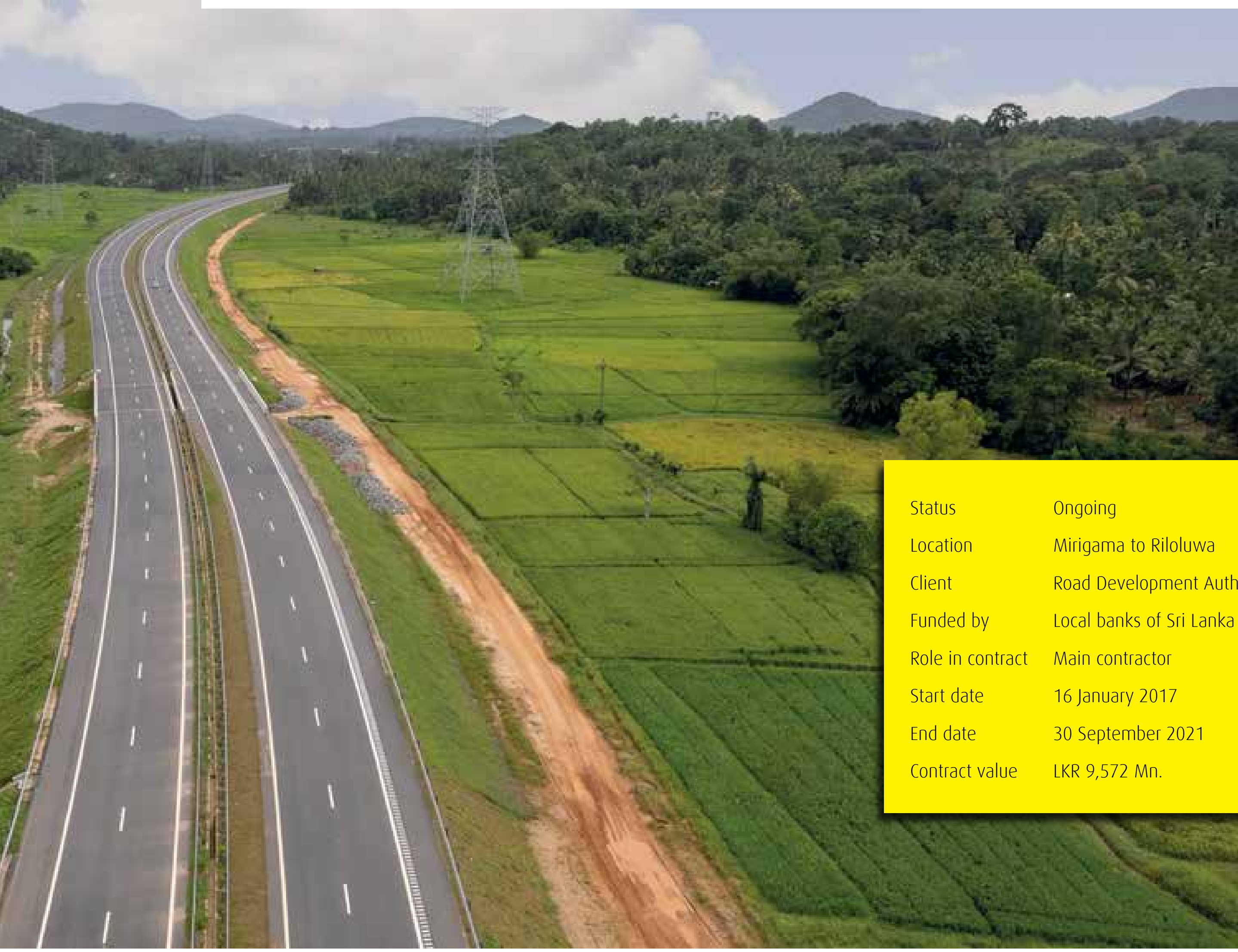
CONSTRUCTION

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 prequalified local contractors. Package – A of CEP-2 which is 9.71 km was entrusted to the contractor consortium; ICC-ACCESS – (NAWALOKAKDESH 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 during 2021/22 while fulfilling the expectations of RDA. The project is in its final stages.



Status	Ongoing
Location	Mirigama to Riloluwa
Client	Road Development Authority
Funded by	Local banks of Sri Lanka
Role in contract	Main contractor
Start date	16 January 2017
End date	30 September 2021
Contract value	LKR 9,572 Mn.

CONSTRUCTION

ROADS AND HIGHWAYS

Widening and improvement of the road section from Nittambuwa to Pasyala on Colombo Kandy Road

As a part of the National Road Rehabilitation Plan, rehabilitation and improvement of existing Colombo-Kandy Road from Kadawatha to Nittambuwa was initiated by Road Development Authority (RDA) with the assistance of local bank funding and the rehabilitation and improvement works were awarded to Access Engineering PLC (AEL). The improvements of the section from Nittambuwa to Pasyala were also awarded to AEL as a variation of the previous project which was completed successfully.

The main scope of the project is to rehabilitate and improve the existing road to a four-lane standard carriageway where the width of a single lane would be 3.7 m. The works also includes extensive land acquisition and utility shifting, widening (with hard and soft shoulders) and improvements to existing cross drainage structures, elevated foot-walks and centre median/islands as necessary, rehabilitation and improvement of road pavement structure and improvement of the existing drainage system. In addition, town improvements of Pasyala junction are also included.

Status	Ongoing
Location	Nittambuwa – Pasyala
Client	Road Development Authority
Funded by	Local banks of Sri Lanka
Role in contract	Main contractor
Start date	4 January 2021
End date	5 January 2022
Contract value	LKR 2,189 Mn.

CONSTRUCTION

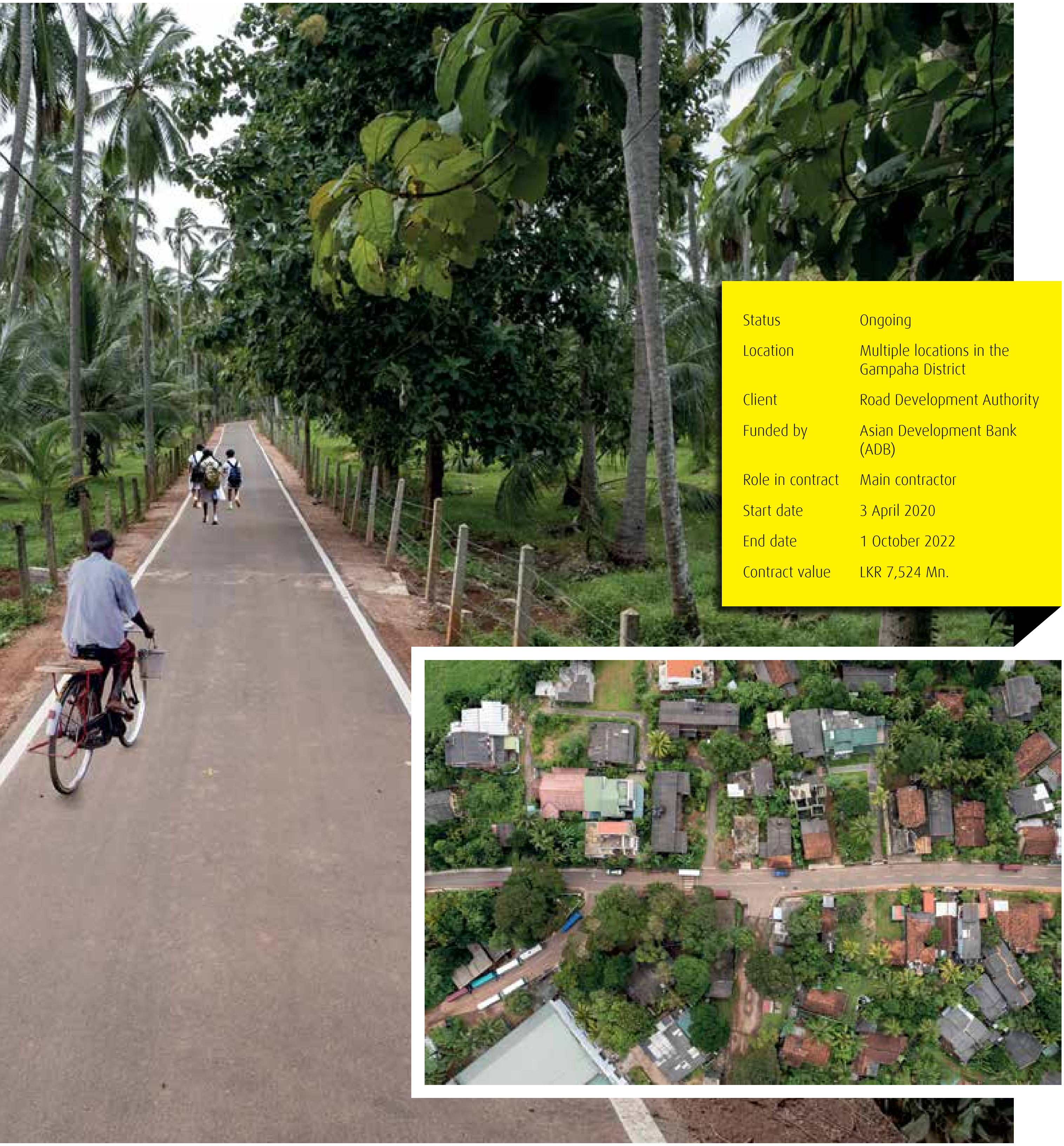
ROADS AND HIGHWAYS

I – Road Project

The project was awarded to AEL in three contracts under the Second Integrated Road Investment Programme as below;

1. Rehabilitation/Improvements and Maintenance of 79.93 km rural roads in Gampaha District in the Western Province – Package 2
2. Rehabilitation/Improvements and maintenance of 59.36 km rural Roads in Gampaha District in the Western Province – Package 3
3. Rehabilitation/Improvements and maintenance of 71 km rural roads in Gampaha District in the Western Province – Package 4

The scope includes, the design of works, earth works including excavation, embankments, sub base and earth shoulders, road structures including culverts, drains and retaining walls, road pavement including asphalt works, turfing of slopes, road marking and road sign fixing, of approximately 210 km of rural roads, and performance-based maintenance of the roads for three years.



Status	Ongoing
Location	Multiple locations in the Gampaha District
Client	Road Development Authority
Funded by	Asian Development Bank (ADB)
Role in contract	Main contractor
Start date	3 April 2020
End date	1 October 2022
Contract value	LKR 7,524 Mn.

CONSTRUCTION

BUILDINGS AND PILING

Industry sector discussion and analysis

Housing and urban development activities led by the Government were impacted by the pandemic. The Urban Development Authority (UDA) continued to carry out its Middle-Income Housing project during the year. The project seeks to provide affordable housing for government employees and professionals. By the end of 2020, the "Oval View" and "Lake Crest" government servants' housing schemes had been completed. The UDA also commenced work on the 400-unit Upper Middle-Income Housing Project in Borella, with two other housing projects in Thalawathugoda and another 5,000-unit affordable housing scheme aimed at the middle-income population of Colombo and other major cities to be commenced.

Status	Ongoing
Location	Elliot Place, Borella
Client	Urban Development Authority
Funded by	Public – Private Partnership Model – GoSL and AEL
Role in contract	Main contractor
Start date	19 October 2020
End date	19 October 2023
Contract value	LKR 9,368 Mn.

Featured projects

Design, construction, and financing of Housing Project at Elliot Place – Borella

Initiated by the Urban Development Authority, the objective of this project is to design and build a 30 storey (B+G+28) building consisting of 400 housing units for the upper middle class. The building is designed to have two towers, which will rise up from the podium level.

The complex comprises of 2-bed room housing units with a floor area of 850 sq. ft. and two types of 3-bedroom housing units with floor areas of 1,050 and 1,250 sq. ft. respectively. The houses consist of features such as living, dining, kitchen, attach bathrooms, a common toilet, utility room and a balcony. The building complex also houses a community hall, a gymnasium, a children's play area, a swimming pool, a super-market, shops and a laundry.

Additionally car parking slots with extra car parking, car charging points, car washing bays, driver's rooms and janitor's rooms are also incorporated. As a sustainability initiative, the complex will be equipped with a solar power system and rainwater harvesting system. Currently the substructure works such as excavation, shoring, pile hacking and testing etc. are in progress.

Our Business Portfolio

CONSTRUCTION

BUILDINGS AND PILING

Design and construction of 1,000 housing units at Stadiumgama

The project involves the design, construction, and financing of 1,000 low-income housing units across four (04) buildings namely block A, B, C, and D with each block consisting of 14 stories and a ground floor (G+14).

The complex will comprise 2-bedroom apartments of 500 sq. ft. (approx.) floor areas along with arranged spaces for living, kitchen and dining area, bathroom facilities (dry and wet), and a balcony. The facilities provided at the development include a nursery care unit, a supermarket and 19 shops. In addition, 46 parking slots per building are also provided.

Autoclaved Aerated Concrete (AAC) block work is to be used in the internal partition walls providing a value engineered solution for better quality and performance. Currently substructure works are nearing completion in two blocks while super structure works are in progress in the remaining two blocks.

Status	Ongoing
Location	Sirimawo Bandaranaike Mawatha, Colombo 14
Client	Ministry of Urban Development, Water Supply and Housing Facilities
Funded by	Asian Infrastructure Investment Bank [AIIB] and GoSL
Role in contract	Main contractor
Start date	5 May 2020
End date	16 October 2023
Contract value	LKR 5,951 Mn.

CONSTRUCTION

BUILDINGS AND PILING

Development of a Logistics Park at Kimbulapitiya including Warehouse Facility for Camso Loadstar

This project includes the design and construction of a warehouse facility and other associated facilities of the logistics park.

The state-of-the-art warehouse to be leased to Camso Loadstar is designed in consultation with them and will exceed international standards in fire safety. There is significant additional work to meet these standards, which are still under discussion with the end-user. However, in keeping with the ethos of Access Engineering, we are committed to achieving engineering excellence.

The 42-acre logistics park includes a 4.6 MVA CEB connection, site offices, workshops, staff quarters, storm water drainage with retention ponds, and all ancillary services required to support both the operation of the Camso Loadstar Distribution Centre and the additional plots available at site. The additional plots, which amount to almost 1,000,000 sq. ft. of warehousing space to be developed, have been finished with underground electricity and water supply termination points, additional MEP service ducts for fibre optics etc, perimeter drainage, and have clear access via an A grade, 17 m wide internal road network.

Stage 1 of this project is in its final stages, with additional work anticipated in the fire protection system enhancement.

Status	Ongoing
Location	Kimbulapitiya
Client	WUS Logistics (Pvt) Ltd. – A fully owned subsidiary of Access Engineering PLC
Funded by	Access Engineering PLC
Role in contract	Main contractor
Start date	1 October 2019
End date	31 August 2021
Contract value	LKR 4,827 Mn.

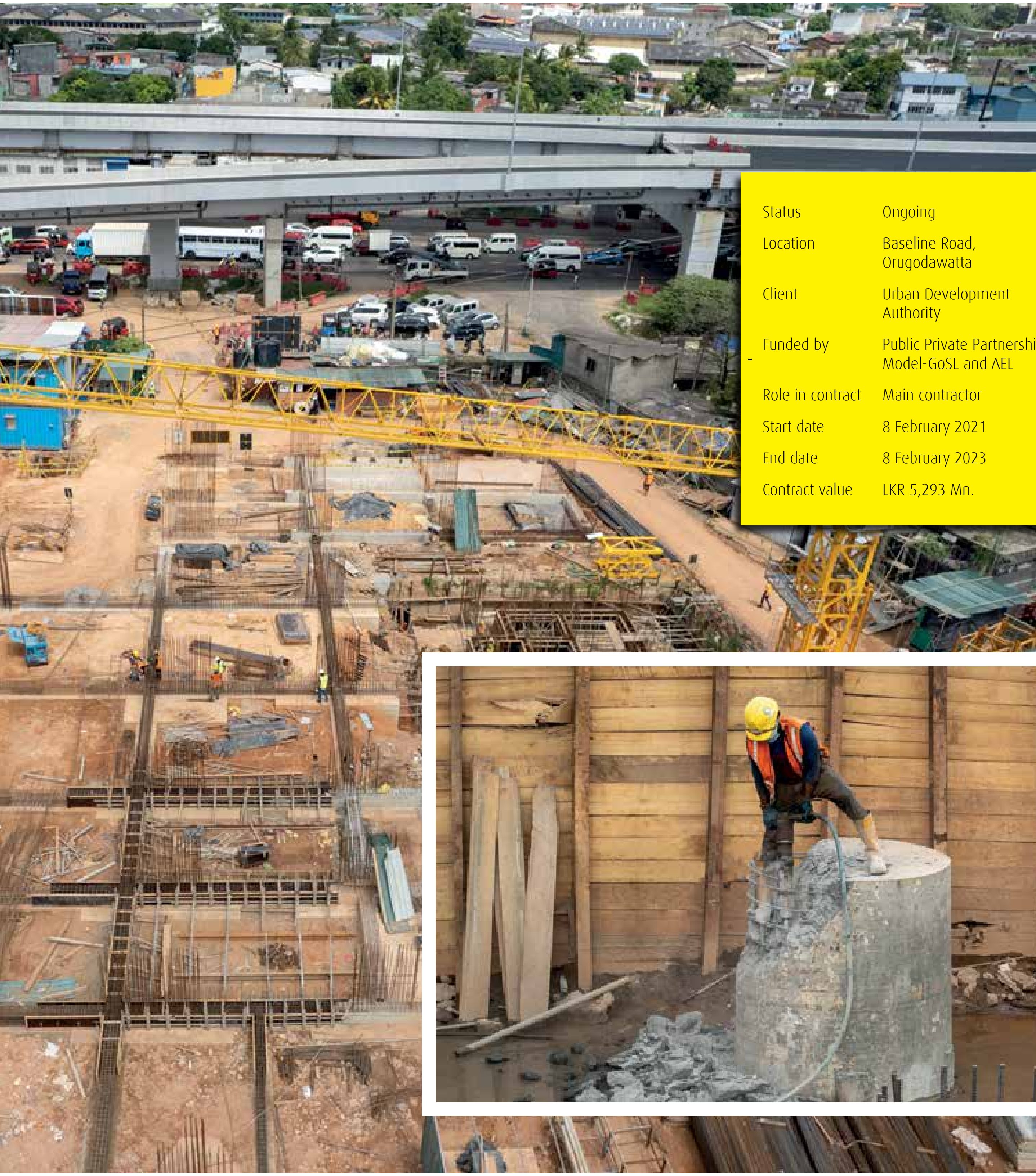
CONSTRUCTION

BUILDINGS AND PILING

Design, construction and financing of 432 affordable housing units at Orugodawatta – Phase 2

The project involves the design, construction, and financing of 432 affordable housing units for the middle-income category people. The development includes three (03) blocks namely block 1, 2, and 3 with each block consisting of 19 stories and a ground floor (G+19).

The complex will comprise of 2 and 3 bedroom apartment units of 700 sq. ft. to 900 sq. ft. (approx.) floor areas along with arranged spaces for living, pantry, bathroom facilities, a utility area and a balcony. The facilities provided at the development include a Gymnasium, a supermarket and a community hall in addition to 4 parking floors with visitor parking. The scope also includes the development of external roads, services, sewer systems and landscaping. Currently substructure works are in progress.



Status	Ongoing
Location	Baseline Road, Orugodawatta
Client	Urban Development Authority
Funded by	Public Private Partnership Model-GoSL and AEL
Role in contract	Main contractor
Start date	8 February 2021
End date	8 February 2023
Contract value	LKR 5,293 Mn.

CONSTRUCTION

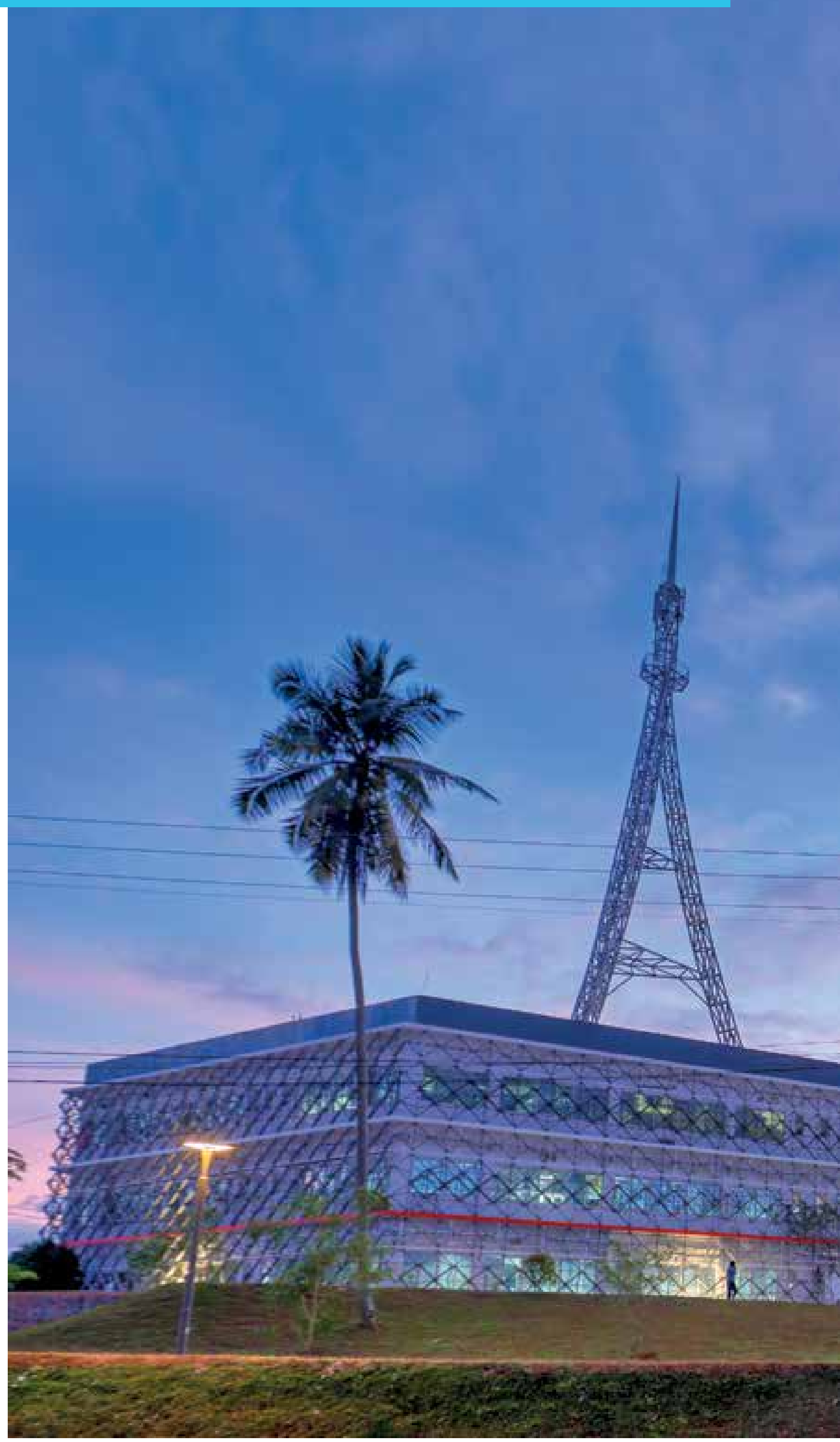
BUILDINGS AND PILING

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.



Status	Ongoing
Location	Pitipana, Homagama
Client	Ministry of Science, Technology and Research
Funded by	Government of Sri Lanka
Role in contract	Main contractor
Start date	19 March 2018
End date	30 June 2021
Contract value	LKR 3,174 Mn.

Our Business Portfolio

CONSTRUCTION

BUILDINGS AND PILING

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 under the guidance of UDA with Access Engineering as the Main Contractor for design, construction, and financing of a 15 storied (G+14) building consisting of 500 sq. ft. carpet area housing units.

The development consists of 450 housing units with each housing unit including two bed rooms, living area, kitchen, dining area, balcony, and toilet and bath. The scope also includes provision of electricity, water supply, sewage, wastewater disposal, solid waste disposal, internal roads, and drainage. The project is expected to be completed and handed over during 2021/22.

Status	Ongoing
Location	Cyril C Perera Mawatha, Bloemendhal
Client	The Urban Development Authority
Funded by	Public Private Partnership Model – GoSL and AEL
Role in contract	Main contractor
Start date	15 October 2018
End date	17 January 2022
Contract value	LKR 2,737 Mn.

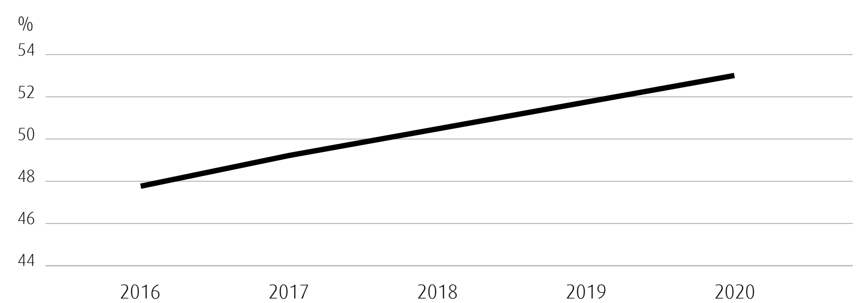
CONSTRUCTION

WATER AND WASTEWATER

Industry sector discussion and analysis

The National Water Supply and Drainage Board (NWS&DB), in accordance with the Government's policy priority of ensuring the provision of clean and safe drinking water to the entire population, provided 122,733 new water supply connections, despite the disruptions caused by the pandemic. As at the end of 2020, there were 2.6 million connections, with access to safe drinking water increasing from 91.9% in 2019 to 93.2%. However only 53% of the total population had access to pipe borne water. In addition to completing the Kelani Right Bank Water Supply Project II in 2020, the NWS&DB commenced the Ruwanwella Water Supply Project and continued several projects, including the Water Supply and Sanitation Project in Jaffna and Kilinochchi and the Greater Matale Water Supply Project.

ACCESS TO PIPE BORNE WATER



Source – CBSL 2020 Annual Report

Irrigation plays a crucial role in agricultural production in Sri Lanka. The country features an environment that favours rainfall and cultivable land through irrigation and thus, the sustainable management of water resources for irrigation and other domestic purposes is essential. During 2020, the Irrigation Department oversaw 25 irrigation projects and incurred a total expenditure of LKR 6.7 Bn. The Climate Resilience Improvement Project (CRIP), originally a 5-year project spanning 2014 to 2019, was extended into 2020. The approved estimated cost of CRIP is LKR 5.73 Bn. and as of the end of 2020, LKR 4.04 Bn. had been spent. The Productivity Enhancement and Irrigation System Efficiency Improvement Project (PEISEIP) continued throughout 2020 despite pandemic-related disruptions. The project will enhance the land, water, and crop productivity of 80 irrigation schemes in the country.

Featured projects

Anuradhapura North Water Supply Project – Phase 1

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 nearing completion with more than 80% of the physical work completed.

Status	Ongoing
Location	Anuradhapura
Client	National Water Supply and Drainage Board
Funded by	Japan International Corporation Agency (JICA)
Role in contract	Main contractor
Start date	14 May 2018
End date	30 September 2021
Contract value	LKR 3,650 Mn.

CONSTRUCTION

WATER AND WASTEWATER

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 included construction of an intake pump station (16,500 m^3/day capacity) at the left canal bank of Deduru Oya Reservoir, Potuwewa water treatment plant (15,000 m^3 per day capacity), water towers at Maho (1,000 m^3 capacity), and Nagollagama (750 m^3 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). The project was successfully completed and handed over to the client.

Status	Completed
Location	Ridi Bendi Ela, Maho
Client	National Water Supply and Drainage Board
Funded by	Government of Sri Lanka and Government of South Korea
Main Contractor	Kolon Global Corporation of Korea
Role in contract	Subcontractor
Start date	12 June 2017
End date	31 December 2020
Contract value	LKR 2,460 Mn.

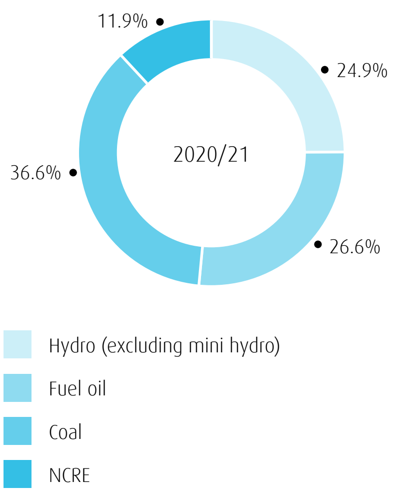
CONSTRUCTION

POWER INFRASTRUCTURE

Industry sector discussion and analysis

Total electricity generation in 2020 was 15,714 GWh which was a YoY decline of 1.3%. A marked reduction in electricity generation was observed during the COVID-19 induced lockdown in March, April, and May 2020. The year also saw an increase in the power generated through Non-Conventional Renewable Energy (NCRE) sources.

ELECTRICITY GENERATION MIX



Source – CBSL 2020 Annual Report

Featured projects

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) was selected for the proposed wind farm to generate clean electrical energy in a sustainable manner. The proposed Wind Power Park is 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 was 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 included 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.

Upon completion the Mannar Wind Power Plant is projected to displace large amounts of fossil fuel base electricity generation, avoiding emissions amounting to 285,000 metric-tons of CO_2 to the environment, annually. Currently the project is in its final stages.

Status	Ongoing
Location	Mannar Island
Client	Ceylon Electricity Board
Funded by	Asian Development Bank
Role in contract	BoP subcontractor
Start date	18 March 2019
End date	23 June 2021
Contract value	LKR 4,338 Mn. and USD 1.47 Mn.

CONSTRUCTION

AVIATION

Industry sector discussion and analysis

Sri Lanka's civil aviation sector was negatively affected by the COVID-19 pandemic, the result of travel and tourism-related activities in the country coming to a virtual standstill as airports remained closed from mid-March 2020 to early 2021. Total number of aircraft movements through Bandaranaike International Airport (BIA) declined by 65.4%, total international passenger movements (including transit passengers) at BIA fell by 77.4%, and the total volume of cargo moved through BIA declined by 44.8%. The pandemic also disrupted aviation development projects in 2020. Airport and Aviation Services (Sri Lanka) Limited (AASL) with funding from Japan International Cooperation Agency (JICA) commenced the construction of a second terminal at the BIA (Package A) and the construction of remote apron and taxiways (Package B) with an estimated investment of USD 612 Mn.

Featured project

Piling and Earth Works for the New Terminal Building and Viaduct at Bandaranaike International Airport

The stage II of the BIA development project was awarded to Taisei Corporation as the main contractor and AEL was awarded with several major subcontracts such as earth works and piling. Some of the major earth works are clearing and grubbing, topsoil removal and disposal/storage, excavation, embankment, sub-grade preparation and construction of the earth retaining walls. The piling works are divided into two sections namely the terminal building and the viaduct. The scope of the terminal building works includes casting and testing of 1,263 piles consisting in different diameters (600 mm, 800 mm, 1,000 mm, 1,200 mm, 1,500 mm) for the main terminal building, Pier 2, Pier 3, Connecting concourse and the chiller plant. The second part consists of casting and testing of 96 piles of 900 mm diameter for the viaduct.

In addition, the contract also consists of supply and Installation of temporary hoarding and gates and dismantling and relocation of temporary hoarding.

Status	Ongoing
Location	Bandaranaike International Airport, Katunayake
Client	Airport and Aviation Services Sri Lanka Ltd. (AASL)
Funded by	Japan International Cooperation Agency (JICA) and AASL
Role in contract	Subcontractor
Start date	18 November 2020
End date	31 December 2021

CONSTRUCTION

TELECOMMUNICATIONS

Industry sector discussion and analysis

As one of the most dynamic sectors in Sri Lanka, the telecommunications sector contributes directly and indirectly to investment, employment, productivity, innovation, and the overall economic growth of the country, including bringing in substantial foreign direct investment (FDI). With the total fixed line and mobile telephone density growing to 142 per 100 persons, telecom use is rising although the demand for basic voice services has reached saturation levels. As lockdowns brought public life to a virtual standstill in 2020, the telecommunications sector played a significant role in maintaining the continuity of economic activity in the country. Operators proactively offered customers cost-effective packages for education and work purposes, thus easing the difficulties brought on by the physical distancing measures that had been implemented.

Featured projects

Dialog Optical Fibre Sprouts Connectivity Project

This project involves the supply of services related to the deployment of Dialog optical fibre network including pre-installation survey, supply of ducts, network deployment (Including indoor works), installation of ducts, manholes and handholes, road reinstatement, installation of cables, splicing and testing and commissioning the project. The project is carried out island-wide including the capital city Colombo. Horizontal Directional Drilling technology and Micro Trenching technology are employed mainly in urban areas.

Status	Ongoing
Location	Multiple locations
Client	Dialog Broadband Networks (Pvt) Ltd.
Funded by	Dialog Broadband Networks (Pvt) Ltd.
Role in contract	Main contractor
Start date	1 April 2019
End date	30 April 2023
Contract value	LKR 251 Mn.

SLT New Subscriber Connection Project

Sri Lanka Telecom executes a Fibre to the Home (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 four main areas; Southern Province, Sabaragamuwa Province, Central Province, and in Metro region Colombo. Access Engineering work scope includes – installation of new telephone line connections, PEO TV connections, 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
Funded by	Sri Lanka Telecom PLC
Role in contract	Main contractor
Start date	1 October 2013
End date	4 December 2022
Contract value	Unit rate contract

CONSTRUCTION

ENGINEERING DESIGNS

AEL has the capability of executing world-class cutting-edge engineering designs. Leveraging our unique design-build positioning, we offer increased value to our customers by delivering strong, lasting solutions. Our Design Division uses the latest design software, including AutoCAD, ETABS, STAAD. Pro, SAP2000, SAFE, ADAPT-Builder, ADAPT, and Autodesk Revit.

During the period under review, we launched "Ideanest", our Innovation Hub to instil a culture of innovation in the next generation of engineers. We continue to embrace new ideas and technologies, such as the BIM (Building Information Management) system, to carry out our design work more effectively and efficiently. We empower our Design Team by enhancing their soft skills and shaping them to become the most qualified and dynamic team in the industry, capable of meeting the evolving needs of the construction industry on both a local and global level.

CONSTRUCTION

FABRICATION

Our purpose-built fabrication workshop is capable of efficiently producing and fabricating quality steel components for machinery and construction projects. The workshop's qualified specialist team provides cutting-edge solutions and equipment in the design and fabrication of steel and metal components for a wide range of purposes, including plant and machinery components and structural steel.

MECHANICAL ENGINEERING

ZPMC Lanka Company (Pvt) Ltd.

ZPMC Lanka is a joint venture between AEL and ZPMC China. The company is engaged in the commissioning, repair, and maintenance of port machinery and provides services to all the container terminals in Sri Lanka, including maintenance contracts 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 for the Sri Lanka Ports Authority (SLPA) and South Asia Gateway Terminals (SAGT).

ZPMC Lanka also provides spare parts to most of the container terminals in Pakistan, including South Asian Pakistan Terminals (SAPT), Karachi International Container Terminals (KICT), Pakistan International Container Terminals (PICT), Qasim International Container Terminals (QICT), and Oman International Container terminal (OICT).

CONSTRUCTION-RELATED MATERIALS

Industry sector discussion and analysis

The lockdowns that were imposed due to the pandemic, the restricted mobility of workers, and restrictions on the importation of construction materials led to a temporary halt on several infrastructure developments. The restrictions on imports have increased demand for a ready supply of quality, low cost, and locally produced materials. Although the country's high reliance on imports for the construction sector can pose value chain disruption risks due to the stringent trade controls imposed, current local raw material production levels and inventories are able to sustain ongoing projects.

Financial and sustainability indicators

FINANCIAL (LKR)

Turnover	6,335,380,941
Assets	4,981,274,156
Profit	612,124,131

HUMAN RESOURCES

Number of employees	604

HEALTH AND SAFETY*

Safety hours	1,329,256

SUSTAINABILITY*

Electricity consumption	650,772 kWh
Water consumption	55,082 Cubic metres

* Sustainability indicators and safety hours are excluding Lanka AAC (Private) Limited

CONSTRUCTION-RELATED MATERIALS

ASPHALT PRODUCTION

Industry sector discussion and analysis

As part of the National Policy Framework, a programme to develop an alternative 100,000 km road system to increase access to main roads and expressways commenced during 2020. Other ongoing projects including the Asian Development Bank (ADB) and World Bank funded road development programme, the Integrated Road Investment Programme (iRoad) funded by ADB, the Central Expressway, the Elevated Highway Project, internal access roads of the Colombo Port City, and the proposed Ruwanpura Expressway will continue to create a growing demand for asphalt concrete.

Our performance in 2020/21

Our Asphalt plants are located in Kotadeniyawa, Mathugama, Mailapitiya, Giriulla, and Vauvniya with a total installed capacity of 656 TPH.

During the period under review, AEL joined forces with a leading bitumen supplier to initiate an R&D effort to explore the possibility of modifying bitumen to be used with high quartz aggregates. This will enable the efficient utilisation of natural resources and RDA approval and plant trials are expected to be completed in 2021/22.

CONSTRUCTION-RELATED MATERIALS

CONCRETE PRODUCTION

Industry sector discussion and analysis

The Sri Lankan ready mixed concrete segment primarily consists of many small to medium scale suppliers with approximately 180 batching plants across the island supplying 1.5 million cubic metres, 60% of which is supplied to the Colombo and Gampaha areas. Suppliers are segmented as commercial and non-commercial, with contributions to the market standing at 70% and 30% respectively. Demand for ready mixed concrete remains steady as housing and condominium developments, high rise commercial developments, and road and bridge infrastructure development projects continue to increase. Demand for ready mixed concrete in the construction of individual houses is also a growing market segment, currently accounting for approximately 5% of total market demand.

Our performance in 2020/21

Our concrete batching plants are located in Kandana, Balapitiya, Mabima, Peliyagoda and Mannar with a total installed capacity of 340 m^3/hour.

In 2020/21, AEL embarked on researching and developing alternative designs for concrete admixtures with the aim of optimising material consumption. Stringent quality control measures using flakiness index test, elongation index test, aggregate impact value test, and sieve analysis are continuously being carried out. With demand on the rise, the Company is looking to add more production capacity.

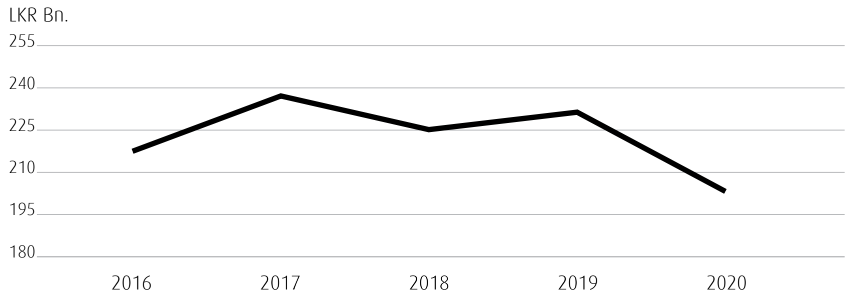
CONSTRUCTION-RELATED MATERIALS

QUARRY AND CRUSHER OPERATIONS

Industry sector discussion and analysis

The increased pace of development in Sri Lanka has led to an increased demand for rock as a construction material. Many rock quarries across the island address the demand for industrial, domestic, agricultural, and other purposes. The Geological Survey and Mines Bureau (GSMB) records the total annual production of crushed and broken rock at approximately 10 million cubic metres, with the mining and quarrying industry contributing 2.1% to the national GDP.

QUARRY AND MINING ACTIVITIES AT CONSTANT PRICES



Source – CBSL 2020 Annual Report

Our performance in 2020/21

Our crusher plants are located in Meerigama, Mailapitiya, Mathugama, Maruthamadu, and Vauvniya with a total installed capacity of 690 TPH. Our quarries are located at Meerigama, Mathugama, Maruthamadu, Vauvniya, Hakmana, and Wallallawita.

CONSTRUCTION-RELATED MATERIALS

AUTOCLAVED AERATED CONCRETE BLOCK PRODUCTION

Industry sector discussion and analysis

Autoclaved aerated concrete (AAC) blocks are a substitution product for traditional clay bricks and cement blocks. Manufactured from fly ash, the by-product of the combustion of pulverised coal, is used to manufacture AAC blocks, thus making it an eco-friendly material. As it is a lightweight, load bearing, high insulating, and durable building product that can be produced in a wide range of sizes and strengths, AAC blocks are ideal for wall construction applications in any kind of building. AAC offers incredible opportunities to increase building quality while reducing costs and if taken into consideration at the initial design stage, can also reduce foundation costs.

Lanka AAC - Pvt Ltd

Lanka AAC (Pvt) Ltd.

Lanka AAC is a 50% owned subsidiary of AEL engaged in the manufacturing of autoclaved aerated concrete products. The company operates three autoclave machines in its factory with a total production capacity of 48 moulds per day.

AAC blocks are a viable substitute to conventional bricks and perform exceptionally well across a range of criteria including cost, weight, material consumption, and durability.

Future plans of the company include producing brick bonding mortar for blocks utilising damaged AAC blocks, which will help to minimise wastage.

PROPERTY

Industry sector discussion and analysis

The Sri Lankan property market has grown in recent years into an LKR 920 Bn. industry. Real estate activities, including ownership of dwellings, contributed 6.5% to the national GDP in 2020. Increased employment opportunities, rising salaries, and rapid rural-urban migration have led to the expansion of housing and commercial properties.

The Government continues to concentrate its efforts towards urban development such as the Colombo Port City mega mixed development project and private sector mixed-use projects across the central business district, including the Cinnamon Life waterfront development, Marina Square Colombo, Colombo City Centre, Odel Mall development and Tri-Zen mixed development projects to name a few. The UDA project pipeline also consists of several development projects, including the Colombo Fort, Battaramulla Town Centre, Nugegoda Town Centre, Torrington Square high-end boutique hotel, and Borella high rise development projects among numerous other similar projects.

Financial and human capital indicators

FINANCIAL (LKR)

Turnover	679,624,386
Assets	26,053,488,654
Profit	645,171,189

HUMAN RESOURCES*

Number of employees

193

* Number of employees are excluding Access Logistics (Private) Limited

PROPERTY

OFFICE AND COMMERCIAL SPACE LEASING

Industry sector discussion and analysis

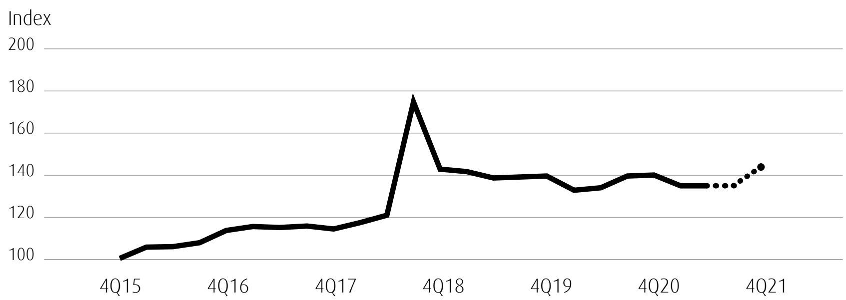
The Sri Lankan real estate market has experienced increasing demand for "Grade A" office and commercial spaces from both local and foreign establishments. Colombo has recently seen a rapid increase in the office and commercial leasing space with developments such as the World Trade Center (WTC), HNB Towers, Access Towers I and II, Parkland, Orion City phase II, Colombo City Centre, Shangri-La office development, and One Galle Face mall.

With such space being scarce in the capital and virtually non-existent outside of Colombo, several upcoming projects in the construction pipeline are expected to address this demand and bring an additional 1.95 million sq. ft. of retail and commercial space into the market, although most will not be ready for several months or years. Real estate consultancy Jones Lang LaSalle (JLL) expects 2.0 million sq. ft. of high-end office space to become available in the medium term and over 10 retail malls opening up 1.6 million sq. ft. for occupancy by 2021. With supply unable to meet the demand, the situation is highly profitable for property owners and landlords, who are legally allowed to increase rents 10-15% every two years.

However, the COVID-19 pandemic will impact growth of office space and rental properties in the short and medium term due to low economic activity and corporate sector performance. With office occupancy rates expected to fall, short-term leasing options and expiring leases are expected to bear the brunt. The long-term implications on the demand for office space are yet to be ascertained. Co-working spaces and flexible office spaces will likely benefit from this shift.

By the end of 2021, it is expected that 3.1 million sq. ft. of retail and commercial space will be available for use. Ongoing projects include Cinnamon Life, the Havelock City office tower and JFI Tower.

RENTAL VALUE INDEX



Dotted lines indicate near-term outlook
Index base: 4Q15 = 100
Financial Indicators are for the CBD
Source: JLL Colombo Property Market Monitor 1Q2021

Access Realties (Pvt) Ltd.

Access Realties (Pvt) Ltd. is a fully owned subsidiary of AEL. It is the proprietor and managing agent of Access Tower I (North), a 12-storey office complex providing approximately 120,000 sq. ft. of office space complete with slick captivating design, corporate amenities, and contemporary resources. Access Tower I was completed in 1998 and is currently home to a number of tenants. It also serves as the headquarters of AEL.

Access Realties II (Pvt) Ltd.

Access Realties II (Pvt) Ltd. is a fully owned subsidiary of Access Realties. Its premier project is the Access Tower II (South). 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 boasts breathtaking views of the Indian Ocean, Beira Lake, and the Colombo skyline. The Tower has a diverse range of occupants from a wide range of sectors.

ARL Elevate (Pvt) Ltd.

ARL Elevate is a 100% owned sub subsidiary of AEL engaged in the provision of recreation, food and beverage and support facilities at Access Towers.

PROPERTY

REAL ESTATE SERVICES

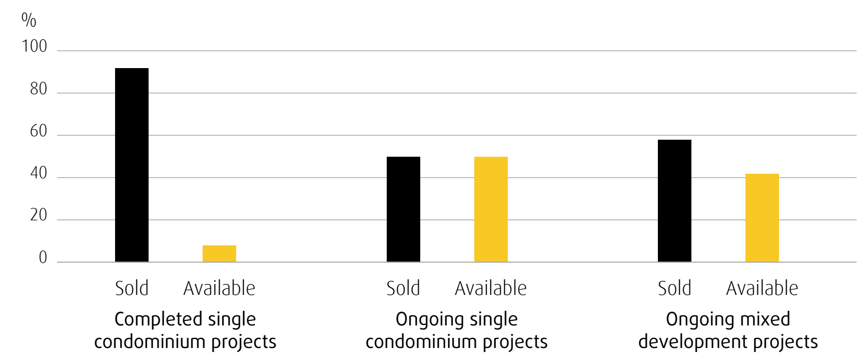
Industry sector discussion and analysis

According to the CBSL's Condominium Property Volume Index, 2021 has seen a significant increase in sales compared to 2020. This is due to the prevailing low interest rate environment and increased supply of relatively affordable condominium projects outside of Colombo. Colombo, however, as the prime choice for condominium developments, holds the greatest amount of existing condominium stock. With limited land available, land prices have seen annual growth of approximately 7-8% on average as developers acquired land within the central and secondary submarkets of Colombo.

Sri Lanka's strategic geographic location also makes it attractive to global superpowers seeking to expand their influence and create new trade and investment opportunities. Through the Belt and Road Initiative, China is geared to invest billions of dollars into the country. Port City Colombo, a reclaimed land area of 269 hectares, is the crown jewel of these investments with a build cost of USD 1.4 Bn. 2020 saw the construction of utility infrastructure in the Port City and the project is expected to be designated as a Special Economic Zone (SEZ). Preliminary work on the financial and commercial centre of Port City has commenced at a cost of USD 1.1 Bn.

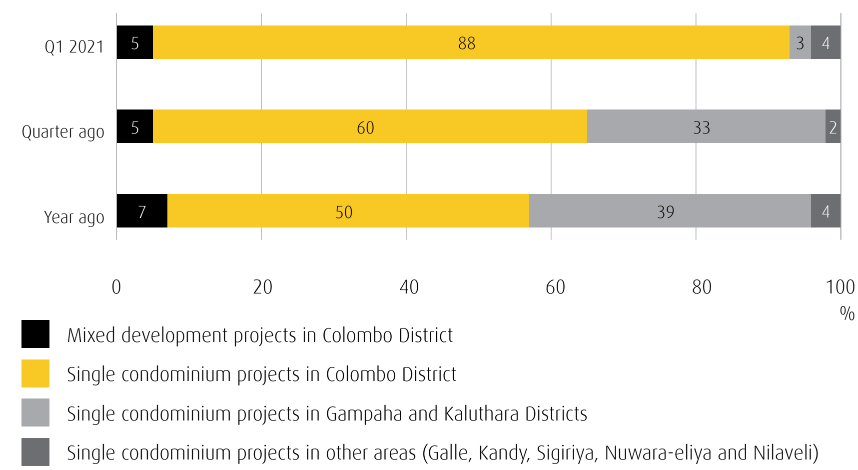
With a workforce of eight million, 90% of property purchases are made by local buyers. The single condominium project category below LKR 25 Mn. is the most preferred type of condominium unit. As at the end of Q1 2021, 92% of completed condominium projects have been sold, while 50% of ongoing single condominium projects and 58% of ongoing mixed development condominium projects have been reserved. The ongoing projects for condominium housing includes the Marina Square Colombo, Cinnamon Life, Iconic Galaxy Rajagiriya, Odel Mall, Luna Tower, Capital Twin Peaks, Trizen, Capital Heights Rajagiriya, Prime Grand Colombo and 606 The Address Colombo projects.

SALES STATUS OF CONDOMINIUM PROJECTS



Source: Condominium Market Survey – First Quarter 2021

PERCENTAGES OF SALES



Source: Condominium Market Survey – First Quarter 2021

Harbour Village (Pvt) Ltd.

Harbour Village is a joint venture between AEL, China Harbour Engineering Company (CHEC), and Musthafa's Singapore (Private) Limited. The mixed development project, five-towered, Marina Square, Colombo with 1,088 units and 150,000 sq. ft. of commercial space is equipped with the finest finishes, modern amenities, and sweeping views of the Indian Ocean and Colombo Port.

Blue Star Realties (Pvt) Ltd.

Capital Heights, Rajagiriya is Blue Star Realties' flagship project. 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 been transformed into a beautiful lake city replete with quiet neighbourhoods, landscaped parks, serene waterways, and a natural bird sanctuary.

WUS Logistics (Pvt) Ltd.

WUS Logistics is a fully owned subsidiary engaged in the development of the logistics park in Kimbulapitiya on approximately 42-acre land plot. Included in this logistics park is the country's largest single roof warehouse comprising over 430,000 sq. ft. Once fully developed the logistics park will offer warehousing space amounting to around 1,000,000 sq. ft. including cold room facilities, in-house value addition, and bonded consolidation services.

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 steel fibre FM2 grade floor that allows for racking to a height of 13 meters. The 278-meter-long building includes 50 loading bays that allow for processing of 50 containers simultaneously 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 and all support equipment.

Access Logistics (Pvt) Ltd.

Access Logistics (Pvt) Ltd. is a fully owned subsidiary of AEL involved in the development of commercial properties for lease and rental.

AUTOMOBILE

Industry sector discussion and analysis

The Sri Lankan automobile sector is gradually shifting towards a service-oriented model, with new players focusing extensively on customer experience and consumer data. Across the value chain, companies are compelled to adapt to market changes to sustain revenues and profits. The local automobile sector is supported by multiple factors, including labour availability, research and development efforts, geographic advantage, and Government support. New registrations of motor vehicles declined by 44.8% in 2020 as a result of policy measures implemented by the Government and the Central Bank to curtail non-essential imports, including the importation of motor vehicles for personal use. Total new registrations fell to 3,256 units in January 2021 from 34,475 units a year earlier.

Financial and sustainability indicators

FINANCIAL (LKR)

Turnover	3,839,664,986
Assets	3,871,512,989
Profit	(12,980,096)

Human Resources

Number of employees	274

SUSTAINABILITY*

Electricity consumption	264,021 kWh
Water consumption	5,966 Cubic meters

* Sustainability KPIs excluding Access Motors (Private) Limited

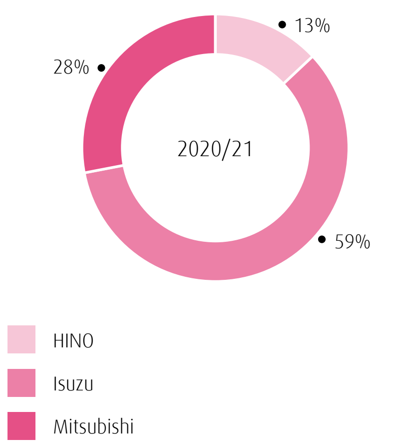
AUTOMOBILE

LIGHT COMMERCIAL VEHICLES

Industry sector discussion and analysis

The Sri Lankan commercial vehicles market is segmented by vehicle type into light commercial vehicles, and medium and heavy-duty commercial vehicles. The business generated in this market can be categorised into new vehicle sales, spare part sales, and workshop services. The import restrictions implemented by the Government in March 2020 negatively impacted the core business of the industry, the sales of new vehicles. The island-wide curfews and travel restrictions imposed by the Government further minimised the number of working days and hours, which negatively affected customer visits to spare parts outlets and workshops.

BRAND NEW COMMERCIAL VEHICLES BY BRAND



Source: Registration of Motor Vehicles Department

Sathosa Motors PLC

Sathosa Motors is the authorised distributor for Isuzu in Sri Lanka and Maldives. The company is engaged in new vehicle sales, Isuzu Marine Engine sales, spare parts sales, after sales and workshop services. Sathosa Motors has its own branch network located in Panchikawatta, Kurunegala, Matara, Rathnapura and a new branch recently opened in Negombo. SML owned workshops and service facilities are located at Vauxhall Street, Peliyagoda, Kurunegala, and Matara.

AUTOMOBILE

LUXURY PASSENGER VEHICLES

Industry sector discussion and analysis

The Sri Lankan luxury car market is segmented by vehicle type into hatchbacks, sedans, and SUVs. The country had experienced a significant growth of tangible luxury offerings in vehicles and shifting consumer preferences from sedans to SUVs. Increasing disposable incomes of consumers had propelled the demand for luxury vehicles in the country. A growing trend has been observed in the demand for electric luxury vehicles due to growing environmental concerns. However, the COVID-19 pandemic directly affected the luxury car market as sales and production declined in 2020, with SUV and crossover sales declining by 80%. With the ongoing vehicle import ban, no new vehicles have been imported since March 2020. This has had an adverse effect on the industry and compelled agents to look into other strategies to survive in the current state of the industry. After sales is seen as the main revenue generator for all vehicle franchise holders, along with a focus on the used car business in the short term.

Access Motors (Pvt) Ltd.

Access Motors is the sole authorised distributor for Jaguar and Land Rover (JLR) vehicles in Sri Lanka. The company is engaged in new vehicle sales, spare parts sales, and workshop services. The new vehicle showroom is located at Flower Road, Colombo 7 and a workshop is located in Welisara. During the reporting period, the company opened a brand new 3S (Sales, Service, and Spare parts) facility in Boralesgamuwa, along with a state-of-the-art body shop in Raththanapitiya. With the consolidation of the sales, service, and spare parts functions under a single roof, JLR's presence in the market is not only solidified but also represents a seismic shift towards customer satisfaction for loyal owners of their products. The new body shop incorporates the latest in chassis repair technology, introduces the latest waterborne painting methods, and is one of the few body shops in the country capable of repairing aluminium monocoques, the style in which all modern JLR vehicles are constructed in.

MANAGEMENT DISCUSSION AND ANALYSIS

Project: Widening and Improvements to Jaffna-Ponnali-Point Pedro Road
Year of completion: 2014

Financial Capital

The Group and Company financial standing reflects the level of cost management and profit generation. Successful management of the referred financial capital is of utmost importance in order to attain and retain specific strategic objectives, focusing on stakeholder and shareholder value and implementing effective and efficient business continuity operations. Effective management of Group and Company financial capital is of key importance in order to achieve the strategic business objectives, retaining of stakeholder value and the smooth continuity of business operations.

REVIEW OF FINANCIAL PERFORMANCE

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

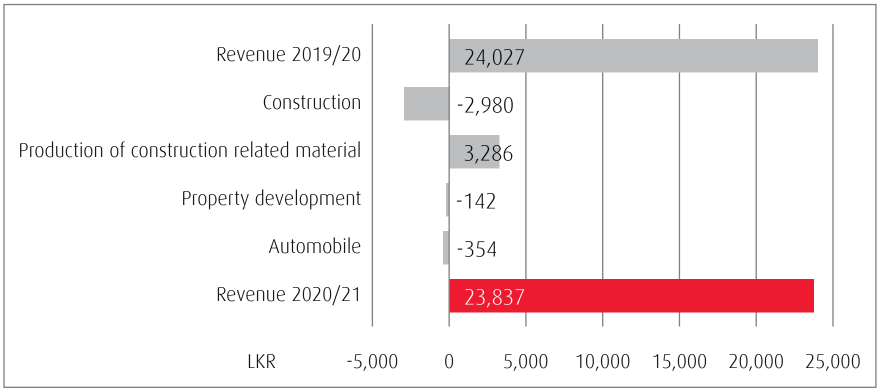
In the year under review considering the extremely challenging external environment, with Sri Lanka experiencing two waves of COVID outbreaks made a potential disruption on the status of business continuity. It is estimated that approximately 10% - 15% of our production capacity was underutilised as a direct result of COVID imposed lockdowns and approximately 20% of our productivity was lost in construction projects execution.

TURNOVER

Despite the negative impact of COVID-19, AEL has been successful in securing a turnover of LKR 23.84 Bn. and LKR 21.85 Bn. at the Group level and Company level, highlighting a positive growth rate of 22% at company level and a negative growth rate of 0.79% at the Group Level. Positive Growth rate of the Company mainly fuelled by the increase of sale of construction related material which performed exceptionally well with a 29% contribution to the company turnover.

At Group level construction segment witnessed a decline in revenue of (-18.67% YOY), property development of (-17.25% YOY) and automobile (-8.45% YOY). Negative growth rates in Automobile and Property Development mainly due to Restriction in import vehicles placed by government and the COVID-19 Impact towards rental income from Access Tower I and II. However, production of construction related materials witnessed a growth of 107.77% YOY.

Details of the movement in revenue from 2019/20 to 2020/21 are shown in the chart below:



CONSTRUCTION SEGMENT

This segment contributes the major proportion towards revenue amounting to LKR 13 Bn. at Group level. An overview of the breakdown of project towards this contribution is detailed as follow:

Roads and Highway construction –

Major contribution from the proposed Central Expressway Project (CEP) was completed during 2020/21 the remainder to be completed and The ADB funded I – road project continued during the year with almost 15% of the total project completed as at year end. The I – road project involves the rehabilitation, improvement and maintenance of over 200 Km's of rural roads in the Western Province. Furthermore, the Nittambuwa Pasyala Road Project was executed by the Company during the fourth quarter of the respective financial year which is an extension to the already completed Kadawatha – Nittambuwa Road.

Water and Drainage construction –

The Anuradhapura North Water Supply project is the main contributing factor towards the Revenue which was also nearing completion by the end of 2020/21 with over 80% of physical work completed. Remaining work will be completed and handed over to the NWSDB in 2021/22. Deduruoya Water Supply Project was completed during the year and handed over to the client.

Building and other construction –

Building sector recorded 37.02% YOY Company level growth mainly with nearly LKR 2 Bn. contributions during the year from 100MW Mannar Wind Power Project which was completed during the 2020/21 and almost completed Nanotechnology Building Project.

With the company focus and effort towards the Housing and Mix Development Projects, several large scale Housing projects for UDA commenced during the period 2020/21 such as Elliot Place housing project to build 400 housing units, Stadiumgama housing project to build 1,000 housing units, Orugodawatta housing project to build 432 affordable housing units. With the addition of these 3 large scale housing projects along with existing Blumendal Housing Project this will be seen as the most active sector which will generate positive growth towards the Group's revenue structure.

During 2020/21 a firm step was taken to support the government's efforts in promoting BOT projects. In this regard company was awarded the construction of a multi – storied public car park in Union Place on a Design, Build, Finance, Operate and Transfer (DBFOT) basis. This will continue to provide the Building Sector a more positive revenue growth in future.

Borella Housing Project was successfully completed and handed over in 2020/21.

Also in 2021/22 the company will see a positive growth on other construction turnover with the commencement of several flyovers in strategic locations and with large scale piling projects started during the year such as the earth and piling project of the new terminal building and the viaduct of the Bandaranaike International Airport (BIA).

CONSTRUCTION RELATED MATERIAL

This is the second highest contributing factor towards Group Revenue Structure which is a proportion of 26.6%. The reason for this quite significant segment growth of 107.77% YOY at Group Level due to the exceptional selling of 550,000 MT of asphalt and 130,000 m^3 of ready – mix concrete as a major player in Sri Lanka for asphalt production and ready – mix concrete production, supplying over 500 customers including many leading contractors.

Anticipate further growth in this sector during 2021/22 and expect this segment to account for a significant percentage of our company turnover. This growth is expected in the backdrop of road construction and rehabilitation including rural roads, expressway construction and maintenance, building construction including private sector mix development projects.

PROPERTY

Despite the challenges posed by the pandemic both Access Tower I and II had satisfactory occupancy levels of over 95% during 2020/21 which was 100% occupancy rate continuously during the last few years.

With the introduction of moratoriums for the existing clients and no increment to the existing rent, rental income saw – 17% YOY negative growth during 2020/21 with 3% contribution to the overall group turnover.

AUTOMOBILE

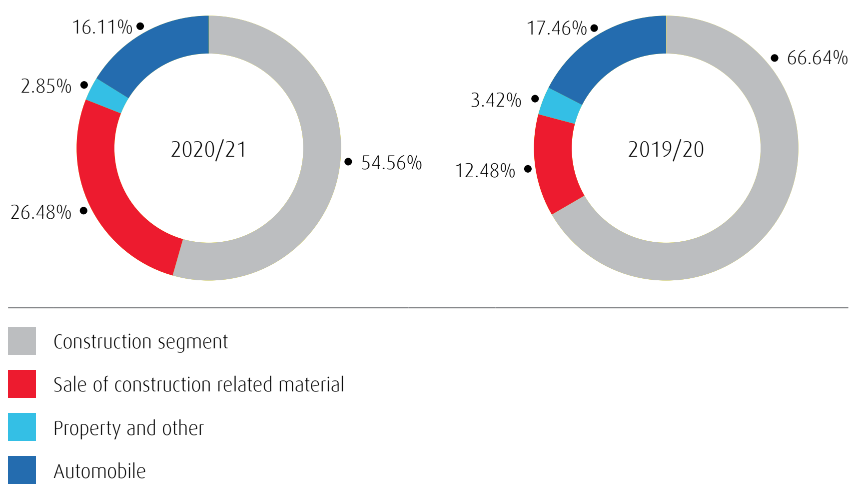
The automobile sector contributed for 16% of the total Group's revenue amounting to LKR 3.84 Bn. during the financial year 2020/21.

The automobile sector performance during 2020/21 was subdued due to a variety of macro-economic reasons including restrictions on import of new vehicles. The negative impact of low new vehicle sales was partly negated by the improved performance of both sale of spare parts and workshop operations.

YOY GROWTH OF REVENUE COMPONENTS

	2020/21 LKR Mn.	2019/20 LKR Mn.	YOY %
Highways construction	2,392	3,747	-36.14
Water and drainage construction	1,141	2,270	-49.72
Bridge construction	10	16	-38.88
Building and other construction	9,375	9,877	-5.09
Hiring income	69	69	0.62
Fabrication income	19	34	-44.66
Sale of construction related material	6,311	2,999	110.47
Rental income	680	821	-17.21
Service charges	–	0.40	-100.00
Automobile	3,840	4,194	-8.45

REVENUE COMPOSITION



PROFITABILITY

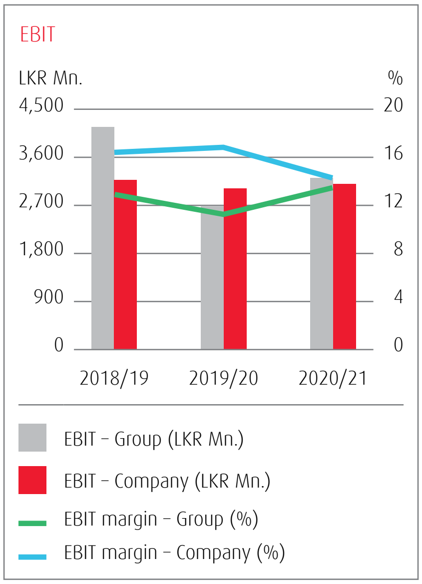
Amidst the volatile external environment, overall gross profit margins of the Group and Company have reported at 17% (2019/20 – 16%) and 13% (2019/20 – 12.81%).

Positive Growth of the Revenue was supported by reduction of Cost of Sales leading the Group and Company to report gross profit of LKR 4,138 Mn. and LKR 2,908 Mn. which was a YOY positive growth rate of 9% and 27% respectively. The business continuity plans company put in place to overcome COVID-19 Impact enabled us to resume operations more quickly with a positive impact.

At Group and company level administration and other expenses as a Percentage of revenue remained as 7% (2019/20 – 9%) and 4% (2019/20 – 5%) respectively. This reduction of cost amid the COVID-19 challenges mainly due to having proper Business Continuity Plans (BCPs) laying down impact to respective business operations and the mitigation strategies before the second Covid Wave. These included all possible catch up programmes for the loss in productivity and time due to COVID-19 imposed lockdowns without incurring additional cost burden to the bottom line.

The pandemic situation of the Country during the year under review, caused a reduction in dividend income of Access Realties (Pvt) Ltd. thereby recording a 41% drop in other income of the Company.

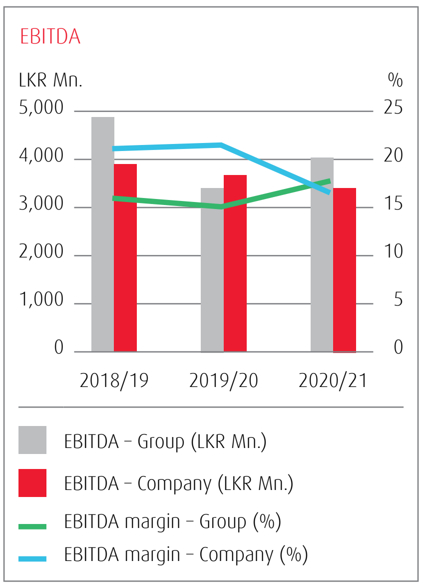
With the support of slight decline in the administration cost Group and Company level EBIT stood at LKR 3,225 Mn. and LKR 3,109 Mn. with an Operating Profit margin of 13% at both Group and Company level.

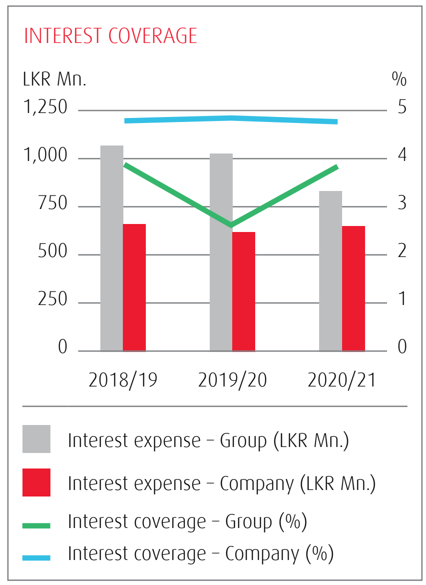


During the period under review LKR 4,998 Mn. worth of Debentures were redeemed by utilising Term Loan Facility at lower borrowing cost than Debenture Coupon rate which resulted same level of interest expenses at company level despite the increase of Loan Book Value.

Similarly, interest income at Group and Company level recorded amounts of LKR 246 Mn. and LKR 199 Mn. respectively. A slight reduction of the Interest income is mainly due to lower Interest Yield in the market and maturity of Investment on Debentures at higher rate.

Due to the impact of the increase in group level EBIT and decrease in the interest expense compared to the previous year, Group interest coverage ratio has increased from 2.60 to 3.85 for the financial year of 2020/21.





FINANCE EXPENSES

YOY interest expenses of the Group have experienced a decrease from LKR 1,032 Mn. to LKR 837 Mn. while company level interest expenses remained at the level of LKR 654 Mn.

TAXATION

The effective tax rates for 2020/21 remained at 0.6% and 5.8% respectively at Group and Company level as opposed to 46.91% and 22.77% respectively in 2019/20.

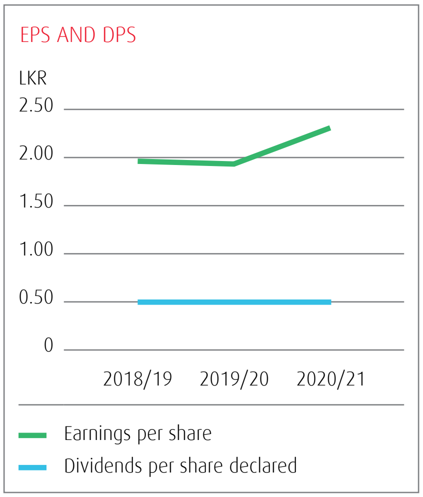
A significant reduction in the company level tax rates in 2020/21 witnessed mainly due to the reduction of corporate tax rate from 28% to 14% effective from 1st January 2020.

PROFIT AFTER TAX

Overall Net profit margins of the Group and Company have reported at 10% (2019/20 – 3.9%) and 11% (2019/20 – 11%).

With the positive impact due to reduction of corporate income tax rate AEL Group and Company Net Profit recorded at LKR 2,393 Mn. and LKR 2,329 Mn. respectively.

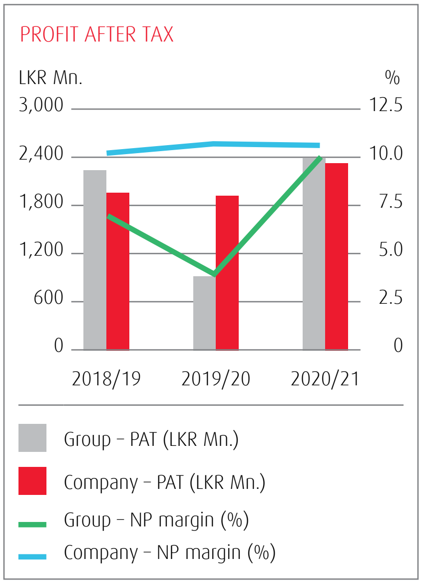
Earnings per ordinary share were recorded at LKR 2.39 and LKR 2.33 compared to LKR 0.98 and LKR 1.93 at Group and Company level respectively.



In the year under review the Directors of the Company approved an interim dividend of LKR 0.50 per share was totalling of LKR 500 Mn. and paid during the year.

Despite the extreme volatile external environment, the Company was able to maintain its profit margin and while increased YOY ROE, showing that the Group's and Company's business contingency plans have been quite effective to secure such results during even Lockdown time periods during the year.

To further consolidate and strengthen position in the local construction industry AEL further backward integrated with new investment in 50% of the equity of Lanka AAC (Private) Limited which is engaged in the production of autoclave aerated concrete (AAC) blocks. The diversification will result as a key development and sustainability aspect for the future of Access Engineering PLC.



REVIEW OF FINANCIAL POSITION

Total Non-current asset base of the Group and the Company have increased by 30.4% to LKR 25.7 Bn. and 22.6% to LKR 22.10 Bn. respectively, primarily with the investment on construction work of warehouse undertaken by WUS Logistics.

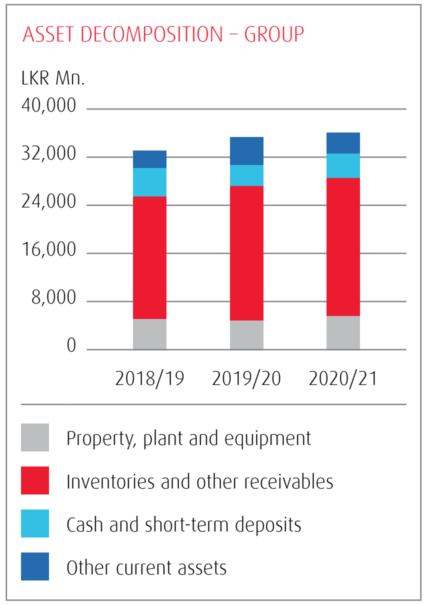
Despite the revenue growth of the Company during the period PPE values remain stable which is a positive indication of proper utilisation of the existing asset base. Also the Company current asset base stood at LKR 20.3 Bn., a growth of 7.04% YOY while the Group current asset base depicts a slight decrease of 0.01% YOY.

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.

Hence the company is liable to pay income tax at a rate of 14% on construction income, 18% on construction related material and 24% on construction services and other income.



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 basic salary. Employees are also entitled to retirement gratuity. The defined benefit liability of the company as at 31 March 2021 was LKR 334 Mn. (31 March 2020 – LKR 279 Mn.). Payment of liabilities at the point of occurrence will be from the Company's internally generated funds.

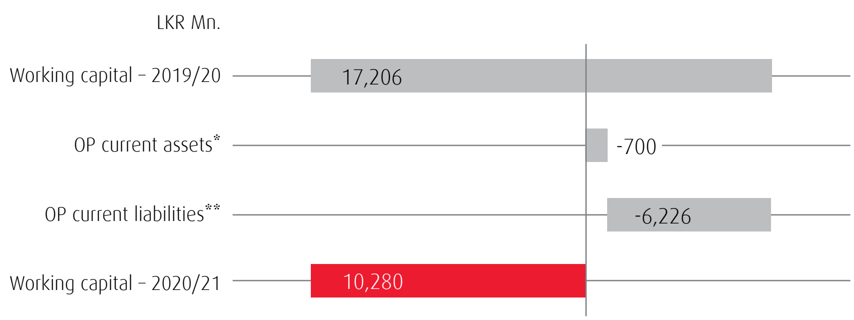
Financial Capital

YOY GROWTH OF KEY WORKING CAPITAL COMPONENTS

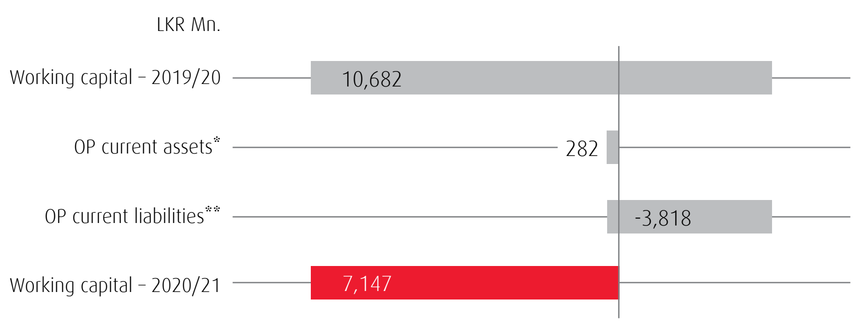
	2020/21	2019/20	Percentage of growth
	LKR	LKR	%
Group			
Inventory	8,714,470,692	8,297,097,495	5.03
Trade and other receivables	14,185,353,886	14,064,151,231	0.86
Trade and other payables	17,307,342,489	11,012,743,258	57.16
Company			
Inventory	2,059,826,864	2,269,730,808	-9.25
Trade and other receivables	11,815,103,857	11,393,520,734	3.70
Trade and other payables	10,917,886,266	7,151,916,529	52.66

At company level total increase of operating Current assets along with the increase of operating current liabilities which results in a LKR 3.54 Bn. decrease in total working capital.

WORKING CAPITAL MOVEMENT – GROUP



WORKING CAPITAL MOVEMENT – COMPANY



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

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

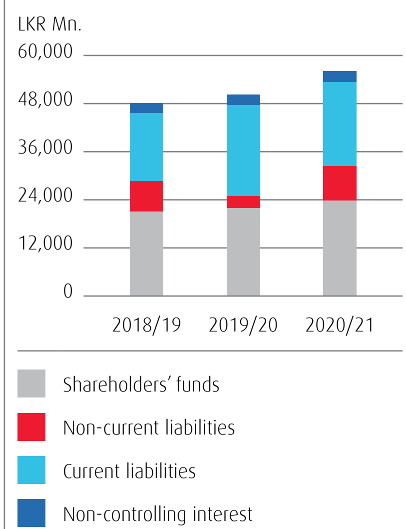
CAPITAL STRUCTURE

The gearing ratio, which is calculated as a proportion of the total interest-bearing liabilities to equity, has decreased from 50.23% to 37.62% and 39.45% to 35.99% at the Group and the Company Level respectively.

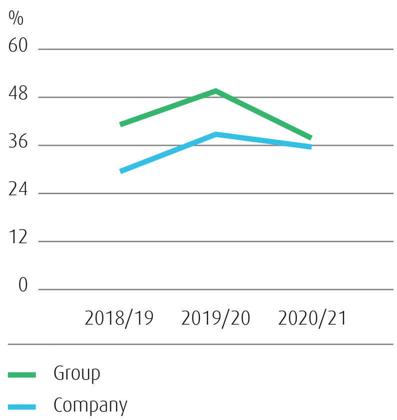
While Company level short-term borrowings decreased from LKR 8,099 Mn. to LKR 1,974 Mn., Long-term borrowings increased from LKR 1.6 Mn. to LKR 6,085 Mn. mainly due to the redemption of LKR 4,998 Mn. debentures utilising the loan facility within the period of 2020/21.

At the Group level and the Company level the majority of assets were funded by equity at 47% and 53% respectively, which results in a lower financial burden for further expansion opportunities using the benefit of prevailing lower borrowing rates.

EQUITY AND LIABILITIES – GROUP



GEARING RATIO



FINANCIAL LEVERAGE

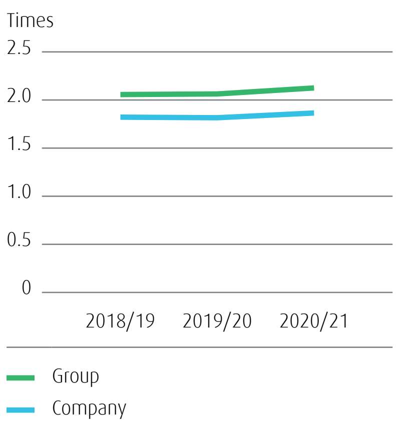


TABLE OF RATIO ANALYSIS

Financial Leverage	2020/21	2019/20	2018/19	2017/18	2016/17
Group (times)	2.11	2.05	2.04	1.93	1.67
Company (times)	1.89	1.80	1.81	1.85	1.65

	GROUP		COMPANY	
	2020/21	2019/20	2020/21	2019/20
Current ratio (times)	1.46	1.34	1.52	1.21
Quick ratio (times)	1.04	0.97	1.36	1.06
Asset turnover (times)	0.43	0.48	0.52	0.48
Total debt/equity ratio (%)	0.34	0.45	0.36	0.39
Total debt/total assets (%)	0.16	0.22	0.19	0.22
Interest coverage (times)	3.85	2.60	4.75	4.86

SUMMARY – REVIEW OF FINANCIAL PERFORMANCE AND FINANCIAL POSITION

ROE is the final outcome of financial performance and the financial position. Despite the negative impact of COVID-19 our performance during the year was satisfactory especially with the focus on Business Continuity Plans (BCPs) laying down impact to respective business operations and the mitigation strategies.

Company has reported at over 10.40% ROE for the reporting period as a forerunner in the use of value engineered construction technologies and innovations with more focus towards improving the efficiency and productivity.

	ROE (Company) = %	Net profit margin x %	Asset turnover x Times	Financial leverage Times
2020/21	10.40	10.66	0.52	1.89
2019/20	9.38	10.76	0.48	1.80
2018/19	10.28	10.13	0.56	1.81

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, reported a turnover of LKR 826 Mn. and LKR 248 Mn. and gross profits amounting to LKR 602 Mn. and LKR 201 Mn. at the Group and Company level respectively while the company enjoyed high gross profit margins of 81%.

GRI 201-1

Financial Capital

In addition to this Access Elevate (Pvt) Ltd. which is 100% owned by Access Realties (Private) Limited contributed by LKR 84 Mn. to the total turnover of the Group as restaurant, banquet and membership fee.

SATHOSA MOTORS PLC

During the year under review Sathosa Motors PLC generated a top line of LKR 3,882 Mn. and LKR 2,363 Mn. at Group and Company level respectively. The Company's gross profit margins at Group and Company level were at 16% and 18% respectively.

The automobile sector performance during 2020/21 was subdued due to a variety of macro-economic reasons including restrictions in import of new vehicles. Nevertheless all possible measures were taken to mitigate the significant impact on this business due to these restrictions imposed. These included the after sales services offered including repair, service and spare parts.

The investments made in previous years to uplift the workshops of Sathosa Motors PLC have started paying off benefits and expecting to reap even more benefits in 2021/22. Sathosa Motors continue to remain the market leader in new vehicle sale of Japanese light commercial vehicles.

ACCESS PROJECTS (PRIVATE) LIMITED (APL)

Top line for the financial year 2020/21 was recorded at LKR 1,880 Mn. with a gross profit of LKR 239 Mn. The margin was 13%. The company's net profit for 2020/21 was LKR 120 Mn.

The operations of Access Projects which is also into construction was impacted negatively with temporary work disruptions. Nevertheless the company was involved in several projects during 2020/21 including the Malabe Knowledge City development, Altair mix – development, Capital Heights Rajagiriya and the Defence Headquarters project to name a few.

HARBOUR VILLAGE (PVT) LTD.

AEL JV under Harbour Village (Pvt) Ltd. with China Harbour Engineering Company and Mustafa Singapore is engaged in the development of Marina Square Colombo, a flagship mixed development project in the North of Colombo with very close proximity to the Port City. This is Sri Lanka's largest harbourfront mixed development, made steady progress in terms of construction and sales. As at 31 March 2021, the project was well within schedule.

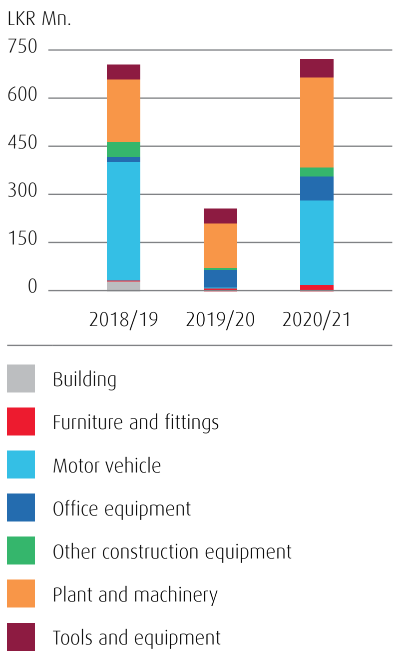
DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

	2020/21 LKR	2019/20 LKR
Value created		
Gross revenue	21,852,864,677	17,917,039,628
(-) Cost of goods and services (Excluding Depreciation and remuneration to employees)	(16,036,979,108)	(12,813,159,730)
Value added from operations	5,815,885,569	5,103,879,898
Other income	775,714,870	1,319,659,363
Finance income	198,529,675	220,991,835
Total value created	6,790,130,114	6,644,531,096
Value distributed		
Operating costs	279,861,710	153,598,385
Remuneration to the employees	2,506,867,641	2,351,847,602
Directors' fees and remuneration	24,295,000	26,530,000
Community investments	35,893,438	16,443,795
Government levies	409,946	5,410,459
Corporate taxes	393,380,399	624,177,692
Interest cost	654,055,998	623,621,461
Non-controlling interest	–	–
Dividends	500,000,000	500,000,000
Total value distributed	4,394,764,132	4,301,629,394
Total value retained	2,395,365,982	2,342,901,702
Total value distributed and retained	6,790,130,114	6,644,531,096
Value retained		
Profit retained	1,594,443,720	1,463,025,881
Depreciation and amortisation	800,922,262	879,875,821
Total value retained	2,395,365,982	2,342,901,702

Manufactured Capital

AEL's manufactured capital consists of the tangible objects that facilitate our day-to-day operations and delivery of our services. This includes physical and technological infrastructure such as our land, buildings, production plants, quarries we have leased, heavy machinery and equipment fleet, and furniture and fittings, as well as our state-of-the-art IT infrastructure, including our Enterprise Resource Planning (ERP) system that supports our operations. Our manufactured capital is essential to our success as the effective management of these assets contributes to our operational efficiency, profitability, and continued growth.

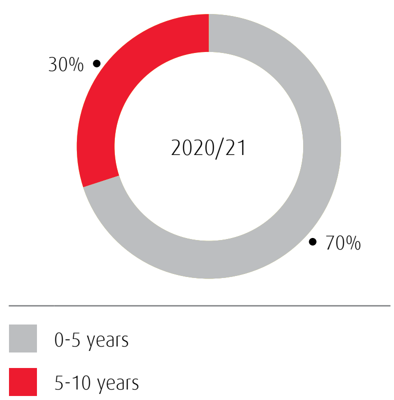
CAPACITY BUILDING



HEAVY CONSTRUCTION VEHICLES, EQUIPMENT, AND MACHINERY

Our heavy construction vehicles, equipment, and machinery facilitate our core operations and generates additional revenue for the Company in the form of hiring income. The Central Equipment Division (CED) is a dedicated unit that regularly maintains our machinery through regular service and supervision and ensures that they are operated safely.

AGING OF THE MACHINERY FLEET



Owning our machinery reduces the need for the Company to hire machinery, which otherwise can add to our costs. Machinery owned by AEL 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, microtrenching machines, horizontal directional drilling (HDD) machines, concrete mixers, silos, desanders, rollers, shotcrete machines, compactors, loaders, trailers, grouting machines, cable blowing machines, weighbridge systems, air compressors, and other construction equipment that we regularly use in our activities.

AEL invested LKR 279 Mn. in plant and machinery, LKR 57 Mn. in tools and LKR 28 Mn. in other construction equipment. This included a 120 TPH asphalt mixing plant, crusher plant, excavators, generators, loaders, ultrasonic drilling monitor, optical fibre splicing machines, bentonite silos, drilling machines, system formwork and other light construction machinery.

IT INFRASTRUCTURE

AEL utilises state-of-the-art IT infrastructure and system applications to support and streamline our operations. We possess a variety of servers, storage systems, firewalls, backup systems, ERP, and Data Management Systems which contribute to increased efficiencies in our operations, including speeding up our decision-making processes, and give us a competitive edge over our peers. AEL invested LKR 18.9 Mn. during the period under review to further scale up our IT infrastructure and capabilities.

PRODUCTION PLANTS

AEL's vertical integration strategy ensures that we remain the leader in the production of construction-related materials. An extensive network of strategically located production plants enables us to execute our projects with great efficiency. We continue to invest in production plants in response to the requirements of the market and increasing demand for construction materials.

Manufactured Capital

	Asphalt plants	Concrete batching plants	Quarries	Crusher plants	Manufactured sand plants
Location	Kotadeniyawa (2 plants)	Kandana	Vauniya (2 quarries)	Vauniya (2 plants)	Meerigama
	Mathugama	Balapitiya	Mathugama	Mathugama	
	Mailapitiya	Mabima	Hakmana	Mailapitiya	
	Vauniya	Mannar	Wallallawita	Meerigama (2 plants)	
	Giriulla	Peliyagoda	Meerigama	Maruthamadu	
			Maruthamadu		
Capacity	656 TPH	340 m^3/hour	–	690 TPH	50 TPH

In addition to above during 20/21 we also invested in 50% of Lanka AAC (Pvt.) Ltd. which is primarily engaged in the production of aerated autoclave concrete (AAC) blocks. The factory which is located in Puttalam has a production capacity of 48 molds per day.

FUTURE OUTLOOK

AEL continues to invest in our manufactured capital. Even during these challenging times, perhaps even more so, it is important to build on our competitive edge. Our vertical integration strategy has enabled us to have more control over our supply chain and will require further strategic investments.

The demand for construction-related material continues to rise with the expansion and rehabilitation of the country's road network and other infrastructure developments across the country. Furthermore, we are looking into the possibility of modifying bitumen together with a leading bitumen supplier for use with high quartz aggregates, which will enable the efficient utilisation of natural resources. Obtaining RDA approval and plant trials are expected to be completed in 2021/22. Research and development are also being conducted into alternative designs for concrete admixtures to optimise material consumption. We will continue to add more capacity to our asphalt and concrete production, crusher operations, and quarry products in response to the requirements and potential of the market.

GRI 102-13

Intellectual Capital

AEL's intellectual capital consists of various intangibles such as our brand, corporate culture, systems, knowledge-based assets including licenses, software, protocols and procedures, and the accumulated internal knowledge that has enabled us to achieve and improve upon our operational excellence. Together with our expertise, these components give us a competitive advantage in our industry. Furthermore, the efficient use of our intellectual capital enables us to be proactive and ready to tackle challenges in the future by embracing innovation and enhancing efficiency.

THE ACCESS ENGINEERING BRAND

Since our inception, we have worked to develop the Access Engineering brand into one of the most trusted brands in Sri Lanka. Our vision for AEL is "to be the foremost Sri Lankan business enterprise in value engineering". AEL is one of the most "integrated" civil engineering companies with expertise stretching across multiple fields, including engineering designs, foundations, workshops, production of construction materials, construction projects, as well as the forward integrated functions of real estate.

Our accreditations speak for themselves, with the Construction Industry Development Authority (CIDA) assigning AEL the highest number of accreditations across the widest range of disciplines. We continued to further broaden our disciplines of engineering during the period under review with new accreditations for heavy construction, electrical installations (extra low voltage), and plumbing and drainage. Our accreditation for bridges was also upgraded to CS-2.

CIDA registration	Grade
Highways	CS-2
Water supply and sewerage	CS-2
Buildings	CS-2
Bridges	CS-2
Heavy construction	C-1
Irrigation and drainage canals	C-1
Maritime construction	C-1
Dredging and reclamation	C-7
Storm water disposal and land drainage	C-7
Piling	GP-B1
Soil nailing and stabilisation	SP-1
Electrical installations (low tension)	EM-1
Electrical installation (extra low voltage)	EM-1
Heavy steel fabrication	EM-1
Plumbing and drainage	EM-1

Organisation	Accreditation
National Construction Association of Sri Lanka	Member
Institute of Engineers Sri Lanka	Recognition of Organisation Training of Graduate Engineers for Corporate Membership – Civil Design Engineering
Institute of Engineers Sri Lanka	Recognition of Organisation for Training of Graduate Engineers for Corporate Membership – Civil Construction Engineering
Chamber of Construction Industry Sri Lanka	Corporate member
The Institute of Chartered Accountants of Sri Lanka	Approved Training Institution for Business, Corporate and Strategic Levels
The Ceylon Chamber of Commerce	Member
International Chamber of Commerce Sri Lanka	Organisational membership
Ceylon Chamber of Commerce – Condominium Association	Ordinary member
Ceylon Chamber of Commerce – Business and Biodiversity Platform	Patron member
National Chamber of Commerce	Corporate member, serving for Engineering and Construction Committees
Employers' Federation of Ceylon	Member

AEL is a forerunner in technology advancement, having introduced several unconventional and innovative construction techniques and methodologies to Sri Lanka, such as the Horizontal Directional Drilling (HDD) and microtrenching method of cable installation in telecommunication works, the use of post tensioning and the aluminium formwork system in high rise building construction, diaphragm wall for basement construction, and several others.

Intellectual Capital

17 PARTNERSHIPS FOR THE GOALS

The only company in Sri Lanka...

To partner with China Harbour Engineering Company (CHEC), developer and investor of Colombo International Financial City, as an investment partner

To be selected by Michelin, the world's 2nd largest tyre manufacturer, to construct Sri Lanka's largest warehouse

To partner with Vestas, the world's largest wind turbine manufacturer for BoP civil works of the Mannar Wind Power Project

To partner with ZPMC China, one of the world's largest crane manufacturers for commission, repair, and maintenance of port machinery

We rank among the "preferred partners" among international contractors present in Sri Lanka and have joint executed projects with contractors from around the world, including China, Hungary, Australia, United Kingdom, USA, Japan, Malaysia, Korea, Spain, and more.

The only construction company in Sri Lanka...

To be a member in good standing of Trace International, UK for anti-bribery compliance

To be selected to the category of "10 Best Corporate Citizens" by the Ceylon Chamber of Commerce for three consecutive years (2017-2019) and construction sector winner 2020

We are one of the most "preferred employers" in the industry with an undisputed retention ratio that is well above the industry standard. We are one of the very few companies accredited by the Institute of Engineers of Sri Lanka to train engineers for their professional charter review.

AEL is one of the five companies in the "Capital Goods" GICS Industry Group that was a constituent of the S&P SL20 index of the Colombo Stock Exchange as of 31 March 2021. We are the only civil engineering company to be a signatory to the United Nations Global Compact. We are a member in good standing of the National Chamber of Commerce. As a corporate committed to sustainability, we are a Patron Member of the Business and Biodiversity Platform of the Ceylon Chamber of Commerce and have completed several CSR projects across the country over our history. Our annual reports frequently earn the Gold Award for construction companies at the annual Chartered Accountants Sri Lanka Annual Report Awards.

SYSTEMS AND PROCESSES

AEL has systems and processes in place that help us to deliver value engineering to our customers. We leverage the latest IT technology and regularly update our systems to stay abreast of the latest developments and security updates and to streamline our operations. Critical company operations covering finance and controlling, material management, sales and distribution, project systems, production planning, plant maintenance, and equipment and tool management run on SAP. During the FY 2020/21 LKR 18.9 Mn. was invested to upgrade information and planning systems.

We are the first construction company to implement an ERP system. With SAP Fiori, we can provide our users with a set of applications compatible with their smart devices to perform certain business functions through a user friendly, secure, and efficient interface that facilitates a faster approval process and the decision-making process. We have a highly skilled and experienced internal team capable of providing solutions for various operational problems that may occur and modifying the system where necessary to facilitate smoother operations. We also provide continuous user training and have regular audits performed by the vendor. During the period under review, major work pertaining to the rollout of SAP Payroll was completed and the system is expected to go live in 2021/22.

During the period under review, we also implemented the Green Tape E-Procurement System, a cloud-based e-tendering process. The user-friendly system facilitates floating Requests for Proposals (RFPs) and offers several advantages, including enabling the central management of the procurement function, facilitating volume purchasing for better pricing, the ability to work with a larger supplier base, more efficient inventory control, lower manpower requirements and administrative costs, automated supplier management, and the ability to generate various reports and maintain internal transparency. The system maintains an accurate vendor database and creates competition among vendors to generate the best price for us. Having completed the bulk of the vendor registration into the system during FY 2020/21, the system went live in April 2021.

We utilise a document management system to track, manage, and store documents. The system helps us to reduce paper wastage, thus lowering costs and increasing our environmental friendliness. Quality, environment, and health and safety management systems comply with International Standards Organisation (ISO) requirements. We maintain an in-house library with reference materials on paper and electronic media on civil engineering and project management. We also publish the "Access Engineering News Within" editorial quarterly newsletter with information about construction projects, sustainability initiatives, technological advancements, human capital, and financial performance.

SYSTEMS UPGRADED, AUTOMATED, OR DIGITALISED IN 2020/21

Upgrades to existing systems	• Core network attached storage capacity enhanced to support SAP expansions • Enhancement of core internet link • Document management system database and application upgrade
Completed during the year	• SAP rollout of AEL East Africa Limited • Automatic payment integration with Hatton National Bank and Nations Trust Bank • License enhancement of several core software programmes
Current upgrades under implementation	• SAP rollout of Lanka AAC (Pvt) Ltd. • SAP HR Payroll implementation • Upgrades to SAP project monitoring tools • Green Tape E-Procurement System • Automated end user data backup system for the Management with a high-end network attached storage • Company website facelift
Future plans	• Core firewall upgrade • Core network switch upgrade • Internal wi-fi system upgrade

PROCUREMENT POLICY

AEL has a procurement policy that clearly outlines sustainable procurement practices for the business while addressing the need for construction materials, goods, and services in an environmentally friendly manner. We focus on effective and efficient procurement arrangements that maximise value, minimise costs, and support the achievement of our long and short-term objectives. As a leading construction firm in the industry, a sound procurement policy is necessary to carry out businesses with our extensive suppliers and supply chain. The term "supplier" includes all suppliers local and foreign, subcontractors who are engaged to provide goods, services, and works to AEL.

Our procurement policy provides guidance to our employees on delegated authority levels to purchase goods, services, and works. This is governed by the Standard Operating Procedure (SOP) in place for procurement. The SOP ensures accuracy, consistency, and transparency of our procurement practices. During the period under review, we took a step further in streamlining procurement practices by implementing the Green Tape E-Procurement System, an online tendering platform. The system will be operational during FY 2021/22, commencing from 1 April 2021.

In our procurement process, we always consider the environmental, quality, and safety impact of activities and strive to maintain compliance with the relevant standards applicable to environment, quality, and health and safety. We conduct periodic evaluations of suppliers based on the aforementioned and either qualify or revoke their vendor status accordingly. For further information about our procurement practices, suppliers, and supply chain, please refer to page 130.

GRI 102-16

CORPORATE CULTURE

AEL's corporate culture is guided by our Vision, Mission, and Core Values. The foremost elements of our corporate culture is striving for excellence and the practice of value engineering, which underpins our very existence and the work we do. Our vision is based on this ethos. The practice of value engineering has enabled us to consistently deliver better solutions to our clients that are more efficient and effective, durable, less costly, and do so quickly. The more challenging a project is, the better the opportunity for value engineering. This has been our key competitive advantage over the years.

A commitment to sustainability is at the core of everything we do, engineering and otherwise. Sustainability is a part of our day-to-day business and takes several forms, including the use of environmentally friendly solutions in construction, the use of innovative and unconventional construction methods, the use of renewable energy, and the efficient use of raw materials, to more focused corporate social responsibility projects. Our commitment to sustainability has enabled us to continue to deliver superior performance despite the challenges posed by our industry.

KNOWLEDGE SHARING AND CONTINUOUS IMPROVEMENT

We proactively encourage a culture of knowledge sharing and continuous improvement. Continuous knowledge enhancement is done through research and development, entering into partnerships with foreign principals as joint venture partners enabling knowledge transfer, and the continuous use of new and unconventional construction methodologies such as post-tensioning for high rise buildings, micro trenching for fibre optic cable installation, and diaphragm walls for basement construction. Most of our research and development (R&D) is conducted in collaboration with the R&D divisions of the various agencies we work with, such as the RDA. Some of our R&D efforts include the use of polymer modified bitumen (PMB) and the use of scrap tyres in gabion wall construction.

Further to our culture of knowledge sharing and continuous improvement, we foster an open-door culture and a culture of rewarding performance through various means including monetary rewards (increments, profit sharing schemes, and incentives) and non-monetary rewards (promotions, recognition, and training and development). We continuously invest in capacity building and enhancement to cater to rising market demands and new engineering disciplines. During the period under review, we invested LKR 722 Mn. into building adequate capacity, of which approximately 36% has been on construction-related motor vehicles and 39% on plant and machinery. We continuously and rigorously monitor our project and plant performance and conduct progress and performance review meetings every month for each operational project and production plant. Besides enabling effective project management, these review meetings are also a platform for brainstorming, knowledge sharing, and the sharing of best practices.

During the period under review, we successfully launched our innovation hub, "Idea Nest", at Access Tower 2 and initiated a project to monitor structural elements using fibre optic cables. Idea Nest aims to nurture potential ideas by young engineering undergraduates, postgraduates, and staff members to be used in applications in civil and mechanical engineering, thus encouraging the much-needed innovation culture in our country.

Innovation hub interior

GRI 102-16, 205-1

AEL has a zero-tolerance policy towards corruption and unethical behaviour. We communicate this through:

- The orientation of new employees upon introducing them to the company culture
- The AEL Code of Ethics
- The policy on disciplinary management
- Adequately addressing conflicts of interest
- The annual core team meeting headed by the Managing Director

We enforce anti-corruption through:

- The Internal audit function
- The Systems audit function
- The Compliance Committee
- Our whistleblowing policy which assures confidentiality, no risk of reprisal, and two-way communication
- Audits by principals and partners
- The annual renewal of our TRACE membership which entails annual surveillance

Our anti-corruption policy and efforts apply to persons who are not employees but are authorised to act on behalf of the Company and represent it (such as consultants) and non-controlled persons or entities that provide goods or services under contract (including our subcontractors and labour suppliers). The Financial Audit and Systems Audit monitor and audit our anti-corruption policy and efforts to ensure stability, adequacy, and effectiveness.

VALUE ENGINEERING SOLUTIONS INTRODUCED IN 2020/21

AEL continues to pioneer technological innovations and improve our value engineering solutions by adopting unconventional techniques and state-of-the-art methodologies.

During the period under review, we introduced 1,350 mm diameter piles to replace 1,500 mm diameter piles. The associated cost reduction is approximately LKR 300,000 per pile, and we successfully implemented it in the Stadiumgama and Orugodawattha housing projects.

IMPACT OF COVID-19

The pandemic had considerable impacts on the work of our engineers, particularly during the initial lockdown. We took steps to ensure their continued productivity by providing them with the necessary hardware and software to facilitate working from home, enhancing the coordination between Design Engineers and Draftspersons to achieve goals and deadlines, and conducting regular remote performance review meetings with all staff. Design projects that commenced during the year were effectively managed through proper work allocations and effective coordination.

NOTABLE RECOGNITION AND AWARDS IN 2020/21

AEL's strive for excellence was recognised with awards in 2020/21. Awards we received during the year include:

- Winner – Construction Category

  Ceylon Chamber of Commerce – Best Corporate Citizen Sustainability Awards 2020

- Best Integrated Report – Construction Industry

  CMA – Excellence in Integrated Reporting Awards 2020

- Certificate of Merit

  CMA – Excellence in Integrated Reporting Awards 2020

- National Award for Construction Performance (for Civil Engineering projects) for the reconstruction of Kochchikade Bridge (No. 38/3 on Peliyagoda-Puttalam Road A-003/15).

  Construction Industry Development Authority – Awards for Construction Excellence

COMPLIANCE

The effective operation of all the components of AEL's intellectual capital has driven us to conduct our business in an open and transparent manner complying with all the necessary regulatory requirements. We are pleased to report that there were no incidents of non-compliance reported during the period under review.

FUTURE OUTLOOK

AEL continues to pioneer innovative techniques and unconventional methods in our operations, thus expanding our knowledge base and ability to adopt the latest technologies and methodologies when working with our international partners. We look to leverage Building Information Modelling (BIM) more frequently during project execution and enhancing the soft skills of our employees. We seek to make the Access Engineering Design Team the most qualified and dynamic team in the industry, not only locally but also on a global level. We continue to improve and upgrade our internal management systems to improve environmental, quality, and health and safety performance. We also expect to reap the full benefits of our Innovation Hub, Idea Nest, in the coming years to foster innovation at a much younger level for the benefit of the entire industry.

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

Human Capital

AEL considers our employees to be our greatest asset. Our workforce consists of skilled, committed professionals who also serve as ambassadors for our Company. We strive to establish a working environment for our workers in which they are encouraged to learn and develop themselves and we provide them with a rewarding career and progression.

The Human Resources function at AEL is closely aligned with the overall business strategy and is closely involved with the operation and execution of other business functions. With HR playing a significant role in a successful corporate strategy, we recognise the importance of well trained and motivated employees in achieving our goals. The HR function also intersects and affects other business functions in several areas such as talent acquisition, performance management, training and development, employee retention and engagement, employment law compliance, compensation and benefits, and safety and security. Alignment of our human resources by ensuring that our people know the vision, mission, and goals of AEL is critical to our organisational success.

AEL employees are not covered under any collective bargaining agreement and there are no trade unions operating within the Company. We consider the views of our employees when implementing significant operational changes and have a minimum notice period as stated in the employee handbook.

TOTAL DAILY-PAID LABOURERS BY AGE AND GENDER

Age category	Male	Percentage	Female	Percentage	Total	Percentage
Age ≤ 30	484	48	9	1	493	49
30 < Age < 50	392	39	4	0	396	39
Age ≥ 50	124	12	3	0	127	12
Total	1,000	99	16	1	1,016	100

TOTAL STAFF BY CATEGORY (EXCLUDING LABOUR)

Category	Total	Percentage
Management and professional	163	9
Technical	530	30
Clerical and supportive (operational)	496	28
Skilled and unskilled	580	33
Total	1,769	100

*In addition to our staff, there were 1,016 daily-paid labourers as at 31 March 2021.

TOTAL STAFF AND LABOURERS BY PROVINCE

	Staff		Daily paid labourers			
Province	Total	Percentage	Total	Percentage	Total	Percentage
Western Province	1,530	55	758	27	2,288	82
Northern Province	116	4	221	8	337	12
North Western Province	10	0	6	0	16	0
Southern Province	42	2	12	0	54	2
Central Province	31	1	19	1	50	2
North Central Province	40	2	0	0	40	2
	1,769	64	1,016	36	2,785	100

WORKFORCE PROFILE IN 2020/21

TOTAL STAFF BY AGE AND GENDER

Age category	Male	Percentage	Female	Percentage	Total	Percentage
Age ≤ 30	563	32	86	5	649	37
30 < Age < 50	907	51	62	4	969	55
Age ≥ 50	148	8	3	0	151	8
Total	1,618	91	151	9	1,769	100

GRI 202-2

RECRUITMENT AND RETENTION

Our recruitment and selection process are critical in building a productive workforce, particularly in an industry where there is a dearth of highly skilled workers. Maintaining a workforce where employees enjoy a high level of job satisfaction and job security translates into a workforce that helps us to achieve our business goals.

Our stringent recruitment process is based on two policies and two guidelines: the Policy on Staff Recruitment, Selection, and Placement, the Policy on Wages and Salaries, the Employee Interview and Selection Guide, and the Guidelines on Employee Induction. Recruitment for Senior Management is handled locally. Our existing Senior Management Team, which consists of 25 personnel, has all been hired from local communities. There were no recruitments and resignations of Senior Management during the reporting period, although there were changes in the composition due to promotions.

From recruitment onwards, we aim to instil our corporate values in our employees to achieve our strategic imperatives and facilitate the smooth running of our operations. Our recruitment strategy aims to not only attract the best talent but also develop their skills and provide them with the experience to become an asset to the Company. To keep our employees engaged, we incentivise them with compelling remuneration packages without being subject to gender or other biases and empower them through professional development. We offer all our employees equal opportunities based on their skills.

AEL is an equal opportunity employer and we do not discriminate based on gender, race, religion, or ethnicity.

NEW RECRUITMENTS BY CATEGORY (EXCLUDING LABOUR)

Category	Total	Percentage
Management and professional	12	3
Technical	159	34
Clerical and supportive (Operational)	171	36
Skilled and unskilled	126	27
Total	468	100

EMPLOYEE TURNOVER BY GENDER (EXCLUDING LABOUR)

Male	Percentage	Female	Percentage	Total
366	92	31	8	397

*In addition to our staff, there were 937 labour turnover during FY 2020/21.

EMPLOYEE TURNOVER BY CATEGORY (EXCLUDING LABOUR)

Category	Total	Percentage
Management and professional	26	7
Technical	108	27
Clerical and supportive (Operational)	106	27
Skilled and unskilled	157	39
Total	397	100

TRAINING AND DEVELOPMENT

AEL recognises the importance of well trained and motivated employees in achieving our goals. The nature of the sector we operate in is a highly competitive, evolving landscape that is also being increasingly digitalised. As such, we offer training programmes for our employees to prepare them to meet the needs of the present and future. As digitalisation continues to disrupt and spark innovation in the field of construction, AEL has become a pioneer in the industry by adopting the latest methodologies and techniques and investing in state-of-the-art machinery. We empower our employees through our training programmes which include on-the-job, in-house, and external training in both local and overseas locations, sponsorships, and others, and opportunities for professional development to further their careers.

NEW RECRUITMENTS BY GENDER (EXCLUDING LABOUR)

GRI 401-1

Male	%	Female	%	Total
424	91	44	9	468

*In addition to our staff, there were 1,071 labour recruitments during FY 2020/21.

Human Capital

GRI 404-1

- Total investment in training and development
  LKR 2.34 Mn.
- Total number of industry placements offered
  135 placement
- Total number of participants in training programmes
  2,014 participants
- Total number of training programmes
  122 programmes
- Total training hours
  8,133 hours

AVERAGE TRAINING HOURS BASED ON GENDER

Males	Females
2.71 hours	**6.27** hours

AVERAGE TRAINING HOURS BASED ON CATEGORY

Staff	Workers
4.05 hours	**0.96** hours

TRAINING PROGRAMMES OVERVIEW

TRAINING AREAS

- Job-specific training
- Corporate training
- Operational training
- Soft skills
- On-the-job training
- General training (leadership and team building)
- Collaborative trainings with external institutes

METHODS ADOPTED IN TRAINING AND DEVELOPMENT

Internal	External
On-the-job training	Institutional training
In-house training using Company's own resources and expertise	*Ad-hoc* training
Knowledge sharing sessions	Customised training for organisational and individual requirements
Industrial training	

EVALUATION METHODS

- Written exams at the end of training sessions
- Evaluation by immediate superior at the annual performance appraisal
- Feedback forms
- Based on participation and group activities
- Practical exams
- Questionnaires

INTERNAL TRAINING PROGRAMMES

Training area	Number of programmes	Total participants	Training hours
Health and safety	52	660	953
Environmental	2	39	102
Technical	41	708	3,544
Total	95	1,407	4,599

EXTERNAL TRAINING PROGRAMMES

Training area	Number of programmes	Total participants	Training hours
Health and safety	7	271	1,929
Environmental	–	–	–
Technical	20	336	1,605
Total	27	607	3,534

SUMMARY OF INTERNAL + EXTERNAL TRAINING PROGRAMMES

Type	Number of programmes	Total participants	Training hours
Internal	95	1,407	4,599
External	27	607	3,534
Total	122	2,014	8,133

GRI 404-2

TRAINING NEEDS ANALYSIS (TNA)

Through our Training Needs Analysis, we identify the training and development needs of our employees. We ascertain individual training requirements through annual performance appraisals and ongoing discussions with Management. Divisional/ Department heads identify gaps and training needs, and the respective HR departments provide a summary of the TNA to the Corporate HR Department. Methods currently used to obtain inputs for the annual training plan include:

- Requests made through performance appraisals
- Non-compliance reports developed through Management Systems Audits conducted on quality, environment and health and safety 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 the Corporate HR Department for the preparation of Company-wide learning and training plan

AEL'S INTERNAL CAPACITY

AEL has a strong internal training capability which features:

- A pool of internal trainers
- Modern training room facilities
- On-the-job training opportunities (based on employee requests and Company requirements)
- Automated working environment (SAP)
- The Central Equipment Division, where employees are internally trained to maintain the Company-owned vehicle fleet
- The Engineering Design Division which uses cutting edge hardware and software to provide staff with on-the-job training

LEARNING CULTURE

AEL strives to cultivate a learning culture through innovative learning and development initiatives. Some of the ways we do this include:

KNOWLEDGE SHARING AS A HABIT

AEL engages in different types of projects where the methods and techniques employed may differ from one another. We provide an opportunity for our best performing employees to share their experiences in knowledge sharing sessions with other employees at the same level. This is one of the most popular initiatives at AEL. Our quarterly newsletter has become an important source of sharing knowledge where comprehensive articles are featured with project managers experience.

GUIDANCE TO CHARTER

Becoming a Chartered Engineer is the ultimate objective of any engineer. We guide every fresh engineering graduate towards achieving Chartered status through voluntary classroom trainings conducted by Chartered Engineers. We consider this initiative to be a method of transferring tacit knowledge to the next level. We are one of the few engineering companies in the industry recognised by the Institute of Engineers of Sri Lanka (IESL) for this purpose.

LEARNING AS PART OF OUR OVERALL STRATEGY

Learning is a part of the Company's overall strategy in which we adopt the 70-20-10 principle of training. We believe in an optimal mix of 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 are a vital means of disseminating knowledge across the Organisation.

TRANSPARENCY

AEL has a structured career path along with a linked salary structure. Our employees are aware about their career stages within the Organisation and the requirements that need to be fulfilled. We provide the appropriate training by identifying their competency gaps to build the next generation of employees for the Company. Employees are provided with 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 significant role in our learning strategy. We encourage cross team employees to engage more and to share expertise outside the confines of their own teams.

ENCOURAGING NEW IDEAS AND INNOVATION

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. In encouraging innovation within our Organisation, employees are naturally going to want to learn as much as they can 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. An incremental step in this regard was taken when we launched our very own AEL Innovation Hub named "Idea Nest" to the benefit of not only young budding engineering students but also for our own staff.

FINANCIAL SUPPORT FOR LEARNING

At employees' request and upon approval of their superior, AEL provides financial support for employees to pursue their higher education. We encourage our employees to pursue their postgraduate studies and to increase their contribution towards the business while building their own career. Employees engaged in higher education are encouraged to study Company processes and procedures to suggest ways to optimise them for the Company.

EASILY ACCESSIBLE RESOURCES

The Company-maintained library within our corporate office premise facilitates knowledge enhancement at no cost. Similarly our internal Central Data Repository acts as a centre for knowledge dissemination where all staff can easily access previous project reports and post project analysis.

TIME FOR EMPLOYEES TO REFLECT

We believe that some of the most powerful and lasting learning experiences happen not just from the experience itself but from the learners taking time to reflect, assess, and ask questions once the intervention is over. We have implemented the Plan-Do-Check-Act (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

During the reporting period, AEL's training and development programmes faced several challenges.

The COVID-19 pandemic and subsequent lockdowns imposed restrictions on virtually all companies, including AEL, that obstructed us from conducting our operations normally. This had a direct impact on the training and development function. The time available was insufficient to fulfil the training needs of employees and complete the overall training plan for the year. With our priority being on the health and safety of our employees and focus being on continuing our operations after the lockdowns were lifted, we did not conduct any training programmes with our employees in-person. Restrictions on the size of gatherings by the Government due to the pandemic were also a factor.

Although AEL utilises virtual learning through platforms such as Zoom and Microsoft Teams, technical issues hindered some participants from being able to use them effectively. As a result of these limitations, the effectiveness of our training activities was much lower and opportunities for knowledge sharing significantly reduced compared to previous years.

EMPLOYEE BENEFITS

AEL offers our employees a range of benefits to keep them incentivised and to raise their levels of engagement, thus keeping them motivated to achieve our operational objectives as well as helping to attract and retain talent.

GRI 401-2

BENEFITS AVAILABLE TO FULL-TIME EMPLOYEES

1. Performance-based recognition
2. Career development
3. Annual bonus
4. Performance-based incentives
5. Surgical and hospitalisation coverage (extended to the whole family)
6. Festival advance
7. Morning and evening tea with snacks
8. Annual trips
9. Sports day
10. Christmas carnival
11. Providing meals and transportation when working extended hours/on holidays
12. Library facilities
13. Corporate T-shirts
14. Personal loans with 5% interest rate
15. Personal accident and death insurance coverage
16. Death donations

BENEFITS AVAILABLE TO TEMPORARY OR PART-TIME EMPLOYEES

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

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.

GRI 401-3

PARENTAL LEAVE DURING 2020/21

Number of employees entitled to parental leave	151
Number of employees that took parental leave	9
Number of employees that returned to work after parental leave ended	7
Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	–

WORK-LIFE BALANCE

AEL promotes a healthy work-life balance to ensure that our employees pay attention to all aspects of their lives besides their employment. The type of work at AEL is often labour intensive and can be physically and psychologically exhausting. We promote activities that can have a positive impact on increasing the cohesion and productivity of our team, where they feel they belong to the Access Engineering family.

Except for compulsory leave entitlements, confirmed employees are entitled to seven days of medical leave per annum. Should an employee face an accident during work or otherwise, they are given paid leave in addition to the seven days of medical leave.

We encourage our employees to participate in our employee engagement initiatives, including the annual staff outing, Christmas carnival (family event), sports carnival, and more. Our HR staff is trained in employee counselling and employees can even contact them 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.

STIMULATING WORK ENVIRONMENT

We provide our employees with a stimulating and engaging environment to work in. Our corporate office features a unique office layout design with an open office concept.

Access Tower, where our corporate headquarters are located, is an "A-Grade" office complex located in the Central Business District of Colombo 02. Access Towers features all the facilities of a modern building including adequate lighting, air conditioning, backup power, water, sanitary facilities, lunchrooms with open views of the Colombo skyline, security, and more.

Employees who are located at our construction sites and production plants across the island are also 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

We encourage our employees to participate in our CSR activities to foster a spirit of volunteerism and charity. CSR activities are endorsed by the Board and the Senior Management is involved in their execution, which motivates all employees to take part. A separate budget is available for CSR projects and cross functional teams are put in charge of managing them. We also consider employee participation in CSR activities in their performance appraisals. AEL can proudly report that our employees continued to be proactively involved in our CSR projects during the reporting period.

GRI 404-3

PERFORMANCE EVALUATION

AEL evaluates our employees through a fair, transparent performance management system. The performance management system at AEL serves a dual purpose as an evaluation system and a feedback system. The evaluation system aims to identify the strengths and performance gaps of the employee, while the feedback system aims to inform the employee about the quality of their performance.

We conduct performance evaluation discussions, and our employees are continually appraised throughout the year. Every employee is given an opportunity to conduct a self-evaluation against theirs' and their department's KPIs. A preliminary evaluation is conducted by the immediate supervisor which will be reviewed by the Head of Department/Project Manager with HR personnel and technical personnel. The reviews are then forwarded to the GM/SGM and Chief Operating Officer (COO) for their approval and recommendation for promotions and increments in discussion with the Corporate Management.

HEALTH AND SAFETY

AEL has taken stringent measures, in line with the nature of our industry and operations, to ensure the health and safety of 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 a 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.

PRECAUTIONS PERTAINING TO COVID-19

To prevent the spread of COVID-19, the Company adopted the following precautions to ensure employee safety:

- Circulated the "COVID-19 Workplace Preparedness and Response Guide" among employees
- Appointed a COVID-19 Response Team to be responsible for implementing business continuity strategies and managing all issues related to COVID-19
- Arranging Work from Home (WFH) opportunities for employees and functioning with a limited number of staff to attend to essential duties
- Temperature checks of every employee at the entrance of the office premises
- Displaying COVID-19 precaution notices on noticeboards and digital screens to inform about public health guidelines and the instructions of Government authorities
- Regular disinfection of office premises
- Established an effective communications strategy to share the latest news and information about COVID-19
- Provide relevant training to employees
- Facilitating PCR testing at the Company's cost to newly recruited staff and other employees as necessary
- Providing hand sanitizers to all employees and surgical masks to plant employees
- Providing immunity-boosting drinks such as coriander and ginger tea

DETAILS OF HEALTH SCREENING PROGRAMS CONDUCTED

The objectives of this programme are to;

- Identify any job related occupational diseases
- Identify any misfits between project staff and their job specifications

Health Screening conducted in 2020/21:

Sector	General screening and vision	Hearing
Building and piling	185	40
Production plants	162	88
Roads and highways	74	6
Central Equipment Division (CED)	53	50
Telecommunication	35	9
Fabrication workshop	10	8
Total	519	201

GRI 403-2

HEALTH AND SAFETY PARAMETERS

Total safety hours	9,242,847
Fatalities*	0
Major accidents**	6
Minor accidents	29
Frequency of major accidents	0.65
Frequency of minor accidents	3.14
LTIFR (Lost time injury frequency rate)	3.79

* 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 period under review, all workers who met with major accidents reported to work after undergoing treatment. No permanent disabilities were caused as a result of the major incidents that occurred during the reporting period.

Our health and safety policy has the following objectives:

ZERO

- Occupational disease rate
- Fatalities
- Major injury rate
- Minor injury rate <4

To achieve these objectives, we conducted various initiatives throughout the year, including:

- Conducting frequent safety awareness programmes and safety training programmes (internal and external)
- Conducting safety inductions (videos and presentations)
- Identifying health and safety hazards and assessing risks associated with such hazards
- Establishing and practicing operational controls based on the results of risk assessments (e.g., working at heights, working with electricity, welding, operating heavy vehicles and machinery, etc.)
- Identifying Personal Protective Equipment (PPE) needs based on the activities being carried out, procuring and providing same, monitoring appropriate usage and effectiveness
- Display of safety signage
- Adhering to ISO 45001 health and safety management system and strictly monitoring it
- Health and safety audits by the Management Systems Team and external assurance providers
- Providing first-aid training to all site staff
- Identifying and conducting emergency mock drills to ensure that pre-determined responses are adequate and effective
- Site trainings and awareness to work safely with minimum impact to health
- Selection of best "Safety Performer" among the employees to cultivate a safety culture at 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.

GRI 205-2, 205-3

ANTI-CORRUPTION POLICIES AND PROCEDURES

Every new employee that joins AEL undergoes a comprehensive training about the Company through periodic orientation programmes. The orientation programme is designed to inculcate our values and ethics into new employees, which also includes our anti-corruption policies and procedures. During the reporting period, a total of 203 staff members went through orientation programmes. During the year there were no confirmed incidents of corruption reported.

EMPLOYEE GRIEVANCE HANDLING

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

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, social origin, or other relevant forms of discrimination during the reporting period.

CHILD LABOUR AND LABOUR RISK

The internal audit team conducts a risk assessment wherein child labour is one of the aspects assessed. AEL has introduced a policy framework for employee resourcing that strictly adheres to the Labour Laws of Sri Lanka. The NIC/birth certificate is mandatory in all recruitments (including labour) and the age is cross checked before employment is offered. The HR Department closely monitors all hires in the Company through the payroll system (through the EPF and ETF registration mechanism) to prevent any malpractices. External audits including site visits by the District Labour Commissioner or Team are conducted at least twice a year.

GENDER EQUALITY

AEL considers gender equality to be a significant factor in creating a better work environment as well as improving the efficiency of the Organisation. A diverse workforce will bring with it diversity in opinion which will lead to a more holistic approach and therefore a greater tendency to achieve greater success. Empowerment, partisan-free, and supportive gender equality leads to an innovative mindset.

AEL utilises several strategies to promote gender equality, such as transparency in the recruitment process, providing equal pay packages, equal opportunities for progress and promotion, training and development opportunities for both men and women, equal care for needs, and flexible working hours or working from home (WFH) when needed.

We have two specific policies on sexual harassment in the workplace – the "Policy on Disciplinary Management" and the "Whistleblowing Policy". Under the Policy on Disciplinary Management, sexual harassment is defined as misconduct. The policy provides for disciplinary action against sexual harassment, such as inappropriate sexual development, requests for sexual favours, sexual or explicit posters, pictures, cartoons, or other verbal or physical acts. Any employee who has experienced harassment can report such an incident to their manager, the next level of management, Human Resources, or Top Management. All complaints are treated as confidential. An investigation is conducted based on the misconduct and the relevant punishment will be decided by the Board of Inquiry.

Human Capital

COMPOSITION OF WOMEN IN MANAGEMENT CATEGORIES

Category	Number of women as at 31 March 2021
Junior management	41
Middle management staff	27
Senior management staff	02
Total	70

REMUNERATION BASED ON GENDER

AEL's remuneration policy does not discriminate based on gender or any other biases. We maintain an equal ratio of basic salary remuneration between men and women. All female employees were entitled to the annual bonus paid for FY 2020/21. A total of 53 women received performance-based incentives during FY 2020/21.

GRI 202-1, 405-2

RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN BY EMPLOYEE CATEGORY

Employee 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

GENDER NEUTRAL MARKETING COMMUNICATIONS

AEL has procedures in place to maintain gender neutral language across all advertising and branding platforms. We ensure that equal opportunities are provided to both genders as appropriate in our marketing campaigns.

SOCIAL MEDIA POSTS

We maintain gender neutrality in our social media posts and ensure equal opportunities for both genders when the "people" element is involved. An example is that an equal number of female and male employees were taken into consideration to generate awareness regarding our "Be Safe at Work" campaign on social media platforms.

CAREER ADVANCEMENT

AEL offers internal and external mentoring and training programmes that contribute towards professional career advancement. Performance appraisals are conducted annually, and employees are provided with the opportunity of advancing their employee grades. The employee grading system is applied to all employees without any biases, including gender biases.

EDUCATION

AEL offers financial support for employees to pursue their higher education to increase their contribution towards the growth of the business while building their own career. Financial support and flexibility in engaging in higher education is provided to all employees regardless of gender.

ACCESS TO FINANCIAL SUPPORT

As an equal opportunity employer, AEL provides financial support towards the payment of professional subscriptions, surgical and hospitalisation cover, a medical reimbursement scheme, scholarships to children of employees, loan facilities, and more to improve the living standards of our employees.

SUPPORTING WOMEN IN THE SUPPLY CHAIN

Although AEL operates in a heavily male dominant industry, we take every possible initiative to provide opportunities to female suppliers to engage with us.

We have an extensive supply chain that included 1,552 new local suppliers within the financial year 2020/21, of which 6% were female suppliers. Furthermore, our corporate suppliers engage the services of females as employees, which can be considered as indirect engagement of females in our supply chain. Female suppliers who are directly engaged with us provide the Company with a variety of services including the supply of labour, stationery, construction materials, and the hiring of machinery.

While our procurement policy outlines the standards necessary to be a supplier for Access Engineering, we maintain a gender-neutral policy in selecting suppliers. This has resulted in the Company having many women who play a key role in supplying raw materials for some of our major projects.

In each project we take on, we provide support to the surrounding communities to start businesses as a means of uplifting their livelihoods. In doing so, we facilitate women in the project's surroundings to initiate food and beverage supply services to project workers. We also provide job opportunities to women at our project sites as "Support Staff" to empower them and uplift their living standards. The ongoing Kimbulapitiya Warehousing Project is an example of how we provide support towards the surrounding communities by offering job opportunities.

INITIATIVES UNDERTAKEN DURING THE REPORTING PERIOD

During 2020/21, AEL took various actions that we expect will reap benefits for the Company in the long term. Although the COVID-19 pandemic posed serious challenges for the business, the Management nevertheless confirmed job security for our employees. Several preventive measures were also taken to ensure the health and safety of our employees.

The implementation of SAP Payroll marked a significant milestone for us. An automated payroll system provides vast benefits to the Company, including increasing accuracy, saving time, reducing the manual workload of the payroll team, easy report generation, and ensuring the security of data. The system is expected to be fully implemented companywide in 2021/22.

Employee engagement has emerged as a critical driver of business success in today's highly competitive market. High levels of employee engagement can promote retention of talent, foster customer loyalty, and improve organisational performance and stakeholder value. With this in mind, we have focused on talent management during the last year. The Company has taken different initiatives to recognise the capabilities of our employees and implemented mechanisms to utilise those capabilities effectively while developing and retaining the same talent to build our competitive edge.

Furthermore, we have developed more integrated processes for talent acquisition, performance management, compensation and rewards, and learning and development. The aim is to not only to create an efficient HR system for people management but to also create an "integrated system" wherein we can respond swiftly and effectively to meet our future business needs.

FUTURE OUTLOOK

RECRUITMENT

AEL offers equal employment opportunities to all employees and potential candidates. We will be continuing our initiatives to strengthen our employer brand to offer a better employee value proposition.

We also provide on-the-job training opportunities for students from different vocational training institutes. Students receive training related to different skills and are absorbed into our staff cadre with a good remuneration package.

We will continue to focus on attracting the best students coming out of universities and our rigorous recruitment and selection process to ensure that we continue to onboard the best talent. We will also be focusing on social media platforms to attract the best potential candidates.

RETENTION

We offer challenging job roles for every employee and remuneration on par with the industry. Each position has a clear and defined career path for individuals to pursue their career growth. This establishes a strong bond between the employee and the Organisation, ensuring that there is a strong institutional and individual fit.

Through various initiatives such as performance-based recognition and incentives, annual bonuses, insurance package, annual events (Christmas carnival, annual staff outing, sports day, etc.), and accommodation facilities for site-based staff, the Company has been able to increase its employee retention rate.

AEL also places a clear focus on succession planning and leadership development, which undoubtedly has a huge impact on employee retention.

INNOVATION

AEL is keen on raising awareness over the need for improvement and thinking out of the box and motivating employees towards it. Some methods used by the Company to inculcate a culture of continuous improvement which encourages existing practices to be challenged include:

- Taking suggestions from lower-level staff
- Quality cycles implemented into every plant and project wherein employees are encouraged to give ideas for continuous improvement (Plan-Do-Check-Act cycle)
- Open door policy that enables any employee to convey their ideas, suggestions, and opinions to the Management
- Key Staff Forum, where the CEO/MD addresses key staff each year and receives suggestions through discussions
- Launch of AEL Innovation Hub; "Idea Nest"

AEL has a long history of contributing innovations to the Sri Lankan construction industry, including the diaphragm wall technique, post tensioning method for high rise buildings, utilisation of precast concrete, concrete tees for underwater concrete works, and introducing pre-fabricated bridges and flyovers among numerous others.

COMMITMENT

Having a committed workforce is considered a non-monetised asset. To have a committed workforce, we have developed a unique organisational culture that encourages employee engagement at every level. In addition to our employee engagement initiatives, our career development opportunities, open door policy, effective communication, and performance-based rewards have strengthened our culture and contributed considerably to building a committed workforce.

Social and Relationship Capital

CUSTOMER CAPITAL

AEL is guided by our ethos of value engineering – which prioritises flexibility, innovation, and quality – to offer competitive solutions to our broad customer base for projects of a wide range of complexity. It is the single most important attribute that separates us from our competition through which we deliver solutions that are faster, more reliable, and cost effective.

AEL is one of the most integrated engineering companies in Sri Lanka. Our integrated portfolio of engineering services includes engineering designs, production of construction materials, piling, and mechanical and steel fabrication workshops. Our integrated approach has enabled us to be self-sufficient and therefore execute projects without incurring any delays or cost increases. We anticipate that the need for construction materials will increase rapidly as the development of expressways and the road network in the country continues to ramp up.

Our forward integration into real estate has also enabled us to realise synergistic values. As a result of our exposure to construction and engineering, we are able to value engineer real estate developments significantly, thereby improving their aesthetic value and functionality resulting in a superior apartment unit in the hands of buyers.

As one of Sri Lanka's largest asphalt producers and a leader in the supply of ready-mix concrete, we not only cater to our own projects but also sell to external clients. The strategic location of our production plants near key infrastructure projects enables us to deliver materials quickly with low turnaround time. This means we can deliver bigger volumes of materials within shorter timeframes, thus resulting in better margins for our business.

We maintain a strong order book of work which includes confirmed and signed projects in the fields of roads and highways, bridges and flyovers, building and foundation works, and material production. The majority of our order book is comprised of ongoing projects, with the remaining projects being in the preliminary work stages. Our Company policy is to have an order book equivalent to over two years of revenue to mitigate any potential delays in projects being awarded and accommodate any other policy decisions.

Most of the projects we undertake are of a measure-and-pay nature, which means we are paid by the client based on the milestones completed. Upon completion of work, we submit the necessary bills for certification by the client. Upon completion of certification, payment is made up to the certified bill value. A price escalation formula is usually built into the contract to compensate for any future increases in costs that may occur due to various factors. We also undertake lump sum contracts, mainly in building works. Lump sum contracts do not have any price escalation mechanism, thus the initial pricing needs to be highly accurate and prudent to take into account any future cost implications. We undertake unit rate contracts primarily in telecommunication works. Unit rate contract payments are made based on the actual amount of work completed as agreed by the unit rates. We are involved with several Public-Private Partnership (PPP) projects, primarily in the building sector together with the Urban Development Authority (UDA). PPP projects involve the pooling of resources by both the Government and the private sector, and the payment goes to an escrow account before being drawn down by the parties. Resources committed by the Government usually involve land, whereas the private sector executes the project using its own funds. During the reporting period we commenced a Design, Build, Finance, Operate, and Transfer (DBFOT) project for the UDA to construct public car parks in Union Place, Colombo. DBFOT projects involve the contractor building the project and operating it for a specified number of years prior to handing it over.

VALUE ENGINEERING SOLUTIONS

AEL embraces the use of new and unconventional construction technologies as a means of delivering "value engineering". Value engineering enables us to reduce costs, save on resources, improve quality, and speed up project delivery. Through our longstanding partnerships with our international partners and principals, we have been able to facilitate technology and knowledge transfer and are responsible for introducing many of the engineering and construction methodologies that have now become the norm in the country, such as diaphragm walls for basement construction, post tensioning for high rise building construction, and horizontal directional drilling for telecommunication works. One of the examples of value engineering that we implemented during the year was introducing 1,350 mm diameter piles instead of 1,500 mm diameter piles in the Stadiumgama and Orugodawattha housing projects. This switch led to a cost reduction of approximately LKR 300,000 per pile.

With the most CIDA accreditations across several fields of civil engineering in the country, we are able to bid for projects with no limit on the value or the volume of work we undertake and pass most of the pre-qualification criteria for projects. Our CIDA accreditations allow for us to have a broad portfolio of products and services and to carry out turnkey projects that have requirements for foundation, electrical, and plumbing works and more.

At the tendering stage, the use of value engineering allows us to provide our clients with a competitive price and construction solution. We also partner with world renowned contractors to carry out specialised work to offer technically superior products to our clients.

GRI 416-2

We engage in research and development activities, mostly in collaboration with the R&D division of the Road Development Authority and local universities, to identify and develop new products that are more sustainable, environmentally friendly, and cost effective. During the reporting period, we opened our "Ideanest" Innovation Hub, a hatchery designed to inculcate a culture of innovation in young engineers and engineering students and encourage them to develop creative and innovative ideas in improving civil and mechanical engineering applications.

With our highly skilled employees and state-of-the-art equipment and machinery, we can execute any kind of task, including large-scale projects. Our ISO-certified Quality Assurance and Management Systems ensure that we meet all regulatory requirements regarding health and safety, the environment, and quality, and we go above and beyond compliance when meeting the standards of safety and quality. We conduct a minimum of three audits during a project upon commencement, execution, and completion. *Ad hoc* audits are also carried out on a needs basis. These mechanisms ensure the delivery of value engineering to all our customers.

We also value health and safety 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.

PRODUCT PORTFOLIO

AEL is one of the largest local engineering, procurement, and construction contractors in Sri Lanka. The Company has the necessary CIDA accreditations to undertake any project under the following engineering disciplines:

Highways	Water supply and sewerage
Buildings	Bridges
Heavy construction	Irrigation and drainage canals
Maritime construction	Dredging and reclamation
Storm water disposal and drainage canals	Piling
Soft nailing and stabilisation	Electrical installation (low tension)
Electrical installation (extra low voltage)	Heavy steel fabrication
Plumbing and drainage	

AEL is also one of Sri Lanka's largest construction material producers and we operate several quarries around the country.

Asphalt	Ready-mix concrete
Crusher products	Autoclaved aerated concrete
Quarry Operations	

Social and Relationship Capital

We can take on a variety of roles in a project, including:

- Main contractor
- Subcontractor
- Joint Venture partner
- Exclusive local partner
- Partner of a consortium
- Public-Private Partnerships (PPPs)
- Design, Build, Finance, Operate and Transfer (DBFOT)

We undertake projects that are awarded based on the following mechanisms:

- International Competitive Bidding (ICB)
- National Competitive Bidding (NCB)
- Restricted international and national bidding
- Direct contracting and repeat orders
- Emergency procurement

We undertake projects based on various funding mechanisms:

- Local bank funded
- Bi-lateral funded (export credit)
- Multi-lateral funded (ADB, JBIC, JICA, World Bank)
- Treasury funded
- Self-funded

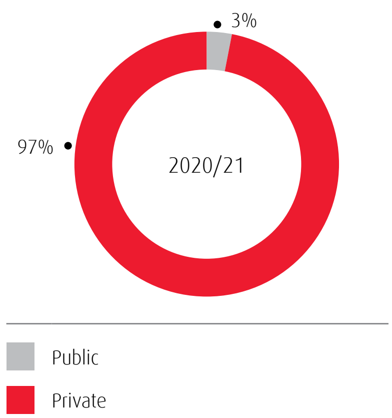
CUSTOMER MIX

Our customer base primarily consists of public and private sector customers. A significant portion of our customer base are private customers who purchase asphalt concrete, ready-mix concrete, and aggregate products.

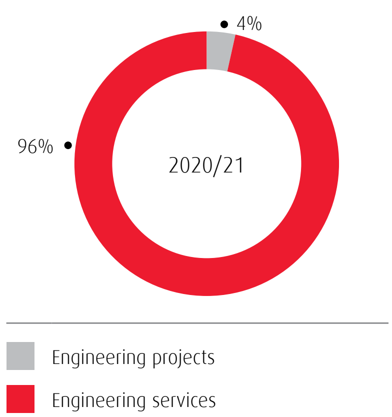
Our main public sector customers include the Road Development Authority (RDA), Urban Development Authority (UDA), National Water Supply and Drainage Board (NWSDB), Airport and Aviation Services (Sri Lanka), Sri Lanka Ports Authority (SLPA), Ceylon Electricity Board (CEB), Department of Irrigation, and Sri Lanka Telecom PLC (SLT).

Our main private sector customers include private sector condominium developers, private telecommunication service providers, other contractors, and buyers of construction materials.

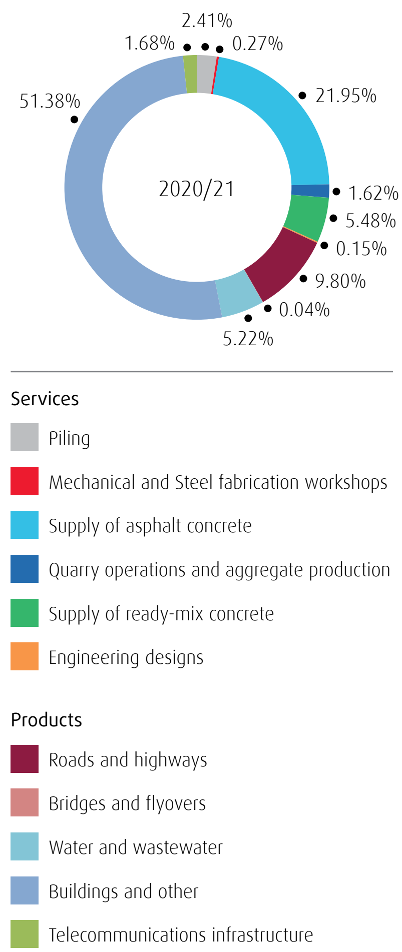
CUSTOMER MIX BY NUMBER OF CUSTOMERS



CUSTOMERS BY CATEGORY



CUSTOMERS BY ENGINEERING FIELD



CUSTOMER SERVICE AND ENGAGEMENT

To provide our customers with world class service, we maintain a continuous dialogue with them at each stage of project implementation. A dedicated Business Development Manager is assigned to our priority customers, thus ensuring their concerns are addressed within a short timeframe.

Stage in the project	Medium of dialogue	Typical dialogue content
Pre-contract	Collection of tender document	Project description and criteria for tender submission
	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
	Tender submission	• Submission of formal bid together with the technical and financial proposal • Submission of guarantees/bonds as required
	Negotiations/MOU (if reuired)	• Once shortlisted the client commences negotiations and further clarifications are sought if required • Signing of a MOU to incorporate the outcome of negotiations
	Letter of award	• Formal award of the project
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
	Bill certification	Submission and certification of interim payment certificates (IPCs)
	Special meetings	If and when required
	Statement of completion	Notification of project completion
	Taking over	Formal handing over of the site and completed project to the client/customer
Defect Notification Period — (Usually for one year)	Inspection	Regular visits are made by the client/customer during this period to identify any defects or errors and same is communicated for rectification
	Rectification	Rectification and notification of identified defects
	Performance certificate	Issued after the expiry of the defect notification period and submission of final bill
	Retention release	Release of outstanding retention after defect rectification

CUSTOMER GRIEVANCE HANDLING

We handle customer grievances and complaints before they escalate into an issue. We have a standard policy in place to handle grievances. Project Managers, Plant Managers, Activity Centre Managers, and Departmental Heads follow this policy while the Management Systems Manager monitors its implementation. Across all the locations we operate, a Complaint Register is kept to track, record, and respond to customer complaints.

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

To provide a better understanding of the Access Engineering brand, our brand values need to be reflected more accurately across all communications platforms so that stakeholder management will be consistent. Our corporate communications strategy engages the Access Engineering brand with various stakeholder groups, including the online audience.

Based on the implemented integrated communications strategy, we have aligned the Access Engineering brand across all internal and external communications platforms while maintaining brand consistency across all mediums.

- Facebook and LinkedIn profiles are updated with weekly posts to ensure that the attention of the target audience is captured consistently
- The Corporate YouTube channel features the concept of "Creating tomorrow's heritage"
- The key milestones of projects and all corporate events are highlighted through press publications on a timely basis
- Frequent updates are made to the corporate website regarding job opportunities, share trading activities, project progress, awards received, etc., to keep our stakeholders informed
- The revamping of the corporate website is under progress to align with the corporate communications strategy
- The newsletter blog is done on a quarterly basis and highlights corporate events, project highlights, awards received, the summary of trading activities, and many more insights of our employees regarding construction techniques and innovative strategies implemented for our projects
- We engage in regular and proactive brand building activities such as outdoor advertising, vehicle branding, workwear branding, advertorials, and sponsorships
- The Corporate calendar of 2021 featured the concept of "Value Engineering and Innovation" where several outstanding young innovators were portrayed with their inventions

CHALLENGES FACED IN 2020/21 AND OUR RESPONSES

Challenges faced	Our response
Challenges posed by the impact of COVID-19 Lockdowns and restrictions in movements across the country necessitated shutting down ongoing construction work and production plants.	We took various measures to prevent the spread of the virus, including implementing WFH arrangements wherever possible and conducting meetings online through platforms like Microsoft Teams, Google Hangouts, and Zoom. We also implemented our business continuity plans and cost cutting measures. We offered flexible payment plans to new customers and accepted delayed payments without any interest penalties from existing customers. We continued to settle contractor payments on time. Stringent health protocols were implemented at our worksites, including regular disinfecting of all workplaces including accommodation, measuring body temperature of all workers, mandating the wearing of facemasks, providing sanitised foot baths and disinfection cubicles, and maintaining social distancing at all times. PCR tests were conducted as required and separate isolation rooms were arranged for any cases that may have arisen. To minimise exposure to society, employees were provided with facilities like staff transportation, car parking spaces, meals, and Company-provided accommodation. Our Engineering Designs Department provided employees with the necessary hardware and software to facilitate working from home and held regular remote performance review meetings. Effective work allocation and coordination helped the team to deal with projects. Lanka AAC had to deal with the challenge of managing the labour force, which could in turn affect the factory output. If it was anticipated that timely delivery was not possible to clients, they were notified in advance and approval was obtained for the next possible delivery date. Access Motors had to contend with import restrictions in the vehicle market. To address this, they shifted their focus towards after sales services and body shop operations, including extending services to other brands of vehicles outside of the brands they deal, and will be focusing on the used car market. Sathosa Motors took all measures to protect its employees, customers, and other stakeholders. Expenses and payments to suppliers were carefully analysed and negotiated more favourable payment plans and credit terms with Licensed Commercial Banks for interest and loan repayment deferments. Discussions were held with all banks to obtain outstanding leasing dues from customers through undertaking letters. Negotiations were held with the Import Controller to get the requisite approvals for importing commercial vehicles to service customers who provide essential services to the country.
Delays in the commencement of mega scale infrastructure development projects Delays were seen in the awarding of projects, finalisation of funding lines for projects, tendering of projects, and commencement. Although these are common occurrences in the engineering and construction fields, it poses several challenges for all industry participants. These include not having continuous work and fixed overheads reducing margins due to the lack of work.	We maintain a healthy and diversified construction order book comprising confirmed and signed projects with 2+ years of Company revenue. Additionally, the business development teams continuously follow-up a list of potential pipeline projects. Our market leader position in the sale of construction-related materials such as asphalt and concrete also ensure continuity of work and sales.
Rising raw material prices The prices of major raw materials, including sand, cement, and steel, were continuously on the rise, as was the cost of labour. This leads to the weakening of margins.	We maintain an adequate quantity of the major raw materials required for projects to avoid any panic buying and thereby higher raw material prices. For imported raw materials such as bitumen, we continuously seek new suppliers so that the most competitive prices can be secured.

Challenges faced	Our response
Increasing price of imports in the wake of the weakening Rupee The purchase prices of construction materials that need to be imported for projects were continuously increasing due to the rapid depreciation of the Sri Lankan Rupee in the global market. This affected the margins of projects.	A portion of the project is maintained in foreign currency as a natural hedge whenever possible as per the conditions of the contract. We also continuously engage with suppliers to negotiate and obtain the best possible prices.
Disruption to operations due to severe weather conditions such as floods and droughts	Accurate project planning and execution helps to avoid any unusual delays. For example, all internal block and masonry works and finishing works in building projects could be scheduled earlier to be executed in days with severe weather.
Shortage of skilled labour The severe shortage of skilled labour, particularly in carpentry, bar bending, and masonry, affects the 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. Our business development teams are continuously on the lookout for any changes in market conditions for early detection of any negative impacts so as to take proactive actions.

INVESTOR CAPITAL

A majority 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	4,899	1,785,602	0.18
1,001	–	10,000	3,214	13,587,814	1.36
10,001	–	100,000	1,272	41,699,864	4.17
100,001	–	1,000,000	274	88,585,457	8.86
Over 1,000,000			53	854,341,263	85.43
Total			9,712	1,000,000,000	100.00

CATEGORIES OF SHAREHOLDERS

Category	Number of shareholders	Number of shares	Percentage
Local individuals	9,178	737,635,943	73.76
Local institutions	455	249,851,553	24.99
Foreign individuals	66	3,288,168	0.33
Foreign institutions	13	9,224,336	0.92
Total	9,712	1,000,000,000	100.00

DIRECTORS' SHAREHOLDING AS AT 31 MARCH 2021

Name of the director	Number of shares held	Percentage
Mr S J S Perera	250,000,000	25.00
Mr R J S Gomez	630,325	0.06
Mr J C Joshua	101,000,000	10.10
Mr S H S Mendis	24,300,000	2.43
Mr D A R Fernando	24,300,000	2.43
Mr S D Munasinghe	24,300,000	2.43
Mr S D Perera	2,000,000	0.20
Prof K A M K Ranasinghe	100	0.00
Mr N D Gunaratne	Nil	Nil
Mr D S Weerakkody	10,000	0.00
Mr Shamal J S Perera	50,811,814	5.08

SHARE PRICES FOR THE YEAR

Market price per share	2020/21	2019/20
	LKR	LKR
Highest	34.40 (19.01.2021)	24.00 (18.11.2019)
Lowest	10.60 (12.05.2020)	11.90 (17.05.2019)
As at end of the year	22.10	13.20

PUBLIC HOLDING

The shares that are held publicly account for 39.810% of the total shareholding comprising 9,690 shareholders.

The float adjusted market capitalisation of the Company was LKR 8,798 Mn. The float adjusted market capitalisation of the Company falls under option two 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

	31 March 2021		31 March 2020*	
Name of shareholder	Number of shares	Percentage	Number of shares	Percentage
1. Mr S J S Perera	250,000,000	25.000	250,000,000	25.000
2. Mr J C Joshua	101,000,000	10.100	101,000,000	10.100
3. Mrs R M N Joshua	70,000,000	7.000	70,000,000	7.000
4. Mr S 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 J W Nanayakkara and Mrs H D Nanayakkara	30,788,574	3.079	NIL	NIL
7. Hatton National Bank PLC/Access International (Pvt) Ltd.	30,000,000	3.000	30,000,000	3.000
8. Foresight Engineering (Pvt) Ltd.	29,000,000	2.900	30,824,098	3.082
9. Mr D A R Fernando	24,300,000	2.430	24,000,000	2.400
10. Mr S H S Mendis	24,300,000	2.430	24,000,000	2.400
11. Mr S D Munasinghe	24,300,000	2.430	24,000,000	2.400
12. Employees Provident Fund	20,478,289	2.048	20,478,289	2.048
13. Sri Lanka Insurance Corporation Ltd. – General Fund	15,586,722	1.559	14,607,170	1.461
14. Mercantile Investments and Finance PLC	15,171,925	1.517	12,671,925	1.267
15. Access Medical (Pvt) Ltd.	13,000,000	1.300	13,000,000	1.300
16. Mr M J Fernando	10,912,117	1.091	10,832,688	1.083
17. Hatton National Bank PLC – NDB Wealth Growth and Income Fund	9,337,150	0.934	NIL	NIL
18. Seylan Bank/Punsisi Parakrama Hewa Matarage	7,652,692	0.765	NIL	NIL
19. Sri Lanka Insurance Corporation Ltd. – Life Fund	6,965,751	0.697	7,465,751	0.747
20. Nuwara Eliya Property Developers (Pvt) Ltd.	5,552,042	0.555	8,102,042	0.810
	784,157,076	78.416	736,793,777	73.679
Others	215,842,924	21.584	263,206,223	26.321
Total	1,000,000,000	100.000	1,000,000,000	100.000

* Comparative shareholdings as at 31 March 2020 of the twenty largest shareholders as at 31 March 2021

INVESTOR RELATIONS

AEL considers regular communications with our investors to be a top priority. To this end, we provide timely, accurate information through various channels.

Our Company website (www.accessengsl.com) is frequently updated with project-related information, as well real time trading information, financial statements, and company research reports. All materials and price sensitive information is released to the Colombo Stock Exchange immediately. We maintain a dedicated investor relations email (investor.relations@accessengsl.com). Shareholders can meet with Directors subject to prior appointments. The Company Managing Director and other representatives meet overseas and local fund managers, overseas and local institutional investors, research firms, stockbroking companies, and high net worth individuals upon request.

While we make presentations at investor forums organised by stockbroker firms, there were limited opportunities for direct interaction with the investor community through forums during the reporting period as a result of the COVID-19 pandemic.

RELEASE DATES OF INTERIM FINANCIAL STATEMENTS – 2020/21

Quarter	Due date	Actual release date
1	15 August 2020	14 August 2020
2	15 November 2020	12 November 2020
3	15 February 2021	9 February 2021
4	31 May 2021	28 May 2021

RELEASE DATE OF ANNUAL REPORTS- 2019/20

	Due date	Actual release date
Annual Report	31 August 2020	13 August 2020
AGM	30 September 2020	16 September 2020

DIVIDEND POLICY

- The policy remains unchanged
- Earnings and dividends in the last few years are as below:

	2020/21		2019/20		2018/19		2017/18		2016/17		2015/16	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
EPS (LKR)	2.39	2.33	0.98	1.93	2.15	1.96	2.51	1.91	2.71	2.68	2.47	2.09
DPS (LKR)	0.50	0.50	0.50	0.50	0.50	0.50	1.20	1.20	1.50	1.50	0.75	0.75
Payout (%)	21	21	51	26	23	25	48	63	55	56	30	36

- A first interim dividend of LKR 0.50 per share was declared for 2020/21 on 12 August 2020 and paid in full by the Company on 2 September 2020
- A second interim dividend of LKR 0.50 per share was declared for 2020/21 on 19 May 2021 and paid in full by the Company on 21 June 2021

PERFORMANCE OF SHARES RELATIVE TO ASPI

	31 March 2021	11 May 2020*	Change (%)
AEL Price (LKR)	22.10	12.00	84.17
ASPI	7,121.28	4,392.43	62.13
S&P SL 20	2,850.13	1,760.53	61.89
Capital Goods	1,120.71	571.54	96.09

*Note – The Colombo Stock Exchange (CSE) was first opened for trading in 2020/21 financial year on 11 May 2020 following the close of market as a result of the COVID-19 pandemic-induced Government restrictions.

Social and Relationship Capital

TRADING STATISTICS

	31 March 2021	31 March 2020	31 March 2019	31 March 2018	31 March 2017
Number of shares traded	448,903,146	357,123,112	102,113,697	108,091,199	146,979,343
Value of shares traded (LKR)	10,789,153,501	6,756,606,637	1,637,455,435	2,728,514,261	3,624,740,014
Number of days traded	219	231	240	236	242
Number of trades	86,541	71,138	24,276	10,750	25,709

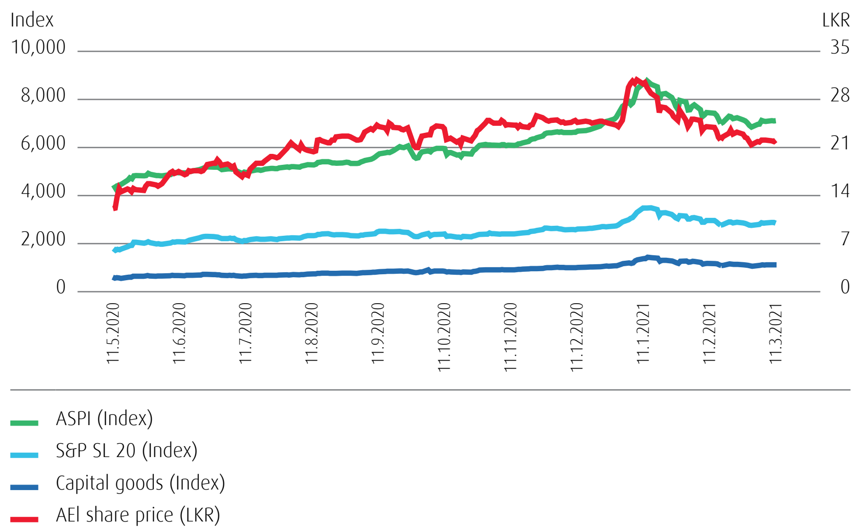
DETAILS OF THE DEBENTURE ISSUE

In November 2015, AEL issued 50 million rated, senior, unsecured, redeemable debentures with tenures of 5-8 years raising LKR 5 Bn. The debentures were listed on the Colombo Stock Exchange on 23 November 2015. At present the debentures are rated "(SL) A+ with a negative outlook" by ICRA Lanka Limited. Type 1 of the debenture issue, amounting to LKR 4,998 Mn. matured and was fully paid in November 2020. The outstanding capital as of date is LKR 1.59 Mn.

During the year under review, Type 1 debentures were traded on the CSE, the details of which are as follows:

TYPE 1 DEBENTURE PRICES FOR THE YEAR	2020/21	2019/20
	LKR	LKR
Highest	100.80 (15.06.2020)	99.37 (13.03.2020)
Lowest	100.05 (27.08.2020)	99.37 (13.03.2020)
As at end of the year	100.05 (31.03.2021)	99.37 (13.03.2020)

AEL TRADING



BUSINESS PARTNER CAPITAL

GRI 206-1

With Access Engineering's leadership position in the construction industry and leading presence across many other sectors, we have established deep relationships with many business partners and suppliers over the years to facilitate the delivery of our products and services. We continue to nourish these partnerships and ensure that their business ethics support ours while sustainable business practices remain a priority for them too. As they lend great value to the business and ensure the timely completion of projects, we provide our continued support to them even in times of adversity.

We work closely with consultants, suppliers, subcontractors, joint venture partners, and others. We take a 360° management approach to projects that ensures the engagement of partners from the early stages to consider financial, social, and environmental aspects.

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 the execution of projects. We engage with a range of suppliers such as subcontractors, material suppliers, labour suppliers, machinery suppliers, and stationery/utility suppliers.

TYPES OF BUSINESS PARTNERSHIPS

- Subcontractor
- Public Private Partnership (PPP)
- Partner of a Consortium
- Joint Venture Partner

VALUE DERIVED FROM PARTNERSHIPS

The partnerships we fortified over the years were a source of strength particularly during this financial year. The Covid-19 Pandemic impacted the timelines of the projects we undertook. However, both our local and international partners lent their services and resources in a timely manner.

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, the ODEL mall development and the BIA piling project. There was one PPP project that was completed during the year; the Borella Housing Project which was a continuation from the previous years. In 2020/21 we also commenced another housing project for the UDA under a PPP model at Elliot Place, Borella. This project was undertaken on a design, construction and financing basis and will feature the development of 400 housing units for the upper middle class. The only consortium project executed during the year was the Central Expressway Project.

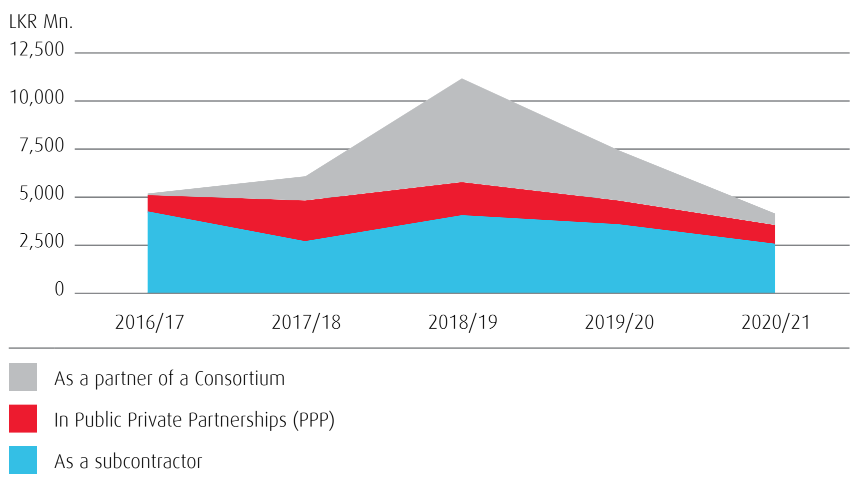
Through the relationships we have established with overseas business partners over the years and the strong reputation we have built for ourselves, we have been given the opportunity to venture overseas to jointly execute projects such as the T-mall flyover in Kenya.

We have also had the opportunity to jointly execute projects such as the Marina Square development together with China Harbour Engineering Company (CHEC), who have invested USD 10 Mn. as an equity partner.

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

Partner status	2020/21	2019/20	2018/19	2017/18	2016/17
As a subcontractor	2,571.95	3,583.97	4,054.50	2,707.13	4,244.68
In Public Private Partnerships (PPP)	964.42	1,224.43	1,710.42	2,102.70	854.95
As a partner of a Consortium	569.31	2,583.61	5,354.63	1,226.50	40.53
Total	4,105.68	7,392.01	11,119.55	6,036.33	5,140.16

BUSINESS PARTNER VALUE CREATED THROUGH PARTNERSHIPS 2020-21 ANALYSIS



1 NO POVERTY

TYPE OF SUPPLIERS IN 2020/21

GRI 102-9, 102-10

Description	Total vendors as at 31 March 2021
Local vendors	16,253
Foreign vendors	512
Intercompany vendors	31
Internal vendors	97
Total	16,893

SELECTION AND EVALUATION OF SUPPLIERS

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. 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
	Process and capability	Production capacity of the supplier and degree of technical expertise demonstrated
	Reliability	The ability to provide high quality products consistently over a period of time
	Quality of material	Percentage of goods rejected upon supply
	Location	Close proximity to projects and production plants
	Experience	Degree of past experience in providing similar products and services
	After sales service	Ability to provide after sales service on request without any delay
	Financial capacity	Financial soundness of the supplier
	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 Access Engineering 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 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

SPENDING ON LOCAL SUPPLIERS

GRI 204-1

Province	Material purchases LKR	CAPEX LKR	Total LKR	Local purchases made from the budget %
Western Province	2,014,405,148	280,417,854	2,294,823,002	81
North Central Province	185,884,986	828,000	186,712,986	34
North Western Province	53,357,828	26,000	53,383,828	82
Northern Province	511,226,549	6,876,295	518,102,844	37
	2,764,874,511	288,148,149	3,053,022,660	63

ENVIRONMENT CRITERIA IN THE SELECTION OF SUPPLIES

Minimising the impact our operations have on the environment has always been a key priority. We are committed to reduce CO_2 emissions 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.

The following environmental criteria is focused on when selecting a supplier which covers their obligation to:

- Minimise environmental impact
- Manage waste
- Demonstrate willingness to improve business whilst preserving flora, fauna, and natural resources
- Avoid or stop pollutants getting in contact with water, land and air

Especially in our supplier evaluation process, we have allocated a substantial score for suppliers' environmental certificates. Our operations mostly depend on gravel, sand and aggregates, and bituminous products which are 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 our suppliers to undergo the NBRO (National Building Research Organisation) test and we have the right to approve or revoke the status of suppliers. These indicators are used as criteria for evaluating suppliers on environmental grounds.

We also carry out field visits to study the performance of selected suppliers more closely. Regular visits are made to supplier premises and sites to evaluate their conformance with the company's requirements and corrective actions are proposed in case of any discrepancy between the requirements and their results.

The following environmental criteria are used to evaluate suppliers:

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 works (dust control, noise level, dispose of chemical, and hazardous materials)
Use of environmentally friendly materials	Reduce water, air and soil pollution using environmentally friendly materials
Test reports	Availability of test reports for inspection
ISO 14001 Certification	Availability of the ISO 14001 Certification
Material transportation, handling and unloading	Use correct mode of transportation, bulk cargo transportation and use environmentally friendly handling
Rules and regulations	Degree of compliance with environmental rules and regulations
License requirements	Degree of compliance with license requirements

Access Engineering has internal plants for supplying Bitumen, Ready-mixed concrete and Aggregate base course under our vertical integration strategy.

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

- Emissions (CO_2, 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 2020/21 modes of transportation were as follows:

Sea freight	79%
Air freight	21%

We have a vertical integration strategy which expands our business operations into different products on the same production path. Accordingly, we have internal suppliers for ready-mixed concrete, aggregate base course and asphalt-concrete helping reduce transportation. It ultimately reduces air pollution as well.

Our wide-ranged production plants supply materials, machinery and equipment for our own construction projects which adhere to the parent Company's (AEL) environmental policy. Quarry production plants are required to obtain the quarry mining license from the Central Environmental Authority.

Our own internal suppliers such as the Central Equipment Division (CED) that provides heavy construction equipment machinery are monitored by the Corporate Office to ensure timely maintenance checks. We utilise well-maintained vehicles and machinery for our own construction projects.

NEW SUPPLIER SCREENING PROCESS

Our supplier screening process is subject to compliance with the requirements stipulated by "AEL – Standard Operating Procedures" and regulations imposed by the requirements of "Environmental Management Systems ISO 14001: 2015" and the "Occupational Health and Safety Assessment Series ISO 45001: 2018" Standards. In addition, most of our construction contracts are entered into with public authorities and these contracts impose additional Government requirements. Hence our supplier screening process considers the following factors:

- Price
- Commitment to timely deliveries
- Responsiveness and flexibility
- Quality of material
- Credit facility
- Conscious of the environment –
  - I. ISO 14001: 2015 Certificate
  - II. Delivery in an environmentally friendly manner
- Consideration of health and safety –
  - I. ISO 45001: 2018 Certificate
- Safe deliveries

Our suppliers are encouraged to obtain Environmental Management Certification prior to doing business with us. In our supplier evaluation process, we offer a substantial score of 10% for their commitment to safeguarding the environment. Apart from the above we:

- Periodically conduct supplier evaluations
- Review samples
- Conduct supplier factory visits
- Collect test reports
- Carry out discussions with suppliers and trade agencies
- Participate in trade forums both locally and internationally
- The above practices have helped us source quality materials at the right price as the need arose.

NEW SUPPLIERS IN 2020/21

Description	Vendors added from 1 April 2020 to 31 March 2021
Local vendors	1,552
Foreign vendors	63
Intercompany vendors	3
Internal vendors	14
Total	1,632

NEW AND CONTINUED PARTNERSHIPS IN 2020/21

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.

CONTINUED PARTNERSHIPS

- The strategic alliance with China Barbour Engineering Company and Mustafa's Singapore for the development of Marina Square.
- The strategic alliance with ZPMC China for the commissioning, repair and maintenance of port machinery.

NEW PARTNERSHIPS

Project	Partner	Scope of AEL work
Elliot Place Housing Project	UDA	Design and build a 30-storey (B+G+28) building consisting of 400 housing units for the upper middle class. This project was initiated with the UDA on a PPP model during 20/21.
Piling and earth works for the new terminal building and viaduct at the Bandaranaike International Airport	Taisei Corporation of Japan	Execution of major earth works; piling works of the terminal building and the viaduct
Construction of a multi-story car park at Union Place	UDA	In 20/21 AEL was awarded the construction of a multi-storey car park at Union Place on a Design, Build, Finance, Operate and Transfer (DBFOT) model by the UDA. This is the 1st DBFOT project of AEL and will feature the development of a 10-storey building consisting of car parks and office space for public use. The project which will be completed within 18 months is scheduled to commence in 21/22.

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 when the primary contractor is foreign but there needs to be a local contractor within the project.

Projects could be awarded to large foreign contractors under the following circumstances:

- Bilateral funded projects (e.g. – Import Export Banks or country specific credit lines) are awarded to a foreign contractor of the country that funds the project.
- Multilateral funded projects (e.g. – World Bank, Asian Development Bank, JICA, JBIC) are generally awarded based on an International Competitive Bidding (ICB) procedure. These projects can also be awarded to foreign contractors.
- Large strategic investment projects such as the Colombo International Financial City, Water Front Colombo or Shangri-La Colombo are also generally offered to foreign contractors due to the vast financial and technical capacity they possess.
- Projects that require a very high level of technical expertise that is not available in Sri Lanka at present (e.g.- LNG Liquefied Natural Gas, Petroleum, Tunneling, Wind Power, etc.)
- Projects that are awarded through National Competitive Bidding (NCB) in the event the foreign contractors' offer is the most attractive, lucrative, technically sound and competitive.
- 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.

In circumstances such as the above all local contractors avail the opportunity of obtaining subcontracting work. Similarly for bilateral funded projects in most of the cases, a condition of contract is to have a minimum local component of work. This has to be awarded to local contractors. Various possibilities for local contractors include:

- 100% back-to-back sub-contracting of the entire work package
- Subcontracting of specialised work components such as substructure work, civil works, MEP works, fire, etc.
- Supply of labour

- Hiring of construction machinery and tools and equipment
- Supply of construction material such as asphalt, ready mix concrete, aggregates, etc.

The working relationships of Access Engineering PLC with foreign principals have evolved over the years where we tend to jointly execute projects with them rather than subcontracting work. This has enabled Access Engineering to be on par with them as a Joint Venture Partner.

Taking a step further in our efforts we have embarked on a journey beyond the shores of Sri Lanka with international partners. During the financial year, we achieved a key milestone in this regard when we commenced work on the construction of T-mall flyover in Kenya along with our partner Centunion S A of Spain. This project was initiated as a result of an invitation extended by the main contractor based on his experience of working with us in Sri Lanka on several key landmark projects such as the Rajagiriya Flyover, Ganemulla Flyover, Polgahawela Flyover, Veyangoda Flyover, and the Beira Lake Bridge.

NATIONAL REGISTRATIONS

GRI 102-13

No.	Organisation	Information
1.	Construction Industry Development Authority (CIDA)	Refer to page 103 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, Corporate and Strategic Levels
7.	The Ceylon Chamber of Commerce	Member
8.	International Chamber of Commerce Sri Lanka	Organisational membership
9.	Condominium Association – Ceylon Chamber of Commerce	Ordinary member
10.	Ceylon Chamber of Commerce Business and Biodiversity Platform	Patron member
11.	National Chamber of Commerce	Corporate member serving engineering and construction committees
12.	Employers' Federation of Ceylon	Member

SOCIAL CAPITAL

GRI 413-1, 419-1

As a leading corporate citizen in our sector, we consistently engage with the communities that we operate in. Our projects, both national infrastructure and with private partners, have played a role in the economic development of the country and uplifting communities through urbanisation and raising the standards of living. We are mindful of our role in the community and the impact our operations have in order to facilitate sustainable development and the smooth running of our operations as well as interdependent formation of beneficial relationships.

In our engagement with the larger community, we comply with all necessary regulations. During the reporting period, the Company had no fines or instances of breaching regulations. We continued our initiatives to fund community development projects throughout the year. These projects are organised by a dedicated Corporate Social Responsibility (CSR) Committee that selects, reviews, and executes potential CSR projects. The Committee considers the CSR policy, the CSR budget, and project objectives in its evaluation before the implementation stage. Our CSR initiatives involving the preservation of the environment are provided in the Natural Capital section (page 137). The Company invested LKR 35.8 Mn. in CSR activities in 2020/21.

ACCESS ENGINEERING SOCIAL RESPONSIBILITY POLICY

Our social responsibility policy is the basis of all our CSR activities. The policy revolves around complying with legal norms and business ethics and building trusting relationships with our stakeholders by maintaining professional standards of activity. We are conscious of the impact of our operations and through extensive reviews, we strive to minimise and manage them through professional mediation. The CSR activities were incorporated into several platforms and policies drawn up for each platform as follows:

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 137)

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 2020/21

ENHANCE THE FUTURE

Our "Enhance the Future" project aims to uplift rural education by developing infrastructure in rural schools. During the reporting period, we commenced construction of an 800 sq. ft. classroom building for Athawatunuwewa Vidyalaya, Welioya in Godakawela Educational Zone and provided desks and chairs. We allocated labour, materials, and machinery to this project and worked together with parents and teachers to complete the project. AEL staff provided technical support on this project, including project coordination and execution, obtaining the necessary authority approvals, preparing project estimates and cost monitoring, coordination of construction activities, QA/QC inspections, and delivery.

FABRICATION AND DONATION OF SCHOOL CHAIRS AND DESKS

As part of our contribution to the development of rural schools and uplifting of rural education, we have been donating school desks and chairs to underprivileged schools since 2016/17 to improve their learning environment. Although the programme was hampered by COVID-19, we still managed to deliver 350 pairs of desks and chairs during 2020/21 among 10 rural schools. We have distributed a total of 2,940 desks and chairs among 83 schools through this programme.

RENOVATION OF MALAYAPARATHTHIKULAM TEMPLE, VAVUNIYA

AEL assisted in the construction of *Dhana Shalawa* and *Awasa Geya*, carrying out essential renovation work and painting.

DISTRIBUTION OF SCHOOL BOOKS AND BAGS FOR CHILDREN OF EMPLOYEES

AEL believes that "charity begins at home" and has operated a staff welfare programme for several years to distribute books to the children of our employees. Schoolbooks, bags, and stationery items worth over LKR 5.3 Mn. were distributed among 1,756 children of our employees during 2020/21.

SPONSORSHIPS

AEL provided sponsorships to:

- The SOS Children's Village (Anuradhapura) by way of financial assistance to five children for a period of a year
- The Sri Lanka Welfare Society of the Blind
- The Rotaract Club of the University of Kelaniya

Natural Capital

AEL is a socially responsible business entity. We are cognisant of the nature of our business and the impact our operations can have on our environment and communities on a local scale and greenhouse gas emissions and climate change on a global scale. As such, we are aware that we have a role in contributing to sustainable development by minimising our impact and reducing our environmental footprint. We accomplish this through stringent systems, processes, and controls across our business units to measure our environmental performance and utilise the latest technologies and sustainable construction techniques, proper waste management, prudent resource allocation, energy saving initiatives, and other measures.

No incidents of non-compliance with environmental laws and regulations occurred during the period under review.

ENVIRONMENTAL STEWARDSHIP

AEL carries out various Corporate Social Responsibility (CSR) activities towards the preservation of the environment.

ENVIRONMENTAL INITIATIVES

During the reporting period, AEL carried out various environmental initiatives, including:

- Assessing the environmental impact caused by the Company's operations and establishing control measures to eliminate and reduce significant impacts
- Maintaining a small-scale plant nursey attached to the mechanical workshop so that plants will be available for internal tree planting programmes and for outsiders
- Conducting tree planting programmes
- Considering environmental aspects during the design stage of a project. Performance criteria such as energy consumption, damage to the environment, material savings, and others are considered during the design stage
- Adopting best practices within construction sites to avoid environmental impacts such as facilitating bentonite collection within the piling sites and providing washing facilities to avoid the creation of a muddy environment inside and outside of the construction site
- Minimising dust generation by including water sprinklers at crusher plants, watering with water bowers, etc.
- Control measures to avoid environmental emergencies and incidents including secondary containment for oil, fuel storage, etc.
- Minimising sound pollution by fixing silencers or isolating sound generating equipment
- Green belting around the construction material production plants to protect the environment from sound pollution, dust generation, etc.
- Minimising disturbance to the existing ecosystem during site office construction whenever feasible
- Considering the environmental performance of suppliers during the supplier evaluation
- Compliance with environmental statutory requirements during project design and execution, material transportation, etc.
- Promoting employees to adopt practices which conserve the environment such as promoting the use of lunch boxes instead of lunch sheets
- Plant modification to control and moderate emissions to lessen the environmental impact

ENVIRONMENTAL PROTECTION EXPENDITURE

AEL's environment management expenses primarily include:

- Air quality, noise level, dust level, and gas level monitoring
- Emissions testing
- Garbage disposal
- Environmental testing, clearance, and monitoring
- Road watering

Expense category	Investment (LKR)
Environment management	398,700.00
Environment prevention	218,600.00
Environment protection	314,518.52
Total	931,818.52

In addition to the direct investments, we also have a vast number of indirect investments, the monetary value of which can be difficult to estimate. These include, but are not limited to the following:

- Environment preservation methods incorporated for project designs;
- All our value engineering solutions used during project execution;
- All our environment protection methods used during project execution;
- Investment in project-related tree planting programmes.

TREE PLANTING PROGRAMME

Through planting trees in various locations across the country, our tree planting programme aims to mitigate the environmental consequences of our business operations. Tree planting is a tradition that we have upheld over the years to preserve natural vegetation wherever possible. AEL planted 9,212 trees during the reporting period. In addition to this our "Husma Dena Thuru" tree planting program saw the planting of 3,075 trees during 20/21. Hence the total trees planted during the year amounted to 12,287.

Natural Capital

EDUCATING EMPLOYEES ABOUT ENVIRONMENTAL AND SOCIAL IMPACTS

AEL facilitated internal training sessions to educate our employees about environmental impacts. The sessions, conducted by our own Management Systems Team, covered technical topics such as dust controlling, proper housekeeping, and environment management, among other topics. During the reporting period, 39 participants attended these sessions. Awareness sessions on our environment management systems are also conducted along with the management system internal audits.

GRIEVANCE HANDLING

As AEL operates in urban and rural settings across the country, there is a high possibility of disputes and concerns arising over the environmental impact of our operations and activities. To deal with this in a timely and effective manner, we have a grievance handling mechanism in place to address these concerns.

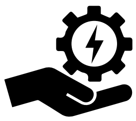
Reported complaints are recorded in the Complaint Register. In the case of serious complaints being recorded, a thorough investigation is conducted to identify the nature of the issue and accordingly, address the grievance through a transparent process. We consider complaints as opportunities for learning and growth and a way to improve our sustainability.

No incidents of non-compliance concerning health and safety impact to our customers was reported during the reporting period.

Description	Numbers
Grievances files, addressed, and resolved during the period	22
Filed prior to the reporting period that were resolved during the period	3
Filed prior to the reporting period that still remain unresolved during the period	2
Filed during the period and under processing	–
Total	27

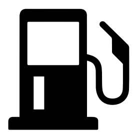
OUR ECO-FRIENDLY MEASURES

ACCESS ENGINEERING FOCUSES ON CREATING A CULTURE THAT VALUES THE ENVIRONMENT



ENERGY PRESERVATION

- Considering energy efficiency as an evaluation criterion for purchasing machinery/equipment
- Selecting the capacity and size of electrical equipment to cater specifically to the requirements and not exceeding them
- Anticipating and addressing concerns during the design stage, which leads to reduction in energy consumption and consequently GHG emissions in the long term
- Thermal insulation of roofs to control heating to minimise the need for air conditioning
- Usage of CFL and LED bulbs for lighting and use of other energy efficient electrical equipment
- 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, restrooms, and meal rooms, thereby reducing electricity consumption
- Dividing the lighting system into several zones which can be operated separately to avoid switching on unnecessary lights
- Improving energy efficiency of three phase connections through power factor correction
- Limiting operation time for air conditioners (in selected areas)
- Isolating locations (such as meeting rooms) from the central air conditioning system to control them separately
- Usage of solar-powered lighting wherever feasible (e.g., street lighting for projects)
- Influencing users to save energy via displaying posters
- Enabling power management function on computers so that they will switch off when in idle mode



FUEL CONSUMPTION

- Considering fuel efficiency as a criterion for procuring vehicles and machinery
- Annual maintenance and assessment of vehicles and machinery and performing scheduled services on time
- Disposing of or ceasing operations of aged machinery
- Monitoring fuel consumption of vehicles and machinery annually to ensure they do not exceed the rated consumption and troubleshoot any deviations, and servicing them within the due time

- Avoiding the use of vehicles and machinery which are not in optimal operating condition or unacceptably deviate in their fuel consumption from the rated value
- Monitoring fuel consumption against the production of the construction material plant, to ensure the rate of fuel consumption per unit production is met
- Avoiding 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 emissions
- 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
- Designing projects in a way that the energy consumption during their operation is lower, resulting in lower GHG emissions
- Monitoring, controlling, and reducing fuel and electricity consumption
- Identifying and selecting properly sized equipment for specific tasks to reduce GHG emissions
- Using renewable energy (solar) wherever practical
- Conducting tree planting programmes to compensate for GHG emissions

PREVENTING POLLUTION

- Noise generated during the operation of machinery is assessed and appropriate actions are taken
- High noise generating equipment is isolated or is replaced with equipment that generate a lower amount of noise (e.g., soundproof generators)
- Using a hydraulic bullet removing machine at the piling workshop to eliminate high noise generation during the conventional method of hammering
- Reducing noise generated from crusher and asphalt plants through noise barriers 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 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. In other projects, several methods such as water spraying and limiting vehicle speed are 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 (WMP) addressing controls to minimise the generation of waste and methods of disposal
- Directing selected waste for recycling without disposing, as per the Company's Waste Management Plan (e-waste, wastepaper, etc.)
- 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 demolition debris are used for landfills
- The following are collected and sent to CEA-approved agents for recycling and reusing purposes:
  - Wastepaper
  - Barricade tapes
  - HDPE waste
  - Used batteries
  - Glass wool
- Sludge accumulated in the concrete batching plant is used for backfilling upon public request 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 materials 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 cranes
- Materials such as plywood and timber are reused prior to disposal
- Concrete waste is used to manufacture paving blocks instead of dumping
- Reclaimer machines are used at concrete batching plants to segregate materials from waste concrete so it can be reused
- A DMS (Document Management System) is used to reduce paper consumption

ENVIRONMENT PRESERVATION

- Reusing material during the construction and production process (e.g., using de-sander during piling works, using a reclaimer machine to reclaim metal and sand from waste concrete, using Mivan formwork during building construction, etc.)
- Excavated soil is used for backfilling to minimise the environmental disturbance made to the ecosystem
- 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 of 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., environmentally friendly site office construction with natural environment)
- Considering the environmental concerns of suppliers during the supplier evaluation
- Compliance with environmental statutory requirements [e.g., EPL conditions, material (ABC, Quarry, Soil) transportation, etc.]
- Encouraging employees to adopt practices which conserve our environment (e.g., using lunch boxes instead of lunch sheets, etc.)

WATER CONSERVATION/TREATMENT

- Wastewater 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.
- Reusing water at all our construction sites as much as possible
- Usage of concrete curing agents so that water consumption for concrete curing is reduced
- 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 pollution.
- Dust controlling techniques such as watering, speed controls for vehicles inside the site, and 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

The construction sector accounts for the largest percentage of energy-related CO_2 emissions. AEL acts as a thought leader in the industry, working to minimise our consumption of energy through the adoption of energy-efficient solutions in all our operations.

The management and reduction of our energy consumption is a key priority for AEL. Energy management is integrated into all our systems and processes and is implemented in our operations. The energy consumed in our operations primarily consists of two main components: fuel and electricity. A significant portion of the total fuel is consumed at the asphalt plants and the Central Equipment Division. Refer to page 138 to read more about the various ways we conserve energy.

GRI 302-1, 302-3

ENERGY CONSUMPTION AT AEL

Type of energy	Units consumed	Conversion ratio	Total energy consumption (megajoules)
Diesel (litres)	12,359,162.00	38.940	481,265,768
Petrol (litres)	212,409.85	33.165	7,044,573
Kerosene (litres)	1,724.00	36.765	63,383
Electricity (kWh)	1,843,549.24	3.600	6,636,777
Total			495,010,501

ENERGY INTENSITY

Total energy consumption (megajoules)	495,010,501
Year-end number of employees	2,785
Energy intensity measured in terms of energy consumption per employee (megajoules)	177,742

GRI 305-1, 305-2

DIRECT AND INDIRECT GHG EMISSIONS

Type of emission	Type of energy	Units consumed	Conversion rate	Total CO_2 emission (kg)
Direct emission	Diesel (litres)	12,359,162.00	2.740	33,864,104
	Petrol (litres)	212,409.85	2.280	484,294
	Kerosene (litres)	1,724.00	2.520	4,344
Indirect emission	Electricity (kWh)	1,843,549.24	0.710	1,308,920
Total Emission (direct and indirect)				35,661,662

WATER MANAGEMENT

GRI 303-1, 303-3

Water preservation is a key priority for AEL. We have adopted various sustainable practices to manage water in our sites and operations, since water preservation improves wet weather working conditions, reduces clean-up costs, and reduces stockpile losses. We have also adopted measures to reuse and recycle water by making optimal use of stormwater, reusing grey and black water, and have integrated water management to our processes which have led to economical and effective strategies for managing water. Refer to page 140 to read more about our water conservation methods.

Ground water
34,159.77 m³

Surface water
6,929.38 m³

Pipe borne water
100,052.89 m³

Total water consumption (2020/21)
141,142.04 m³

Water recycled and reused
2,621.15 m³

Percentage of water recycled
1.86%

WASTE MANAGEMENT

AEL has adopted resource-efficient practices to minimise waste generation connected to our operations. These practices are integrated into our systems and processes in our effort to contribute to sustainable construction. Our waste management system, underpinned by the three Rs (Reduce, Reuse, and Recycle), segregate waste at the source, store safely and dispose of in an environmentally sound manner. Refer to page 139 for more about our waste disposal techniques.

PAPER CONSUMPTION IN 2020/21

During the reporting period, AEL initiated an e-procurement system, Greentape. Upon implementation in 21/22, this system will eliminate all prior manual work involved in procurement and the associated volumes of paper.

The Company also shifted to an online Accounts Payable system connecting our operating banks through their online banking systems, based on the guidelines of Lanka Clear (Pvt) Ltd, which further reduces our paper consumption. A Document Management System (DMS) is also in place and reduces our paper consumption by facilitating the management and storage of documents.

Due to the impact of the COVID-19 pandemic, the majority of our project and plant progress review meetings were conducted via online platforms, reducing the need for using paper.

Type of paper	Total consumption (kg)
A3 80 gsm	2,704.58
A4 80 gsm	13,667.61
A5 80 gsm	148.80
Legal 80 gsm	15.35
Total	16,536.34

Total paper consumption
16,536.34 kg

Wastepaper recycled
463 kg

Fully grown trees saved
8 trees

Oil saved
813 litres

Electricity saved
1,852 kWh

Water saved
14,714 litres

Landfill saved
1.39 m^3

Reduction in GHG emissions
92.6 kg of carbon emissions

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.). During the reporting period, 1.86% of the total water consumed was recycled and reused.

Total water consumption (m^3)	141,142.04
Water recycled and reused (m^3)	2,621.15
Percentage of water recycled and reused (%)	1.86

BIODIVERSITY

GRI 304-1

The following table lists the 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

The following table lists the size of the operation at the aforementioned sites:

Description	Production per annum
Vavuniya Asphalt Plant	118,680 MT
Vavuniya Quarry	35,606 cubes
Vavuniya Crusher	38,475 cubes

OPERATIONS WITH SIGNIFICANT ACTUAL AND POTENTIAL NEGATIVE IMPACTS ON LOCAL COMMUNITIES

Operation	Impact (on local community)	Control measures
Road Construction	Damages to utility supplies during road works	Using equipment to detect underground utilities Taking prompt actions to restore/repair
Road/Bridge Construction	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 material production plants	Air quality degradation due to plant operation	Plant modification to control emissions Using sprinklers to control dust spread Testing emissions from the plant to detect acceptability and acting 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

OPERATIONS WITH SIGNIFICANT ACTUAL AND POTENTIAL NEGATIVE IMPACTS ON THE ENVIRONMENT

Operation	Impact (on the environment)	Mitigation strategies
Mechanical Workshop	Waste oil and burnt oil generation resulting in water and land pollution	Handing over to CEA-approved burnt oil handler for reuse/recycle
	Hazardous waste (e.g., oil filters, empty chemical containers, etc.) generation resulting in water and land pollution	Handing over to CEA-approved service provider for reuse/recycle
Road Projects	Tree cutting during execution of certain projects causing an imbalance to ecology	Minimising the number of trees to be cut during project design/execution Conducting tree planting programmes
	Dust generation resulting in air quality degradation	Watering
Concrete Batching Plants	Cement contaminated water generation resulting in water and land pollution	Simple water treatment (sedimentation) and reuse of water
Crusher Plants	Dust generation resulting in air quality degradation	Water sprinkling
General Construction Activities	Fuel and oil leakages and spillages from storages resulting in water and land pollution	Secondary containment for storage tanks
	Fossil fuel consumption leading to natural resource depletion	Monitoring fuel consumption Preventive and corrective maintenance of equipment
	Emissions of motor vehicles leading to air quality degradation	Conducting emission test for motor vehicles Preventive and corrective maintenance of vehicles
	Noise from generators and equipment leading to area nuisance	Soundproofing
Office Operations	E-waste generation resulting in heavy metal being released to the environment	Handing over e-waste to certified recycling agents
	Wastepaper resulting in natural resource depletion	Handing over wastepaper to certified recycling agents

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 with 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 therewith 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 Archaeological 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

AEL is cognisant of our impact on the environment and the need to mitigate negative impacts. We engage in responsible and sustainable infrastructure development by employing the latest technologies to help us minimise our carbon footprint and continue to invest in IT and tech-based construction solutions and shifting operations onto online platforms that help to considerably reduce our consumption of resources. We will continue our annual tree planting programme and apply further improvements to our eco-friendly measures, while reducing the usage of raw materials and natural resources through the latest construction methodologies.

GRI 102-55

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Independent Assurance Report to AEL

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Internet : www.kpmg.com/lk

We have been engaged by the Directors of Access Engineering PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2021. The Sustainability Indicators are included in the Access Engineering PLC's Integrated Annual Report for the year ended 31 March 2021 (the "Report").

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

Assured sustainability indicators	Integrated Annual Report Page
Financial highlights	8

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 following	
Financial capital	94 to100
Manufactured capital	101 and 102
Intellectual capital	103 to 107
Human capital	108 to 117
Social and relationship capital	118 to 136
Natural capital	137 to 146

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 2021 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 2021, 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.

Independent Assurance Report to AEL

OUR RESPONSIBILITY

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

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

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 control 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 control 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 recomputation 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

4 August 2021

STEWARDSHIP

Project: Salinity Barrier Across Walave River in Ambalanthota
Year of completion: 2013

Board of Directors

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

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

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 II (Private) Limited, Harbour Village (Private) Limited, Lanka AAC (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, Access 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 II (Private) Limited, Harbour Village (Private) Limited, Access Projects (Private) Limited, Sathosa Motors PLC, WUS Logistics (Private) Limited, Access Logistics (Private) Limited, ARL Elevate (Private) Limited and Lanka AAC (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 II (Private) Limited, AEL East Africa Limited, Eco Friendly Power Developers (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 II (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 (Private) Limited, ATSL International (Private) Limited, ATSL Telesoft (Private) Limited, Access Energy Solutions (Private) Limited and Business Units of Access International (Private) Limited.

SHAMAL PERERA

Non-Executive Director

Shamal Perera joined Access International (Private) Limited in 2009 as Director – Healthcare and played a pivotal role in the rapid growth of the business leading to Access Healthcare becoming a well reputed and respected supplier in the industry. Following this success, he was appointed to the Director Board of Access International (Private) Limited in 2014. In 2015, Access International (Private) Limited expanded its healthcare services by acquiring the Ninewells Hospital, and Shamal was appointed to its Board, tasked with the responsibility of restructuring the Company. Today, Ninewells is the leading private women's and children's hospital in the country. Shamal also serves as a Director in many of the Access Group Companies. He holds an MBA from the University of Buckingham and a CIMA Advanced Diploma in Management Accounting. Shamal is also a major shareholder of Access Engineering PLC.

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 an Independent Non-Executive Director of Resus Energy PLC, Teejay Lanka PLC and United Motors Lanka PLC. He was a former Vice-Chancellor and former Dean of the Faculty of Engineering at the University of Moratuwa, former Chairman of Sampath Bank PLC, former Fellow of the National University of Singapore and former Non-Executive Director of the Colombo Stock Exchange, Sampath Bank PLC, 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 the International Chamber of Commerce Sri Lanka and Cornucopia Sri Lanka. He is a former Chairman of Commercial Bank of Ceylon PLC, Hatton National Bank PLC, National Human Resources Development Council of Sri Lanka and the Employees' Trust Fund Board of Sri Lanka. He was also a Director of DFCC Bank and was the Chairman of the National Review Committee for the banking sector and the non-banking sector consolidation and the Committee appointed to review the budgetary allocation for education.

He currently serves in a number of private sector boards. He is a Council Member of the Employers Federation of Ceylon and the Institute of Directors of Sri Lanka, Advisory Board Member of Caritas Sri Lanka – SEDEC, HR Cornucopia India and Financial Advisory Committee of Sri Lanka Cricket. He was also a member of the CIMA Asia Pacific Industry Advisory Body and a Vice-President of the Sri Lanka Tennis Association. He is a Graduate in Business Administration, 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, Honorary member of the Institute of Personnel Management of Sri Lanka, International Public Management Association HR Certified Professional USA and holds an MBA from the University of Leicester, UK. Weerakkody has received an extensive leadership, economic, finance, HR, and management training in the UK, USA, France, Japan, Singapore and India. He is the recipient of a Jaycees Ten Outstanding Young Persons Award in 1999 and an International Associations of Lions Clubs National Achievers Award in 2008 for the advancement of good governance in the public sector and was conferred National Honours in 2019. Weerakkody is a regular business writer, speaker, and commentator.

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

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

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

Corporate Management Team

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 43 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 15 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 41 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 34 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 and Access 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 21 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 17 years. He also has over 6 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.

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 23 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 26 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 15 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

General Manager – Finance

Nilantha joined the Company in 2008 and presently serves in the capacity of 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 15 years of experience in the field of Finance and Auditing. He was also appointed to the Board of Access Projects (Private) Limited in May 2018.

LAGATH GAMALATHGE

General Manager – Head of Production Plants

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 General Manager – Head of Production Plants. Lagath graduated from the University of Sri Jayewardenapura with a Bachelor of Commerce, specialising in marketing; following which he also completed an MBA at Cardiff Metropolitan University. He has over 21 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. He was also appointed as a Director to the Board of Lanka AAC (Private) Limited.

DHAMMIKA SILVA

General Manager –
Head of 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 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 20 years of experience in various disciplines of Civil Engineering mainly in structural engineering designs together with the constructions.

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 BSc 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

PRASANNA GUNARATHNE

Deputy General Manager – Contract Management (Project Management Division III)

Prasanna joined the Company in 2006 as a Quantity Surveyor. Having held many positions from middle management to Senior Management, he was appointed to a Deputy General Manager position in 2021. He has over 17 years of experience locally and internationally in the fields of quantity surveying and contract administration. He is a Graduate of the University of Moratuwa holding a BSc (Hons) in Quantity Surveying Degree and completed a Master's Degree in Construction Law and Dispute Resolution attached to the same university. He is a Chartered Quantity Surveyor possessing an Associate Membership from the Institute of Quantity Surveyors, Sri Lanka (A.I.Q.S.SL) and Associate Membership of The Chartered Institute of Arbitrators (ACIArb) UK. He is also a diploma holder in Commercial Arbitration.

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.

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 21 years of experience in the fields of Civil Engineering Construction, Planning, Contract Administration, Dispute Resolution, Project Management and Business Development.

Corporate Governance

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.

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 compliance 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.

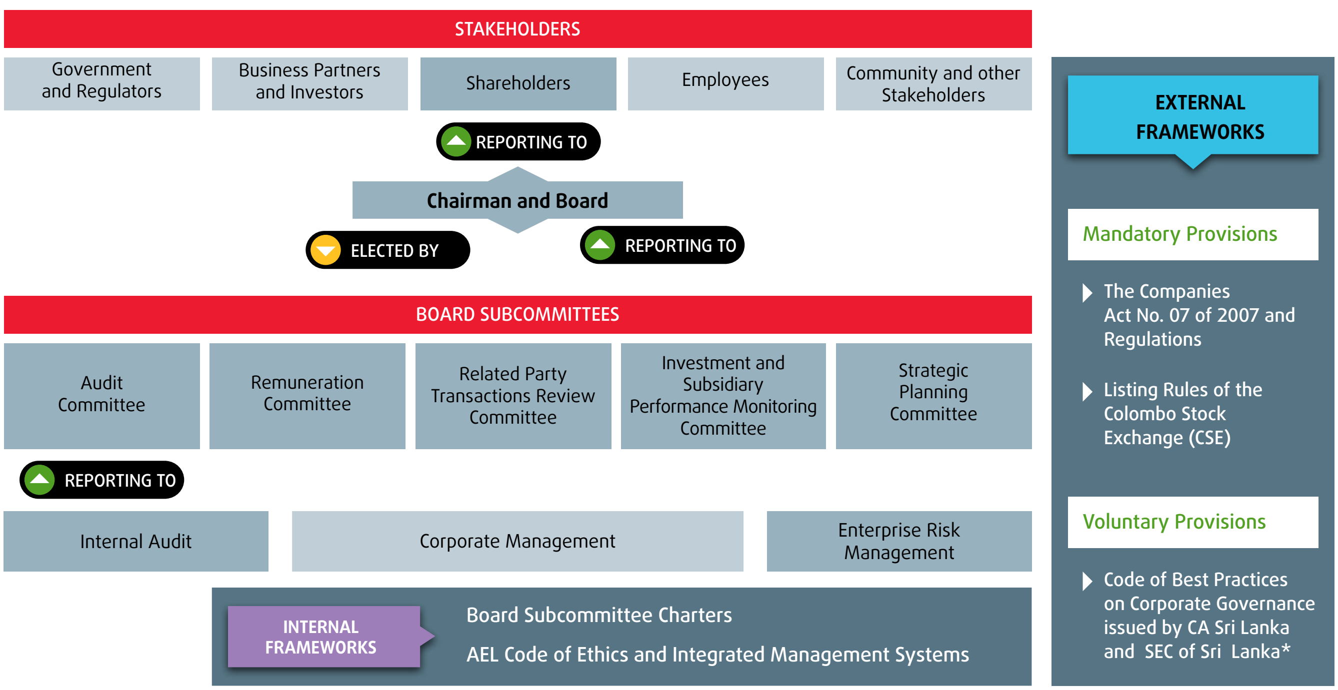
At AEL, our governance and operating model facilitates decision-making efficiently coupled with pragmatic resource mobilisation, for productive operating results. This is thus manifested in the composition of the Corporate Management Team, division of powers and duties and the promotion of sound corporate ethics across the Company. We also consider it our prime responsibility to disclose unbiased, fair and accurate information on our governance practices on a timely manner to all stakeholders so that they could exercise sound decision-making. Hence, this report serves that purpose in great detail.

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

SUSTAINABILITY GOVERNANCE

GRI 102-18

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.

Corporate Governance

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.

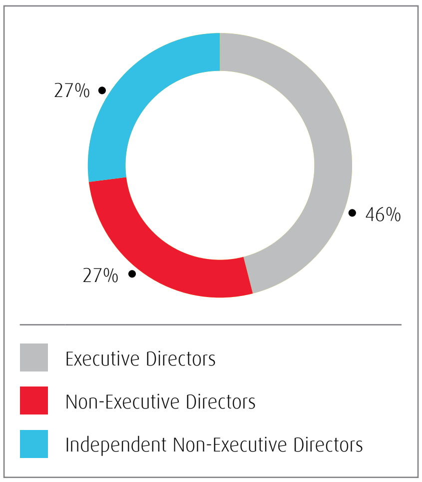
THE CHAIRMAN

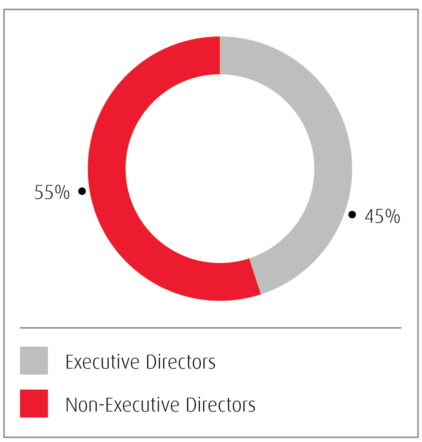
Chairman of the Company who acts in an executive capacity is mainly responsible for directing the affairs of the Board while maintaining effective external relationships and practice of Good Corporate Governance. The Chairman is responsible for making sure that the agenda, minutes of prior meetings, 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 175.

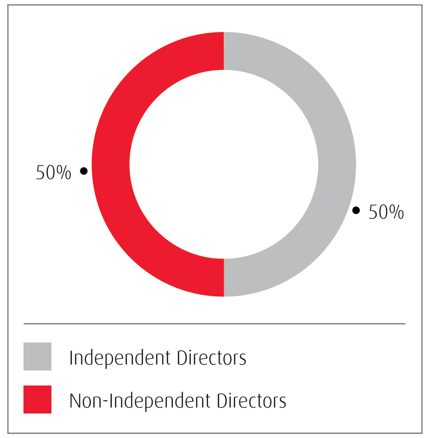
BOARD OF DIRECTORS

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 163. The Board comprises of eleven (11) Directors out of whom five (5) are Executive Directors and six (6) 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.

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 that the member is expected to bring to the Board and the Company. Biographical details of each of the Directors are set out on pages 156 and 157.







* Out of Non-Executive Directors

BOARD EVALUATION

The Board caries out self-evaluation of its performance both individually as well as collectively against economic, environmental and social targets/goals set at the beginning of each year. Results of these evaluations are properly minuted for future reference. The Executive Directors are required to adhere to 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
- Remuneration Committee
- Related Party Transactions Review Committee
- Investment and Subsidiary Performance Monitoring Committee
- Strategic Planning Committee

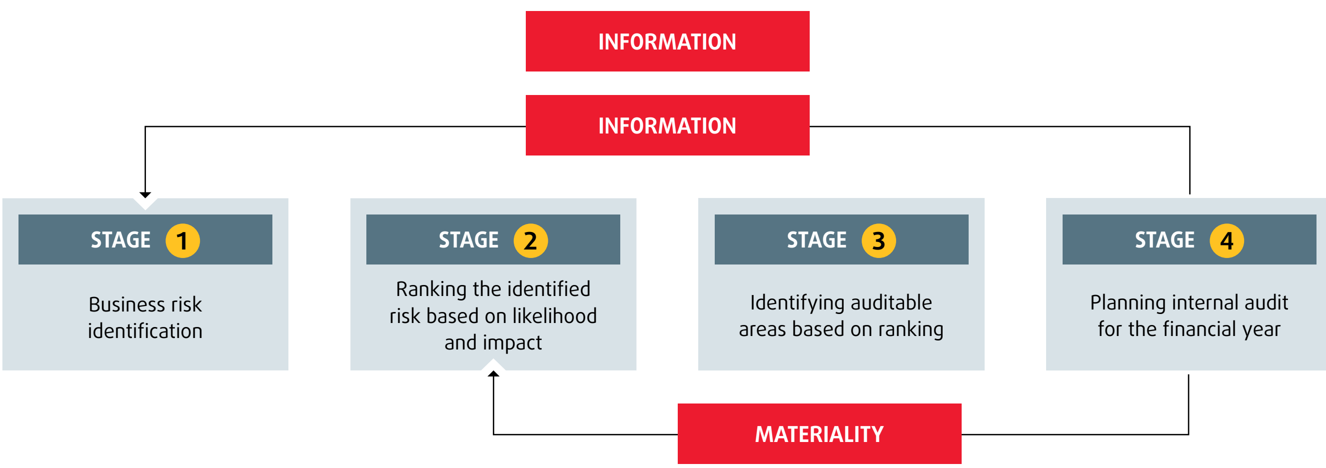
GRI 405-1

Committee and composition	Key areas of responsibilities	Committee report reference
Audit Committee Three (3) Independent Non-Executive Directors and one (1) Non-Executive Director.	Oversight responsibilities for the integrity of Financial Statements, risk management, business ethics, internal control, internal audit function, compliance, review External Auditor's performance and Financial Reporting.	Page 185
Related Party Transactions Review Committee Three (3) Independent Non-Executive Directors and one (1) Executive Director.	Ensuring that all related party transactions of the Company are consistent with the regulatory provisions laid down by the Corporate Governance Directions, LKAS 24 and the Listing Rules of the CSE.	Page 187
Remuneration Committee Three (3) Independent Non-Executive Directors and one (1) Non-Executive Director.	Setting up the remuneration policy and making recommendations to the Board on recruitment, remuneration and performance evaluation.	Page 189
Investment and Subsidiary Performance Monitoring Committee Five (5) Members including three (3) Independent Non-Executive Directors and two (2) Executive Directors.	Assessing and Monitoring existing and new investments of AEL and report observations and recommendations to the Board.	Page 190
Strategic Planning Committee One (1) Independent Non-Executive Director and three (3) Executive Directors.	Focusing on planning and setting strategic directions to achieve goals and objectives of the Company.	Page 191

INTERNAL AUDIT

Internal controls are considered a fundamental and an integral part of Good Corporate Governance culture at AEL. The Board of Directors are 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 are 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 2021/22 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 strives 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 160 to 162.

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.

BUSINESS ETHICS

GRI 102-16

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 is 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 honest values

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

WHISTLEBLOWING

As Sri Lanka's foremost business enterprise in value engineering, certain tools and measures are required to uphold our Organisation's integrity. The Group follows a stern Whistleblowing Policy which is kept in place to ensure the proper disclosure of unlawful and unethical information, from employees or stakeholders with regard to a suspected or actual violation. Information on confidentiality, accessibility and the process with respect to the Whistleblowing Policies are communicated to each employee at AEL. The Whistleblowing Policies ensure the rectification of various matters such as inapt financial reporting, misconducts or any other internal or external violations. Our whistle blowing policy is reviewed regularly to ensure it's suitability, adequacy and effectiveness and implement improvements as appropriate.

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, assesses and manage risk, satisfy 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 review 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, 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 fulfillment 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 System. This enables to eliminate/reduce significant environmental impacts caused by the operations carried out by the organization. This is done by identifying and assessing environmental impacts, establishing environmental control measures, formulating and implementing Management programmes to minimise that impact. This enables 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 includes Management involvement and commitment, hazard identification and risk assessment, hazard control, training, emergency response, incident reporting and investigation and communication. The system enables us to protect our workforce, comply with laws and regulations, reduce cost, enhance employee relations and create an incident-free workplace.

OUR HEALTH AND SAFETY POLICY

Access Engineering PLC is committed to ensuring the health and safety of staff and workers, contractors, suppliers, visitors and other stakeholders via an effective health and safety management system to manage health and safety risks, and eliminate hazards that could result in injury or disease.

- The Company consults the staff, workers, contractors and other stakeholders to enhance the effectiveness of the Health and Safety Management System and provides appropriate training, information, instruction, equipment and supervision for them to work safely.
- The Company will meet these commitments by providing necessary resources and adopting safe work practices and procedures, which comply with or exceed the requirements of all Acts, Regulations and other statutory provisions governing Occupational Health and Safety.
- Health and safety objectives, are established to maintain and continually improve the health and safety at workplace and work environment.

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 2019/20. The Committee appointed by the Board of Directors comprises Three (3) Independent Non-Executive Directors and One (1) Non-Executive Director of the Board.

MEMBERS OF THE AUDIT COMMITTEE:

Niroshan Dakshina Gunaratne (Chairman)	Independent Non-Executive Director
Prof 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, re-appointment and removal of External Auditors and to approve remuneration and terms of engagement of the External Auditor.

Audit Committee Report is given on page 185.

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 and/or equivalent position thereof. This recommendation is made to the Board, which is responsible for the final determination upon consideration of such recommendations.

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

MEMBERS OF THE REMUNERATION COMMITTEE:

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

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

MEMBERS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE:

Niroshan Dakshina Gunaratne (Chairman)	Independent Non-Executive Director
Dinesh Weerakkody	Independent Non-Executive Director
Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe	Independent Non-Executive Director
Dalpadoruge Anton Rohana Fernando (by invitation)	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 187 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 (3) Independent Non-Executive Directors and two (2) 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 SUBCOMMITTEE ON INVESTMENT AND SUBSIDIARY PERFORMANCE MONITORING:

Prof. Kulathilake Arthanakyake 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 its recommendations to the Board on major new investments in subsidiaries/ associates and capital investments in the parent Company.
- Assessment and notification of its recommendations to the Board on divestment of subsidiaries of 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 Kulathilake Arthanakyake Malik Kumar Ranasighe	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 191.

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 voluntarily for enhanced transparency and good governance on par with industry practices. Occasionally, where it may be more expedient to do so, the Board may delegate some of its powers to a subcommittee on an ad hoc basis.

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 in pages 184, 171 and 173 respectively.

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 and Chief Executive Officer holding in shares of the Entity at the beginning and end of each financial year	Investor Capital	Complied
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Enterprise Risk Management	Complied
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	During 2020/21 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	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 2020/21 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 (refer pages 156 and 157) • Compliance with Code of Best Practice on CG jointly issued by CA Sri Lanka and SEC • Annual Report of the Board of Directors (refer page 206) • Notes to the Financial Statements • Audit Committee Report (refer page 185)	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 • 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	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 CG 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 NED	Board of Directors Compliance with Code of Best Practice on CG 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 2020/21, Mr Shamal Perera was appointed to the Board as Non-Executive Director	
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 CG 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 189)	Complied
CSE Listing Rule 7.10.6 – Audit Committee			
a.	Composition	Audit Committee Report (Ref. page 185)	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 eleven 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 164. 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 four subcommittees of the Board of which three are mandatory and one is voluntary. These committees ensure the Company's adherence to Best Practices of Corporate Governance in conducting business.	Complied
A.1.1	During the year four scheduled Board meetings were conducted, all of which were well planned and informed in advance and all members were eligible to attend. Attendance of members at meetings was as follows:	Complied

Name of the Director	21 May 2020	12 August 2020	11 November 2020	8 February 2021
Mr S J S Perera	✓	✓	✓	✓
Mr R J S Gomez	×	×	×	×
Mr J C Joshua	✓	✓	✓	✓
Mr S H S Mendis	✓	✓	✓	✓
Mr D A R Fernando	✓	✓	✓	✓
Mr S D Munasinghe	✓	✓	✓	✓
Prof K A M K Ranasinghe	✓	✓	✓	✓
Mr N D Gunaratne	✓	✓	✓	✓
Mr S D Perera	✓	✓	✓	✓
Mr D Weerakkody	✓	✓	✓	✓
Mr Shamal J S Perera	Appointed w.e.f 23 September 2020			✓

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.

A.1.2	A brief profile of each member of the Board of Directors and Corporate Management Team is given on pages 156 to 162.	Complied

Corporate Governance

Principal	Comment	Compliance status
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 enough 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 policy making 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
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

Principal	Comment	Compliance status
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 156 and 157.	Complied
A.5 Board balance		
A.5	The Board compromises of eleven Directors of which five are Executive Directors and six are Non-Executive. This ratio was maintained throughout the Financial Year and composition of the Board is complied with Code of 2013. Composition of the Board is set out on page 164. 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	Fifty-five percent of the Board of Directors of the Company operates in a non-executive capacity. 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 six Non-Executive Directors out of which three are Independent. Composition of the Board is complied with Code of 2013. Composition of the Board is set out on page 164.	Complied
A.5.3	Three Independent Non-Executive Directors on the Board are not involved in day-to-day affairs of the Company and they do not have any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement. Additionally, each Independent Non-Executive Director submits a written declaration of his independence to the Board on an annual basis. This written annual submission is also considered as a part of their annual performance evaluation. Based on the written declaration submitted by the Independent Non-Executive Directors for the financial year 2020/21, they were considered as continuing to be independent.	Complied
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 K 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

Corporate Governance

Principal	Comment	Compliance status
A.5.6	This is not applicable as there are no Alternate Directors in the Company.	N/A
A.5.7	Chairman of the Company is not the CEO.	Complied
A.5.8	Please refer comment under A.5.7.	Complied
A.5.9	The Chairman holds meetings with the NEDs without the presence of Executive Directors as and when necessary. During the year one such meeting was held.	Complied
A.5.10	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 the within two weeks of the meeting the decisions taken and the discussion points are minute and circulated for their review/comments and finalisation.	Complied
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	Mr Shamal Perera was appointed as Non-Executive Director during the year, and 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.	Complied

Principal	Comment	Compliance status
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 NED to appear for re-election every year and as such 2020 saw the re-election of Mr D S Weerakkody who retired by rotation. Generally, Directors who retire are the ones who have held office for the longest period since election and re-appointment. 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 N D Gunaratne will retire by rotation and being eligible will offer him-self for re-election at the forthcoming Annual General Meeting.	Complied
A.8.1	In terms of the Articles of Association of the Company, one NED is required to retire by rotation every year. The re-election of NEDs' is sanctioned by the shareholders at the AGM of the Company.	Complied
A.8.2	Mr Shamal Perera was appointed as Non-Executive Director during the year, In the event a new Director is appointed to the Board, he/she will offer himself/herself for election by the shareholders at the first opportunity.	Complied
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 minute under the Board meeting minutes. Also when Directors send their resignation letters, they explain the decision factors in the resignation letter for the documentary purposes.	N/A. No resignation of Directors during the year
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 overall the Board members meet the Chairman and conduct face to face discussions on the members anticipated suggestions for the betterment of the Company and the Chairman there address the performance remarks of the individual Board members that he has observed during the year.	Complied
A.9.2	Members of the Board and Board committees carried out self-assessments of their performance for the FY 2020/21 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 2021/22 were identified. Each individual Director was satisfied of his performance in the FY 2020/21. 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 the rest of the Board members discuss the value addition brought by that particular member to the Board and the contribution made thereof. And based on the discussion points the decision is made as to re-elect the member or not to. The discussion points are being minuted under the Board meeting minutes.	Complied
A.9.4	The 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 pages 156 and 157 for the information relating to Directors of the Company.	Complied

Corporate Governance

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
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 in page 169 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 enough 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 being decided and approved by the Board based on the evaluation and recommendation made by the Remuneration Committee in parity with the current market rates and packages provided, the Executive Directors' remuneration also followed by the same process, also providing specific targets in the ED's TOR which Directs the ED in achieving the organisational performance goals in overall.	Complied
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	Not applicable as the 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 NEDs 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 283 of this Report. Remuneration Committee Report is given in page 189.	Complied
B.3.1	Names of the members of the Remuneration Committee and the compensation paid to Key Management Personnel are given in pages 169 and 283 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 313 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. Usual proposals adopted at the AGM include the Annual Report and the Accounts, re-appointment 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 Secretary team does note the casted votes in favor 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 post to answer them.	Complied
C.1.5	The Notice of Meeting and related documents is 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
C.2 Communication with shareholders		
C.2	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

Corporate Governance

Principal	Comment	Compliance status
C.2.1	Refer comment given under C.2 Complied.	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 encourages our shareholders to connect with us. Apart from that in our website we have allocated a separate page indicating Investor Information such as the market price per share.	Complied
C.2.4	The point of contact is given in page 4 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 187 and Note 29 of Notes to the Financial Statements.	Complied
C.3.1	Refer the Related Party Transactions Review Committee Report on page 187 and Note 29 of Notes to the Financial Statements.	Complied
C.3.2	Refer the Related Party Transactions Review Committee Report on page 187 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 206 of this Report.	Complied
D.1.1	All related papers and the Notice of the Meeting are sent to the shareholders 15 days before the AGM through the Company Secretaries.	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
D.1.3	The Financial Statements itself has the respective declaration stating that all standards, legal requirements are met with and the Chief Financial Officer signs the Financial Statements below that declaration. Apart from that and annual declaration is also signed by the CFO confirming the same.	Complied
D.1.4	The Annual Report of the Board of Directors on the Affairs of the Company making the relevant declarations is given on page 206 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 212, 214 and 213 respectively.	Complied

Principal	Comment	Compliance status
D.1.6	"Management Discussion and Analysis" is given on page 93 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 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 213.	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 is given on pages 192 to 204 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 2020/21 the Board was satisfied with the effectiveness of the system of internal control in place within the Company.	Complied
D.2.5	Refer page 213 for the "Directors Statement on Internal Controls".	Complied
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 to the meetings and decision-making. (refer page 185)	Complied

Corporate Governance

Principal	Comment	Compliance status
D.4 Related Party Transaction 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 extra ordinary 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 Transaction Committee.	Complied
D.4.2	In compliance with the requirements of the voluntary Code of the Corporate Governance the Related Party Transaction Review Committee comprised of three Non-Executive Directors who are also independent. Also 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 Transaction 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 167 of this Report. – Stewardship – Business Ethics.	Complied
D.5.1	AEL has a Code of Ethics which includes the Code of Conduct and is circulated to Directors and all employees. The Board ensures that the Directors and the employees strictly adhere to the Code of Ethics of the Company in their duties so as not to adversely affect the brand of access in any manner. The violation of the Code of Ethics is an offence which is subject to disciplinary action.	Complied
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 Transaction Review Committee on page 187.	Complied
D.5.4	Refer pages 163 to 191 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
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

Principal	Comment	Compliance status
F.1 Investing/Divesting decisions		
F.1	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 Shareholder voting		
	The Company encourages individual shareholders to participate in General Meetings and exercise their voting rights.	Complied
G. Internet of things and cyber security.		
G.1	Refer Risk Management on page 202 of this Annual Report (Information and Technology Risk)	Complied
G.2	The functions of the CISO are carried out by the Manager IT reporting to the Senior General Manager. The Manager IT is responsible for assessing various Internet and Cyber security requirements and to implement necessary strategies, which is discussed with the Senior General Manager to aid in handling unforeseen events such as data loss, data and security breaches.	
G.3	Relevant risks are discussed at Internal Audit Report and reported the same to Audit Committee. The Audit Committee along with the manager IT reviews potential and ongoing cyber security risks and strategizes a course of action. High risk matters are referred to the Board for further actions.	
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. The audit findings are thoroughly and periodically reviewed in order to mitigate any potential or ongoing risks as, Internet of Things and Cyber security has become an essential part of the business model due to the ongoing global conditions.	Complied
G.5	The Company adheres to the required level of cyber security by analysing the gravity of the 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 pages 118 to 146 of the Annual Report – Social and Environmental Capital for this requirement.	Complied
H.1.2 Environmental factors	Refer pages 118 to 146 of the Annual Report – Social and Environmental Capital for this requirement.	Complied
H.1.3 Social factors	Refer pages 118 to 146 of the Annual Report – Social and Environmental Capital for this requirement.	Complied
H.1.4 Governance	Refer pages 163 to 191 of the Annual Report – Corporate Governance for this requirement.	Complied
H.1.5 Board's role on ESG factors	AEL 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	Complied
(1) (f)	Remuneration and other benefits of Directors during the accounting period	Notes to the Financial Statements	Complied
(1) (g)	Total amount of donations made by the Company during the accounting period	Annual Report of the Board of Directors	Complied
(1) (h)	Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period	Board of Directors	Complied
(1) (i)	Amounts payable by the Company to the person or firm holding office as Auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that person or firm	Notes to the Financial Statements	Complied
(1) (j)	Particulars of any relationship (other than that of Auditor) which the Auditor has with or any interests which the Auditor has in, the Company or any of its subsidiaries	Annual Report of the Board of Directors	Complied
(1) (k)	Be signed on behalf of the Board by two Directors of the Company	Financial Statements	Complied

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 2020. 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 (physically or virtually as required) to discuss matters relating to the financial year of which the members' attendance was as follows:

Name of the Director	21 May 2020	12 August 2020	11 November 2020	8 February 2021
Mr N D Gunaratne	✓	✓	✓	✓
Prof K A M K Ranasinghe	✓	✓	✓	✓
Mr D Weerakkody	✓	✓	✓	✓
Mr S D Perera	✓	✓	✓	✓

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 JUDGEMENT

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 2020/21 Internal Audit Plan and continued to monitor progress against this Plan during the year. Results and management actions arising from the reviews undertaken in 2020/21 were discussed in detail at each of the Committee's meetings. The Head of Internal Audit attended all of the Committee's meetings during 2020/21 and held discussions with the Committee in the absence of Executive Management.

WHISTLE-BLOWING

The Audit Committee evaluates various issues reported by the employees or stakeholders relating to doubtful or certain, unethical or unlawful matters. The Group's/Company's Code of Ethics ensures that each employee is aware of the whistle-blowing policies and is encouraged to resort to the relevant whistle-blowing protocols, in case of any incident. The prevalence and effectiveness of the whistle-blowing policies are constantly monitored by the Audit Committee and the incidents reported are investigated thoroughly. The whistle-blowing policies placed always ensure strict anonymity of the whistle-blower's identity.

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/Company'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/Company'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/Company'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

4 August 2021

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 2020. 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 Directors/COO	1

The brief profiles of the existing members of the Committee are given on pages 156 to 157 of the Annual Report.

MEETING ATTENDANCE

The Committee met on the following occasions (physically or virtually as required) to discuss matters relating to the financial year of which the members' attendance was as follows:

Name of the Director	21 May 2020	12 August 2020	11 November 2020	8 February 2021
Mr N D Gunaratne	✓	✓	✓	✓
Prof K A M K Ranasinghe	✓	✓	✓	✓
Mr D Weerakkody	✓	✓	✓	✓
Mr D A R 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 to the Financial Statements.

DECLARATION

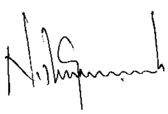
NON-RECURRENT-RELATED PARTY TRANSACTION

There were no non-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.

RECURRENT-RELATED PARTY TRANSACTION

Recurrent-related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2021 Audited Financial Statements, which required additional disclosures in the 2020/21 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 is as follows:

Name of the related party	Relationship	Nature of the transaction	Aggregate value of related party transaction entered into during financial year	Aggregate value of the related party transaction as a percentage of net revenue/income	Terms and condition of the related party transaction
W U S Logistics (Private) Limited	Fully owned subsidiary	Construction income	4,239,254,818	18%	Transactions are entered into normal course of the business



N D GUNARATNE
Chairman
Related Party Transactions Review Committee

4 August 2021

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.

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
- Review compensation surveys
- 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.

COMPOSITION

Composition of the Board-appointed Remuneration Committee is comprised of three (3) Independent Non-Executive Directors and One (1) Non-Executive Director. There were no changes to the composition of the Committee during 2020/21.

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

The Committee's composition met the requirements of the Rule 7. 10. 5 of Listing Rules of the Colombo Stock Exchange. The brief profiles of the existing members of the Committee are given on pages 156 to 157 of the Annual Report.

MEETING ATTENDANCE

The remuneration committee members met virtually to discuss matters pertaining to the remuneration policy of the company, prior to the Board meetings.

REMUNERATION POLICY

The Remuneration Committee of the Board, approved the remuneration philosophy, strategy, and the rewards policy of the Company. The Company's remuneration philosophy is anchored on the total reward approach. The remuneration strategy's main aim is to enable the Company to develop, motivate, maintain and retain an internal talent pipeline, and when necessary attract the requisite skills from the labour market to support the institution's growth strategy. The remuneration policy codifies the remuneration principles, processes, practices and procedures to give effect to the Institution's remuneration philosophy and strategy. The pay mix may comprise a combination of guaranteed pay (fixed pay and bonus) and variable pay (short-term incentives) depending on the level in the organizational hierarchy and performance.

As the pandemic resets major work trends, the company will review the workforce and employee planning, management, performance, health and safety and experience strategies in 2021/22.

DINESH WEERAKKODY
Chairman
Remuneration Committee

4 August 2021

INVESTMENT AND SUBSIDIARY PERFORMANCE MONITORING COMMITTEE

PURPOSE OF THE COMMITTEE

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.

ROLE OF THE COMMITTEE

- Subcommittee will make their assessment and notify their recommendations to the Board on major new investments in subsidiaries, associates, joint ventures 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 and joint ventures 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 and joint ventures.

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:

Category	Number of Directors
Independent Non-Executive Directors	3
Executive Directors	2

The brief profiles of the existing members of the Committee are given on pages 156 to 157 of the Annual Report.

MEETING ATTENDANCE

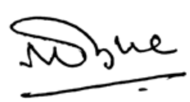
The Committee met on the following occasions (physically or virtually as required) to discuss matters relating to the financial year of which the members' attendance was as follows:

Name of the Director	14 May 2020	10 August 2020	4 November 2020	3 February 2021
Prof K A M K Ranasinghe	✓	✓	✓	✓
Mr N D Gunaratne	✓	✓	✓	✓
Mr D Weerakkody	✓	✓	✓	✓
Mr C J Joshua	✓	✓	✓	✓
Mr D A R 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

4 August 2021

STRATEGIC PLANNING COMMITTEE REPORT

PURPOSE OF THE COMMITTEE

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. The specific responsibilities of the Strategic Planning Committee includes:

- Periodically reviewing the Company's vision, mission, strategic initiatives, major programmes 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.
- Developing criteria for Management to use in evaluating potential strategic investments.

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 2020/21.

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.

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.

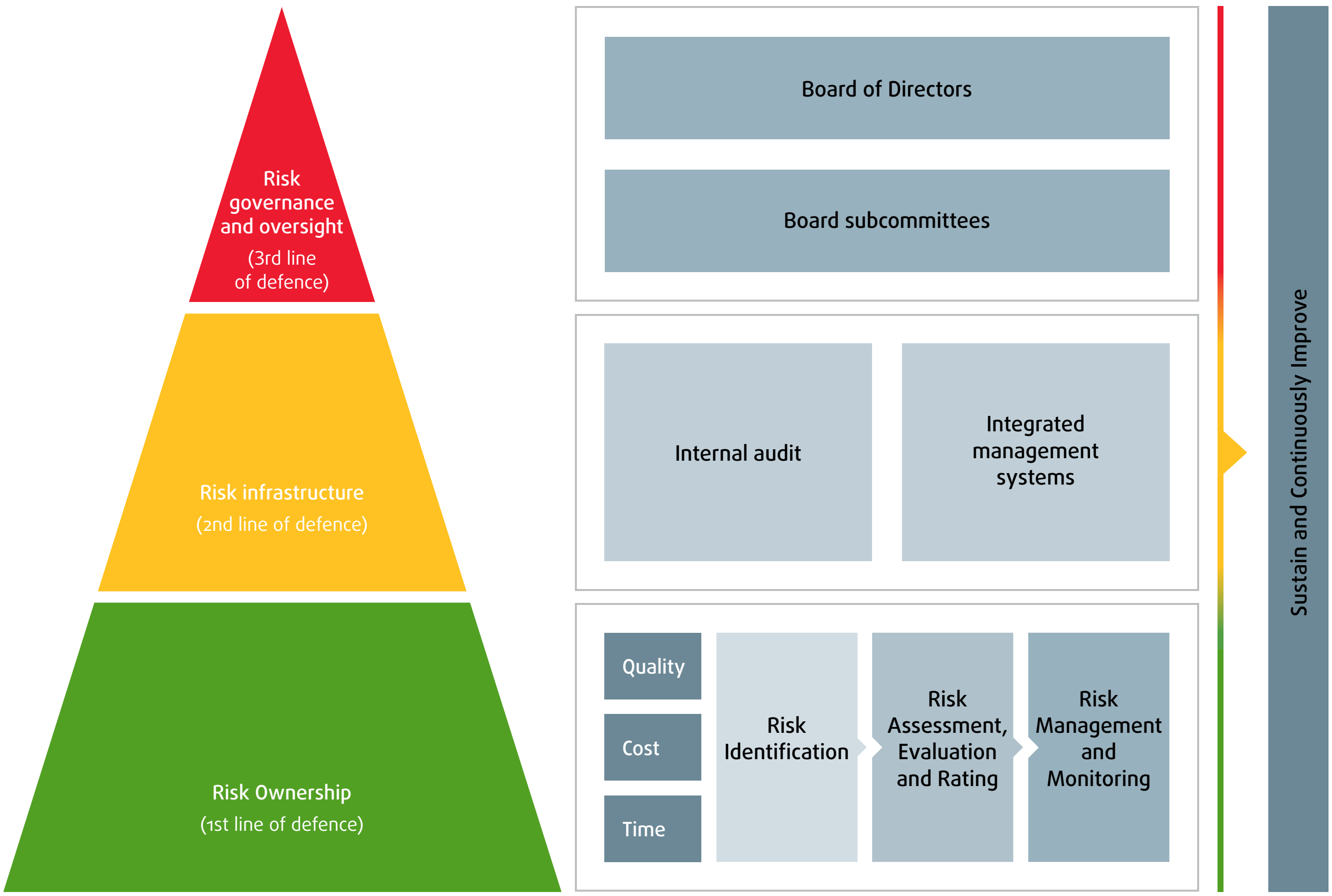
SUMAL PERERA
Chairman
Strategic Planning Committee

4 August 2021

Enterprise Risk Management

AEL risk management process continues to evolve to ensure that it is reflective of the shape of the business, its operations and the operating environment. 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 value to and deriving of value from stakeholders, enabling it to realise 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, identified in the ERM Structure below as Lines of Defence. The first line of defence consists of operational managers who assume, own and manage risks. They also are 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

In compliance with the mandatory and voluntary corporate governance requirements of the regulatory bodies as well as relevant voluntary codes, the Board accepts overall responsibility for risk management and determines the nature and extent of the principal risks to be assumed 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 entire 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 effectiveness of Company procedures on an ongoing basis. 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 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 maters 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.

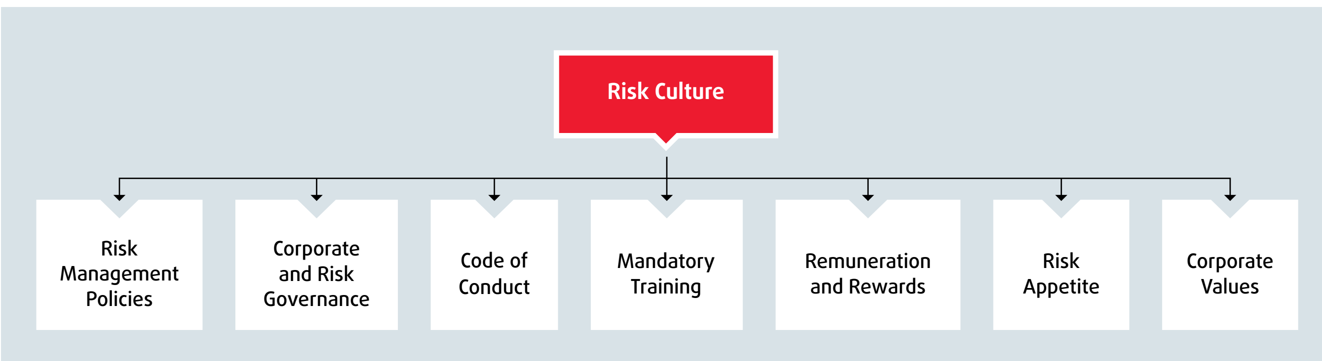
INTEGRATED MANAGEMENT SYSTEMS FUNCTION

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 confirms with the requirements of ISO 14001:2015 and the Occupational Health and Safety Management System (HSMS) which confirms 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 CULTURE

The key to AEL's strong risk culture is effective risk management. Higher levels of operational expertise, technical skills, compliance to distinctive processes and heightened levels of risk awareness, strengthen the formal components of our risk management framework. Training and developing staff skills, capacity building, a code of conduct followed by all employees and an attractive remuneration and compensation framework that rewards and stabilizes the approach to risk support the behaviours and shape AEL's risk culture. Along with the above framework, AEL has also incorporated firm whistleblowing policies to further reinforce its risk culture; this ensures the proper disclosure of misconducts or violations through confidential sources and allows for rectification. Together, these apparatuses emphasise AEL's behaviours, attitudes and norms with respect to risk awareness, acceptance and management which are crucial for sustenance and overall growth of the Organisation. This includes Senior Management discouraging corruption by implementing various types of Management strategies – Refer Statement on page 210.



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 risks of systems and equipment failure, overcapacity situations, inadequate skilled workforce and adverse climatic conditions. The Company adheres to policies, procedures, quality controls and best practices to ensure that all systems and equipment are functional. The consolidated risks and the mitigating actions are presented to the Strategic Planning Committee and the Audit Committee for review.

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 on page 197 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)

Enterprise Risk Management

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

Identify the activity

Risk category
(Business and operational, finance, legal, strategic)

Identified risk

Impact of risk

Existing control methods

Risk rating
(Risk assessment matrix)

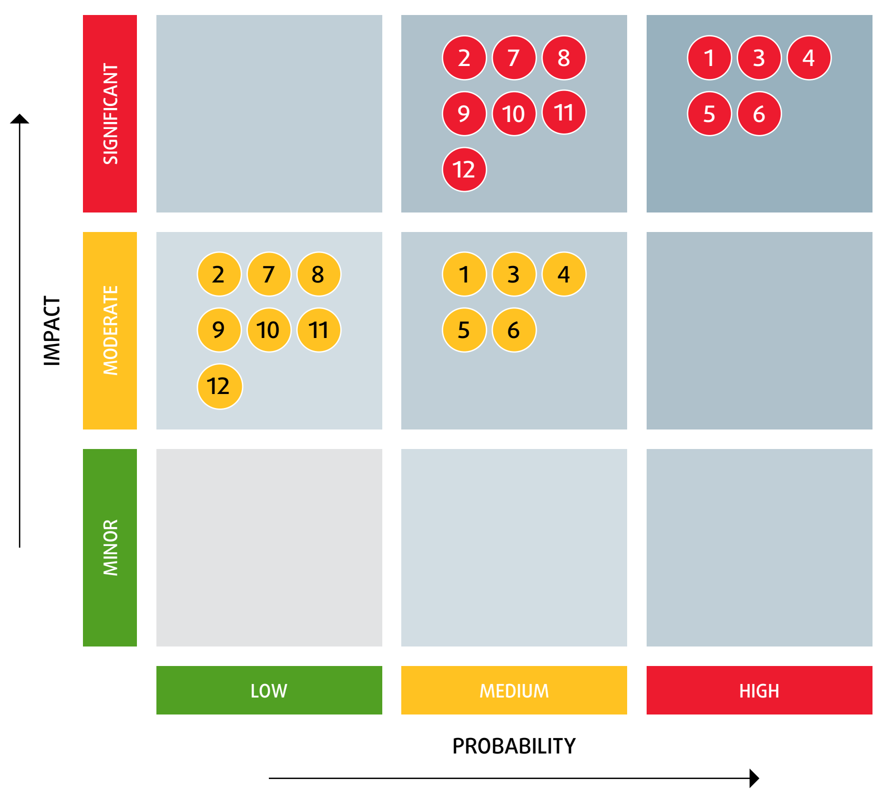
OBJECTIVES

- 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

OUR PRINCIPAL RISK

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.



Risk positioning after mitigation action
Risk positioning before mitigation action

4.3 RISK MANAGEMENT AND MONITORING

The risk 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.

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2019/20	2020/21
1. Operational risks	Operational risks are the risks of losses resulting from inadequate or failed internal processes, people and systems, or from external events	• Delays in project deliverables • Operation cost overruns • Unsatisfactory product performance • Quality not meeting specified requirements • Loss of profits, credibility and reputation • Delays in overall operations due to COVID-19 related Government restrictions	• 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 • Coordinating with the Government and complying with the regulations in order to reduce or alleviate the impact of Government impositions • Reducing the labour outlays and increasing the efficiency of machinery operations whereby, balancing or increasing the overall operational productivity • Compliance with Management System standards (ISO 9001, ISO 14001 and ISO 45001) • Monitor compliance of management system requirements via internal audits	Unchanged	Increased
				During 2020/21, AEL has managed to maintain a comprehensive approach to operational risk management. Operational risks caused due to the COVID-19 pandemic and the restrictions of imports have been reviewed and mitigated, the overall operation and going concern of AEL has not been affected	
2. 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 • Consulting with various technological firms and industry leaders on new and emerging technologies • Procuring and implementing new technologies for greater operational efficiency • Exploring sustainable technologies to allow for the reduction of the Group's carbon footprint	Unchanged	Unchanged
				In 2020/21, AEL invested in various new and up to date technologies in order to keep up with the ever-changing global industry. This has allowed AEL to achieve greater operational efficiency and to become an industry leader	

Enterprise Risk Management

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2019/20	2020/21
3. Socioeconomic and political risk	Socioeconomic 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 Company • Negative impact on budgetary control due to political uncertainties	• The severity of the socioeconomic 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 socioeconomic and political risks, in order to prevent any potential risk from investing in new ventures	Unchanged	Unchanged
				During 2020/21, AEL participated in various community-related initiatives, such as community development, philanthropy and staff engagement in various community initiatives while maintaining healthy relationships with stakeholders. Economic and Political factors did not directly influence the Company's performance due to strong strategic planning	
4. 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	• Potential impact on company operations due to COVID-19 • 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, in discussing their work-related matters	Unchanged	Increased
				During 2020/21, with a highly competitive labour environment, the Company has kept firm emphasis on retaining key talent through various initiatives such as performance recognition, reward schemes, succession planning, leadership and career development programmes through which skilled and proficient employees are retained and new talented personnel recruited.	

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2019/20	2020/21
5. Quality, environment, safety and health performance risk	Potential harm to the growth of the Company, people, our key assets, and others involved in our operations as well as potential damage to the environment and stakeholders	• Potential impact on operational performance due to COVID-19 as there may be health and safety concerns for employees • Potential impact on the operation of projects/sites due to the external impacts from stakeholders (such as Government, suppliers and nearby parties) arising from COVID-19 • Downgrading in CIDA Accreditation • Impact on achieving continual growth of the Company • Damage stakeholder relationships • Impairing Company reputation	• Offices/Sites/Projects adhere to the DReAM concept by: – Maintaining distance – Wearing mask – Practicing personal hygiene – Notifying relevant authorities in case of complications or symptoms • Adhering to Government directions with regards to the work environment • Observing the bio-secure bubble concept whereby, the number of employees working in a particular area is limited to and secluded. This reduces health and safety concerns and allows for rapid implementation of COVID-19 control measures • Maintain accreditations: ISO 9001, ISO 14001, and ISO 45001 • Focused training on Health, Safety and Environment to all employees • Regular Management meetings, evaluating performance and identify improvement • Internal audit function to monitor the proper implementation of safety standards with the support of Safety Officers attached to each project site • R&D into new techniques in construction which cause less impact to the environment • Periodic evaluation of stakeholders (mainly sub-contractors and suppliers) on environmental, Safety and quality aspects	Unchanged AEL is dedicated to consistently improve the quality of Management systems and the environmental Management systems. The Company is continuously seeking for sustainable methods and practices to improve the overall quality of the environment. The risk status pertaining to Health and its performance were increased during 2020/21	Increased

Enterprise Risk Management

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2019/20	2020/21
6. 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	• Impact on company operations due to COVID-19 related Government restrictions • 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 weekly, monthly, quarterly and annual basis • Strictly following the expert advice on issues related to income and taxation	Unchanged During 2020/21, AEL adhered to its risk mitigation strategies in order to maintain a high standard of regulatory compliance	Increased
7. 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&D, investment in new technology and the adoption of best practices • Diversifying business operations to reduce the impact of competition	Increased During 2020/21, AEL is always looking forward and is alert with regard to its competition; to ensure its competitiveness in the market, the Company has always sought the best global practices and has implemented and invested in various operations in order to maintain global standards through which the Organisation can provide the best construction, products and services. This can be identified through the investment in new technologies, training and development of staff skills and observing various new methods and practices to improve the Company's overall productivity	Unchanged

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2019/20	2020/21
8. Finance risk	Probability of loss inherent in financing methods which may impair the ability to provide an adequate return	• Negative impact on the Company's cost of funding due to the increase in interest rates • Due to the increase in debtor position, there may be a risk in cash flows • Unavailability of sufficient working capital, negatively affecting the smooth functioning of day-to-day operations of the Company • Negative impact on profitability • Diminishing 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 • Implementing the use of management systems/platforms that maintains accounts and provides crucial information to simplify and diminish potential financial risks	Increased The constant monitoring and strategic planning of various financial operations by the Management has kept the finance risk in check. The Treasury Division, supported by the Finance functions of the businesses manages financial risks through ongoing monitoring of liquidity management strategies	Increased
9. Reputation risk	Reputation risk is the risk that an event or incident could damage the image of the Company	• Diminishing 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 • Contractor or sub-contractor works may have the potential to damage or downgrade the Company's reputation	• 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 bought 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 without any exception • Contractors are systematically screened before an agreement is handed-over and vigorously monitored during the engagement process to offset any delays or defects. • The internal technical team monitors contracts and makes sure they are delivered in a timely manner • The senior management consistently monitors and ensures that contractors follow proper operational and working practices	Unchanged AEL Policies, Procedures and best practices are the foundation of its uncompromising approach to ethical and transparent business during 2020/21. These principle frameworks have allowed the Company to maintain its image and have allowed the Company to accept greater achievements	Unchanged

Enterprise Risk Management

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2019/20	2020/21
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 for time and data recovery • Impairing goodwill of the Company due to loss of credibility • Threats from Cyber-attacks, leading to downtime or loss of operational functionality due to significant use in technology during the pandemic	• 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 • Making use of various tools such as proxies, firewalls and administrative restrictions to allow for the Organisation to alleviate or decrease downtime and increase operational efficiency • Organisation-wide awareness on IT, cyber security and training staff on various ways of handling sensitive information • Evaluating IT and cyber security risks, discussing with the Management regarding the potential outcomes and creating a course of action to minimise the risk • Thoroughly evaluating and regulating external suppliers providing IT infrastructure/services to ensure security and smoothness of operations	Unchanged IT management systems are constantly monitored and maintained in order to ensure that there are no risks associated with IT. The centralisation of these IT systems guarantees the uniformity and standardisation incomplete. Furthermore, the use of various administrative and internal tools allows for greater security and reduction of IT-related risks	Increase

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2019/20	2020/21
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 on foreign currency fluctuation • Reduction in the ability to procure materials/services due to the ongoing pandemic as vendors may have difficulties in providing supplies. • Potential delays expected while receiving materials/services leading to an overall decline in performance across various business activities • Delays due to import restrictions imposed by the Government, affecting the overall operation of the projects and increasing lead times due to the surge in prices of imported raw materials	• 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 • Consistent analysis of the market conditions and existing vendors to evaluate and strategise a path whereby, materials/services are supplied without any disruptions • Working with vendors on an agreement to reduce lead time • Frequently communicating with suppliers to assess potential interruptions and devising a strategy to reduce delays or downtimes. • Utilizing vendor Green tape management systems/platforms (Green tape system) to add value to the procurement process through which, the procurement procedures are simplified and enhanced to obtain maximum productivity • Substituting imported raw materials for local raw materials • Following up with the Government and foreign parties to strategise a course of action in order to reduce the lead times and to quote favourable prices reducing or alleviating any procurement risks	Increase During 2020/21, AEL has taken up various new decisions with regard to the global and local conditions taking in to consideration the political, economic, environmental and the ongoing COVID-19 pandemic as their main basis in order to strategically minimize and manage procurement risks	Increase

Enterprise Risk Management

Risk	Risk description	Impact on KPIs	Risk mitigation strategies	2019/20	2020/21
12. Fraud risk	Fraud risk arises due to weaknesses in the internal controls, which could result in financial losses	• Losing reputation of the Company • Decrease in operating profitability of the Company • 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 the functions of the Company, making the employees accountable for their actions • Ensuring appropriate segregation of duties • Every key activity is subjected 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 • Company has implemented whistle-blowing policy	Unchanged During 2020/21, AEL has maintained various administrative and internal controls to ensure that the risk associated with frauds are kept in check and mitigated. The Company has always built, encouraged and observed ethical working practices for employees. The Company also does a thorough background check before recruiting an employee whereby potential frauds could be mitigated	Unchanged

FINANCIAL REPORTS

FINANCIAL CALENDAR

Ninth Annual General Meeting	16 September 2020
First Quarter Report	12 August 2020
Second Quarter Report	11 November 2020
Third Quarter Report	8 February 2021
Fourth Quarter Report	28 May 2021
First Interim Dividend for 2020/21	2 September 2020

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 2021. 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 2021, 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 accordance with 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. Subsequently, 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 altered to PB 200 PQ.

Access Engineering PLC is now listed on the Main Board of the Colombo Stock Exchange with effect from 8 January 2013. ICRA Lanka has also reaffirmed the issue Rating of [SL]A+ assigned to the Company's Senior Unsecured Redeemable Listed Debenture Programme, revising the outlook from Stable to Negative.

PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY AND THE GROUP

Access Engineering PLC is a holding company and 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 226 for a brief description of the principal activities of the Company and subsidiaries.

SUBSIDIARY INVESTMENT ACTIVITIES DURING THE YEAR

The Company acquired 50% share capital of Lanka AAC (Private) Limited with a consideration of LKR 131 Mn. Furthermore the Company further invested LKR 3,686 Mn. in the share capital of WUS Logistics (Private) Limited a fully owned subsidiary of the Company. In addition Access Engineering PLC has invested in 100% share capital of Access Logistics (Private) Limited at a total consideration of LKR 10/- during the year, involve in Commercial property development for lease and rental.

Additional investment of LKR 400 Mn. in non-voting shares of Blue Star Realties (Private) Limited (joint venture to the Company) increased the cumulative value of the investment and shareholding to LKR 1,200 Mn. and 60% respectively as at 31 March 2021.

REVIEW OF PERFORMANCE OF THE COMPANY AND THE GROUP

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 The segment-wise revenue contribution, assets and liabilities are provided in Note 4 (page 233) to the Financial Statements.

FINANCIAL STATEMENTS

The preparation of the Group and Company Financial Statements are been carried out in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs), which is issued by The Institute of Chartered Accountants of Sri Lanka, complying with the requirements of the Companies Act No. 07 of 2007 and the 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 221 of this Annual Report.

FINANCIAL RESULTS AND APPROPRIATIONS

REVENUE

Revenue generated by the Group amounting to LKR 23,837 Mn. (2020 – LKR 24,027 Mn.). Similarly the Company revenue amounted to LKR 21,853 Mn. (2020 – LKR 17,917 Mn.). A detailed revenue analysis is presented in Note 5 (page 234 and 235) to the Financial Statements.

PROFIT

Group profit after tax and Group profit attributable to equity holders of the Parent for the year depicted a figure of LKR 2,393 Mn. (2020 – LKR 928 Mn.) and LKR 2,386 Mn. (2020 – LKR 979 Mn.) respectively. In addition, the profit after tax of the Company was LKR 2,329 Mn. (2020 – LKR 1,927 Mn.).

Furthermore, the Group total comprehensive income attributable to parent was LKR 2,491 Mn. (2020 – LKR 1,140 Mn). The Company's total comprehensive income for the year was LKR 2,363 Mn. (2020 – LKR 1,951 Mn.).

Access Engineering PLC for the year ended 31 March

	2021 LKR	2020 LKR
Profit after tax	2,328,595	1,927,095
Other adjustments	(5,513)	(36,339)
Balance brought forward from the previous year	11,323,037	9,682,281
Amount available for appropriation	13,646,119	11,573,037
1st interim dividend	(500,000)	(250,000)
2nd interim dividend	(500,000)	Nil
Final dividend	Nil	Nil
Balance carried forward to the following year	12,646,119	11,323,037

DIVIDENDS

First interim dividend of LKR 0.50 per share was declared on 12 August 2020 and paid on 2 September 2020. A second interim dividend of LKR 0.50 per share was declared on 19 May 2021 and paid on 21 June 2021.

REVENUE RESERVES

The revenue reserves of the Group and the Company as at 31 March 2021 amounted to LKR 14,825 Mn. (2020 – LKR 12,834 Mn.) and LKR 13,396 Mn. (2020 – 11,534 Mn.) respectively. The movement during the year is disclosed in the Statement of Changes in Equity on page 222.

ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of Financial Statements of the Group and the Company are given on pages 226 to 306 of the annual report.

The financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) and the policies adopted thereof are given on pages 226 to 306. Figures pertaining to the previous period have been re-stated where necessary to conform to the presentation for the year under review.

DONATIONS

As at 31 March 2021 total donations made by the Group and the Company amounted to LKR 1,066,114 (2020 – LKR 2,939,092) and LKR 808,974 (2020 – LKR 876,378) respectively.

CORPORATE SOCIAL RESPONSIBILITY

The Company took forward its respective CSR initiatives with a range of programmes and activities, specifications, adhering to the COVID-19 guidelines. Further details of the same are displayed on pages 135 to 136 in this Annual Report.

PROPERTY, PLANT AND EQUIPMENT (PPE) AND INTANGIBLE ASSETS

The capital expenditure on property, plant, and equipment in terms of the Group and the Company equaled to LKR 1,528 Mn. (2020 – LKR 572 Mn.) and LKR 721 Mn. (2020 – LKR 257 Mn.) respectively. Related information and movements have been disclosed in Note 11 (pages 246 to 253) to the Financial Statements.

Additions to intangible assets of the Group and Company during the year amounted to LKR 2.8 Mn. (2020 – LKR 2.1Mn.) and LKR 1.5 Mn. (2020 – LKR Nil.) respectively. All other related movements to intangible assets are disclosed under the Note 14 (page 258) to the Financial Statements.

MARKET VALUE OF PROPERTIES

MARKET VALUE OF PROPERTY, PLANT AND EQUIPMENT

Freehold land and buildings owned by the Group companies were revalued as at 31 March 2020 and the carrying value was adjusted accordingly. The information relating to freehold land and buildings are enclosed in Note 11.3 and 13.2 (Page 252 and 257) 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	38.4	80,000,000
No. 267, Dehiwala Road, Maharagama	–	3	1	266,200,000
No. 278, Alubogahalanda, Jalthara, Ranala	3	3	4.86	82,000,000
No. 117, Dehiwala Road, Boralasgamuwa	–	2	35.5	255,000,000
Dickowita – Hendala	2	3	10.18	18,007,200
Weliwita – Kaduwela	2	–	–	64,000,000
Divigalahena – Hakmana	10	–	–	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	–	25.65	4,043,870,000
Access Realties II (Private) Limited				
30 storied buildings at No. 278/4, Colombo 2	–	–	–	6,881,130,000
Sathosa Motors PLC				
Peliyagoda – Leasehold land	2	–	23.93	5,133,746
No. 86, Vauxhall Street, Colombo 2	–	2	3.07	837,404,080

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

Location	Extent A	Extent R	Extent P	Carrying value of assets LKR
Access Projects (Private) Limited				
No. 278, Kekulanvila Road, Jaltara, Ranala	2	1	38.38	82,000,000
No. 42A, Yatawathura, Malagala, Padukka	–	3	10	11,000,000
No. 281, Kekulanvila Road, Jaltara, Ranala	–	–	20	5,477,000
No. 301/1/D, Jalthara,Ranala.		3	26	4,000,000
WUS Logistics (Private) Limited				
No. 540, Maligagodella Watta, Aswedduma Junction, Aluthapola, Negombo	41	2	27.45	900,000,000
Kimbulapitiya, Negombo	–	3	16.25	13,008,718
Harbour Village (Private) Limited				
No. 250, Srimath Ramanathan Mawatha, Kotahena, Colombo 15	5	–	–	2,400,000,000
Access Logistics (Private) Limited				
Kimbulapitiya South, Kimbulapitiya, Negombo	1	3	31.3	89,784,950

INVESTMENT PROPERTIES

Investment properties of business units, when significantly occupied by Group companies, are classified as PPE in the consolidated Financial Statements in compliance with LKAS 40.

The Group revalued its investment properties in line with the policies adopted by the Group and the carrying value at Group and Company level is LKR 10,573 Mn. (2020 – LKR 10,331Mn.) and LKR 614 Mn. (2020 – LKR 560 Mn.) respectively. All information related to revaluation of the investment properties is provided in Note 13 on page 256 to the Financial Statements. .

INVESTMENTS

A detailed description of the Company's investment in quoted shares held as at 31 March 2021 is given in Note 21 (page 268) to the Financial Statements.

Additionally, a detailed description of the Company's fixed deposits and debentures held as at 31 March 2021, are disclosed in Note 20.2 and Note 22 (pages 268 and 269) to the Financial Statements.

STATED CAPITAL

The Stated Capital of the Company is LKR 9,000 Mn. representing 1,000Million ordinary shares (2020 – LKR 9,000 Mn. representing 1,000 Million ordinary shares) as given in Note 24 (Page 270) to the Financial Statements

DEBENTURE

Debenture of the Company amounting to LKR 4,998 Mn. matured and fully paid in November 2020. The outstanding capital as at year end is LKR 1.59 Mn. as given in Note 26.1 (page 272) to the Financial Statements. Said Listed Debentures rating of [SL] A+ reaffirmed outlook revised to Negative from Stable by ICRA Lanka Limited.

RATIO AND MARKET PRICE 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 272 and 273.

SHARE INFORMATION

SHAREHOLDERS

Nine thousand seven hundred-twelve shareholders were registered as at 31 March 2021 (8,832 shareholders as at 31 March 2020). Detailed analysis of the same is given on page 125 of this 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 presented on pages 125 to 128 under the 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.7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Further information pertaining to the Directors' Responsibility is enclosed in the Statement of Directors' Responsibility on page 212.

The names of the Directors who held office as at the end of the accounting period are given as follows and their respective profiles are displayed on pages 154 to 157 in this Annual Report.

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
Mr Shamal J S Perera*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof K A M K Ranasinghe
Mr N D Gunaratne
Mr D S Weerakkody

* Mr Shamal J S Perera has been appointment to the Board with effect from 23 September 2020.

RETIREMENT AND RE-ELECTION OF DIRECTORS

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

Mr Shamal J S Perera who was appointed to the Board on 23 September 2020 shall retire in terms of Article 95 of the Articles of Association of the Company and being eligible is recommended by the Directors for re-election.

Directors of Group Companies are given in the page 312 of this Annual Report.

REVIEW OF THE PERFORMANCE OF THE BOARD

The Board's performance is subjected to a formalised process of self-appraisal on an anonymous basis. Further details of the same are mentioned in page 177.

BOARD COMMITTEES

The Audit Committee, Remuneration Committee, Strategic Planning Committee and the Related Party Transactions Review Committee function as Board Sub Committees, 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 173. The composition of the said Committees as at 31 March 2021 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 – Chariman
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 confirm that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining a Related Party Transaction during the Financial Year ended 31 March 2021.

INTERESTS REGISTER

The Company maintains an Interests Register in terms of the Companies Act, No. 7 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 2021 as recorded in the Interests Register are given in this Report under Directors' shareholding.

EMPLOYEE SHARE OWNERSHIP PLANS

The Group does not possess any share option scheme.

RELATED PARTY TRANSACTIONS

The Company's transactions with related parties are detailed in Note 29 (pages 280 to 283) to the Financial Statements.

NON-RECURRENT RELATED PARTY TRANSACTIONS

There were no non-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.

RECURRENT RELATED PARTY TRANSACTIONS

For disclosure of recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2021 Audited Financial Statements, which required additional disclosures in the 2020/21 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2. Refer Related Party Transaction Review Committee Report in page 188.

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

DIRECTORS' REMUNERATION

The details of the Directors' remuneration are disclosed under Key Management Personnel Compensation in Note 29.6 to the Financial Statements on page 283.

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 page 280 to the Financial Statements, the Company did not carry out any transaction with any of the Directors.

DIRECTORS' SHAREHOLDING

The pertinent interests of Directors in the shares of the Company as at 31 March 2021 and 31 March 2020 are as follows:

Director's Name	Shareholding as at 31 March 2021	Shareholding as at 31 March 2020
Mr S J S Perera	250,000,000	250,000,000
Mr R J S Gomez	630,325	35,130,325
Mr J C Joshua	101,000,000	101,000,000
Mr S H S Mendis	24,300,000	24,000,000
Mr D A R Fernando	24,300,000	24,000,000
Mr S D Munasinghe	24,300,000	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
Mr Shamal J S Perera	50,811,814	–

CORPORATE GOVERNANCE

The Board of Directors confirms that they are in compliance with Section 7.10 of the Listing Rules of the CSE. The Chairman, the Board of Directors and the Kay Management Personnel are 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 Board of Directors is committed to ensure that the Company's activities are free from all forms of corruption, and has established various management strategies in this regard. All staff are strictly required to adhere with these regulations including the senior management.

The Corporate Governance of the Company reflects the efforts taken to enhance and protect the interests of the stakeholders of the Company. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on Pages 163 to 191 explains the measures adopted by the Company during the year of review.

INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, *inter alia,* regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with the Group's adherence to and effectiveness of these controls for the period up to the date of signing the Financial Statements.

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. Capital Formation and Distribution on pages 94.

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 2021 a total of 2,785 persons are employment (2,580 persons as at 31 March 2020) Refer human Capital on pages 108 to 117 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 2021 trade and other payables of the Group and the Company amounted to LKR 17,307 Mn. (2020 – LKR 11,013 Mn.) and LKR 10,918 Mn. (2020 – LKR 7,152 Mn.) respectively. Refer trade and other payables in Note 28 on page 279.

AEL further makes every effort in order to follow the value of effective stakeholder engagement in order to establish an enhanced value added model as a result.

ENVIRONMENTAL PROTECTION

The Group complies with appropriate environmental laws and regulations to fulfill 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 minimizes the detrimental effects on the environment and provides products and services that have a beneficial effect on the customers and the communities within, which the Company operates. Refer Natural Capital on page 137 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 284) to the Financial Statements covering commitments and contingencies.

CONTINGENT LIABILITIES

Except as disclosed in Note 30 (page 284) 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 page 192.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Except for the matters disclosed in Note 32 (page 288) 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 principels. After making adequate enquiries 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 Auditors on the Financial Statements of the Company is given on page 214.

AUDITORS

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

A total amount of LKR 3,979,353 is payable by the Company to the Auditors for the year under review comprising LKR 2,993,000 for audit fees and LKR 986,353 for non-audit services. A detailed description is given under Note 8 on page 239.

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint 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 4 August 2021 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 10th Annual General Meeting will be held on 15 September 2021 on a virtual platform, in accordance with the guidelines issued by the Colombo Stock Exchange (CSE).

The Notice of the Annual General Meeting is given on page 313.

The 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

4 August 2021
Colombo

Statement of Directors' Responsibility

This Statement sets out the responsibility of the Board of Directors in respect to the Financial Statements of the Company and its subsidiaries. The responsibility of the Auditors in relation to the Financial Statements of the Company and its subsidiaries is specified in the "Independent Auditors' Report" given in pages 214.

The Directors are responsible for the proper recording and maintenance of the books of all accounts of all transactions of the Company and its subsidiaries under the 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 the Company Financial Statements that give a true and fair view of the State of the Affairs of the Company and its subsidiaries at the reporting date of each financial year. The prepared Financial Statements consist of the Statement of Comprehensive Income giving a true and fair view of the profit or loss of the Company along with its subsidiaries for the financial year ending. The Statement of Financial Position giving a true and fair view of the State of Affairs of the Company and its subsidiaries at the end of the financial year. Also contains the Statement of Changes in Equity, Statement of Cash Flows and Notes thereto.

During the course of preparation for the 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 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.

The Board of 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.

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.

The External Auditors, Messrs KPMG who were deemed re-appointed in terms of Section 158 of the Companies Act No. 07 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on pages 214 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes ,duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries and all other known statutory dues as were due and payable by the Company and its subsidiaries as at reporting date have been paid or, where relevant, provided for, except as specified in Note 30 to the Financial Statements covering commitments and contingencies.

By Order of the Board,

P W CORPORATE SECRETARIAL
(PRIVATE) LIMITED
Secretaries

4 August 2021
Colombo

Directors' Statement on Internal Control

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.

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and Group. This process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

Following features of the system of Internal Control that have been introduced by the Board to obtain reasonable assurance that proper system are in place:

- Committees appointed by 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.
- The Chief Internal Auditor who heads the Internal Audit Department bears the responsibility of carrying 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 for their review on a quarterly basis. In addition 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 further 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 Lankan Accounting Standards comprising SLFRS and LKAS, processes that are required to comply with requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Consistent and continuous monitoring is in progress to enhance the system's effectiveness and efficiency.
- The comments made by External Auditors in relation with the internal control system during the financial year 2020/21 were taken into significant consideration and the necessary steps have been taken to incorporate them where applicable.

CONFIRMATION STATEMENT

The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatements of loss.

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 Lankan Accounting Standards (SLFRSs/LKASs), requirements of the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange. The Consolidated Financial Statements for the year ended 31 March 2021 have been audited by Messrs KPMG, Chartered Accountants.

S J S PERERA
Chairman

J C JOSHUA
Managing Director

N D GUNARATNE
Chairman, Audit Committee

4 August 2021

Independent Auditors’ Report

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
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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 2021, 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 220 to 306.

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 2021, 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 of revenue from construction contracts amounting to LKR 12.9 Bn. for the year ended 31 March 2021. 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 construction revenue recognised overtime 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 included, - Obtaining and understanding of and assessing the design, implementation and operating effectiveness of the management's key internal controls over revenue recognition. - 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 INVESTMENT PROPERTIES

Refer Note 13 to the consolidated financial statements.

Risk description	Our response
The Group investment properties are stated at their fair value in the amount of LKR 10.6 Bn. as at 31 March 2021. Management's assessment of fair value of investment property is based on valuations performed by a qualified independent property valuer 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 investment properties. We identified fair valuation of Investment properties as a key audit matter due to the use of 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 conclusion made by the external valuer in deriving the fair value of the Investment properties and comparing the same with evidence of current market values. - 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 investment property. - Assessing the adequacy of disclosure in relation to fair value of investment property in the financial statements.

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 2021, the goodwill and investment in subsidiaries amounting to LKR 1.2 Bn., and LKR 17.7 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. 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 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.

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 2021 net of trade receivables were LKR 11.9 Bn., after provisions of LKR 293.2 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 uncertainty on the impact of COVID-19 introduced significant estimation uncertainty in relation to the measurement of the Group's allowance for doubtful debts. 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 and transition adjustments are likely to be subject to scrutiny from investors/regulators resulted in impairment of trade receivables being considered as a key audit matter.	Our audit procedures included, - 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. - On sample basis circularized trade receivables confirmations to verify existence and tested the reconciliation where discrepancies were identified and testing the subsequent collections for outstanding trade receivables, where applicable. - 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. - Assessing 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 reviewed management's assessment of the likelihood of economic downturn caused by COVID-19 at the reporting date with reference to the reasonable and supportable information available to management at that date. - Assessing the adequacy of financial statements disclosure as per the required accounting standards.

KPMG

MANAGEMENT ASSESSMENT OF SUBSIDIARY'S ABILITY TO CONTINUE AS GOING CONCERN.

Refer Note 2.7 to the consolidated financial statements

Risk description	Our response
As described in the Group financial statements, one of the Group Subsidiary incurred a net loss of LKR 12.98 Mn., for the year ended 31 March 2021. However, Subsidiary financial statements have been prepared on a going concern basis. In adopting the going concern basis of preparation of the financial statements, the directors have reviewed the Subsidiary's cash flow projections prepared by the management. The cash flow projections were based on management's assumptions and estimation of future cash inflows and outflows, also taking into consideration the impact of COVID-19 global pandemic. Notes to the financial statements, describes the impact of COVID-19 outbreak to the current year financial statements and possible effects to the Subsidiary's future prospects, performance and cash flows. Further the management considered it appropriate to adopt the going concern basis of accounting in preparing financial statements and their identification of any material uncertainties to the Subsidiary's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. We identified the assessment of impacts of COVID-19 related events as a key audit matter because the cash flow projections referred to above involves consideration of future events and circumstances which are inherently uncertain, and effect of those uncertainties may significantly impact the resulting accounting estimates.	Our audit procedures included, - Assessing the directors' assessment of the Subsidiary's ability to continue as a going concern, including the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment. - Obtaining the Subsidiary's cash flow projections covering a period of months from the reporting period end date and assessing these key assumptions used in preparing the projections. - Evaluating the sensitivity of the projected available cash by considering downside scenarios together with reasonably plausible changes to the key assumptions and considering whether there were any indicators of management bias in the selections of the assumptions. - Inspecting the facility agreements for the Subsidiary's long-term loans to identify any financial covenants or similar terms and assessing the implication of these on the Subsidiary's liquidity. - Assessing the adequacy of disclosures in the financial statements in relation to the impact of prevailing pandemic situation to sustain its operations in the foreseeable future with reference to the requirements of the prevailing standards.

KPMG

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.

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 scepticism 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.

KPMG

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

4 August 2021

Statement of Profit or Loss and Other Comprehensive Income

GRI 207-4

For the year ended 31 March	Note	Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Revenue	5.1	23,837,032,998	24,026,524,618	21,852,864,677	17,917,039,628
Cost of sales		(19,698,669,428)	(20,218,748,732)	(18,944,612,742)	(15,622,640,045)
Gross profit		4,138,363,570	3,807,775,886	2,908,251,935	2,294,399,583
Other income	6.1	572,247,573	604,583,660	775,714,870	1,319,659,363
Administrative expenses		(1,678,828,466)	(2,037,920,324)	(728,529,207)	(777,836,151)
Other expenses		(52,999,923)	(41,697,487)	(45,247,783)	(29,875,397)
Operating profit		2,978,782,754	2,332,741,735	2,910,189,815	2,806,347,398
Finance cost	7.1	(1,129,555,372)	(1,424,547,011)	(912,985,466)	(984,561,859)
Finance income	7.1	556,975,437	847,496,263	475,880,878	673,591,172
Share of results of equity-accounted investees, net of tax	16.2	711,721	(8,610,025)	–	–
Profit before tax		2,406,914,540	1,747,080,962	2,473,085,227	2,495,376,711
Income tax expense	9.1	(13,644,224)	(819,505,859)	(144,490,725)	(568,282,115)
Profit for the year		2,393,270,316	927,575,103	2,328,594,502	1,927,094,596
Profit attributable to:					
Equity holders of the parent		2,385,552,442	979,247,287	2,328,594,502	1,927,094,596
Non-controlling interest		7,717,874	(51,672,184)	–	–
Profit for the year		2,393,270,316	927,575,103	2,328,594,502	1,927,094,596
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Re-measurement of defined benefit liability	27.1	(5,857,822)	(51,054,764)	(6,410,593)	(47,461,268)
Revaluation of land and buildings	11.1/11.2	71,652,508	230,350,057	–	78,118,356
Related tax	9.1	40,058,259	(7,670,412)	40,352,423	(6,670,213)
Other comprehensive income for the year, net of tax		105,852,945	171,624,881	33,941,830	23,986,875
Total comprehensive income for the year, net of tax		2,499,123,261	1,099,199,984	2,362,536,332	1,951,081,471
Total comprehensive income attributable to:					
Equity holders of the parent		2,491,180,786	1,139,528,880	2,362,536,332	1,951,081,471
Non-controlling interest		7,942,475	(40,328,896)	–	–
Total comprehensive income for the year, net of tax		2,499,123,261	1,099,199,984	2,362,536,332	1,951,081,471
Basic earnings per share	10	2.39	0.98	2.33	1.93
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.

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Statement of Financial Position

As at 31 March	Note	Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Assets					
Non-current assets					
Property, plant and equipment	11.1/11.2	5,707,784,668	4,936,918,659	2,520,232,668	2,574,753,034
Right-of-use assets	12.1	228,831,207	259,194,678	–	25,808,317
Investment properties	13.1	10,573,071,663	10,330,805,144	614,207,200	560,007,200
Investment properties – work-in-progress	13.3	6,605,111,595	1,896,474,092	–	–
Intangible assets and goodwill	14.1	1,235,105,336	1,248,103,670	28,907,551	37,384,532
Investments in subsidiaries	15	–	–	17,682,671,217	13,865,857,707
Equity-accounted investees	16.1	1,290,088,059	889,376,338	1,255,465,410	855,465,410
Non-current financial assets	17	–	110,220,036	–	110,220,036
Deferred tax assets	9.4	48,028,787	33,901,427	–	–
		25,688,021,315	19,704,994,044	22,101,484,046	18,029,496,236
Current assets					
Inventories	18.1	8,714,470,692	8,297,097,495	2,059,826,864	2,269,730,808
Trade and other receivables	19.1	14,185,353,886	14,064,151,231	11,815,103,857	11,393,520,734
Amount due from related parties	29.2	18,681,507	239,117,758	1,075,855,099	890,226,038
Current tax assets	9.3	71,577,002	95,204,109	–	–
Other current financial assets	20	3,120,448,246	4,173,097,257	2,879,334,391	3,478,697,449
Short-term investments	21	258,158,894	71,321,630	258,158,894	71,321,630
Short-term deposits	22	1,779,874,707	1,268,925,720	1,463,635,356	600,671,244
Cash and cash equivalents	23	2,222,958,389	2,164,437,939	699,437,937	214,926,490
		30,371,523,323	30,373,353,139	20,251,352,398	18,919,094,393
Total assets		56,059,544,638	50,078,347,183	42,352,836,444	36,948,590,629
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		580,150,342	469,042,894	250,274,113	210,819,173
Retained earnings		14,245,340,560	12,365,267,222	13,146,118,382	11,323,036,990
Equity attributable to equity holders of the parent		23,825,490,902	21,834,310,116	22,396,392,495	20,533,856,163
Non-controlling interest	34	2,689,322,057	2,552,784,328	–	–
Total equity		26,514,812,959	24,387,094,444	22,396,392,495	20,533,856,163
Non-current liabilities					
Government grants	25	5,265,318	5,484,707	–	–
Lease liabilities	12.2	115,730,519	137,350,213	–	–
Loans and borrowings	26	6,166,781,521	56,142,279	6,085,581,677	1,650,279
Employee benefit liabilities	27	426,161,112	360,269,657	333,700,516	278,609,201
Deferred tax liabilities	9.4	1,980,833,535	2,393,539,864	180,572,577	469,814,674
		8,694,772,005	2,952,786,720	6,599,854,770	750,074,154
Current liabilities					
Bank overdraft	23	327,144,422	516,221,235	–	125,036,649
Trade and other payables	28	17,307,342,489	11,012,743,258	10,917,886,266	7,151,916,529
Amount due to related parties	29.3	28,717,792	34,806,787	123,977,357	36,601,865
Lease liabilities	12.2	28,187,383	10,497,052	–	27,692,165
Loans and borrowings	26	2,796,409,647	10,911,060,875	1,974,074,847	8,099,866,742
Current tax liabilities	9.3	328,805,392	222,056,620	325,232,040	210,400,050
Unclaimed dividends		33,352,549	31,080,192	15,418,669	13,146,312
		20,849,959,674	22,738,466,019	13,356,589,179	15,664,660,312
Total liabilities		29,544,731,679	25,691,252,739	19,956,443,949	16,414,734,466
Total equity and liabilities		56,059,544,638	50,078,347,183	42,352,836,444	36,948,590,629
Net asset per share		23.83	21.83	22.40	20.53

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
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/Executive Director

4 August 2021
Colombo

Statement of Changes in Equity

Group	Stated capital LKR	Revaluation reserve LKR	Retained earnings LKR	Total LKR	Non-controlling interests LKR	Total equity LKR
	Attributable to equity holders of the parent					
Balance as at 1 April 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
Profit for the year	–	–	2,385,552,442	2,385,552,442	7,717,874	2,393,270,316
Other comprehensive income for the year, net of tax	–	111,107,448	(5,479,104)	105,628,344	224,601	105,852,945
Total comprehensive income for the year	–	111,107,448	2,380,073,338	2,491,180,786	7,942,475	2,499,123,261
Transactions with owners of the Company – contributions and distributions						
Cash dividends	–	–	(500,000,000)	(500,000,000)	–	(500,000,000)
Changes in ownership interests						
Acquisition of subsidiary with NCI – Lanka AAC (Private) Limited	–	–	–	–	128,595,254	128,595,254
Balance as at 31 March 2021	**9,000,000,000**	**580,150,342**	**14,245,340,560**	**23,825,490,902**	**2,689,322,057**	**26,514,812,959**

Company	Stated capital LKR	Revaluation reserve LKR	Retained earnings LKR	Total equity LKR
Balance as at 1 April 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
Profit for the year	–	–	2,328,594,502	2,328,594,502
Other comprehensive income for the year, net of tax	–	39,454,940	(5,513,110)	33,941,830
Total comprehensive income for the year	–	39,454,940	2,323,081,392	2,362,536,332
Transactions with owners of the Company – contributions and distributions				
Cash dividends	–	–	(500,000,000)	(500,000,000)
Balance as at 31 March 2021	**9,000,000,000**	**250,274,113**	**13,146,118,382**	**22,396,392,495**

The Accounting Policies and Notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Cash Flows

For the year ended 31 March	Note	Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Cash flow from operating activities					
Profit before tax		2,406,914,540	1,747,080,962	2,473,085,227	2,495,376,711
Adjustments for:					
Depreciation of property, plant and equipment	11.1/11.2	1,016,554,220	1,029,071,381	765,098,243	813,980,582
Depreciation of right-of-use assets	12.1	35,294,881	37,755,948	25,808,317	56,082,789
Amortisation and impairment of intangible assets	14.1	18,176,086	19,455,491	10,015,702	9,812,450
Provisions for employee benefits	27.1	88,163,638	70,570,126	64,918,477	48,850,715
Impairment losses/write-off of trade and other receivables/inventories		65,095,224	84,289,845	38,810,627	2,659,927
Gain on fair value changes of investment properties	13.1	(100,095,688)	(64,207,200)	(54,200,000)	(144,207,200)
Gain on disposal of property, plant and equipment	6.1	(74,638,590)	(36,460,854)	(23,707,364)	(24,851,149)
Loss on asset write-off	8	919,305	1,217,636	919,305	1,217,636
(Gain)/Loss on disposal of subsidiary	6.1	–	5,527,503	–	(185,000,000)
Amortisation of Government grant	25	(219,389)	(219,389)	–	–
Share of profit of equity-accounted investees, net of tax	16.2	(711,721)	8,610,025	–	–
Dividend income from Investment in Subsidiaries	6.1	–	–	(547,787,738)	(861,666,113)
Net finance cost	7.1	572,579,935	577,050,748	437,104,588	310,970,687
Operating profit before working capital changes		4,028,032,441	3,479,742,222	3,190,065,384	2,523,227,035
Changes in:					
Inventories		(411,990,570)	(1,703,296,023)	211,157,592	(832,656,184)
Trade and other receivables		(156,485,354)	(556,309,629)	(452,201,674)	(1,319,067,593)
Other current financial assets		(169,816,145)	(142,719,618)	(189,057,005)	(113,310,957)
Amounts due from related parties		220,436,251	(112,221,769)	(3,871,434,251)	(480,603,170)
Trade and other payables		6,303,033,853	(1,297,603,114)	3,786,663,829	(1,284,581,464)
Amounts due to related parties		(6,088,995)	10,320,024	87,375,492	(243,389,656)
Cash generated from/(used in) operating activities		9,807,121,481	(322,087,907)	2,762,569,367	(1,750,381,989)
Finance cost paid		(962,349,872)	(1,009,393,345)	(802,406,981)	(604,506,447)
Income tax paid	9.3	(288,011,920)	(834,443,968)	(278,548,409)	(815,456,331)
Gratuity paid	27	(28,130,005)	(24,681,670)	(16,237,755)	(11,155,334)
Net cash flows generated from/(used in) operating activities		8,528,629,684	(2,190,606,890)	1,665,376,222	(3,181,500,101)

Statement of Cash Flows

For the year ended 31 March	Note	Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Cash flow from investing activities					
Purchase of property, plant and equipment	11.1/11.2	(1,527,745,524)	(572,318,137)	(721,909,641)	(257,060,629)
Purchase of intangible assets	14.1	(2,764,686)	(2,071,342)	(1,538,721)	–
Purchase of investment properties	13.1	(142,170,831)	(12,605,424)	–	–
Purchase of investment properties – work-in-progress	13.3	(4,708,637,503)	(503,905,171)	–	–
Proceeds from sale of property, plant and equipment		135,209,798	70,010,596	34,119,825	38,017,145
Investment in equity securities		(164,000,000)	(54,999,896)	(164,000,000)	(54,999,896)
Investment in unit trust		–	(250,000,000)	–	(250,000,000)
Acquisition of subsidiary, net of cash	33	1,145,294	(900,000,000)	(131,008,320)	(900,000,000)
Investment in subsidiary		–	–	–	(25,000,000)
Investment in equity-accounted investees		(400,000,000)	–	(400,000,000)	–
Proceed from maturity of quoted debt investment		1,256,460,000	–	850,000,000	–
Net cash flows on disposal of subsidiary		–	474,949,844	–	475,000,000
(Investments in)/withdrawal from short-term deposit		(534,496,379)	929,598,513	(880,925,361)	(94,968,695)
Proceeds from sale of unit trust		–	252,892,766	–	252,892,766
Dividends income from investment in Subsidiaries	6.1	–	–	547,787,738	861,666,113
Finance income received		278,729,306	344,059,605	193,168,683	203,833,668
Net cash flows generated from/(used in) investing activities		(5,808,270,525)	(224,388,646)	(674,305,797)	249,380,472
Cash flow 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	–	–
Net proceeds from borrowings	26.2	2,876,706,285	2,230,692,674	5,146,044,962	2,509,831,837
Repayment of debentures	26.1	(4,824,080,000)	–	(4,998,410,000)	–
Payment of lease liabilities	12.2	(25,388,181)	(23,524,376)	(29,157,291)	(63,486,261)
Net cash flows generated from/(used in) financing activities		(2,472,761,896)	1,907,168,280	(381,522,329)	1,946,345,576
Net increase/(decrease) in cash and cash equivalents		247,597,263	(507,827,256)	609,548,096	(985,774,053)
Cash and cash equivalents at the beginning of the year		1,648,216,704	2,156,043,960	89,889,841	1,075,663,894
Cash and cash equivalents at the end of the year	23	1,895,813,967	1,648,216,704	699,437,937	89,889,841

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 ordinary shares of the Company are listed at the Colombo Stock Exchange. The Company's registered office and the principal place of business are located at "Access Towers", 278, Union Place, Colombo 2.

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 Financial Statements for the year ended March 2021 comprise "the Company" referring to Access Engineering PLC as the holding Company and "the Group" referring to Companies that have been consolidated therein together with the Group's interests in Equity-accounted Investees.

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

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1.3 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS OF THE COMPANY AND THE GROUP

Company

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

Subsidiaries and equity accounted investees

The principal activities and nature of operations of subsidiaries and equity accounted investees are as follows:

Name	Principal activities	Percentage of equity interest 2021	Percentage of equity interest 2020
Access Realties (Private) Limited	Commercial property development for lease and rental	100	100
Access Realties II (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	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
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	100
Access Logistics (Private) Limited	Commercial property development for lease and rental	100	Nil
Lanka AAC (Private) Limited	Supply of construction-related materials	50	Nil
AEL East Africa Limited	Construction	100	Nil
ZPMC Lanka Company (Private) Limited	Commission, repair, and maintenance of container handling equipments	30	30
Blue Star Realties (Private) Limited*	Residential property development	60	50

* Investment in Blue Star Realties (Private) Limited consists the voting shares of 80,300,000 and non voting shares of 40,000,000. The Group has an economic interest of 60% in Blue Star Realties (Private) Limited as at 31 March 2021.

All the Companies are incorporated in Sri Lanka except AEL East Africa Limited which is incorporated in Republic of Kenya.

During the year investment and acquisition of subsidiaries and equity-accounted investees are disclosed in Note 33 and Note 16 in the Financial Statements respectively.

There are no other significant changes in the nature of the principal business activities of the Group or Company during the financial year under review. Description of the nature of operations and principal activities of the Company, its subsidiaries and equity-accounted investees are described in more detail in the Group Directory on page 06.

1.4 APPROVAL OF FINANCIAL STATEMENTS

The Consolidated Financial Statements of Access Engineering PLC and its subsidiaries (collectively the Group) for the year ended 31 March 2021 were authorised for issue by the Board of Directors on 4 August 2021.

1.5 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 212), "Annual Report of the Board of Directors" (Refer page 206) and in the statement appearing with the Statement of Financial Position (Refer page 221) of this Annual Report.

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.

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 BASIS OF MEASUREMENT

The Financial Statements have been prepared on the historical cost basis except for:

- Lands and buildings which are recognised as property, plant and equipment which are measured at cost on initial recognition and subsequently carried at fair value.
- Lands and buildings which are recognised as investment property which are measured at cost on initial recognition and subsequently carried at fair value.
- Financial instruments reflected as fair value through profit or loss which are measured at fair value.
- Employee benefit liability recognised based on actuarial valuation.

Where appropriate, the specific policies are explained in the succeeding notes. No adjustments have been made for inflationary factors in the Financial Statements.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

AEL East Africa Limited incorporated in Republic of Kenya is using different functional currency of Kenyan Shilling.

2.4 MATERIALITY AND AGGREGATION

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements".

Notes to the Financial Statements are presented in a systematic manner that ensure the understandability and comparability of Financial Statements.

Offsetting

Assets and liabilities or income and expenses are not setoff unless required or permitted by a Sri Lanka Accounting Standards.

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 2021 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	36
Impairment of financial assets: key assumption underlying recoverable amount	35
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 COVID-19 pandemic has 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

The Directors have made an assessment of the Company, its subsidiaries, associates and joint ventures have adequate resources to continue in operational existence and ability to continue as a going concern for the foreseeable future. The assessment includes the existing and anticipated effects of COVID-19 Pandemic on the significant assumptions that are sensitive or susceptible to change or are inconsistent with historical trends. As the economic effects of COVID-19 continue to evolve, Management considered a range of scenarios to determine the potential impact on underlying performance and future funding requirements. In addition, the assessment has been made on the limitations imposed on imports and mitigations plan thereto. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

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.

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, its subsidiaries and the Group's interest in equity accounted investees (associates and joint ventures). Subsidiaries and equity accounted investees are disclosed in Note 15, Note 16 and Note 33 to the Financial Statements.

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

Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it de-recognises 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 be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period.

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 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 twelve months after the reporting period.

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

2.8.3 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. The amount of borrowing costs eligible for capitalisation is determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

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 initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income or profit or loss are also recognised in Other Comprehensive Income or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

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 an integral part of the Group's cash management.

2.9 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

Several other amendments and interpretations apply from 1 April 2020, 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.

The following amendments and improvements do not expect to have a significant impact on the Group's Financial Statements.

Amendments to SLFRS 3: Definition of a Business

The amendment to SLFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all inputs and processes needed to create outputs. These amendments had no impact on the Consolidated Financial Statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to LKAS 1 and LKAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating 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 clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the Consolidated Financial Statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the Consolidated Financial Statements of the Group.

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. These amendments and improvements are not expected to have a significant impact on the Group's Financial Statements. The Group plans to apply these amendments to the standards from their effective dates.

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 Interest Rate Benchmark Reform (Phase 1 and 2) – ("IBOR reform")

The amendments to SLFRS 9 and LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark based cash flows of the hedged item or the hedging instrument. IBOR reforms Phase 2 include number of reliefs and additional disclosures.

Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform. These amendments to various standards are effective for the annual reporting periods beginning on or after 1 January 2022.

This amendment is not expected to have a material impact on the Financial Statements of the Group.

Amendments to SLFRS 16 – COVID-19 Related Rent Concession

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020.

This amendment is not expected to have a material impact on the Financial Statements of the Group.

Amendments to LKAS 37 – Onerous Contracts – Costs of Fulfilling a Contract

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Group.

Amendments to LKAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Amendments to SLFRS 3 – Reference to the Conceptual Framework

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The amendments are not expected to have a material impact on the Group.

Amendments to LKAS 1 – Classification of liabilities as Current or Non-current

The amendment aims to promote consistency in applying the requirements by helping companies to determine. whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

SLFRS 17 – Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.
The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short duration contracts.

The amendments are effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17. This standard is not applicable to 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 residential and commercial property for leasing, renting or sale in whole or 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 2021	Construction LKR	Construction-related material LKR	Property LKR	Automobile LKR	Adjustments and eliminations LKR	Group total LKR
Revenue						
External customers	12,982,362,685	6,335,380,941	679,624,386	3,839,664,986	–	23,837,032,998
Inter-segment	4,317,718,641	1,307,814,823	62,216,544	41,919,622	(5,729,669,630)	–
Total revenue	17,300,081,326	7,643,195,764	741,840,930	3,881,584,608	(5,729,669,630)	23,837,032,998
Segment operating profit	2,264,896,201	785,486,043	516,636,040	110,532,923	(698,768,453)	2,978,782,754
Net finance income/(cost)	(330,192,977)	(134,639,840)	14,575,456	(140,399,827)	18,077,253	(572,579,935)
Share of results of equity-accounted investees, net of tax (Note 16.2)	–	–	–	–	711,721	711,721
Income tax expense	(105,768,653)	(38,722,072)	113,959,693	16,886,808	–	(13,644,224)
Segment profit	1,828,934,571	612,124,131	645,171,189	(12,980,096)	(679,979,479)	2,393,270,316
Capital expenditure	579,243,982	202,362,289	4,984,703,464	713,196,895	(98,188,086)	6,381,318,544
Depreciation and amortisation	661,600,446	167,433,577	54,497,987	136,695,717	14,502,579	1,034,730,306
As at 31 March 2021						
Segment assets	39,763,015,401	4,981,274,156	26,053,488,654	3,871,512,989	(18,609,746,562)	56,059,544,638
Segment liabilities	19,617,157,661	1,935,685,359	7,763,993,810	1,711,431,890	(1,483,537,041)	29,544,731,679

For the year ended 31 March 2020	Construction LKR	Construction-related material LKR	Property LKR	Automobile LKR	Adjustments and eliminations LKR	Group total 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	2,558,154,601	368,297,285	517,335,942	194,740,221	(1,305,786,314)	2,332,741,735
Net finance income/(cost)	(348,739,427)	–	84,591,797	(336,845,213)	23,942,095	(577,050,748)
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

In addition to the segment results, income tax expense and net finance income/(cost) have been allocated to other segments on a reasonable basis, 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 judgements taking into the consideration of the nature of the goods and services that offers to the customers.

The following specific criteria are used for the purpose of recognition of revenue:

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. By considering loss making contracts, a provision is immediately made in profit or loss for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price when the forecast costs are greater than the forecast revenue.

Sale of goods

The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally, on delivery of the goods. Sales are measured at the fair value of the consideration received or receivable excluding amounts collected on behalf of third parties (e.g., Sales taxes) and variable consideration (e.g., discounts and rebates).

Rendering of services

Revenue from rendering of services is recognised in the Statement of Profit or Loss when each performance obligations are satisfied by transferring promised service to the customer.

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.

Agency services

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount that it retains for its agency services.

5.1 REVENUE

	Group		Company	
For the year ended 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Roads and highways construction	2,392,357,523	3,746,371,567	2,392,357,523	3,746,371,567
Water and drainage construction	1,141,530,680	2,270,224,503	1,141,530,680	2,270,224,503
Bridge construction	9,521,371	15,577,062	9,521,371	15,577,062
Building and other construction	9,374,631,071	9,877,304,916	11,869,105,517	8,662,520,093
Design income	–	–	31,790,000	875,000
Sale of construction-related material	6,311,308,619	2,998,653,271	6,319,092,425	3,117,901,506
Hiring income	69,451,549	69,026,342	70,524,348	69,341,907
Fabrication income	18,942,813	34,227,990	18,942,813	34,227,990
Vehicle sales and after sales services	3,839,664,986	4,193,859,867	–	–
Rental income	679,624,386	820,879,620	–	–
Service charges	–	399,480	–	–
	23,837,032,998	24,026,524,618	21,852,864,677	17,917,039,628

5.1.1 TIMING OF REVENUE RECOGNITION

For the year ended 31 March	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Revenue recognised at a point in time	10,918,992,353	8,117,046,570	6,408,559,586	3,221,471,403
Revenue recognised over time	12,918,040,645	15,909,478,048	15,444,305,091	14,695,568,225
	23,837,032,998	24,026,524,618	21,852,864,677	17,917,039,628

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.

Detail of contract assets, contract liabilities and amount recognised during the year as revenue are disclosed in the Note 19.5 and Note 28.1 respectively.

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.

Rent Income

Rent income is accounted for on a straight-line basis over the lease term.

Foreign Exchange Gain

All monetary assets and liabilities in foreign currencies at the reporting date are translated in to Sri Lankan Rupee using the year end exchange rate. Difference arising on settlement or translation of monetary items are recognised in Statement of Profit or Loss.

Restaurant and membership income

Restaurant and membership income recognised on accrued basis.

Sundry income

Sundry income includes the agency commission, creditor write off and amortisation of assets related grants on accrued basis.

6.1 OTHER INCOME

For the year ended 31 March	Note	Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Dividend income from investment in subsidiaries		–	–	547,787,738	861,666,113
Rent income		18,013,855	5,784,428	30,450,346	17,519,955
Gain on disposal of property, plant and equipment		74,638,590	36,460,854	23,707,364	24,851,149
Foreign exchange gain		138,852,179	80,738,920	97,620,198	50,707,878
Sundry income		167,675,317	175,611,705	21,949,224	35,707,068
Restaurant and membership income		72,971,944	247,308,056	–	–
Gain/(Loss) on disposal of subsidiary		–	(5,527,503)	–	185,000,000
Gain on fair value changes of investment property	13.1	100,095,688	64,207,200	54,200,000	144,207,200
		572,247,573	604,583,660	775,714,870	1,319,659,363

7. NET FINANCE INCOME/(COST)

ACCOUNTING POLICY

Interest income

Finance income comprises interest income on funds invested, staff loan, retention receivable, contract liability and dividend income, gains on the disposal of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in the Statement of Profit or Loss.

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.

Finance costs

Finance costs comprise interest expense on borrowings, staff loan, retention receivable, contract liability and fair value losses on financial assets at fair value through profit or loss, are recognised in the Statement of Profit or Loss.

Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

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)

For the year ended 31 March	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Finance income				
Interest income on fixed deposits	54,840,489	116,731,488	46,202,767	69,826,964
Interest income on repurchase agreements	925,000	27,997,150	925,000	27,900,721
Interest income on debenture	83,024,172	140,151,604	56,329,847	98,129,757
Other interest income	26,876,030	74,500,710	13,520,892	19,975,263
Interest on related party loan	–	–	1,309,732	1,142,603
Realised gain on financial assets at fair value through profit or loss	71,962,339	2,892,766	71,962,339	2,892,766
Dividend income on financial assets at fair value through profit or loss	8,279,098	1,123,761	8,279,098	1,123,761
	245,907,128	363,397,479	198,529,675	220,991,835
Interest income on retention receivable	106,180,505	120,187,806	72,463,399	88,688,359
Interest income on staff loans	7,275,568	8,446,374	7,275,568	8,446,374
Interest income on contract liability	197,612,236	355,464,604	197,612,236	355,464,604
Total finance income	556,975,437	847,496,263	475,880,878	673,591,172
Finance cost				
Interest on finance leases	(17,814,973)	(17,053,965)	(1,465,126)	(7,120,617)
Interest on bank overdraft	(35,403,006)	(69,418,092)	(5,407,865)	(749,410)
Interest on debenture	(311,860,935)	(495,992,072)	(323,175,450)	(513,910,060)
Interest on bank loan	(432,150,533)	(440,195,377)	(284,328,206)	(91,777,276)
Interest on related party loan	–	–	–	(616,438)
Net change in fair value of financial assets at fair value through profit or loss	(39,679,351)	(9,447,660)	(39,679,351)	(9,447,660)
	(836,908,798)	(1,032,107,166)	(654,055,998)	(623,621,461)
Unwinding of prepaid retention receivable expenses	(106,180,505)	(120,187,806)	(72,463,399)	(88,688,359)
Unwinding of prepaid staff loan expenses	(7,275,568)	(8,446,374)	(7,275,568)	(8,446,374)
Unwinding of significant financing component	(179,190,501)	(263,805,665)	(179,190,501)	(263,805,665)
Total finance cost	(1,129,555,372)	(1,424,547,011)	(912,985,466)	(984,561,859)
Net finance cost	(572,579,935)	(577,050,748)	(437,104,588)	(310,970,687)

8. PROFIT BEFORE TAX GRI 207-4

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		2021	2020	2021	2020
	Note	LKR	LKR	LKR	LKR
Profit before tax is stated after charging all expenses including following:					
Auditors' remuneration – statutory audit and related services		8,049,300	7,407,786	2,993,000	2,851,000
Auditors' remuneration – non-audit services		1,420,622	1,721,618	986,353	1,358,618
Net change in fair value of financial assets at fair value through profit or loss		39,679,351	9,447,660	39,679,351	9,447,660
Write-off/provision for/(reversal of) of trade receivables		67,590,264	95,171,198	40,268,548	(1,893,950)
Provision for/(reversal of) of retention receivables		284,555	4,286,940	(204,273)	1,615,474
Provision for/(reversal of) write-off of inventories		(2,779,595)	(15,168,293)	(1,253,648)	2,938,403
Donations		1,066,114	2,939,092	808,974	876,378
Staff expenses		3,226,501,760	3,401,230,969	2,614,678,868	2,447,430,748
CSR expense		35,961,986	16,903,390	35,893,438	16,443,795
Depreciation of property, plant and equipment	11.1/11.2	1,016,554,220	1,029,071,381	765,098,243	813,980,582
Amortisation and impairment of intangible assets	14.1	18,176,086	19,455,491	10,015,702	9,812,450
Depreciation of right-of-use assets	12.1	35,294,881	37,755,948	25,808,317	56,082,789
Loss on asset write-off		919,305	1,217,636	919,305	1,217,636
Staff expenses					
Defined benefit plan costs – Gratuity	27.1	88,163,638	70,570,126	64,918,477	48,850,715
Defined contribution plan costs – EPF		146,051,366	138,252,320	105,897,523	100,748,906
Defined contribution plan costs – ETF		36,513,665	34,563,080	26,477,390	25,187,228
Directors' emoluments and fees	29.6	82,032,850	80,989,500	42,892,750	46,746,500
Staff cost		2,873,740,241	3,076,855,943	2,374,492,728	2,225,897,399
		3,226,501,760	3,401,230,969	2,614,678,868	2,447,430,748

	Group		Company	
As at 31 March	2021	2020	2021	2020
Number of employees	3,446	3,216	2,785	2,580

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 Other Comprehensive Income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes and therefore accounted for them under LKAS 37 – "Provisions, Contingent Liabilities and Contingent Assets".

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 provides guidance on determining taxable profits, tax bases, unused tax credits and tax rates when there is an uncertainty over the income tax treatment and Group adopted above interpretation from 1 April 2019.

Upon the adoption of the interpretation, the Group recognised LKR 172 Mn. on the income tax expense during the year 2019/20. No provision has been recognised to the financial year 2020/21.

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, and reflects uncertainty related to income taxes, if any.

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.

Sales tax

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

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

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

9.1 THE MAJOR COMPONENTS OF INCOME TAX EXPENSE FOR THE YEARS ENDED 31 MARCH 2021 AND 2020 ARE:

		Group		Company	
For the year ended 31 March		2021	2020	2021	2020
	Note	LKR	LKR	LKR	LKR
Consolidated statement of profit or loss					
Current income tax:					
Current income tax charge	9.2	393,035,858	446,442,480	384,622,804	432,640,981
Adjustments in respect of current income tax of previous year	9.3	7,383,796	15,201,775	8,757,595	19,914,517
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		106,472,053	186,239,410	(34,548,933)	(55,895,577)
Impact on changes in tax rates		(493,247,483)	–	(214,340,741)	–
Income tax expense reported in the Statement of Profit or Loss		13,644,224	819,505,859	144,490,725	568,282,115
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		(603,319)	(12,288,956)	(897,483)	(13,289,155)
Net gain on revaluation of land and buildings		–	19,959,368	–	19,959,368
Impact on changes in tax rates		(39,454,940)	–	(39,454,940)	–
Deferred tax charged to the Comprehensive Income	9.4	(40,058,259)	7,670,412	(40,352,423)	6,670,213

9.2 RECONCILIATION BETWEEN ACCOUNTING PROFIT AND CURRENT TAX EXPENSE

GRI 207-4

For the year ended 31 March	Note	Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Accounting profit before tax		2,406,914,540	1,747,080,962	2,473,085,227	2,495,376,711
Aggregate non-deductible expenses		2,125,832,009	2,668,842,081	1,443,171,735	1,616,801,981
Aggregate allowable items		(1,145,013,291)	(1,577,062,465)	(907,705,696)	(1,483,184,680)
Current year tax losses not utilised		75,028,429	336,658,216	–	–
Tax losses set-off against the current taxable income	9.2.1	(175,172,518)	(205,334,710)	–	–
Total statutory income		3,287,589,169	2,970,184,084	3,008,551,266	2,628,994,012
Exempted income		(575,379,888)	(890,839,918)	(556,066,836)	(862,789,873)
Taxable income		2,712,209,281	2,079,344,166	2,452,484,430	1,766,204,139
Taxable income at 2%		245,095,045	283,117,996	–	–
Taxable income at 14%		1,651,128,250	441,362,860	1,651,128,250	441,362,860
Taxable income at 18%		647,677,228	–	647,677,228	–
Taxable income at 24%		168,308,758	6,675,749	153,678,952	–
Taxable income at 28%		–	1,347,434,863	–	1,324,088,581
Dividend tax at 14%		–	752,698	–	752,698
		2,712,209,281	2,079,344,166	2,452,484,430	1,766,204,139
Tax at 2%		4,901,901	5,662,360	–	–
Tax at 14%		231,157,955	61,790,800	231,157,955	61,790,800
Tax at 18%		116,581,901	–	116,581,901	–
Tax at 24%		40,394,101	1,602,180	36,882,948	–
Tax at 28%		–	377,281,762	–	370,744,803
Dividend tax at 14%		–	105,378	–	105,378
Current income tax charge		393,035,858	446,442,480	384,622,804	432,640,981

9.2.1 TAX LOSS RECONCILIATION

As at 31 March	Group 2021 LKR	Group 2020 LKR
Tax losses brought forward	862,164,599	730,841,093
Acquisitions through business combination	85,099,859	–
Adjustments to tax loss brought forward and tax losses arising during the year	170,401,558	336,658,216
Utilisation of tax losses	(175,172,518)	(205,334,710)
Tax losses carried forward	942,493,498	862,164,599

9.3 CURRENT TAX LIABILITIES/(ASSETS)

GRI 207-4

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	126,852,511	369,085,405	210,400,050	411,867,608
Disposal of subsidiary	–	4,905	–	–
Provision made during the year	393,035,858	446,442,480	384,622,804	432,640,981
IFRIC 23 – Uncertainty over income tax treatments	–	171,622,194	–	171,622,194
Adjustment for the prior year	7,383,796	15,201,775	8,757,595	19,914,517
Payments made during the year	(288,011,920)	(834,443,968)	(278,548,409)	(815,456,331)
WHT recoverable	17,968,145	(41,060,280)	–	(10,188,919)
Balance at the end of the year	257,228,390	126,852,511	325,232,040	210,400,050
Made-up as follows				
Current tax assets	(71,577,002)	(95,204,109)	–	–
Current tax liabilities	328,805,392	222,056,620	325,232,040	210,400,050
	257,228,390	126,852,511	325,232,040	210,400,050

9.4 DEFERRED TAX LIABILITIES/(ASSETS)

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	2,359,638,437	2,165,728,615	469,814,674	519,040,038
Expense for the year recognised in profit or loss	(386,775,430)	186,239,410	(248,889,674)	(55,895,577)
Expense for the year recognised in OCI	(40,058,259)	7,670,412	(40,352,423)	6,670,213
Balance at the end of the year	1,932,804,748	2,359,638,437	180,572,577	469,814,674
Made up as follows				
Deferred tax assets	(48,028,787)	(33,901,427)	–	–
Deferred tax liabilities	1,980,833,535	2,393,539,864	180,572,577	469,814,674
	1,932,804,748	2,359,638,437	180,572,577	469,814,674

9.5 DEFERRED TAX PROVISION AS AT THE YEAR END IS MADE UP AS FOLLOWS:

As at 31 March	2021		2020	
	Temporary difference LKR	Tax effect on temporary difference LKR	Temporary difference LKR	Tax effect on temporary difference LKR
Group				
Accelerate depreciation for tax purpose	1,324,498,784	207,105,203	1,876,770,246	525,495,669
Revaluation of land and building to fair value	7,839,311,208	1,849,301,757	7,186,002,480	2,012,080,694
Revaluation of investment land to fair value	470,806,700	47,080,670	416,606,700	41,660,670
Leasehold land and buildings (right-of-use assets)	(32,314,504)	(7,755,481)	376,228,246	105,343,909
Provision for impairment of trade receivables	(161,966,713)	(24,686,049)	(116,632,270)	(32,657,036)
Provision for inventories	(34,447,812)	(8,267,475)	(12,525,002)	(3,507,001)
Defined benefit obligation	(389,885,880)	(60,202,497)	(332,418,800)	(93,077,264)
Lease Liability	(10,381,434)	(2,491,544)	(453,905,160)	(127,093,443)
Unutilised tax losses	(280,332,651)	(67,279,836)	(245,027,719)	(68,607,761)
	8,725,287,698	1,932,804,748	8,695,098,721	2,359,638,437
Company				
Accelerate depreciation for tax purpose	1,107,745,061	155,084,309	1,616,798,561	452,703,597
Revaluation of land and building to fair value	321,329,332	44,986,107	301,575,164	84,441,046
Revaluation of investment land to fair value	470,806,700	47,080,670	416,606,700	41,660,670
Leasehold land and buildings (right-of-use-assets)	–	–	25,808,317	7,226,329
Provision for impairment of trade receivables	(141,859,625)	(19,860,348)	(108,759,238)	(30,452,587)
Defined benefit obligation	(333,701,147)	(46,718,161)	(278,609,201)	(78,010,576)
Lease Liability	–	–	(27,692,165)	(7,753,805)
	1,424,320,321	180,572,577	1,945,728,138	469,814,674

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.

Deferred tax on unutilised tax losses

Deferred tax assets amounting to LKR 130.89 Mn. (2019/20 – LKR 172.52 Mn.) has not been recognised for deductible temporary difference on unutilised tax losses amounting to LKR 658 Mn. (2019/20 – LKR 617Mn.) as the management is of the opinion that the reversal of the taxable assets will not be crystallised in the foreseeable future.

9.6 APPLICABLE RATES OF INCOME TAX

Company

The income tax provision for the Group is calculated in accordance with the Bill to amend the Inland Revenue Act No. 24 of 2017 which was gazetted and issued on 18 March 2021. The Bill has been passed in the parliament and is pending certification by the Honourable Speaker and it incorporates all the income tax proposals announced to date and implemented by way of guidelines issued by the Inland Revenue Department at the instruction of the Ministry of Finance.

The Company is liable to pay income tax at a rate of 14% on Construction income, 18% on construction related materials and 24% on Construction services and other income. Deferred tax rate is 14%.

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 Company is taxable at 24%.

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 24% (LKR 896,942,859/-) because the Management is under the impression that the asset will not be disposed prior to the expiration of BOI tax exempted 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 tax exempted period.

Access Realties II (Private) Limited

As per the Agreement entered into with the Board of Investment of Sri Lanka under Section 17 (A) of Inland Revenue (Amendment) Act No. 08 of 2012, the Company shall qualify for a tax exemption period of twelve (12) years subject to the condition that over of LKR 2,500 Mn. is made in the project within a period of three (03) years from the date of 4 April 2013.

Further insertion of New Section under 48D of Inland Revenue (amendment) Act 09 to 2015, if the approval of Board of Investment was granted prior to 31 October 2014 and the Company which invested in such undertaking is unable to complete the required investment prior to 1 April 2015 and to commence commercial operations prior to 1 April 2016 due to practical reasons depending on the nature of the business, such period shall be extended up to 1 April 2018.

The aforesaid tax exemption period shall be reckoned from the year in which the enterprise commences to make profits or any Year of Assessment not later than two (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 is exempt from income tax for the period covering 1 April 2017 to 31 March 2029. Other income of the Company is taxable at 24%.

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 24% (LKR 868,412,420/-), 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) have not been recognised on the basis that reversal of temporary differences will take place within the BOI tax exempted period.

Deferred tax on other assets (apart from Buildings) have not been recognised on the basis that reversals of temporary difference will not extend beyond the tax exemption 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 24%.

Deferred tax asset has not been recognised in the Financial Statements as at 31 March 2021 because the Board of Directors of ARL Elevate (Private) Limited is of the opinion that the deferred tax asset would not be crystalised in the foreseeable future.

Sathosa Motors PLC and its Subsidiary

In accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and amendments thereto, the Company is liable for Income Tax at 24%. Deferred tax rate is 24%.

Sathosa Motors PLC has recognised LKR 44.3 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 14% on its taxable profit. Deferred tax rate is 14%.

Deferred tax asset amounting to LKR.41,765,343/- (as at 31 March 2020 – 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 crystalised in the foreseeable future.

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 2021.

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 24%.Deferred tax rate is 24%.

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 36,547,039/- (2020 – LKR 39,069,623/-) has not been recognised for deductible temporary difference as the Management is of the opinion that the reversal of taxable asset will not be crystalised 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 24% on its taxable profit. Deferred tax rate is 24%.

Lanka AAC (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 14% on its taxable profit. Deferred tax rate is 14%.

Access 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 24% on its taxable profit. Deferred tax rate is 24%.

Provision for tax assessments

Company – Income tax assessment received for year of assessment 2012/2013, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18

The Department of Inland Revenue has raised an assessment on income tax for the year of assessment 2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18, 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. The Company has filed valid appeal against this. 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 in line with IFRIC 23.

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.

The following reflects the income and share data used in the basic earnings per share calculation:

	Group		Company	
For the year ended 31 March	2021	2020	2021	2020
Profit attributable to ordinary equity holders of the parent (LKR)	2,385,552,442	979,247,287	2,328,594,502	1,927,094,596
Weighted average number of ordinary shares	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Basic earnings per share (LKR)	2.39	0.98	2.33	1.93

There were no potentially dilutive ordinary share outstanding at any time during the year/previous year.

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 labor, 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.

De-recognition

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition 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 de-recognised. Gains are not classified as revenue.

Revaluation

Revaluation is performed on freehold land and building by professionally qualified valuers using the open market value at least once in every three years 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.

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.

Depreciation

Depreciation is recognised in profit or loss on straight-line basis over the estimated useful lives of each part of item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is de-recognised. 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	5-50 years
Leasehold building	8-20 years
Plant and machinery	3-15 years
Motor vehicles	4-10 years
Lease hold – Motor vehicles	5 years
Office equipment	3-12 years
Furniture and fittings	3-13 years
Tools	3-8 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 re-measured to fair value and reclassified accordingly. Any gain arising on this re-measurement 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. However, to extent that an amount is included in the revaluation surplus for that property, the loss is recognised in OCI and reduces the revaluation surplus within the equity.

Reconciliation of beginning and ending balances by classes of assets

11.1 GROUP

	Freehold				
	Land	Building	Plant and machinery	Motor vehicles	Office equipment
	LKR	LKR	LKR	LKR	LKR
Cost or valuation					
Balance at 1 April 2019	701,429,451	637,682,886	5,082,624,110	1,211,393,837	470,522,362
Additions	3,374,000	33,163,734	209,208,188	76,763,177	71,987,171
Transfers	–	–	–	–	–
Disposals/de-recognition	–	(34,634,545)	(4,574,297)	(120,399,907)	(3,534,582)
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
Additions	515,318,080	11,176,422	366,142,522	321,690,988	100,219,587
Acquisition through business combination	–	66,262,583	194,554,458	2,731,739	–
Transfers	–	–	51,425,475	–	1,291,036
Disposals/de-recognition	–	(41,652,508)	(140,680,365)	(147,633,921)	(11,786,166)
Revaluation adjustment	30,000,000	41,652,508	–	–	–
Balance at 31 March 2021	**1,438,047,290**	**756,075,378**	**5,758,700,091**	**1,344,545,913**	**628,699,408**
Accumulated depreciation and impairment losses					
Balance at 1 April 2019	–	119,473,517	2,977,181,483	628,147,212	382,634,928
Depreciation charge for the year	–	31,136,987	543,856,596	127,548,553	54,485,529
Disposals/de-recognition	–	(34,634,545)	(4,479,768)	(93,453,491)	(1,150,104)
Balance at 31 March 2020	–	115,975,959	3,516,558,311	662,242,274	435,970,353
Depreciation charge for the year	–	41,213,032	544,029,575	149,396,222	62,526,165
Acquisition through business combination	–	5,797,976	9,726,750	2,048,805	–
Transfers	–	–	615,712	–	–
Disposals/de-recognition	–	(41,652,508)	(128,056,562)	(106,545,953)	(11,759,716)
Balance at 31 March 2021	**–**	**121,334,459**	**3,942,873,786**	**707,141,348**	**486,736,802**
Carrying value					
At 31 March 2021	**1,438,047,290**	**634,740,919**	**1,815,826,305**	**637,404,565**	**141,962,606**
At 31 March 2020	892,729,210	562,660,414	1,770,699,690	505,514,833	103,004,598

Group property, plant and equipment with a cost of LKR 3,120 Mn. (2020 – LKR 2,365 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 2020/21 (2019/20 – Nil).

Assets under construction

Capital work-in-progress includes, construction cost incurred to construction of factory building of Lanka AAC (Private) Limited.

Freehold			Leasehold			
Furniture and fittings	Tools	Other construction equipment	Building	Motor vehicles	Capital work-in-progress	Total
LKR	LKR	LKR	LKR	LKR	LKR	LKR
367,229,268	863,670,593	489,997,007	503,006,414	–	271,148,774	10,598,704,702
29,682,606	45,798,702	4,768,487	3,540,255	4,000,000	90,031,817	572,318,137
–	–	–	306,102,921	–	(306,102,921)	–
(418,346)	(1,844,597)	(12,215,757)	–	–	(3,652,195)	(181,274,226)
–	–	–	–	–	–	230,350,057
396,493,528	907,624,698	482,549,737	812,649,590	4,000,000	51,425,475	11,220,098,670
97,050,032	57,282,444	28,080,585	24,992,578	–	5,792,286	1,527,745,524
–	32,500	3,734,990	–	–	–	267,316,270
3,233,498	–	–	–	–	(55,950,009)	–
(19,865,696)	(34,740,554)	(595,000)	–	–	–	(396,954,210)
–	–	–	–	–	–	71,652,508
476,911,362	**930,199,088**	**513,770,312**	**837,642,168**	**4,000,000**	**1,267,752**	**12,689,858,762**
208,352,874	649,996,057	280,892,241	153,937,167	–	–	5,400,615,479
42,334,035	117,398,353	73,819,067	38,358,928	133,333	–	1,029,071,381
(229,603)	(1,578,683)	(10,980,655)	–	–	–	(146,506,849)
250,457,306	765,815,727	343,730,653	192,296,095	133,333	–	6,283,180,011
47,465,145	63,487,607	61,883,899	45,752,572	800,003	–	1,016,554,220
–	–	230,028	–	–	–	17,803,559
(615,712)	–	–	–	–	–	–
(13,914,254)	(33,028,057)	(506,647)	–	–	–	(335,463,697)
283,392,485	**796,275,277**	**405,337,933**	**238,048,667**	**933,336**	**–**	**6,982,074,094**
193,518,877	**133,923,811**	**108,432,379**	**599,593,501**	**3,066,664**	**1,267,752**	**5,707,784,668**
146,036,222	141,808,971	138,819,084	620,353,495	3,866,667	51,425,475	4,936,918,659

Property, plant and equipment pledged as security

Property pledged as securities against loans and borrowings are described in Note 26.3.

The Group and 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 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 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/de-recognition	–	(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
Additions	–	–	279,427,658	261,845,769	75,033,254	20,501,831
Disposals/de-recognition	–	–	(123,176,130)	(33,711,697)	(11,786,166)	(4,069,056)
Balance at 31 March 2021	**236,000,000**	**94,912,243**	**5,030,978,204**	**1,089,899,958**	**437,791,945**	**156,851,751**
Accumulated depreciation and impairment losses						
Balance at 1 April 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/de-recognition	–	(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
Depreciation charge for the year	–	11,089,765	478,722,652	112,933,961	40,175,981	10,623,144
Disposals/de-recognition	–	–	(115,321,404)	(30,828,378)	(11,759,716)	(4,068,912)
Balance at 31 March 2021	**–**	**11,120,065**	**3,650,368,472**	**575,069,648**	**341,217,342**	**134,660,528**
Carrying value						
At 31 March 2021	**236,000,000**	**83,792,178**	**1,380,609,732**	**514,830,310**	**96,574,603**	**22,191,223**
At 31 March 2020	236,000,000	94,881,943	1,587,759,452	368,801,821	61,743,780	12,312,680

Company property, plant and equipment with a cost of LKR 2,670 Mn. (2020 – LKR 2,032 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 LKR	Other construction equipment LKR	Total LKR
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
57,020,544	28,080,585	721,909,641
(32,988,157)	(595,000)	(206,326,206)
828,895,398	**510,035,322**	**8,385,364,821**
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
49,724,805	61,827,935	765,098,243
(32,509,385)	(506,647)	(194,994,442)
747,644,157	**405,051,941**	**5,865,132,153**
81,251,241	**104,983,381**	**2,520,232,668**
74,434,274	138,819,084	2,574,753,034

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:

Location	Extent	Building square feet	Number of buildings	Valuation technique	Significant unobservable input Estimated price per perch LKR	Estimated price per square feet LKR	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	500,000	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	100,000-150,000	1,000-1,750	142	Positive
Land depicted at Weliwita, Kaduwela	2 A	–	–	Open market value basis	200,000	–	64	Positive
Land depicted at Divigalahena, Pananwela, Hakmana	10 A	–	–	Open market value basis	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	125,000-225,000	600-3,000	211	Positive
Land depicted at No. 42 A, Yatawathura, Malagala, Padukka	3 R 10 P	–	–	Open market value basis	60,000-100,000	–	11	Positive
Land depicted at No. 281, Kekulanvila Road, Jalthara, Ranala	20 P	1,551	1	Open market value basis	250,000	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	83.07 P	1	17 May 2017
Access Projects (Private) Limited			
Land depicted at No. 301/1/D, Jalthara, Ranala	3 R 26 P	1	1 November 2020

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	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Cost	289,402,923	289,402,923	110,461,118	110,461,118
Accumulated depreciation and impairment	(59,336,919)	(51,600,289)	(18,111,327)	(15,539,189)
Net carrying amount	230,066,004	237,802,634	92,349,791	94,921,929

12. RIGHT-OF-USE ASSETS AND LEASES

ACCOUNTING POLICY

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right-to-use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Building	3-10

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Profit or Loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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 year ended 31 March 2021 and 2020.

12.1 RIGHT-OF-USE ASSETS

As at 31 March	Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Balance at the beginning of the year	370,704,232	–	112,165,577	–
Origination from initial application SLFRS 16	–	151,557,532	–	112,165,577
Additions	7,487,881	–	–	–
Adjustments/Cancellation and Termination	(91,921,474)	–	(112,165,577)	–
Reclassification from prepayments	–	4,646,700	–	–
Reclassification from pre paid lease rentals	–	214,500,000	–	–
Balance at the end of the year	286,270,639	370,704,232	–	112,165,577
Accumulated depreciation				
Balance at the beginning of the year	111,509,554	–	86,357,260	–
Origination from initial application SLFRS 16	–	–	–	30,274,471
Depreciation charge for the year	35,294,881	37,755,948	25,808,317	56,082,789
Adjustment/Cancellation and Termination	(89,365,003)	–	(112,165,577)	–
Reclassification from pre paid lease rentals	–	73,753,606	–	–
Balance at the end of the year	57,439,432	111,509,554	–	86,357,260
Carrying value				
As at 31 March	228,831,207	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

As at 31 March	Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Balance at the beginning of the year	147,847,265	–	27,692,165	–
Impact from initial implication of SLFRS 16	–	151,523,212	–	84,057,809
Acquisition through business combination	278,714	–	–	–
Additions during the year	7,487,880	4,254,300	–	–
Adjustment/Cancellation and Termination	(4,144,757)	–	–	–
Interest expense	18,518,738	16,633,081	1,465,126	7,120,617
Payments made during the year	(25,388,181)	(23,524,376)	(29,157,291)	(63,486,261)
Balance at the end of the year	144,599,659	148,886,217	–	27,692,165
Interest in suspense	(681,757)	(1,038,952)	–	–
Balance at the end of the year	143,917,902	147,847,265	–	27,692,165
Payable within one year	28,187,383	10,497,052	–	27,692,165
Payable after one year	115,730,519	137,350,213	–	–
Balance at the end of the year	143,917,902	147,847,265	–	27,692,165

12.3 MATURITY ANALYSIS – CONTRACTUAL UNDISCOUNTED CASH FLOWS

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Within the next 12 months	26,811,436	25,581,360	–	29,157,291
Between 1 and 2 years	25,697,376	26,339,210	–	–
Between 2 and 3 years	27,339,827	25,370,625	–	–
Between 3 and 4 years	27,273,654	27,605,801	–	–
Between 4 and 5 years	28,469,545	26,986,526	–	–
Beyond 5 years	132,017,116	111,808,539	–	–
	267,608,954	243,692,061	–	29,157,291

12.4 AMOUNTS RECOGNISED IN PROFIT OR LOSS ON SLFRS 16 – LEASES

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Lease under SLFRS 16				
Depreciation of right-of-use assets	35,294,881	37,755,948	25,808,317	56,082,789
Interest expense on lease liabilities	18,518,738	16,633,081	1,465,126	7,120,617

12.5 AMOUNTS RECOGNISED IN CASH FLOWS ON SLFRS 16 – LEASES

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Payment of lease liabilities	(25,388,181)	(23,524,376)	(29,157,291)	(63,486,261)

There were no intangible assets pledge by the Group and 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.

Investment properties under construction is measured at cost with either its fair value becomes reliably measurable or construction is completed (which ever is earlier)

De-recognition

Investment properties are de-recognised 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 de-recognition.

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

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	10,330,805,144	10,729,192,520	560,007,200	415,800,000
Additions (subsequent expenditure)	142,170,831	12,605,424	–	–
Disposal of subsidiary	–	(475,200,000)	–	–
Gain on fair value changes	100,095,688	64,207,200	54,200,000	144,207,200
Balance at the end of the year	10,573,071,663	10,330,805,144	614,207,200	560,007,200
Rental income derived from investment properties	777,275,253	980,002,884	13,866,491	13,082,576
Direct operating expenses (including repair and maintenance) generating rental income	162,652,850	145,734,213	–	–

13.2 LOCATION, EXTENT AND VALUATION OF INVESTMENT PROPERTIES

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 2021.

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 LKR	Estimated price per square feet LKR	Number of buildings	Fair value LKR Mn.	Fair Value Gain LKR Mn.	Correlation to fair value
Access Engineering PLC								
Land depicted at No. 117, Dehiwala Road, Boralasgamuwa	2 R and 35.5 P	12,784	2,250,000	6,000	1	330	30	Positive
Land depicted at No. 267, Dehiwala Road, Maharagama	3 R and 1 P	–	2,200,000	–	–	266	24.2	Positive
Land depicted at Dickowita, Hendala	2 A 3 R and 10.18 P	–	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	9,000,000 – 10,000,000	4,000 – 10,000	1	4,044	18	Positive
Access Realties II (Private) Limited								
30 Stories Buildings at No. 116, 118, 264/5 and 278/4 Dawson Street, Colombo 2	–	404,554	–	16,500	1	6,881	57.9	Positive
Access Logistics (Private) Limited								
Kimbulapitiya South, Kimbulapitiya, Negombo*	1 A 3 R 31.3 P	–	–	–	–	90	–	–

* Land located at Kimbulapitiya South, Kimbulapitiya, Negombo were acquired during the year and the purchase cost of LKR 90 Mn. represents the fair value of the land.

Summary description of valuation methodologies

Investment method

The investment method is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.

13.3 INVESTMENT PROPERTIES – WORK-IN-PROGRESS

As at 31 March	Group 2021 LKR	Group 2020 LKR
Balance at the beginning of the year	1,896,474,092	492,568,921
Additions	4,708,637,503	503,905,171
Acquisition through business combination	–	900,000,000
Balance at the end of the year	**6,605,111,595**	1,896,474,092

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. 540, Maligagodella Watta, Kimbulapitiya by WUS Logistics (Private) Limited.

Since the above mentioned investment properties are under construction and the Group is unable to determine fair value reliably. Therefore as recommended in LKRS 40 paragraph 53, it has been measured at cost.

14. INTANGIBLE ASSETS AND GOODWILL

ACCOUNTING POLICY

Basis of recognition

An intangible asset is recognised if it is possible that future economic benefits associated with the assets will flow to the Group and cost of the asset can be measured reliably.

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.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is 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 finite useful lives 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 is considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category that is consistent with the function of the intangible assets.

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

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied 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.

Amortisation

Amortisation of intangible assets with a finite life is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date on which they are available for use. The estimated useful lives are as follows:

Asset category	Amortisation period (Years)
Enterprise resource planning system	5–10 years
Other software	3–10 years

Impairment of goodwill

Based on the impairment assessment carried out by the Management at the reporting date, Management assumed that no impairment is required as there is no significant change in the fair value of such acquired assets and liabilities, subsequent to the acquisition.

The recoverable amount of goodwill is determined based on value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by the management. They key assumptions used are given below:

- Business growth – Based on the long term average growth rate for each business unit where applicable. The weighted average growth rates used are consistent with the industry growth rates.
- Inflation – Based on current inflation rate.
- Discount rate – Risk free rate adjusted for the specific risk relating to the industry.
- Margin – Based on past performance and budgeted expectations.

De-recognition of intangible assets

An intangible asset is de-recognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon de-recognition 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.

14.1 RECONCILIATION OF BEGINNING AND ENDING BALANCES BY CLASSES OF ASSETS

		Group				Company	
	Note	Software LKR	Goodwill LKR	Leasehold right LKR	Total LKR	Software LKR	Total LKR
Cost/Revaluation							
At 1 April 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
Additions		2,764,686	–	–	2,764,686	1,538,721	1,538,721
Acquisitions through business combinations	33.1	–	2,413,066	–	2,413,066	–	–
At 31 March 2021		**156,301,457**	**1,182,012,008**	**–**	**1,338,313,465**	**98,024,496**	**98,024,496**
Accumulated amortisation and impairment losses							
At 1 April 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
Amortisation		18,176,086	–	–	18,176,086	10,015,702	10,015,702
At 31 March 2021		**103,208,129**	**–**	**–**	**103,208,129**	**69,116,945**	**69,116,945**
Carrying value							
At 31 March 2021		**53,093,328**	**1,182,012,008**	**–**	**1,235,105,336**	**28,907,551**	**28,907,551**
At 31 March 2020		68,504,728	1,179,598,942	–	1,248,103,670	37,384,532	37,384,532

Software in intangible assets mainly consists of the SAP Enterprise Resource Planning system software and SAP user license acquired by the Company.

Intangible assets with a cost of LKR 15 Mn. (2020 – LKR 15 Mn.) and LKR 6 Mn. (2020 – LKR 6 Mn.) have been fully amortised and continue to be in use by the Group and Company respectively.

There were no intangible assets pledge by the Group and Company as security for facilities obtained from the Banks (2020 – Nil).

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 the 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.

	2021			2020		
	Number of shares	Effective holding %	LKR	Number of shares	Effective holding %	LKR
Sathosa Motors PLC	5,093,745	84.42	1,196,572,767	5,093,745	84.42	1,196,572,767
Access Realties (Private) Limited	199,922,532	100	7,996,901,280	199,922,532	100	7,996,901,280
Access Projects (Private) Limited	16,000,000	80	1,000,000,000	16,000,000	80	1,000,000,000
Harbour Village (Private) Limited	174,970,574	60.83	2,747,383,660	174,970,574	60.83	2,747,383,660
WUS Logistics (Private) Limited	461,080,518	100	4,610,805,180	92,500,000	100	925,000,000
Access Logistics (Private) Limited	1	100	10	–	–	–
Lanka AAC (Private) Limited	13,100,832	50	131,008,320	–	–	–
			17,682,671,217			13,865,857,707

Accounting estimate – Provision for impairment

An impairment assessment was carried out as at 31 March 2021 and it was concluded that net realisable value of all the investments included under unquoted investments exceed its carrying value.

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 Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the Statement of Profit or Loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The Financial Statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in 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

			Group		Company	
	Number of shares	Percentage of equity interest	2021	2020	2021	2020
			LKR	LKR	LKR	LKR
Investment in joint venture						
Blue Star Realties (Private) Limited*	120,300,000	60	1,127,133,612	749,912,543	1,200,000,000	800,000,000
Investment in an associate						
ZPMC Lanka Company (Private) Limited	5,546,544	30	162,954,447	139,463,795	55,465,410	55,465,410
			1,290,088,059	889,376,338	1,255,465,410	855,465,410

* The Group investment in Blue Star Realties (Private) Limited consists of voting shares of 80,300,000 and non-voting shares of 40,000,000. The Group has an economic interest of 60% in Blue Star Realties (Private) Limited as at 31 March 2021.

16.1.1 RECONCILIATION OF CARRYING AMOUNT OF INTEREST IN EQUITY-ACCOUNTED INVESTEES

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
At the beginning of the year	889,376,338	898,019,125	855,465,410	855,465,410
Add/(Less) – Group's share of results of equity-accounted investees, net of tax	711,721	(8,610,025)	–	–
Impact of adopting SLFRS 16	–	(32,762)	–	–
Investment in non-voting shares	400,000,000	–	400,000,000	–
Carrying amount of interest in equity accounted investees	1,290,088,059	889,376,338	1,255,465,410	855,465,410

16.2 GROUP'S SHARE OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 March	2021	2020
	LKR	LKR
Group's share of profit		
Joint venture	(22,778,932)	(24,512,305)
Associate	23,490,653	15,902,280
	711,721	(8,610,025)

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 Company has further invested LKR 400,000,000/- in the non-voting share capital of Blue Star Realties (Private) Limited during the year. Cumulative value of the investment is LKR 1,200,000,000. The Group has an economic interest of 60% in Blue Star Realties (Private) Limited as at 31 March 2021.

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:

	2021	2020
	LKR	LKR
Non-current assets	12,168,814	13,016,010
Current assets	7,094,087,478	5,380,270,830
Non-current liabilities	(204,587,445)	(163,666,694)
Current liabilities	(5,099,438,813)	(3,789,425,225)
Net assets (100%)	1,802,230,034	1,440,194,921
Group's share of net assets (60%)	1,081,338,020	720,097,461
Goodwill	45,795,592	29,815,082
Carrying amount of interest in joint venture	1,127,133,612	749,912,543
Revenue	–	–
Total comprehensive income (100%)	(37,964,887)	(49,024,610)
Group share of total comprehensive income (60%)	(22,778,932)	(24,512,305)

There were no dividends received from the joint ventures during 2020/21 (2019/20 – Nil).

The joint venture had no material contingent liabilities or capital commitments as at 31 March 2020 or as at 31 March 2021.

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:

	2021	2020
	LKR	LKR
Non-current assets	15,384,737	9,124,364
Current assets	812,913,248	786,570,332
Non-current liabilities	(10,484,718)	(6,946,913)
Current liabilities	(275,484,427)	(324,598,203)
Net assets (100%)	542,328,840	464,149,580
Group's share of net assets (30%)	162,954,447	139,463,795
Carrying amount of interest in associate	162,954,447	139,463,795
Revenue	867,460,190	897,593,735
Total comprehensive income (100%)	78,179,263	52,924,392
Group share of total comprehensive income (30%)	23,490,653	15,902,280

There were no dividends received from the associate during 2020/21 (2019/20 – Nil).

The associate had no material contingent liabilities or capital commitments as at 31 March 2020 or as at 31 March 2021.

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 2021.

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	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Investments in debentures				
Sampath Bank PLC	–	110,220,036	–	110,220,036
	–	110,220,036	–	110,220,036

Investment in debentures of Sampath Bank PLC classified in non-current financial assets previously and has been recorded in other current financial assets due to its maturity within twelve months.

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 are based on a weighted average costs.

The cost of inventories is comprised of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, excluding borrowing cost. Borrowing cost for inventories that are qualifying assets are capitalised as part of 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

Remaining work-in-progress are stated at cost.

The work-in-progress balance include the work of Marina Square project apartments at actual cost.

Goods-in-transit

Goods-in-transit are recognised at actual cost as at reporting date.

18.1 INVENTORIES

		Group		Company	
As at 31 March		2021	2020	2021	2020
	Note	LKR	LKR	LKR	LKR
Inventories		2,609,655,778	3,841,304,955	1,670,588,891	1,752,950,162
Work-in-progress		6,099,958,976	3,860,544,377	401,239,819	530,036,140
Goods-in-transit		51,412,732	643,002,056	–	–
Less: Provision for inventories	18.1.1	(46,556,794)	(47,753,893)	(12,001,846)	(13,255,494)
		8,714,470,692	8,297,097,495	2,059,826,864	2,269,730,808

18.1.1 MOVEMENT IN PROVISION FOR INVENTORIES

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	47,753,893	52,605,094	13,255,494	10,317,090
Provision for/(Reversal of) inventory provision	(1,197,099)	(4,851,201)	(1,253,648)	2,938,404
Balance at the end of the year	46,556,794	47,753,893	12,001,846	13,255,494

There were no inventories pledged by the Group or the Company as security for facilities obtained from the Banks (2020 – 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 trade 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		2021	2020	2021	2020
	Note	LKR	LKR	LKR	LKR
Trade receivables	19.2	11,933,013,478	11,567,486,315	10,170,484,200	10,007,501,087
Other receivables	19.3	373,333,593	526,166,736	45,217,043	186,302,872
Advance and pre-payments	19.4	1,808,815,454	1,897,579,286	1,529,211,253	1,127,471,893
Contract assets	19.5	70,191,361	72,918,894	70,191,361	72,244,882
		14,185,353,886	14,064,151,231	11,815,103,857	11,393,520,734

19.2 TRADE RECEIVABLES

		Group		Company	
As at 31 March		2021	2020	2021	2020
	Note	LKR	LKR	LKR	LKR
Trade receivables		12,226,250,721	11,802,028,601	10,312,343,825	10,116,260,324
Less: Provision for impairment of receivables	19.2.1	(293,237,243)	(234,542,286)	(141,859,625)	(108,759,237)
		11,933,013,478	11,567,486,315	10,170,484,200	10,007,501,087

19.2.1 MOVEMENT IN PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	234,542,286	141,444,724	108,759,237	113,051,056
Provision for impairment of trade receivables	58,694,957	93,097,562	33,100,388	(4,291,819)
Balance at the end of the year	293,237,243	234,542,286	141,859,625	108,759,237

Impact on provision due to COVID-19 is disclosed under Note 37.3.1.

19.3 OTHER RECEIVABLES

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Margin on bond	27,236	101,181,632	27,236	101,181,632
Other tax receivables	240,065,723	348,351,273	–	56,685,768
Others	133,240,634	76,633,831	45,189,807	28,435,472
	373,333,593	526,166,736	45,217,043	186,302,872

19.4 ADVANCES AND PREPAYMENTS

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Deposits and prepayments	123,028,947	106,588,769	65,560,294	58,400,300
Advances	1,581,266,479	1,689,062,589	1,392,816,604	1,002,927,744
Refundable deposit	104,520,028	101,927,928	70,834,355	66,143,849
	1,808,815,454	1,897,579,286	1,529,211,253	1,127,471,893

19.5 CONTRACT ASSETS

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	72,918,894	162,106,835	72,244,882	153,203,656
Adjustments for the year	53,271,784	918,132	53,271,784	918,132
Amount recognised at cost	(55,999,317)	(90,106,073)	(55,325,305)	(81,876,906)
Balance at the end of the year	70,191,361	72,918,894	70,191,361	72,244,882

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.

As at 31 March	Note	Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Retention receivable	20.1	2,617,926,574	2,399,367,376	2,464,024,930	2,209,171,974
Staff loans		72,450,224	75,728,494	60,109,396	68,860,376
Prepaid retention receivable expenses		313,766,561	356,454,650	238,895,178	293,163,455
Prepaid staff loan expenses		6,082,611	8,859,305	6,082,611	8,859,305
Investment in debentures	20.2	110,222,276	1,332,687,432	110,222,276	898,642,339
Total other current financial assets		3,120,448,246	4,173,097,257	2,879,334,391	3,478,697,449

20.1 RETENTION RECEIVABLE

As at 31 March	Note	Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Retention receivable		2,686,953,244	2,468,109,491	2,470,524,189	2,215,875,506
Less: Provision for impairment of retention receivable	20.1.1	(69,026,670)	(68,742,115)	(6,499,259)	(6,703,532)
		2,617,926,574	2,399,367,376	2,464,024,930	2,209,171,974

20.1.1 MOVEMENT IN PROVISION FOR IMPAIRMENT OF RETENTION RECEIVABLE

As at 31 March	Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Balance at the beginning of the year	68,742,115	64,455,175	6,703,532	5,088,058
Provision for/(reversal of) impairment of retention receivables	284,555	4,286,940	(204,273)	1,615,474
Balance at the end of the year	69,026,670	68,742,115	6,499,259	6,703,532

20.2 INVESTMENT IN DEBENTURES

As at 31 March				Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Investment Institute	**Interest Rate**	**Maturity Date**	**Face Value**				
National Development Bank PLC	9.4%	24 June 2020	756,460,000	–	775,587,172	–	564,288,655
Hatton National Bank PLC	11.25%	26 March 2021	500,000,000	–	557,100,260	–	334,353,684
Sampath Bank PLC	12.75%	10 June 2021	100,000,000	110,222,276	–	110,222,276	–
				110,222,276	1,332,687,432	110,222,276	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	2021 Number of shares	2021 Cost LKR	2021 Market value LKR	2020 Number of shares	2020 Cost LKR	2020 Market value LKR
Group/Company						
Quoted investments						
Nation Lanka Finance PLC	–	–	–	12,300	453,009	8,610
Lanka Indian Oil Corporation PLC	–	–	–	36,600	1,035,414	578,280
Horana Plantations PLC	–	–	–	7,500	538,464	127,500
The Colombo Fort Land & Building Company PLC	–	–	–	5,000	499,533	37,500
Namunukula Plantations PLC	–	–	–	3,300	527,231	257,400
Richard Peiris & Co PLC	–	–	–	50,000	798,848	390,000
Browns Investments PLC	–	–	–	31,200	78,000	59,280
People's Merchant PLC	–	–	–	100	1,976	870
CIC Holdings PLC	–	–	–	204,000	23,517,007	7,139,983
Softlogic Holdings PLC	–	–	–	208,500	6,110,307	2,564,550
Vallibel One PLC	–	–	–	123,300	3,210,050	1,479,600
People's Leasing Company PLC	–	–	–	864,818	15,109,200	10,550,780

As at 31 March	2021 Number of shares	2021 Cost LKR	2021 Market value LKR	2020 Number of shares	2020 Cost LKR	2020 Market value LKR
Commercial Bank of Ceylon PLC	–	–	–	39	–	2,344
Tess Agro Company PLC	–	–	–	80	–	24
Sampath Bank PLC	1,213,233	54,999,896	65,271,935	404,411	54,999,896	48,124,909
Nations Trust Bank PLC	260,049	16,557,320	14,380,710	–	–	–
Seylan Bank PLC	152,733	8,412,534	7,483,917	–	–	–
ACL Cables PLC	2,540	150,012	91,186	–	–	–
Hayleys PLC	354,200	28,449,344	21,535,360	–	–	–
Hemas Holdings PLC	186,036	18,666,852	15,515,402	–	–	–
John Keells Holdings PLC	110,000	19,855,000	16,335,000	–	–	–
Renuka Holdings PLC	19,000	338,200	273,600	–	–	–
Renuka Holdings PLC	472,560	7,112,028	5,387,184	–	–	–
Lanka Century Investments/ Ambeon Holdings PLC	187,304	4,579,583	3,184,168	–	–	–
Ceylon Investment PLC	205,946	17,101,756	13,118,760	–	–	–
Renuka Capital PLC	3,540,207	33,702,771	19,117,118	–	–	–
Laugfs Gas PLC	150,000	4,524,000	3,255,000	–	–	–
Bairaha Farms PLC	163,340	26,797,560	22,500,069	–	–	–
Ceylon Grain Elevators PLC	33,911	5,516,641	4,001,498	–	–	–
Raigam Wayamba Salterns PLC	558,289	4,611,467	2,903,103	–	–	–
The Lanka Hospitals Corporation PLC	311,382	18,284,351	13,545,117	–	–	–
Dipped Products PLC	333,326	17,619,612	15,466,326	–	–	–
R I L Property Limited PLC	2,275,914	21,803,256	14,793,441	–	–	–
Total		309,082,183	258,158,894		106,878,935	71,321,630

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 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Fixed deposits	**1,779,874,707**	1,268,925,720	**1,463,635,356**	600,671,244
	1,779,874,707	1,268,925,720	**1,463,635,356**	600,671,244

23. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

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

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

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Cash at bank	2,188,013,531	2,095,378,832	674,238,695	171,519,979
Cash in hand	34,051,766	49,713,281	25,199,242	43,406,511
Investment in short-term call deposit	893,092	19,345,826	–	–
Cash and cash equivalent in the Statement of Financial Position	2,222,958,389	2,164,437,939	699,437,937	214,926,490
Bank overdraft	(327,144,422)	(516,221,235)	–	(125,036,649)
Cash and cash equivalent for the purpose of Statement of Cash Flows	1,895,813,967	1,648,216,704	699,437,937	89,889,841

The credit risk relating to the Group and Company bank balances are analysed according to the credit ratings of each bank (Note 37.3.2).

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

	2021		2020	
	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 consists of the amounts by which the revaluation of property, plant and equipment, and revaluation of investment properties immediately before reclassified from property, plant and equipment. There were no restrictions on distribution of these balances to the shareholders.

24.3 DIVIDENDS

The following dividends were declared and paid by the Company for the year:

	Company	
As at 31 March	2021	2020
	LKR	LKR
Dividends on ordinary shares		
Final dividend*	–	250,000,000
Interim dividend	500,000,000	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.

Second interim dividend of LKR 500 Mn. for the financial year 2020/21 has been declared on 19 May 2021 and paid on 21 June 2021.
(Note 32 – Events offer the reporting period on page 288)

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	2021	2020
	LKR	LKR
Balance at the beginning of the year	5,484,707	5,704,096
Amortisation	(219,389)	(219,389)
Balance at the end of the year	5,265,318	5,484,707

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. There are no unfilled conditions or contingencies attached to these grants.

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. Any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in profit or loss over the period of the loan using the effective interest rate method.

As at 31 March	Note	Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Current portion of loans and borrowings					
Debentures	26.1	1,069,871	5,007,016,667	1,069,871	5,187,906,728
Term Loans	26.2	2,795,339,776	5,904,044,208	1,973,004,976	2,911,960,014
		2,796,409,647	10,911,060,875	1,974,074,847	8,099,866,742
Non-current portion of loans and borrowings					
Debentures	26.1	581,677	1,650,279	581,677	1,650,279
Term loans	26.2	6,166,199,844	54,492,000	6,085,000,000	–
		6,166,781,521	56,142,279	6,085,581,677	1,650,279

26.1 DEBENTURES

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.

As at 31 March	Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Balance at the beginning of the year	4,825,670,000	4,825,670,000	5,000,000,000	5,000,000,000
Repayments during the year	(4,824,080,000)	–	(4,998,410,000)	–
Balance at the end of the year	1,590,000	4,825,670,000	1,590,000	5,000,000,000
Interest payable	61,548	182,996,946	61,548	189,557,007
Carrying value as at the end of the year	1,651,548	5,008,666,946	1,651,548	5,189,557,007
Debenture payable within one year	1,069,871	5,007,016,667	1,069,871	5,187,906,728
Debenture payable after one year	581,677	1,650,279	581,677	1,650,279
	1,651,548	5,008,666,946	1,651,548	5,189,557,007

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	11.01	11.25
IROCGS* as at reporting date (%)	6.86	7.08	7.29	7.50
Market Values				
Highest (LKR)	100.8	Not traded	Not traded	Not traded
Lowest (LKR)	100.05	Not traded	Not traded	Not traded
Last traded (LKR)	100.05	Not traded	Not traded	Not traded
Last traded date	27 August 2020	Not traded	Not traded	Not traded
Other ratios as at date of last trade				
Interest yield (%)	Matured and fully paid	N/A	N/A	N/A
Yield to maturity (%)		N/A	N/A	N/A

*Interest rate of comparable Government Securities.

Type 01 of the debenture issue, amounting to LKR 4.998 Bn. matured and fully paid in November 2020. The outstanding capital as of date is LKR 1.59 Mn.

Debt security-related ratios

	Company	
For the year ended/as at 31 March	2021	2020
Debt to equity ratio (%)	36	39
Quick assets ratio (times)	1.36	1.06
Interest cover (times)	4.75	4.86

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

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	5,958,536,208	3,727,843,534	2,911,960,014	402,128,177
Acquisition through business combination	126,297,127	–	–	–
Net proceeds from borrowings	2,876,706,285	2,230,692,674	5,146,044,962	2,509,831,837
Balance at the end of the year	8,961,539,620	5,958,536,208	8,058,004,976	2,911,960,014
Loan payable within one year	2,795,339,776	5,904,044,208	1,973,004,976	2,911,960,014
Loan payable after one year	6,166,199,844	54,492,000	6,085,000,000	–
	8,961,539,620	5,958,536,208	8,058,004,976	2,911,960,014

26.3 ANALYSIS OF LOANS AND BORROWINGS

Company name	Lending institution	Nature of the facility	Interest rate and security	Maturity	Loan value LKR Mn.	2021 LKR Mn.	2020 LKR Mn.
Company							
Access Engineering PLC	Seylan Bank Limited	Short-term loans	Monthly re-price – Unsecured	12 Months	425	427.05	–
		Long-term loans	Monthly re-price – Unsecured	60 Months	535	535	–
	National Development Bank	Short-term loans	Monthly re-price – Unsecured	12 Months	350	350	900
		Long-term loans	Monthly re-price – Unsecured	60 Months	500	500	–
	Commercial Bank of Ceylon PLC	Short-term loans	Monthly re-price – Unsecured	12 Months	1,180	1,191.02	2,011.96
		Long-term loans	Fixed rate – Unsecured	15 Months	2,450	2,050	–
	Bank of Ceylon	Long-term loans	Fixed rate – Unsecured	18 Months	3,000	3,004.93	–

Company name	Lending institution	Nature of the facility	Interest rate and security	Maturity	Loan value LKR Mn.	2021 LKR Mn.	2020 LKR Mn.
Group							
Access Projects (Private) Limited	Commercial Bank of Ceylon PLC	Bank loans	AWPLR plus margin Guarantee of fasi form system	48 Months	28	1.18	4.68
		Bank loans	AWPLR plus margin Guarantee of aluminum profile machine	48 Months	14	1.15	2.90
		Bank loans	Fixed rate – Unsecured	36 Months	12	9.99	–
Sathosa Motors PLC	Commercial Bank of Ceylon PLC	Revolving short-term loans	Market rate over AWPLR – Unsecured	1 Month	1,070	–	935
		Import loans	Market rate over AWPLR – Unsecured	1 Month	329	–	265.34
	Bank of Ceylon	Revolving short-term loans	Market rate over AWPLR – Unsecured	1 Month	594	–	594
	National Development Bank	Revolving short-term loans	Market rate over AWPLR – Unsecured	3 Months	155	155	300
	Seylan Bank Limited	Revolving short-term loans	Market rate over AWPLR – Unsecured	3 Months	661	661	400
Access Motors (Private) Limited	National Development Bank	Short-term loans Guarantee	Fixed rate Corporate Guarantee from Sathosa Motors PLC and Foresight Engineering (Private) Limited	4 Months	200	–	200
	Hatton National Bank PLC	Bank loans	AWPLR plus margin (renew monthly) Corporate Guarantee from Sathosa Motors PLC and Foresight Engineering (Private) Limited	84 months	200	–	68.77
		Letter of credit and temporary over draft facilities	AWPLR plus margin Corporate Guarantee from Sathosa Motors PLC and Foresight Engineering (Private) Limited	4 Months	550	–	275.88
Lanka AAC (Private) Limited	Sampath Bank PLC	Long-term loans	Fixed rate – Unsecured	60 Months	72	70.75	–
		Short-term loans	Fixed rate – Unsecured	12 months	5.28	4.45	–

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. Re-measurements 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	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	360,269,657	263,326,437	278,609,201	193,452,552
Current service cost	53,833,560	40,488,636	37,057,557	25,636,409
Interest cost	34,330,078	30,081,490	27,860,920	23,214,306
Actuarial losses	5,857,822	51,054,764	6,410,593	47,461,268
	454,291,117	384,951,327	349,938,271	289,764,535
Less: Payments made during the year	(28,130,005)	(24,681,670)	(16,237,755)	(11,155,334)
Balance at the end of the year	426,161,112	360,269,657	333,700,516	278,609,201

27.1 EXPENSE RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
As at 31 March		2021	2020	2021	2020
	Note	LKR	LKR	LKR	LKR
Current service cost		53,833,560	40,488,636	37,057,557	25,636,409
Interest cost		34,330,078	30,081,490	27,860,920	23,214,306
Expense recognised in Statement of Profit or Loss	27.1.1	88,163,638	70,570,126	64,918,477	48,850,715
Actuarial losses recognised in other comprehensive income		5,857,822	51,054,764	6,410,593	47,461,268
Total provision for the year		94,021,460	121,624,890	71,329,070	96,311,983

27.1.1 EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Cost of sales	53,127,364	41,349,162	43,745,552	35,042,093
Administrative expenses	35,036,274	29,220,964	21,172,925	13,808,622
	88,163,638	70,570,126	64,918,477	48,850,715

27.2 KEY ASSUMPTIONS AND QUANTITATIVE SENSITIVITY ANALYSIS

The cost of the defined benefit plan is determined using actuarial valuations and it involves making various assumptions. These include the determination of the discount rate, future salary increases, attrition rate 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 2021 by professional actuaries: Messrs K A Pandit, Professional Consultants and Actuaries.

The valuation method used by the Actuaries to value the Retirement Benefit Obligation is the "Projected Unit Credit Method". The method recommended by the LKAS 19 – "Employee Benefits".

The principal assumptions used in determining the cost of employee benefits were:

	2021	2020
Discount rate (%)	8.7	10
Expected annual average salary increment rate (%)	8.50	8.50
Attrition rate (%)	3	3
Retirement age (years)	55	55

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 8.7% per annum 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.

Attrition rate

Based on the actual staff turnover of the Company over the past few years, Company has used attrition rate of 3% per annum 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 2021 by Actuarial and Management Consultants (Private) Limited. The valuation method used by the Actuaries to value the Employee Benefit Obligation is the "Projected Unit Credit Method". The method recommended by the LKAS 19 – "Employee Benefits".

(b) Other Subsidiaries

Employee benefit liabilities of other subsidiaries have been calculated applying the "Projected Unit Credit method" recommended by LKAS 19 – "Employee Benefits".

The principal assumptions used in determining the employee benefits obligation were:

	2021	2020
Discount rate (%)	6.5-8.7	10
Expected annual average salary increment rate (%)	4-12	5-10
Attrition rate (%)	5-20	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	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Effect on the defined benefit obligation liability				
Increase by one percentage point in discount rate	(32,972,365)	(26,565,058)	(28,484,730)	(22,703,913)
Decrease by one percentage point in discount rate	37,246,350	30,527,280	33,093,174	26,257,854
Increase by one percentage point in salary increment rate	37,173,778	30,819,094	32,832,468	26,386,935
Decrease by one percentage point in salary increment rate	(33,454,115)	(27,276,945)	(28,779,791)	(23,194,511)

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	
	2021	2020
	LKR	LKR
Within the next 12 months (next annual reporting period)	27,312,489	27,888,970
Between 1 and 2 years	15,294,444	10,533,204
Between 3 and 5 years	66,608,666	53,723,152
Between 6 and 10 years	152,834,790	149,157,644
Total expected payments	262,050,389	241,302,970
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 non-interest bearing liabilities.

		Group		Company	
As at 31 March		2021	2020	2021	2020
	Note	LKR	LKR	LKR	LKR
Trade creditors		6,949,187,718	4,810,692,297	6,354,783,373	4,012,683,917
Other tax payable		36,541,325	29,553,370	23,743,258	–
Accrued expenses		1,869,552,821	883,444,708	706,661,648	414,096,767
Mobilisation advance		3,214,416,246	1,889,248,500	2,735,170,280	1,763,217,949
Advances received		3,648,993,503	2,353,282,562	320,759,031	310,995,899
Retention payable		918,228,064	633,513,749	582,324,873	508,354,343
Security deposit		475,979,009	269,449,817	–	–
Contract liability	28.1	194,443,803	143,558,255	194,443,803	142,567,654
		17,307,342,489	11,012,743,258	10,917,886,266	7,151,916,529

28.1 CONTRACT LIABILITY

	Group		Company	
As at 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	143,558,255	330,640,584	142,567,654	316,068,003
During the year addition	131,606,620	692,201	131,606,620	692,201
Recognised as revenue during the year	(80,721,072)	(187,774,530)	(79,730,471)	(174,192,550)
Balance at the end of the year	194,443,803	143,558,255	194,443,803	142,567,654

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 2021, the Group has not recorded an impairment of receivables relating to amounts owed by related parties (2020 – Nil).

Disclosure as per the requirement of Colombo Stock Exchange Listing Rule Section 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 188 – 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	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Access International (Private) Limited	8,152,778	39,745,822	7,005,061	30,282,369
Access Civimech (Private) Limited	1,452	5,056,236	–	5,017,582
Access International Projects (Private) Limited	9,803,398	99,186,003	5,995,250	92,978,595
Access Industrial Systems (Private) Limited	295,362	84,101,086	–	–
Sathosa Motors PLC	–	–	98,615,093	109,459,201
Harbour Village (Private) Limited	–	–	2,048,077	19,488,176
Access Projects (Private) Limited	–	–	9,069,974	138,522,457
Access Motors (Private) Limited	–	–	–	2,254,714
Blue Star Realties (Private) Limited	275,656	462,110	275,656	462,110
Access Real Estate (Private) Limited	27,045	1,102,545	–	–
Access Lifestyle (Private) Limited	–	705,882	–	–
ZPMC Lanka (Private) Limited	100,876	576,886	–	–
Access Realties II (Private) Limited	–	–	1,056,750	–
ATSL International (Private) Limited	–	180,400	–	180,400
Access Residencies (Private) Limited	–	1,225,369	–	–
Access Solar (Private) Limited	–	1,070,693	–	–
Access Natural Water (Private) Limited	24,940	5,704,726	–	–
WUS Logistics (Private) Limited	–	–	951,789,238	491,580,434
	18,681,507	239,117,758	1,075,855,099	890,226,038

29.2.1 MOVEMENT IN PROVISION FOR IMPAIRMENT OF AMOUNTS DUE FROM RELATED PARTIES

As at 31 March	Group	
	2021	2020
	LKR	LKR
Balance at the beginning of the year	–	53,360
Impact of adopting SLFRS 9	–	–
Reversal of impairment of amounts due from related parties	–	(53,360)
Balance at the end of the year	–	–

29.3 AMOUNTS DUE TO RELATED PARTIES

As at 31 March	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Access International (Private) Limited	13,386,432	19,232,849	12,374,536	19,221,509
Access Natural Water (Private) Limited	381,849	394,513	212,619	163,309
Access International Projects (Private) Limited	9,369,564	2,277,290	3,087,629	–
Reprographics (Private) Limited	1,142,982	508,723	1,057,707	444,008
Access Motors (Private) Limited	–	–	111,618	3,366,857
Access Projects (Private) Limited	–	–	316,344	404,189
Sathosa Motors PLC	–	–	819,529	50,067
Access Realties (Private) Limited	–	–	8,241,263	7,769,380
ARL Elevate (Private) Limited	–	–	522,151	5,181,975
Access Industrial Systems (Private) Limited	1,913,864	427,139	571	571
Access Civimech (Private) Limited	–	5,039,118	–	–
Access Energy solutions (Private) Limited	2,523,101	5,023,101	–	–
Access Solar (Private) Limited	–	1,813,207	–	–
Access Lifestyle (Private) Limited	–	90,847	–	–
WUS Logistics (Private) Limited	–	–	97,233,380	–
Access Logistics (Private) Limited	–	–	10	–
	28,717,792	34,806,787	123,977,357	36,601,865

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 31 March	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Subsidiaries				
Sales of goods/rendering of services	–	–	107,437,950	767,445,395
Purchases of goods/receiving of services	–	–	(203,907,918)	(219,513,225)
Dividend received	–	–	547,787,738	861,666,113
Loan received/(repayment)	–	–	–	(245,000,000)
Interest paid	–	–	(10,004,783)	(17,917,988)
Investment in shares	–	–	(3,816,813,500)	(925,000,000)
Construction of Investment Properties	–	–	4,239,254,818	–
Equity-accounted investees				
Sales of goods/rendering of services	12,939,644	3,501,230	7,190,231	2,081,384
Investment in shares	(400,000,000)	–	(400,000,000)	–
Other related party companies				
Sales of goods/rendering of services	137,021,363	332,522,847	24,821,666	89,718,884
Purchases of goods/receiving of services	(314,985,748)	(286,609,199)	(252,099,805)	(255,487,419)

29.5 KEY MANAGEMENT PERSONNEL OF ACCESS ENGINEERING PLC HOLD POSITIONS IN OTHER COMPANIES. SUCH COMPANIES THE GROUP HAD TRANSACTIONS WITH ARE IDENTIFIED BELOW:

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	Shamal J S Perera
Subsidiaries								
Access Realties (Private) Limited	✓	✓	✓	✓	✓	✓	✓	
Access Realties II (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	✓	✓			✓			
Lanka A A C (Private) Limited	✓	✓			✓			
Access Logistics (Private) Limited	✓	✓			✓			
Associate								
ZPMC Lanka Company (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	Shamal J S Perera
Joint venture								
Blue Star Realties (Private) Limited	✓					✓		
Other related party companies								
Access International (Private) Limited	✓	✓	✓	✓	✓	✓	✓	✓
Access Natural Water (Private) Limited	✓	✓	✓	✓				
Access Civimech (Private) Limited	✓			✓				✓
Access Industrial Systems (Private) Limited	✓			✓				✓
Access International Projects (Private) Limited	✓			✓				✓
C R D S Development (Private) Limited		✓						
Reprographics (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) Dependents of the KMP or the KMP's domestic partner

CFM are related parties to the entity. There were no material transactions with CFM during the year.

A. Directors' loans

No loans have been given to the Directors of the Company.

B. Compensation of Key Management Personnel of the Group

		Group		Company	
For the year ended 31 March		2021	2020	2021	2020
	Note	LKR	LKR	LKR	LKR
Short-term employee benefits	8	82,032,850	80,989,500	42,892,750	46,746,500
Total compensation paid to Key Management Personnel		82,032,850	80,989,500	42,892,750	46,746,500

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 2021, 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.: CHC/706/10/MR

The case of money recovery filed against three defendants (2nd defendant: Access Engineering PLC) claiming LKR 17.69 Mn. together with interest against the three defendants jointly and/or severally for non payment of material supplied and invoiced by the Plaintiff to the first defendant. This matter fixed for further trail on 19 August 2021.

Case No.: DMR/930/2017

The case of money recovery against three defendant (3rd defendant: Access Engineering PLC). This case was filed inter-alia for damages caused due to the constructions by the three defendants. This matter is fixed for further trail on 14 September 2021.

Case No.: DLM/136/2018

The case of money recovery was filed against the Access Engineering PLC, seeking an injunction to prevent the defendant 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. This matter was re-fixed for Pre-Trial on 7 September 2021.

Case No.: DPS/297/19

This matter was filed against the two defendants (2nd defendant: Access Engineering PLC) 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. This matter was re-fixed for calling on 23 August 2021.

Case No.: DPS/298/19

This land matter was filed against the two defendants (2nd defendant: Access Engineering PLC) 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. This matter was re-fixed for calling on 23 August 2021.

Case No.: LT/13/75/2019

A compensation case filed against the company while he is guilty for misconduct. Partly heard trail/more witnesses to be called on behalf of the company. Case was postponed to 5 August 2021.

Case No.: CHC/43/2021/MR

A case have been filled against two defendants [1st defendant: Access Engineering PLC, 2nd defendant: WUS Logistics (Pvt) Ltd.] and have sought declaratory relief to the effect that, the offer made by the plaintiff for the buy back of the shares in 2nd Defendant is valid and reasonable; and the 1st Defendant is liable to transfer the shares to the Plaintiffs at the price offered; the Plaintiffs have exercised the buy back option; and have also claimed for interim relief. Answer of the defendants is due on 28 October 2021.

Case No.: DMR 2774/20

The case of money recovery against four defendants (3rd defendant Access Engineering PLC) filed to claim LKR. 7.5 Mn. against the Defendants jointly and/or severally in the District Court of Kandy claiming damages for the death of the husband of the Plaintiff by an Accident which took place in Kandy. This case matter was re-fixed for calling on 7 October 2021.

Case No.: LT 2/1080/21

A Labour Tribunal case filed against the company for the termination of employment while he is guilty for misconduct. This case was re-fixed for trial on 26 August 2021.

Case No.: LT 03/07/2021

A Labour Tribunal case filed against the company for the termination of employment while he is guilty for misconduct, to appoint an Arbitrator. This case was re-fixed for settlement or trial on 13 September 2021.

Based on the information currently available, the directors believe that the ultimate resolution of above all lawsuits are not likely to have a material effect on the results of operations, financial position or liquidity of the Company.

30.1.1.2 LEGAL CASES FILED BY THE COMPANY

Case No.: 12362/19

The Accused has been charged for fraudulently drawing cheques with the knowledge of that there are no monies in account for sum of LKR 1.5 Mn. The cheques that have been issued fraudulently have not been honoured by the bank and returned to the Plaintiff in the event of encashing the same. The claim of LKR 1.5 Mn. was made against three defendant. This matter is fixed for Trial on 19 August 2021.

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/-. The cheques that have been issued fraudulently have not been honoured by the bank and returned to the plaintiff in the event of encashing the same. The claim of LKR 763,744/- was made against three defendant. This matter is fixed for Trial on 19 August 2021.

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 1.36 Mn. The Cheques that have been issued fraudulently have not been honoured by the bank and returned to the plaintiff in the event of encashing the same. The claim of LKR 1.36 Mn., was made against three defendant. This matter is fixed for Trial on 19 August 2021.

Case No.: 6362/M Kuliyapitiya DC

The money recovery case was filed to claim the sum for renting out the equipment and the claim made amounting to LKR 3.9 Mn., together with interest against defendant. This matter was fixed for Answer (1st Defendant) on 18 October 2021 .

Case No.: DMR/03341/20

The Money recovery case filed by the Company against defendant to claim sum for ready mix concrete supply and renting out the equipment to the Defendant. The claim made was LKR 4.8 Mn., together with interest. This matter is called for summons report on 29 October 2021.

Case No.: DMR/00317/21

The Money recovery case filed by the Company against defendant to claim the sum for ready mix concrete supply and renting out the equipment to the above said Defendant. The claim made amounting to LKR 7 Mn., together with interest. This matter is called for summons report on 24 November 2021.

Case No.: DMR/00494/21

The Money recovery case filed by the Company against two defendants to claim the sum for ready mix concrete supply and renting out the equipment to the 1st defendant. The claim made amounting to LKR 10.9 Mn., together with interest. This matter is called for summons report on 15 December 2021.

Case No.: DMR/01845/21

The Money recovery case filed by the Company against two defendants to claim the sum for ready mix concrete supply and renting out the equipment to the defendants. The claim made amounting to LKR 1.95 Mn., together with interest. This matter is called for summons report on 12 October 2021.

Case No.: CHC/216/2020/MR

Access Engineering PLC claims judgement and decree against the Defendant in a total sum of LKR 28.33 Mn. together with legal interest thereon on returned cheques. The summons returnable on 27 September 2021.

Case No.: DMR/2502/2021

The Company has filed a case against defendant to claim judgement and decree against the defendant; (a) in a sum of LKR 16.1 Mn., together with an additional sum equivalent to the market value of Bitumen 60/70 drums with legal interest, (b) in a sum of LKR 3.87 Mn., together with further damages at the rate of LKR 6,059 per day, until such date the said 1313 Bitumen 60/70 drums are returned to the Plaintiff in good order and condition. Summons returnable on 16 November 2021.

Case No.: CHC94/2021/ARB

This application was filled by the Company to appoint an Arbitrator in respect of the disputes and/or differences regarding the failure of the Respondent to adhere to the Adjudicator's Decision on the piling works related to the construction of a proposed apartment complex at Alliwaththa, Mattakkuliya. Court has assigned a date as 22 September 2021 for Support.

Case No.: CHC95/2021/ARB

This application was filled by the Company to appoint an Arbitratorin respect of the disputes and/or differences regarding the failure of the Respondent to adhere to the Adjudicator's Decision on the piling works related to the construction of a proposed apartment complex at Alliwaththa, Mattakkuliya. Court has assigned a date as 22 September 2021 for Support.

Case No.: CHC/44/2019/MR

The case of money recovery by Access Engineering PLC against two defendants for a claim of LKR 68.7 Mn., on account of work completed and LKR 9.1 Mn., on account of finance charge upto 30 September 2018 together with the legal interest charge on aggregate of the above cases from 1 October 2018 is made against defendants. The case is to be called on 3 September 2021.

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	134,225,801
Hatton National Bank PLC	1,350,133,369
Bank of Ceylon	1,814,185,745
People's Bank	1,644,769,538
National Development Bank PLC	647,793,137
Commercial Bank of Ceylon PLC	774,515,744
Cargills Bank Limited	1,399,554,278
Sampath Bank PLC	32,368,800
Seylan Bank PLC	2,426,976,553
DFCC Bank PLC	264,640,000
	10,489,162,965

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 2011/2012

The Department of Inland Revenue has raised PAYE Tax Assessment to the company for the year of assessment 2011/2012, assessing shares gifted by three share holders of the company at that time to the employees of the company and to external parties, to pay PAYE tax. The company has filed valid appeal against this.

Income Tax Default Notice 2015/2016

The department of inland revenue has raised a default notice for the year of assessment 2015/16 assessing credit for withholding tax on interest not given. The company has filed a valid appeal against the default notice and the matter was allocated to officer handling tax files.

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/-. The Company has filed valid appeal against this assessment.

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 October 2016 to 31 October 2016

The Department of Inland Revenue has raised an assessment of value added tax for the taxable period 1 October 2016 to 31 October 2016,assessing department has disallowed some input invoices in the return to pay value added tax LKR 73,146/- plus penalty of LKR 65,100/-. 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 01.06.2017 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 1 October 2017 to 31 October 2017

The Department of Inland Revenue has raised an assessment of value added tax for the taxable period 1 October 2017 to 31 October 2017, assessing a SVAT supply difference in original return and amended return to pay value added tax LKR 246,840/-. Deputy commissioner will not issue a assessment for this SVAT issue as some of the input invoices not matched. Company has obtained a list of invoices didn't match.

Value added Tax Assessment Received for the taxable period 1 July 2017 to 31 July 2017

The Department of Inland Revenue has raised an assessment of value added tax for the taxable period 1 July 2017 to 31 July 2017, assessing department has disallowed some input invoices in the return to pay value added tax LKR 188,360/- plus penalty of LKR 135,619/-. The company has filed valid appeal against this assessment.

Value added Tax Assessment Received for the taxable period 1 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.

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 statement 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 481.5 Mn. and USD 1 Mn. as at 31 March 2021 for the purpose of working capital requirement.

Access Projects (Private) Limited

Guarantees

Bank guarantees issued by the banks to Access Projects (Private) Limited's customers are as follows:

Bank	Letter of credit/import documents against acceptance facility LKR	Performance bid and retention bonds LKR	Total LKR
Commercial Bank of Ceylon PLC	298,478,007	810,366,740	1,108,844,747

31. IMPACT DUE TO COVID-19 PANDEMIC AND GROUP RESPONSE

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

As a result of island wide curfew imposed by the Government at the beginning of the financial year, several Group operations were temporarily disrupted. In the middle of the first quarter, most of the construction projects and production plants resumed work within confined worksites with necessary approvals from the authorities while complying with the public health-related regulations imposed by the relevant authorities.

Impact due to the temporary disruption of operations caused in construction sector, production of construction-related material sector, property sector and automobile sector have been taken in to account in the first quarter financial results of 2020/21. However, notwithstanding the disruptions caused during the COVID-19 pandemic, the Group was able to return back to the satisfactory operational level, towards the end of the first quarter which depicts in the Consolidated Financial Statements as at 31 March 2021.

Based on Company's solid 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 were able to improve the financial results positively during the year and can be taken as a recovery from the impact of the COVID-19 pandemic.

The Group response to the pandemic focused on securing a safe work environment for our employees, continuing our business operations, providing our customers with quality services while supporting our communities as a socially responsible corporate citizen.

32. EVENTS AFTER THE REPORTING PERIOD

There have been no material events after the reporting date except for the following that would require adjustments to or disclose in the Financial Statements:

Company

Second interim dividend

Pursuant to the resolution adopted on 19 May 2021, the Board of Directors of the Company approved the payment of an interim dividend of fifty cents (0.50 cents) per share amounting to LKR 500,000,000/- for the year ended 31 March 2021.

As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfied the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007, and has obtained a certificate from Auditors, prior to declaring the interim dividend.

In accordance with the LKAS 10 – Events after the reporting period, the interim dividend has not been recognised as a liability in the Financial Statements as at 31 March 2021.

33. BUSINESS COMBINATIONS

This section provides additional information on how changes in the Group structure has impacted the financial position and financial performance of the Group as a whole and significant events that have occurred during the year impacting the financial performance and position of the Group.

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if subsidiary all of the fair value of the gross assets acquired is concentrated in a single identified asset or group or similar identified assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group "controls" an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it de-recognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

33.1 ACQUISITION OF SUBSIDIARY – 2020/21

Lanka AAC (Private) Limited

The Company has acquired 50% of share capital of Lanka AAC (Private) Limited, for a cash consideration of LKR 131,008,320/- during the financial year.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Lanka AAC (Private) Limited as at the date of acquisition were:

Assets	Fair value recognised on acquisition LKR
Property, plant and equipment	249,512,711
Trade and other receivables	7,905,784
Inventories	2,603,032
Amount due from related party	131,008,320
Cash and cash equivalents	1,145,294
Non-current liabilities	(167,228)
Current liabilities	(134,817,405)
Total Identifiable net assets at fair value	257,190,508
NCI, based on proportionate interest in the recognised amounts of the net assets	128,595,254
Goodwill	2,413,066
Purchase consideration transferred	131,008,320

There is no contingent consideration of the acquisition of Lanka AAC (Private) Limited.

33.2 INVESTMENTS IN SUBSIDIARIES 2020/21

WUS Logistics (Private) Limited

The Company has further invested LKR 3,685,805,180/- in the share capital of its fully owned subsidiary, WUS Logistics (Private) Limited. Cumulative value of the investment is LKR 4,610,805,180/- as at 31 March 2021.

Access Logistics (Private) Limited

Access Engineering PLC has invested in 100% share capital of Access Logistics (Private) Limited at a total consideration of LKR 10/- during the year, involve in commercial property development for lease and rental.

33.3 ACQUISITION OF 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
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 of 2019/20 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.

33.4 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

34. NON-CONTROLLING INTERESTS

Non-controlling interest is initially measured at their proportionate share of the acquirees identifiable net assets at the date of acquisition.

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

Ownership interest held by non-controlling interest (NCI)

	Principal place of business	Operating segment	2021 %	2020 %
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
Lanka AAC (Private) Limited	Sri Lanka	Construction related material	50	–

The following table summarises 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 2021	Access Projects (Private) Limited LKR	Sathosa Motors PLC LKR	Harbour Village (Private) Limited LKR	Lanka AAC (Private) Limited LKR	Total LKR
Non-current assets	315,748,652	2,134,422,721	1,085,762,715	250,247,620	3,786,181,708
Current assets	1,738,736,842	1,737,090,267	7,146,086,602	86,719,994	10,708,633,705
Non-current liability	(38,164,613)	(284,878,012)	(103,678,098)	(75,368,271)	(502,088,994)
Current liability	(1,470,503,287)	(1,426,553,878)	(3,856,283,154)	(12,362,898)	(6,765,703,217)
Net asset	545,817,594	2,160,081,098	4,271,888,065	249,236,445	7,227,023,202
Net asset attributable to non-controlling interest	109,163,519	782,241,760	1,673,298,555	124,618,223	2,689,322,057
Revenue	1,879,864,033	3,881,584,608	–	6,251,031	5,767,699,672
Profit/(loss) for the year	120,418,265	(12,980,096)	(6,944,642)	(7,954,065)	92,539,462
Other comprehensive income	(415,742)	2,044,664	(27,456)	–	1,601,466
Total comprehensive income	120,002,523	(10,935,432)	(6,972,098)	(7,954,065)	94,140,928
Profit/(loss) attributable to non-controlling interest	24,083,653	(9,668,530)	(2,720,216)	(3,977,033)	7,717,874
OCI attributable to non-controlling interest	(83,148)	318,504	(10,755)	–	224,601
Total comprehensive income attributable to non-controlling interest	24,000,505	(9,350,026)	(2,730,971)	(3,977,033)	7,942,475
Cash flows from/(used in) operating activities	20,461,638	2,374,381,291	(465,746,028)	986,466	1,930,083,367
Cash flows from/(used in) investment activities	(51,105,021)	41,846,564	187,465,009	(209,787,113)	(31,580,561)
Cash flows from/(used in) financing activities	(1,286,470)	(2,262,118,953)	(11,451,743)	285,761,540	(1,989,095,626)
Net increase in cash and cash equivalents	(31,929,853)	154,108,902	(289,732,762)	76,960,893	(90,529,820)

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 liabilities	(27,850,853)	(346,113,550)	(52,137,636)	(426,102,039)
Current liabilities	(1,098,925,526)	(4,030,107,340)	(1,935,207,022)	(7,064,239,888)
Net assets	425,815,070	2,171,016,534	4,278,860,163	6,875,691,767
Net assets 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)	(129,959,239)
Net increase/(decrease) in cash and cash equivalents	(176,436,575)	(394,291,318)	816,544,063	245,816,170

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 2021.

35. 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 in to four categories based on the entity's business model and the cash flow characteristics:

(a) financial assets at amortised cost;

(b) financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);

(c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (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 de-recognised, 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 de-recognition, 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.

De-recognition

A financial asset (or, where applicable, apart of a financial asset or part of a group of similar financial assets) is primarily de-recognised (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.

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.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities at amortised cost (loans and borrowings).

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.

Financial liabilities at amortised cost (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 de-recognised 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.

De-recognition

A financial liability is de-recognised 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 de-recognition 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.

35.1 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	2021	2020	2021	2020	2021	2020	2021	2020
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets								
Equity securities	258,158,894	71,321,630	–	–	258,158,894	71,321,630	–	–
Trade and other receivables	–	–	13,822,259,216	13,609,211,188	13,822,259,216	13,609,211,188	–	–
Amounts due from related parties	–	–	18,681,507	239,117,758	18,681,507	239,117,758	–	–
Other current financial assets	–	–	3,010,225,970	2,840,409,825	3,010,225,970	2,840,409,825	–	–
Short-term deposits	–	–	1,779,874,707	1,268,925,720	1,779,874,707	1,268,925,720	–	–
Cash and cash equivalent	–	–	2,222,958,389	2,164,437,939	2,222,958,389	2,164,437,939	–	–
Corporate debt securities	–	–	110,222,276	1,442,907,468	110,222,276	1,442,907,468	–	–
Financial liabilities								
Unsecured bond issue	–	–	–	–	–	–	1,651,548	5,008,666,946
Bank overdraft	–	–	–	–	–	–	327,144,422	516,221,235
Interest-bearing borrowings	–	–	–	–	–	–	8,961,539,620	5,958,536,208
Trade payable	–	–	–	–	–	–	14,056,384,918	9,093,941,388
Amount due to related parties	–	–	–	–	–	–	28,717,792	34,806,787
Lease liabilities	–	–	–	–	–	–	143,917,902	147,847,265
Total	258,158,894	71,321,630	20,964,222,065	21,565,009,898	21,222,380,959	21,636,331,528	23,519,356,202	20,760,019,829

35.2 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	2021	2020	2021	2020	2021	2020	2021	2020
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets								
Equity securities	258,158,894	71,321,630	–	–	258,158,894	71,321,630	–	–
Trade and other receivables	–	–	11,679,352,202	11,206,189,784	11,679,352,202	11,206,189,784	–	–
Amounts due from related parties	–	–	1,075,855,099	890,226,038	1,075,855,099	890,226,038	–	–
Other current financial assets	–	–	2,769,112,115	2,580,055,110	2,769,112,115	2,580,055,110	–	–
Short-term deposits	–	–	1,463,635,356	600,671,244	1,463,635,356	600,671,244	–	–
Cash and cash equivalent	–	–	699,437,937	214,926,490	699,437,937	214,926,490	–	–
Corporate debt securities	–	–	110,222,276	1,008,862,375	110,222,276	1,008,862,375	–	–
Financial liabilities								
Unsecured bond issue	–	–	–	–	–	–	1,651,548	5,189,557,007
Bank Overdraft	–	–	–	–	–	–	–	125,036,649
Interest-bearing borrowings	–	–	–	–	–	–	8,058,004,976	2,911,960,014
Trade payable	–	–	–	–	–	–	8,158,972,728	5,388,698,580
Amount due to related parties	–	–	–	–	–	–	123,977,357	36,601,865
Lease liabilities	–	–	–	–	–	–	–	27,692,165
Total	258,158,894	71,321,630	17,797,614,985	16,500,931,041	18,055,773,879	16,572,252,671	16,342,606,609	13,679,546,280

36. FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

36.1 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. Aside from this note additional fair value-related disclosures including the valuation methods, significant estimates and assumptions are also provided in:

- Property, plant and equipment under revaluation model — Note 11
- Investment properties — Note 13
- Financial instruments (including those carried at amortised cost) — Note 35

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 – Input 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 re-assessing 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 re-measured or re-assessed 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.

36.2 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.

36.2.1 FAIR VALUE HIERARCHY – GROUP

		Fair value hierarchy							
		Level 1		Level 2		Level 3		Total	
As at 31 March		2021	2020	2021	2020	2021	2020	2021	2020
	Note	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets									
Equity securities	35.1	258,158,894	71,321,630	–	–	–	–	258,158,894	71,321,630
Non-financial assets									
Land and building	11.1	–	–	–	–	2,194,122,668	1,571,365,583	2,194,122,668	1,571,365,583
Investment properties	13.1	–	–	–	–	10,573,071,663	10,330,805,144	10,573,071,663	10,330,805,144

36.2.2 FAIR VALUE HIERARCHY – COMPANY

As at 31 March	Note	Fair value hierarchy Level 1 2021 LKR	Level 1 2020 LKR	Level 2 2021 LKR	Level 2 2020 LKR	Level 3 2021 LKR	Level 3 2020 LKR	Total 2021 LKR	Total 2020 LKR
Financial assets									
Equity securities	35.2	258,158,894	71,321,630	–	–	–	–	258,158,894	71,321,630
Non-financial assets									
Land and building	11.2	–	–	–	–	330,912,243	330,912,243	330,912,243	330,912,243
Investment properties	13.1	–	–	–	–	614,207,200	560,007,200	614,207,200	560,007,200

37. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES, AND POLICIES

37.1 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 Group also holds investments in debt and equity instruments. 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.

37.2 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 adhoc 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:

37.3 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.

The maximum exposure to credit risk in respect of above at the reporting date is the carrying value of financial assets recorded in the Financial Statements, net of any allowance for losses.

37.3.1 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 35.

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

The COVID-19 pandemic situation of the country has impacted to the country 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 and provision for impairment were as follows for the Group:

As at 31st March	2021			2020		
	Gross carrying amount LKR	Provision for impairment (according to SLFRS 9) LKR	Weighted average loss rate %	Gross carrying amount LKR	Provision for impairment (according to SLFRS 9) LKR	Weighted average loss rate %
Current (Not past due)	4,106,598,044	–	–	4,771,128,474	–	–
Past due						
< 30 days	1,844,881,428	(4,940,371)	0.27	554,945,706	(4,937,928)	0.89
30-60 days	1,599,217,972	(3,134,934)	0.20	1,371,259,556	(9,438,464)	0.69
61-90 days	846,734,221	(3,184,402)	0.38	988,044,660	(7,561,410)	0.77
91-120 days	423,426,563	(2,175,283)	0.51	433,417,166	(15,342,448)	3.54
> 120 days	3,405,392,493	(279,802,253)	7.74	3,683,233,039	(197,262,036)	5.36
Total	12,226,250,721	(293,237,243)		11,802,028,601	(234,542,286)	

As at 31st March, the aging analysis of trade receivables and provision for impairment were as follows for the Company.

As at 31st March	2021			2020		
	Gross carrying amount LKR	Provision for impairment (according to SLFRS 9) LKR	Weighted average loss rate %	Gross carrying amount LKR	Provision for impairment (according to SLFRS 9) LKR	Weighted average loss rate %
Current (Not past due)	3,920,294,822	–	–	4,401,928,068	–	–
Past due						
< 30 days	1,587,871,295	(1,644,406)	0.10	363,803,199	(1,038,192)	0.29
30-60 days	1,389,523,595	(823,585)	0.06	1,195,262,680	(5,837,407)	0.49
61-90 days	661,200,092	(1,600,815)	0.24	741,424,838	(2,144,866)	0.29
91-120 days	264,524,567	(967,731)	0.37	208,860,926	(8,902,307)	4.26
> 120 days	2,488,929,454	(136,823,088)	4.85	3,204,980,613	(90,836,465)	2.83
Total	10,312,343,825	(141,859,625)		10,116,260,324	(108,759,237)	

Collateral acquired for mitigating credit risk

The Group whenever possible, obtain collaterals in the form of unconditional and irrevocable bank guarantee that can be encashed an demand or advances are provided to cover the receivable. The Group focuses on the realisability of such collateral to mitigate potential credit loss.

37.3.2 FINANCIAL INSTRUMENTS AND CASH DEPOSITS

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 2021 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 2021 99%, (2020 – 99%) and 2021 – 99%, (2020 – 99%) of the favourable balances of bank and financial institution were rated "A" or better for the Group and Company respectively.

	Group				Company			
	2021		2020		2021		2020	
Fitch rating	LKR	%	LKR	%	LKR	%	LKR	%
AA+	–	–	742,713,222	22	–	–	630,841,286	85
AA	–	–	10,150,155	1	–	–	6,090,950	1
AA–	2,539,116,343	64	2,467,916,572	73	1,649,428,149	78	362,902	0
A+	1,039,383,539	26	39,715,390	1	105,831,508	5	25,126,842	3
A	373,169,239	9	78,619,753	2	370,015,391	17	76,642,256	10
A–	–	–	3,663,450	1	–	–	2,354,500	1
BBB–	56,302	1	19,052	–	56,302	–	19,052	0
Not rating	–	–	249,489	–	–	–	249,489	–
Total	3,951,725,423	100	3,343,047,083	100	2,125,331,350	100	741,687,277	100

The Group's maximum exposure to credit risk for the components of the Statement of Financial Position at 31 March 2021 and 2020 is the carrying amounts as illustrated in Note 35.

37.3.3 CORPORATE DEBT SECURITIES

As at 31 March 2021 – 100% (2020 – 100%) and 2021 – 100% (2020 – 100%) were guaranteed by a banking institution with a rating of "A" or better for the Group Company respectively.

	Group				Company			
	2021		2020		2021		2020	
Fitch rating	LKR	%	LKR	%	LKR	%	LKR	%
AA+	–	–	557,100,260	39	–	–	334,353,684	33
AA–	110,222,276	100	110,220,036	8	110,222,276	100	110,220,036	11
A+	–	–	775,587,172	53	–	–	564,288,655	56
Total	110,222,276	100	1,442,907,468	100	110,222,276	100	1,008,862,375	100

37.4 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 satisfied that the Group and Company have adequate liquidity and business plan to continue business operations and mitigate the increase liquidity risk arising from COVID-19 pandemic economic implication, for the next 12 months from the reporting date.

Managing liquidity risk during COVID-19 pandemic

Managing liquidity during COVID-19 has become both challenging and critical for the Group. The number of measures have been considered in order to ensure these challenges can be addressed by the Group. Following highlights the key steps considered by the Management as the Group seek to stabilize their liquidity position:

- Implement cash conservation measures and rapid optimisation of working capital to preserve liquidity;
- Seek additional funding support from existing lenders, new funding from alternative providers;
- Increase the centralisation of finance activities in Treasury Headquarters to make sure the full Group scale rather than relying on fragmented local solution for cash and liquidity management and bank relations;
- The Group operates standardised reporting forecasting and budgeting financial process. This allows monitoring of the impact of business decisions on financial performance over future time horizons.

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 2021 based on contractual payments:

			Contractual cash flow			
	Carrying amount LKR	Total LKR	On demand LKR	6 months or less LKR	6-12 months LKR	More than 1 year LKR
Non-derivative financial liabilities – Group						
Bank overdrafts	327,144,422	327,144,422	–	327,144,422	–	–
Trade and other payables	17,307,342,489	17,307,342,489	–	10,142,549,582	3,214,416,246	3,950,376,661
Amounts due to related parties	28,717,792	28,717,792	–	28,717,792	–	–
Interest-bearing borrowings	8,963,191,168	9,728,624,412	–	18,554,861	2,874,775,759	6,835,293,792
Unclaimed dividend	33,352,549	33,352,549	33,352,549	–	–	–
Lease liabilities	143,917,902	267,608,954	–	13,405,718	13,405,718	240,797,518

	Carrying amount LKR	Total LKR	Contractual cash flow On demand LKR	6 months or less LKR	6-12 months LKR	More than 1 year LKR
Non-derivative financial liabilities – Company						
Trade and other payables	10,917,886,266	10,917,886,266	–	8,182,715,986	2,735,170,280	–
Amounts due to related parties	123,977,357	123,977,357	–	123,977,357	–	–
Interest-bearing borrowings	8,059,656,524	8,783,824,441	–	2,550,000	2,051,455,264	6,729,819,177
Unclaimed dividend	15,418,669	15,418,669	15,418,669	–	–	–

37.5 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 manages its interest rate risk by monitoring and managing cash flows negotiating favourable rates on borrowings and deposits including and maintaining on appropriate combination of fixed and floating rate risk.

Capital structure as at 31 March	Note	Group 2021 LKR	Group 2020 LKR	Company 2021 LKR	Company 2020 LKR
Loans and borrowings	26	8,963,191,168	10,967,203,154	8,059,656,524	8,101,517,021
Bank overdraft	23	327,144,422	516,221,235	–	125,036,649
Total borrowings		9,290,335,590	11,483,424,389	8,059,656,524	8,226,553,670
Equity		26,514,812,959	24,387,094,444	22,396,392,495	20,533,856,163
Debt/Equity (%)		35.04	47.09	35.99	40.06

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the Management of the Group is as follows:

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Fixed rate instruments				
Financial assets	1,890,990,075	2,731,179,014	1,573,857,632	1,609,533,619
Financial liabilities	5,126,852,591	5,008,666,946	5,051,651,548	5,189,557,007
Variable rate instruments				
Financial liabilities	4,163,482,999	6,474,757,443	3,008,004,976	3,036,996,663

The global outbreak of COVID-19 pandemic has resulted in reduction in policy rates and mandatory easing policies by Central Bank of Sri Lanks, which has resulted in a sharp reduction in lending rates.

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

			Effect on profit before tax	
		Increase/Decrease in one hundred base point	Group LKR	Company LKR
Variable rate instruments	2021	+	(416,348)	(300,800)
		-	416,348	300,800
	2020	+	(674,476)	(303,700)
		-	674,476	303,700

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 exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign currency deposits. These currencies primarily are the Euro, US Dollars (USD), Pound (GBP), Chineese Renminbi and Japaneese Yen.

The Group hedges its exposure to fluctuations on the translation of its foreign operations by forward contracts and matching sales and purchases to same currency. The Group's Treasury management closely monitors the exchange rate fluctuations and advices management regular basis.

Impact of COVID-19

Due to the loss of foreign currency inflows to the country during the lockdown period of COVID-19 pandemic, resulted in an increase in USD exchange rates against Sri Lankan rupee (LKR) as at 31 March 2021. With the sharp depreciation of LKR against US Dollar, Group has taken several measures to manage risk. Having foreign currency trade receivable 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:

	2021					2020			
	EUR	USD	GBP	SGD	JPY	EUR	USD	GBP	DJF
Trade and other receivables	–	637,193	–	–	–	3,390,676	5,435,318	–	–
Cash at bank	20,055	3,842,945	18,384	–	–	34,988	792,390	18,247	128,050
Trade and other payables	(509)	(2,970,228)	(43,856)	(373,588)	(70,199,215)	–	(1,918,640)	(236,411)	–
Net statement of financial position exposure	19,546	1,509,910	(25,472)	(373,588)	(70,199,215)	3,425,664	4,309,068	(218,164)	128,050

The summary quantitative data about the Company's exposure to currency risk as reported to the Management of the Company is as follows:

	2021			2020			
	EUR	USD	GBP	EUR	USD	GBP	DJF
Trade and other receivables	–	637,094	–	1,431	5,435,318	–	–
Cash at bank	20,055	684,357	18,384	34,988	252,924	18,247	128,050
Trade and other payables	(509)	(1,355,966)	–	–	(1,112,160)	–	–
Net statement of financial position exposure	19,546	(34,515)	18,384	36,419	4,576,082	18,247	128,050

The following significant exchange rates were applicable during the year 2020/21:

	Company/Group Year end spot rate	
	2021	2020
	LKR	LKR
EUR	233.09	207.96
USD	199.04	188.62
GBP	273.23	232.67
DJF	1.11	1.08
SGD	147.77	132.47
JPY	1.80	1.74

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	2021		2020	
	Strengthening LKR	Weakening LKR	Strengthening LKR	Weakening LKR
EUR (10% movement)	455,607	(455,607)	71,239,252	(71,239,252)
USD (10% movement)	30,052,909	(30,052,909)	81,279,192	(81,279,192)
GBP (10% movement)	(695,970)	695,970	(5,075,963)	5,075,963
DJF (10% movement)	–	–	13,829	(13,829)
SGD (10% movement)	(5,520,682)	5,520,682	–	–
JPY (10% movement)	(12,626,733)	12,626,733	–	–

Company	2021		2020	
	Strengthening LKR	Weakening LKR	Strengthening LKR	Weakening LKR
EUR (10% movement)	455,607	(455,607)	757,360	(757,360)
USD (10% movement)	(686,978)	686,978	86,315,706	(86,315,706)
GBP (10% movement)	502,309	(502,309)	424,546	(424,546)
DJF (10% movement)	–	–	13,829	(13,829)

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.

At the reporting date, the exposure to the equity investments at fair value listed on the Colombo Stock Exchange was LKR 258 Mn. (LKR 71 Mn. – 2020). Following table shows the portfolio maintain in different sectors and all the listed equity instruments were measured based on the prices available as of 31 March 2021.

Industry/Sector	2021			2020		
	Market value LKR	Cost LKR	Percentage	Market value LKR	Cost LKR	Percentage
Banks	87,136,562	79,969,749	33.75	48,127,253	54,999,896	67.48
Capital goods	59,137,732	74,571,437	22.91	2,992,050	7,408,688	4.20
Consumer durable and apparel	3,184,168	4,579,583	1.23	–	–	–
Diversified financials	32,235,878	50,804,526	12.49	10,560,260	15,564,185	14.81
Energy	3,255,000	4,524,000	1.26	578,280	1,035,414	0.81
Food beverage and tobacco	29,404,670	36,925,669	11.39	444,180	1,143,695	0.62
Health care equipment and services	13,545,117	18,284,351	5.25	–	–	–
Materials	15,466,326	17,619,612	5.99	7,139,983	23,517,007	10.01
Retailing	14,793,441	21,803,256	5.73	–	–	–
Trading	–	–	–	24	–	0.00
Utilities	–	–	–	1,479,600	3,210,050	2.07
	258,158,894	309,082,183	100.00	71,321,630	106,878,935	100.00

37.6 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 2021 and 2020.

37.7 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 re-measurement 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

Project Management Division (PMD) i
- Business Development
- Construction Projects
- Asphalt Production Unit
- Aggregate Production Unit
- Concrete Production Unit

Project Management Division (PMD) ii
- Business Development
- Construction Projects
- Fabrication Unit
- Concrete Production Unit
- Piling Unit
- Scaffolding Unit
- Construction Equipment Division

Project Management Division (PMD) iii
- Business Development
- Construction Projects

Project Management Division (PMD) iv
- Business Development
- Construction Projects

Design Department
- Civil/Structural Design
  - Design Training and Development
  - Innovation and Value Engineering
  - Research and Development

Human Resource Department
- HR Planning and Recruitment
- Personnel Administration
- Employee Grievances
- HRD
- CSR

Subsidiary Management and Project Development Department
- Project Development
- Corporate Planning and Investments
- Management Information Systems (MIS)
- Investor Relations (IR)
- Corporate Communications
- Compliance and Corporate Affairs
- Subsidiary Management

Finance and Commercial Department

FINANCE
- Financial Reporting and Compliance
- Budgeting
- Revenue Management
- Payments

COMMERCIAL
- Procurement
- Treasury and Working Capital Management
- Tax Planning and Compliance
- Fixed Assets

Internal Audit Department
- Financial Audits
- Technical Audits
- Risk Management

Management Systems Department
- Systems Audits

IT Department
- IT Systems Management
- Help Desk Support
- Network Administration
- Information Security Support

Corporate Office
- Project Progress Monitoring
- Legal and Compliance
- Premises Management

Ten-year Summary

		2020/21	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.	**23,837**	24,027	32,277	26,056	20,448	17,625	16,514	16,373	13,900	7,320
Gross profit	LKR Mn.	**4,138**	3,808	5,184	4,061	4,732	3,977	3,815	4,186	3,061	2,121
EBITDA	LKR Mn.	**4,050**	3,419	4,891	5,044	4,300	3,748	3,322	3,771	2,883	2,159
EBIT	LKR Mn.	**3,225**	2,688	4,173	5,044	3,381	2,900	2,653	3,180	2,433	1,931
Net finance income/(cost)	LKR Mn.	**(573)**	(577)	(651)	(383)	150	95	110	136	239	102
Profit for the year	LKR Mn.	**2,393**	928	2,245	2,463	2,746	2,551	2,424	2,902	2,412	1,737
Profit attributable to owners	LKR Mn.	**2,386**	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.	**5,708**	4,937	5,198	5,980	5,428	4,791	4,222	3,787	3,741	2,672
Total non-current assets	LKR Mn.	**25,688**	19,705	20,144	21,171	16,074	12,357	9,155	7,349	7,579	6,641
Cash and cash equivalent	LKR Mn.	**2,223**	2,164	2,486	1,394	950	504	1,918	1,521	703	1,641
Short-term deposits	LKR Mn.	**1,780**	1,269	2,210	2,041	2,922	6,792	1,048	1,140	1,371	883
Total assets	LKR Mn.	**56,060**	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	9,000
Retained earnings	LKR Mn.	**14,245**	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.	**23,825**	21,834	21,195	19,793	18,840	17,462	16,269	14,916	12,486	10,670
Loans and borrowings	LKR Mn.	**8,963**	10,967	8,735	9,086	5,737	5,846	350	65	8	13
Total non-current liabilities	LKR Mn.	**8,695**	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.	**8,529**	(2,191)	1,876	630	1,994	3,168	3,218	1,608	1,301	638
Cash flows from investing activities	LKR Mn.	**(5,808)**	(224)	302	(2,226)	(2,226)	(9,251)	(2,337)	(341)	(1,721)	(3,332)
Cash flows from/(used in) financing activities	LKR Mn.	**(2,473)**	1,907	(851)	1,753	(87)	4,532	(737)	(459)	(513)	4,116
Key Financial Ratios											
EPS	LKR	**2.39**	0.98	2.15	2.51	2.71	2.47	2.35	2.83	2.38	1.83
DPS	LKR	**0.50**	0.50	0.5	1.2	1.5	0.75	1	0.5	0.5	0.27
Net assets per share	LKR	**23.83**	21.83	21.19	19.79	18.84	17.46	16.27	14.92	12.49	10.67
Dividend payout	%	**21**	51	23	47.86	55.39	30.36	43	18	21	15
ROE	%	**9**	3.8	9.52	11.15	12.7	14.1	14.4	19	19	16.2
ROCE	%	**8.4**	6.60	11.69	14.83	12.3	12.3	15.4	20.5	18.9	17.5
Gearing	%	**37.62**	50.23	41.21	43.7	30.5	34.8	2.1	0.4	0.1	0.1
Current ratio	Times	**1.46**	1.3	1.7	1.57	2.3	2.7	2.6	2.8	2.4	2.3
Quick ratio	Times	**1.04**	1	1.3	1.16	1.7	2.3	2.1	2.3	1.9	1.8
Price per share	LKR	**22.10**	13.2	13	20.5	23.8	20.8	19.2	22.5	19.7	26.7
Investor Highlights											
Total number of shareholders	No.	**9,712**	8,832	7,226	5,816	6,119	5,757	4,610	2,196	2,153	1,838
Percentage of public holding	%	**39.81**	42.84	41.93	42.31	39.59	37.92	37.92	35.53	36.52	36.52
Value of shares traded	LKR Mn.	**10,789**	6,757	1,637	2,729	3,625	4,570	14,900	2,148	1,265	45
Number of trades	No.	**86,541**	71,138	24,276	10,750	25,709	36,018	49,154	10,229	13,535	975

Our Story

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.

2004

AEL was awarded the highest accreditation in many fields of civil engineering by the Institute of Construction Training and Development (ICTAD) which is the governing body of the industry and developed its Quality Management System (QMS) in conformity to the requirements of ISO 9001:2004 to continuously improve the effectiveness and efficiency of its performance.

2001

AEL was incorporated as a public limited liability company by the three founder shareholders Sumal Perera, Christopher Joshua and Ranjan Gomez with the prime objective of carrying out civil engineering projects and was accredited as a Major Specialist Contractor by the National Construction Association of Sri Lanka (NCASL).

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.

2013

Further, extending its presence in the automobile sector AEL invested in a 50% stake in SML Frontier Automotive (Private) Limited, who is the authorised distributor for Land Rover and Range Rover vehicles through Sathosa Motors PLC. AEL entered into a 30% joint venture with Shanghai Zhenhua Heavy Industries Company Limited (ZPMC) of China, the world's largest port machinery manufacturer to commission, repair and maintain container handling equipment in Sri Lanka and overseas through ZPMC Lanka Company (Private) Limited. AEL commenced operations in its first overseas project in Papua New Guinea to carryout specialised engineering work.

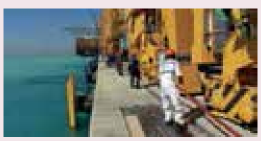
2012

Following the successful private placement AEL became a public quoted company on the Main Board of the Colombo Stock Exchange (CSE) through an Initial Public Offering of 20 million ordinary shares raising LKR 500 Mn. Diversifying its operations to the automobile sector, AEL acquired 60% of the issued capital of Sathosa Motors PLC, the authorised distributor for Isuzu vehicles. AEL was awarded its largest piling project to date amounting to over LKR 3 Bn. In the Northern Section of the Outer Circular Highway.

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 II (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.

2018

For the second consecutive year AEL was selected to the category of "Ten Best Corporate Citizens in the Country" by The Ceylon Chamber of Commerce.

2017

AEL invested in 9.83% issued share capital of Harbour Village (Private) Limited [former Hotel 10 (Private) Limited] for the construction of 997 condominium apartment units in downtown Colombo. The newly built Access Tower II commenced commercial operations adding approximately 200,000 sq. ft. of A-Grade office space.

2016

AEL invested in 50% issued share capital of Blue Star 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.

2019

WUS
LOGISTICS

AEL acquired 100% of WUS Logistics (Private) Limited for the construction of Sri Lanka's largest single roof warehouse. 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.

2020

Lanka AAC - Pvt Ltd

AEL invested in 50% of Lanka AAC (Private) Limited which is engaged in the manufacturing of autoclave aerated concrete blocks and initiated its first BOT project together with the UDA for the construction of a public car park in Union Place.

Directors of Group Companies

Company name	Name of Director	
Sathosa Motors PLC	S J S Perera	R S Dahanayake
	J C Joshua	M M N De Silva
	D A R Fernando	M Jayahsuriya
	S D Munasinghe	K A P Perera
	W A C O Wijesinghe	
Access Realties (Private) Limited	S J S Perera	S H S Mendis
	J C Joshua	S D Munasinghe
	R J S Gomez	S D Perera
	D A R Fernando	
Access Projects (Private) Limited	S J S Perera	I N Pushpa Kumar
	D D S Ferdinando	K C D Bandara
	D A R Fernando	S Nishkala
Harbour Village (Private) Limited	M Ahmad	Zhong Yuan
	S J S Perera	Zeng Nanhai
	J C Joshua	Zhang Xiaoqiang
	D A R Fernando	
W U S Logistics (Private) Limited	S J S Perera	I S N Fernando
	J C Joshua	L N A Silva
	D A R Fernando	
Access Logistics (Private) Limited	S J S Perera	I S N Fernando
	J C Joshua	L N A Silva
	D A R Fernando	
Lanka AAC (Private) Limited	S J S Perera	L P Gamalathge
	J C Joshua	I M S Bandara
	D A R Fernando	P B R Dissanayake
	P N A Pathirana	
ZPMC Lanka Company (Private) Limited	H Qingfeng	J C Joshua
	C Jiaqing	S D Munasinghe
	L Chenhao	
Blue Star Realties (Private) Limited	A M Alamoti	S J S Perera
	M Dehghan	D D S Ferdinando
	A Shafiei	S H S Mendis

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of Access Engineering PLC will be held by way of electronic means on 15 September 2021 at 3.00pm centered at the Board Room of Access Engineering PLC at No. 278, Access Towers, Union Place, Colombo 2 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the Affairs of the Company and the Financial Statements for the year ended 31 March 2021 and the Report of the Auditors thereon.
2. To re-elect as a Director Mr N D Gunaratne who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company.
3. To elect Mr Shamal J S Perera who retires in terms of Article 95 of the Articles of Associations, as a Director of the Company.
4. To authorise the Directors to determine donations for the ensuing year.
5. To re-appoint 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

4 August 2021
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 forty-eight (48) 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 or failing him*
Mr Shamal Joseph Shavindra Perera	

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 15 September 2021 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 N D Gunaratne who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company, as a Director.		
Resolution 2 To elect Mr Shamal J S Perera who retires in terms of Article 95 of the Articles of Association of the Company, as a Director.		
Resolution 3 To authorise the Directors to determine donations for the ensuing year.		
Resolution 4 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-one.

....
Signature of Shareholder/s

* Please delete the inappropriate words.

Instructions as to completion appear on the reverse.

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The Proxy shall –

   (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a company or corporate/statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate/statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

3. Please indicate with a "X" how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd. at No. 3/17, Kynsey Road, Colombo 8, Sri Lanka or must be emailed to ael.pwcs@gmail.com before the time fixed for the meeting.

GRI 102-1, 102-3, 102-5

Corporate Information

NAME OF COMPANY

Access Engineering PLC

REGISTERED OFFICE

Access Engineering PLC
Access Towers
278, Union Place, Colombo 2
Sri Lanka
Tel: +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
S D Perera
Shamal J S Perera
Prof K A M K Ranasinghe
N D Gunaratne
D S Weerakkody

AUDIT COMMITTEE

N D Gunaratne – Chairman
Prof K A M K Ranasinghe
D S Weerakkody
S D Perera

REMUNERATION COMMITTEE

D S Weerakkody – Chairman
Prof K A M K Ranasinghe
N D Gunaratne
S D Perera

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

N D Gunaratne – Chairman
Prof K A M K Ranasinghe
D S Weerakkody
D A R Fernando

SUBCOMMITTEE ON INVESTMENT AND SUBSIDIARY PERFORMANCE MONITORING

Prof K A M K Ranasinghe – Chairman
J C Joshua
D A R Fernando
N D Gunaratne
D S Weerakkody

STRATEGIC PLANNING COMMITTEE

S J S Perera – Chairman
J C Joshua
D A R Fernando
Prof K A M K Ranasinghe

BANKERS

Bank of Ceylon
Sampath Bank PLC
Hatton National Bank PLC
Nations Trust Bank PLC
Commercial Bank of Ceylon PLC
DFCC Bank PLC
People's Bank
National Development Bank PLC
Union Bank of Colombo PLC
Seylan Bank PLC
Cargills Bank Limited
CAC International Bank
International Commercial Bank

SECRETARIES

P W Corporate Secretarial (Pvt) Ltd.
3/17, Kynsey Road
Colombo 8
Sri Lanka
Tel: +94 11 464 0360
Fax: +94 11 474 0588

AUDITORS

Messrs KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar Mawatha
Colombo 3
Sri Lanka
Tel: +94 11 242 6426
Fax: +94 11 244 5872

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www.carbonfund.org

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