



Value Engineering

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ACCESS ENGINEERING WAS CREATED TO BE AN ENTITY OFFERING ENGINEERING ACUMEN AND SKILLS OF THE HIGHEST ORDER, COMBINED WITH A HIGH CAPACITY TO INNOVATE AND A DESIRE TO OFFER THE PRODUCTS AND SERVICES THAT ENGENDER LONG-TERM PARTNERSHIPS WITH STAKEHOLDERS.

To our way of thinking, all this initiative must generate and deliver optimum value to the stakeholder, which is why we look on our enterprise as value engineering. Looked at another way, the success of our efforts enables us to be valued for our engineering prowess.

Whichever way one looks at it...**Value is key**



THIS IS ACCESS ENGINEERING

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VISION

To be the foremost Sri Lankan business enterprise in value engineering.

MISSION

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



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

We have set ourselves apart from the competition by way of innovative, one-of-a-kind solutions combined with our end-to-end project and engineering know-how. Our work force consists of staff and labour amounting to over 2,500. Managerial and professional staff account for over 150 and technical staff for about 400. We also possess an island-wide network of quarries, crusher plants, asphalt plants, and concrete batching plants along with the latest machinery.

Our local strength, knowledge, and relationships, coupled with our world-class expertise, have allowed us to provide advanced, yet personalised engineering solutions to our stakeholders.

The "Access Engineering Promise" is to maintain the highest professional standards from planning, design, to execution.

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

AEL has the following wholly-owned subsidiaries: Access Realities (Private) Limited, Access Realities 2 (Private) Limited, ARL Elevate (Private) Limited, and Horizon Holdings Ventures (Private) Limited. Other subsidiaries are Sathosa Motors PLC, which is 84% owned by AEL, Access Projects (Private) Limited which is 80% owned, Horizon Knowledge City Limited (99.99% owned) and Harbour Village (Private) Limited (60.83% owned). AEL also has 50% joint ventures in Horizon Holdings (Private) Limited and Blue Star Realities (Private) Limited. Our associate company, ZPMC Lanka Company (Private) Limited, in which we have a 30% stake is a joint venture with Shanghai, Zhenhua Heavy Industries Company Limited (ZPMC) of China, the world's largest container handling equipment manufacturer.

ABOUT THIS REPORT

Welcome to the fifth consecutive Integrated Annual Report of Access Engineering PLC. The Report provides an overview of the financial and non-financial information, key functions, strategic investments, and the main business segments of the Company. The Report also includes information regarding the value creation process of AEL, summarised in the Business Model Section, and outlines the Company's short and long-term strategies, governance, performance, and the Company's efforts towards sustainability in a comprehensive, coherent manner.

REPORTING FRAMEWORK

This Report has drawn on the concepts, principles, and guidelines described in the following sources:

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

CONCEPTS

Value creation at AEL is a two-way process of value creation and value delivery. AEL's capitals comprises financial, Intellectual, Manufactured, Human, Social and relationship, and Natural capitals.

REPORT BOUNDARY AND REPORTING PERIOD

The overall boundary of this Report includes both Access Engineering PLC (referred to as AEL or Company) and its subsidiaries as listed out in page 5 (collectively referred to as the "Group"). Financial aspects cover the entire Group while non-financial aspects cover only Access Engineering PLC.

The Access Engineering PLC's Integrated Annual Report 2017/18 covers the period from 1 April 2017 to 31 March 2018.

This year's Report is consistent with the Company's usual reporting cycle with regards to financial and sustainability reporting. The previous Annual Report covered the period from 1 April 2016 to 31 March 2017.

COMPLIANCE

This Report presents financial aspects as well as the wider social and environmental impact of the Company's activities. There have been no restatements of any information given in any previous reports, in this Report. There have also been no changes in the scope and boundary compared with the previous Report. This Report is prepared in accordance with the core criteria of GRI Sustainability Reporting Guidelines GRI Standards.

EXTERNAL ASSURANCE

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

PRECAUTIONARY PRINCIPLE

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

QUERIES

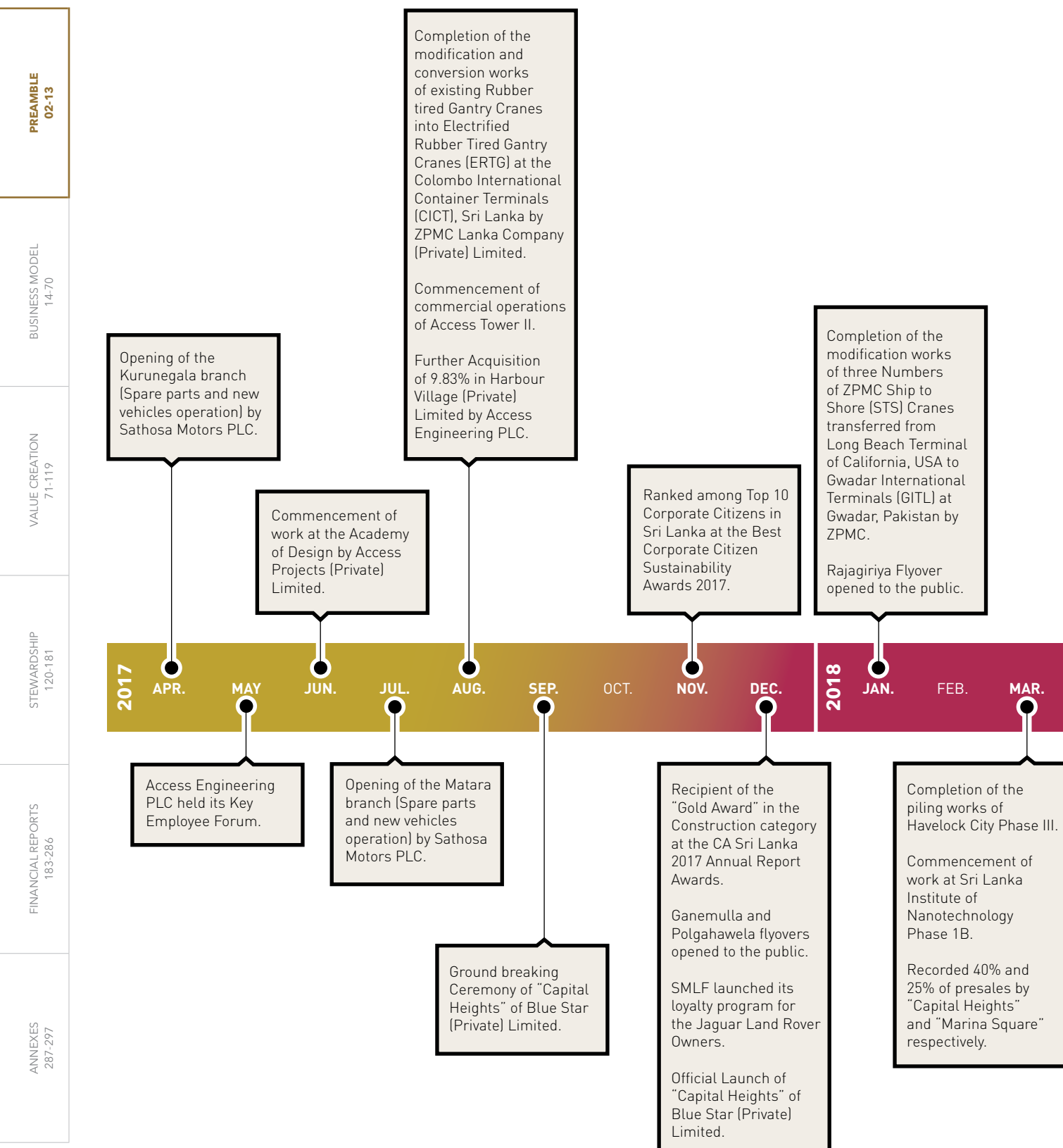
Further queries regarding the Report or its contents should be addressed to the Chief Operating Officer, Access Engineering PLC at rohana@accessengsl.com

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












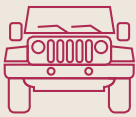






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The Report is available in both print and HTML versions. The latter may be downloaded from the Company's website www.accessengsl.com

MILESTONES



OUR GROUP STRUCTURE

 CONSTRUCTION AND CONSTRUCTION RELATED MATERIALS		Access Engineering PLC	Parent
		Access Projects (Private) Limited	80%
 PROPERTY		Access Realities (Private) Limited	100%
		Access Realities 2 (Private) Limited	100%
		Harbour Village (Private) Limited	60.83%
		Blue Star Realities (Private) Limited	50%
		Horizon Holdings Ventures (Private) Limited	100%
		Horizon Knowledge City Limited	99.99%
		Horizon Holdings (Private) Limited	50%
 AUTOMOBILE		ARL Elevate (Private) Limited	100%
		Sathosa Motors PLC	84.42%
		SML Frontier Automotive (Private) Limited	42.21%*
 MECHANICAL ENGINEERING		Land Rover	
		ZPMC Lanka Company (Private) Limited	30%

* Effective holding

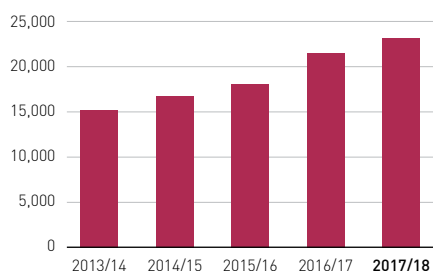
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		2017/18		2016/17		Change (%)	
		Group	Company	Group	Company	Group	Company
Earnings highlights and ratios							
Revenue	LKR Mn.	26,056	17,937	20,448	14,787	27.4	21.3
Gross profit	LKR Mn.	4,061	2,811	4,732	3,404	-14.2	-17.4
EBITDA	LKR Mn.	5,677	3,697	4,272	3,886	31.9	-4.9
EBIT	LKR Mn.	4,623	2,837	3,352	3,132	31.0	-14.9
Earnings before tax	LKR Mn.	4,231	2,391	3,231	3,003	31.2	-20.4
Profit attributable to equity holders	LKR Mn.	3,071	1,908	2,708	2,684	14.7	-28.9
Dividend	LKR Mn.	1,200	1,200	1,500	1,500	-20.0	-20.0
Earnings per share	LKR	3.07	1.91	2.71	2.68	14.7	-28.8
Dividend per share	LKR	1.20	1.20	1.50	1.50	-20.0	-20.0
Dividend payout	%	39	63	55	56	-30.2	12.4
Statement of financial position							
Highlights and ratios							
Total assets	LKR Mn.	44,439	32,989	36,046	28,425	23.3	16.1
Stated capital	LKR Mn.	9,000	9,000	9,000	9,000	0.0	0.0
Retained earnings	LKR Mn.	11,376	8,715	9,590	8,038	19.0	8.4
Total equity/Shareholders' funds	LKR Mn.	23,080	17,868	21,551	17,221	7.1	3.8
Total liabilities	LKR Mn.	21,358	15,122	14,495	11,204	47.4	35.0
Current assets	LKR Mn.	23,268	13,358	19,972	12,580	15.4	6.2
Current liabilities	LKR Mn.	14,818	9,165	8,815	5,636	68.1	62.6
Net assets value per share	LKR	20.78	17.87	18.84	17.22	10.3	3.8
Investor highlights and ratios							
Price per share	LKR	-	20.50	-	23.80	0.0	-13.9
Gross profit margin	%	15.6	15.7	23.1	23.0	-32.5	-31.9
Net profit margin	%	11.6	10.6	13.4	18.2	-11.8	-41.6
Return on equity	%	13.1	10.7	12.7	15.6	5.1	-31.6
Debt/Total assets	%	20.4	21.5	15.90	18.30	28.6	17.5
Debt/Equity	%	39.4	39.7	26.60	30.10	48.0	31.9
Current asset ratio	Times	1.6	1.5	2.3	2.2	-32.4	-33.7
Quick asset ratio	Times	1.2	1.3	1.7	2.1	-32.7	-39.0

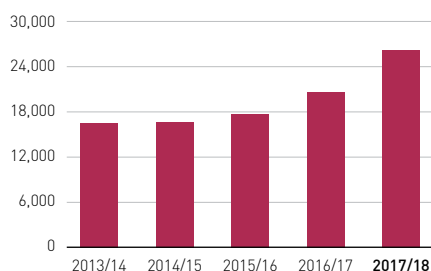
NET ASSETS

LKR Mn.



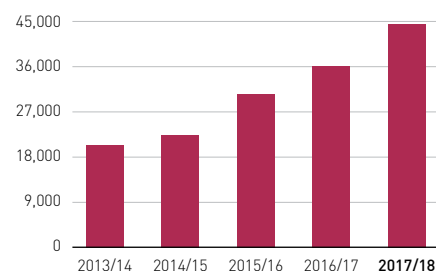
CONSOLIDATED REVENUE

LKR Mn.



TOTAL ASSETS

LKR Mn.



NON-FINANCIAL HIGHLIGHTS



HUMAN CAPITAL

11,891

Total number of training hours

LKR 8 Mn.

Investment on employee training and development

2,670

Staff and labourers

0.48

Lost time injury frequency rate



INTELLECTUAL CAPITAL

LKR 18 Mn.

Invested to upgrade integrated information and planning systems



MANUFACTURED CAPITAL

LKR 450 Mn.

Investment in property, plant, and equipment

LKR 461 Mn.

Invested in heavy machinery and equipment fleet.



SOCIAL AND RELATIONSHIP CAPITAL

100%

Project completion ratio

11,959

Registered suppliers

LKR 14 Mn.

Worth of classroom furniture, 1,470 pairs of desks and chairs, distributed to 42 schools



NATURAL CAPITAL

24,000

Trees planted

7,038 Kg

E-waste recycled

7,383 Litres

Water reused and recycled

319,871 Litres

Total water consumption

236,775,620 Joules

Energy consumed

AWARDS

Ranked among the Top 10 Corporate Citizens in Sri Lanka at the Best Corporate Citizen Sustainability Awards 2017.

Ranked among the Top 30 entities by Business Today Top 30 in 2017.

Reaffirmed “(SL) A+ with a stable outlook” Entity Rating by ICRA Lanka Limited.

OPERATIONAL HIGHLIGHTS



Completion of construction of Rajagiriya Flyover



Commencement of commercial operations of Access Tower II, an A-grade office complex in the heart of Colombo



Commenced construction work of “Capital Heights” Rajagiriya, a luxury condominium development



Pre-sales of 40% and 25% for “Capital Heights” Rajagiriya and “Marina Square” Colombo respectively

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A MESSAGE FROM THE CHAIRMAN

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WE EXPERIENCED A YEAR OF POSITIVE FINANCIAL PERFORMANCE BY RECORDING THE HIGHEST TURNOVER OF LKR 26 BN. AND LKR 18 BN. AT THE GROUP AND THE COMPANY LEVELS RESPECTIVELY.

It is with great pleasure that I present to you Access Engineering PLC's Annual Report 2017/18. I am pleased to report that the majority of our activities performed according to expectations. We experienced a year of positive financial performance by recording the highest turnover of LKR 26 Bn. and LKR 18 Bn. at the Group and the Company levels respectively with corresponding growth rates of 27% and 21%. We also completed several infrastructure projects of national importance and continued large-scale projects both independently and in joint venture with international companies.

Despite the cyclical recovery in the global markets, the international operating environment was not conducive to the business segments that we operate in. Especially in the international markets, the construction and engineering sectors were negatively affected while the automotive sector remained resilient. The Sri Lankan economy grew by 3.1% in 2017, compared to 4.5% in 2016 as a result of disruptions from droughts and floods. The construction sector grew by 10% during the year despite the setbacks through delays in the decision-making process, depreciation of the rupee, and changes in the corporate tax structure.

Our exceptional performance in the year 2017/18, outlined in the joint statement of the Managing Director and the Chief Operating Officer, is a testament to our leadership in the sector and our ability to create financial value. Thus, we can boldly claim that Access Engineering, as the most innovative construction company in Sri Lanka, embodies the ethos of **Value Engineering** delivering consistent value to all our stakeholders. Our strength also comes from our diversified portfolio with synergies derived from international partnerships. Our internal processes and corporate governance have also been fine-tuned over the years to add continuous value.

It is highly encouraging to see that our venturing into the real estate development has met with immense success. Our signature real estate project to transform the skyline of Colombo, "Capital Heights" Rajagiriya, will be completed in 2020 and has garnered interest from locals and expatriates. With nearly 40% of presales as at 31 March 2018, the project is geared to be another triumph for Access Engineering. The "Marina Square" Colombo, a fully-integrated, mixed development project comprising 1,068 condominium apartment units and around 150,000 sq. ft. of commercial space, will introduce a new calibre of luxury living to Colombo. This joint-venture real estate project has already enjoyed healthy presales up to 25%. In another important milestone, Access Tower II commenced operations this year. Access Tower II, a 30 storey, A-Grade, office tower of 200,000 sq. ft. of rentable office space was preleased three months prior to opening.

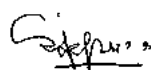
I am proud to announce that our leadership position in the sector has been recognised where Access Engineering PLC was bestowed with a number of awards during the year. For our commitment to sustainability, we were named under the "10 Best Corporate Citizens" in Sri Lanka by the Ceylon Chamber of Commerce at the Best Corporate Citizen Sustainability

Awards 2017. We also won the categories of "Environmental Management", "Construction", and "Turnover of less than LKR 15 Bn." We were also the "Gold Award" recipient in the Construction category at the CA Sri Lanka 2017 Annual Report Awards. At the People Development Awards 2017 organised by the Sri Lanka Institute of Training and Development, we received the "Gold" Award.

Our principal strategic focus is to deliver, create, and derive sustainable value and financial growth through organic and inorganic means. The corporate governance structure at AEL is geared towards ensuring sustainable growth of the Company. Our short-term objective in contributing to sustainable growth is through streamlining the data collection process within the Company as well as concerning our numerous projects. Better and faster collection of data will lead to faster and efficient project execution. We have also set short-term targets for reducing water and electricity consumption. Our medium-term objective in our drive towards sustainability is to set targets for other parameters like effluents, waste, and emissions. Our long-term objective is to extend reporting on sustainability to Group companies.

With the most diversified portfolio in the sector, our future is bright. Our short to medium-term strategies remain the same with the main focus being on our core business lines of engineering and construction. The construction industry has a lot more room to grow with the development of the Colombo Port City project which will transform the capital city into a key economic hub of the region. Our drive is to position ourselves as a key player in the real estate sector, and maintain leadership and increase our market share in the construction sector. In the long term, especially following 2020, our real estate projects of "Capital Heights" and "Marina Square" Colombo will contribute extensively to our bottom line. We are also hoping to extend Access Tower II by adding a new wing dubbed "Tower III".

In conclusion, due thanks should be given to our dedicated workforce, whose professionalism has driven the Company towards innovation and significant accomplishments. I would also like to thank the fellow members of the Board who have been instrumental in guiding the Company with exemplary governance and corporate best practices. The Corporate Management Team led by the Managing Director, Mr Christopher Joshua and the Chief Operating Officer, Mr Rohana Fernando, deserves praise for steering the Company towards success. I also extend my appreciation to our customers, business partners, investors and shareholders for their continued trust and loyalty towards Access Engineering PLC. We will continue to create value to all our stakeholders through epitomising the concept of Value Engineering. That is the "Access Promise".



Sumal Perera
Chairman

6 August 2018

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JOINT STATEMENT FROM THE MANAGING DIRECTOR AND THE CHIEF OPERATING OFFICER

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**WITH THE INCREASED PACE OF CHANGE,
THE CAPACITY FOR INNOVATION IS
VITAL FOR AEL TO STAY AHEAD OF
THE COMPETITION TO DELIVER VALUE
ENGINEERING, MEETING THE DIVERSE,
CHANGING NEEDS OF OUR CUSTOMERS.**



**WE INVESTED
LKR 1.8 BN.
IN PROPERTY, PLANT,
AND EQUIPMENT AT
THE GROUP LEVEL**

It gives us great pleasure to once again to take you through the important milestones of Access Engineering PLC in 2017/18. This year too, we worked towards understanding the needs of our customers, and more importantly, deliver innovative value engineering solutions, setting us apart in a highly competitive market and challenging environment. Throughout the year, AEL has carried out significant projects that are executed through innovative and sustainable solutions to deliver **Value Engineering**.

THE CONTEXT

Sri Lankan economy witnessed a growth of 3.1% in 2017, below the estimated growth due to various factors ranging from natural disasters and the outbreak of dengue in the second quarter. According to the CBSL Annual Report 2017, the industries and services sector grew marginally by 2.65% and 2.89% respectively. The construction sector experienced a growth of 3.07% in 2017. Further, the construction sector's contribution to industries stood at 23.80%, a marginal growth from 23.71% recorded in 2016.

OUR PERFORMANCE

Amidst a challenging business environment, we achieved our highest turnover in the history at the Group and the Company levels, recording LKR 26 Bn. and LKR 18 Bn., growth of 27% and 21% respectively. Construction related activities contributed 57% to the Group turnover, while 31% was contributed by automobile activities, 10% from sale of construction related material and the rest being made up of leasing office space. Profit after tax was LKR 3 Bn. and LKR 1.9 Bn. at the Group and the Company levels. We also paid dividends amounting to LKR 1.2 Bn. during the year, in addition to the LKR 1.5 Bn. paid in 2016/17. The net asset value per share grew by 10% and 4% respectively at the Group and the Company levels. We managed to report this exceptional performance through focused execution of strategic imperatives for the year with ownership and accountability, thereby enhancing the quality of our service offering, depicting the robustness of our business model and the underlying core values.

OPERATIONAL HIGHLIGHTS – ACCESS ENGINEERING GROUP

AEL invested a sum of LKR 1.6 Bn. in property, plant, and equipment at the Group level, a growth of 19%. At the Company level, LKR 461 Mn. was invested in plant and machinery. The Group's two major investment properties, Access Tower I and II are revalued at over LKR 10 Bn.

Access Tower II of Access Realities 2 (Private) Limited commenced commercial operations during the year with high-end office spaces that were fully leased out even before completion. Following this success, we are in the process of exploring the possibility of adding Access Tower III adjacent to Towers I and II.

"Capital Heights" Rajagiriya too recorded a good performance in sales and the main contract for its construction was awarded and work commenced. This Condominium Apartment development by Blue Star Realities (Private) Limited is due to be completed in 2020. The soft launch of Marina Square Colombo of Harbour Village (Private) Limited took place during the last quarter recording a good performance in sales. This project is a joint venture between Access Engineering PLC, China Harbour Engineering Company Limited and Mustafa's Pte. Ltd. Singapore.

Access Projects underwent a correction phase resulting in certain structural changes to ensure its sustainability and having to absorb a significant financial loss.

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The automobile sector recorded a growth of over 50% with Sathosa Motors PLC and SML Frontier Automotive (Private) Limited gaining market share in their respective sectors. SML Frontier recorded a good performance in comparison to the previous financial year with healthy growth due to the launch of new Range Rover and Jaguar SUV vehicles. Sathosa Motors PLC continued to maintain market leadership in Japanese light commercial vehicle segment. Whilst recording a significant growth in revenue and profit, Sathosa Motors PLC had to deal with a significant write off too. Our associate ZPMC Lanka Company (30%) carried out maintenance of container cranes in Sri Lankan ports as well as overseas recording a growth in revenue.

Having reviewed its current exposure and investments and anticipated future investments in the real estate sector, AEL decided to dispose of its investments in Horizon Holdings, Horizon Holding Ventures, and Horizon Knowledge City due to the long gestation period of the intended developments.

INNOVATION TO THE FORE

With the increased pace of change, the capacity for innovation is vital for AEL to stay ahead of the competition to deliver value engineering, meeting the diverse, changing needs of our customers. Each year, we identify new technical products, processes, and solutions to improve efficiency in methods and processes. To identify the best practices at the global stage, we greatly benefit from synergies with our international partnerships. Our professional development programmes are also geared to facilitate the adoption of innovative solutions. Through these programmes, we help our employees to keep abreast of these developments and hone their competencies. During the year, we continued to utilise innovative technologies and processes like micro trenching, the use of Geo-composite in road paving, the adaptation of composite decks on bridges and flyovers, diaphragm wall as a retaining wall for basements, post tensioning method for high-rise buildings, and many more. For an overview of new methodologies, please refer to intellectual capital (page 84). AEL will continue to identify and implement innovative solutions to improve overall efficiency and to deliver even more value to our key stakeholders.

NOTABLE PROJECTS IN 2017/18

We understand that the development of infrastructure can stimulate growth and are crucial to Sri Lanka's economy and the society. Having the right infrastructure built taking into account new trends, requirements, and innovation will spur a developing economy such as ours. During the year, we undertook a number of projects in the segments of transportation, water, urban infrastructure, and others, marking significant milestones in our project portfolio. Given below is an overview of the notable projects during 2017/18:

- Phase II of the Central Expressway Project, from Meerigama to Pothuhera, continued during the year and is on schedule to be completed in 2019. Our scope of work included the construction of a 3 km stretch of highways and associated structures.
- We completed the construction of three flyovers in Rajagiriya, Polgahawela, and Ganemulla during the year. The projects were undertaken in partnership with a Spanish construction company.
- In addition, we continued the construction of the diaphragm walls and piling work for the proposed ODEL Mall and Havelock City Phase II. We commenced construction of the Anuradhapura Water Supply Project.
- During the year, we carried out work in a number of commercial and residential projects which included the Urban Regeneration - Public Sector Housing project, UDA Phase II low income housing project, the Waterfront Integrated Resort Project, new building for the Sri Lanka Institute of Nanotechnology etc.

CHALLENGES FACED

Apart from the market and industry-specific challenges, there were challenges at the macro level which adversely impacted the smooth conduct of our operations. Among others, these included delays in mega-scale infrastructure projects, rising prices of raw materials, depreciation of the rupee, natural disasters like floods, and the shortage of skilled labour.

We implemented certain strategic directives to mitigate the effects of these challenges like diversification of our business, streamlining procurement procedures, conducting training and development programmes, and generating revenue from tax-free ventures like the newly constructed Access Tower II.

FOCUS ON SUSTAINABILITY

With clearly defined strategies towards achieving sustainability in all domains, AEL has been delivering and will continue to deliver on its responsibility as a leading corporate citizen in Sri Lanka. Our expertise and experience in the field of construction enable us to make a meaningful contribution to meet global challenges such as climate change. We have in place corporate strategies to conserve the natural capital and minimise our impact on the community and the environment that we operate in.

There is a 360° company-wide approach to raise awareness about our corporate strategy. Our vocational training programmes that create skilled labour ensure that the Company itself will produce much needed workforce to the sector. We have partnered with the Department of Technical Education and Training to offer a plethora of programmes.

We also make use of scrap material to fabricate desks and chairs, over 1,470 pairs of which were donated to 42 schools. Our tree-planting programme too continued this year with over 24,000 trees planted during the year. Our e-waste collection drive was conducted for the forth consecutive year where we collected over 7,038 Kg of e-waste for safe disposal. A detailed description of our community development and sustainability initiatives can be found on page 101.

Among the accolades and awards our business received during the year under review, the highlight was to be selected among the 10 best corporate citizens in the country by The Ceylon Chamber of Commerce. This was in addition to many other awards we won for being the industry leader and for other sustainability initiatives carried out by us to uplift the industry, our stakeholders and our environment.

A glimpse into the future

Looking ahead, we see a number of opportunities in a challenging market environment and competitive industry which will allow us to capitalise on possibilities for growth and our bid to become the preferred employer.

In the coming years, major infrastructure projects like the Central Expressway, Colombo Port City, and such others will gather momentum. The real estate sector too shows marked improvements and room for further growth. Our projects in real estate will be completed to reap the benefits of the growing sector. Access Towers I and II will continue to add tax-free profits to the Group and we expect full occupancy rates to continue in the future. Our diversified businesses like the automobile, look promising due to the tax structure and the loyal customer base.

Expressing appreciation

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



Christopher Joshua
Managing Director



Rohana Fernando
Chief Operating Officer
6 August 2018

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02-13

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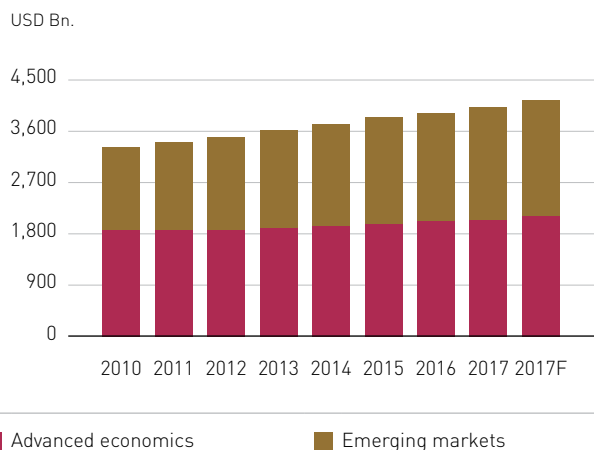
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OPERATING ENVIRONMENT

GLOBAL CONSTRUCTION INDUSTRY

In 2017 the world economy grew to reach 3% growth rate. The faster pickup in advanced economies contributed to the faster pace of growth in global construction output in 2018, with growth in these markets combined rising to 2.7% over the year. This is primarily due to the improvement expected in construction output in the US, following a slow out turn in 2017. According to IHS Markit, Global Construction Outlook 2018 estimates, global construction industry investment reached USD 9.7 Tn. in 2017. All three construction segments (Residential construction, building construction, and infrastructure) recorded positive growth rates in 2017 with a mean value of just over 3%. The positive trend will continue in 2018 with a projected increase of 3.4%, meaning that global investment is expected to exceed USD 10 Tn. for the first time.

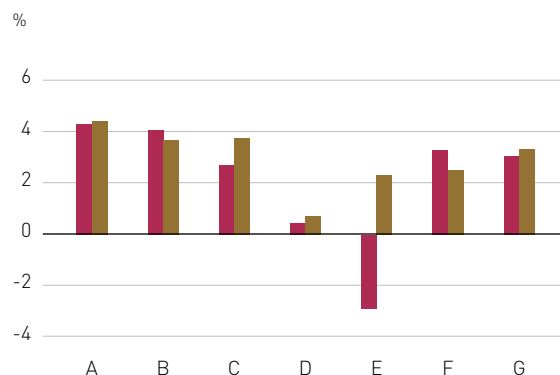
GLOBAL CONSTRUCTION SECTOR REVENUE



Sources: Oxford Economics, Euler Hermes

The global economy will continue to post healthy rates of growth in 2018/19, and investor confidence will remain buoyant. The expected tightening in monetary policy in major markets in 2018 will start to push up the cost of borrowing, but with interest rates generally at or near historical lows, this tightening process is not expected to have a major impact on construction activity during the early part of the forecast period.

INCREASE IN TOTAL CONSTRUCTION SECTOR INVESTMENT BY REGION*



2017

2018

A Asia/Pacific

E South and Central America

B Eastern Europe

F Western Europe

C MENA

G World

D North America

* Percentage change on prior year, measured in 2010 U.S. dollars: IHS Market, Global Construction Outlook, as of: January 2018

Sources: IHS Market, Global Construction Outlook, Executive Summary, October 2017

Emerging trends like the increasing demand for green construction to reduce the carbon footprint and the incorporation of sustainability, bridge lock-up device systems to enhance the life of structures, building information systems for efficient building management, and the use of fiber-reinforced polymer composites for the rehabilitation of ageing structures will have a direct impact on the dynamics of the sector. The sector has also welcomed the use of modern technology like the drone tech which has contributed to cost-cutting in the sector. The construction sector is the largest target industry for the drone manufacturers.

The Asia-Pacific region will continue to account for the largest share of the global construction industry, given that it includes the large markets of China, Japan, and India. The pace of growth will slow, however, given the projected slowdown in China's construction industry.

The future of the global construction industry looks good with opportunities in residential, non-residential, and infrastructure. The major drivers for growth of this market are the urbanisation and the growth of population which increases the demand for infrastructure. The global construction industry is expected to reach an estimated USD 10.5 Tn. by 2023, and it is forecast to grow at a CAGR of 4.2% from 2018-2023.

LOCAL CONSTRUCTION INDUSTRY

The Sri Lankan economy grew at a moderate pace of 3.1% in 2017, compared to the growth of 4.5% in 2016, amidst the challenges arising from both domestic and external fronts. Severe drought conditions that prevailed particularly in the major cultivation areas hindered the growth in agriculture activities. The reinstatement of GSP+ boosted manufacturing activities, providing stimulus for industry activities, amidst the moderation observed in construction activities. Services domain expanded largely supported by the growth in financial services, and wholesale and retail trade activities.

The Sri Lankan construction industry is worth approximately USD 8 Bn. Sri Lanka possesses over 2,500 registered local construction firms which are categorised by the Construction Industry Development Authority (CIDA) taking into account the companies' financial assets, technical capabilities, and field-specific experience. The Government policies in the recent years have encouraged innovation and private investment in several infrastructure projects ranging from water supply, waste-water disposal, power generation, roads, industrial estates and car parks. The sector has also followed the global trend of moving into sustainable construction, smart and green building construction, and using geo-technologies.

The Government continued its major infrastructure projects in 2017, like the extension of the Southern Expressway the construction of the Outer Circular Highway, and initial phase of the Central Expressway. The Colombo International Financial City (Port City), Elevated Highway Network, New Kelani Bridge, the Megapolis Development Programme, and irrigation projects in Polonnaruwa and Monaragala among other nation-wide infrastructure projects were also under way during the year.

According to the Central Bank of Sri Lanka (CBSL) Annual Report, industry related activities, accounting for 30% of real GDP, grew by 2.65% in 2017. This growth was due to spurred activity in manufacturing, construction activities, and mining and quarrying. Yet, the construction sector that supported the Sri Lankan economic growth throughout the post-war period experienced a marginal growth.

The post-war period witnessed the unprecedented development of high-end residential, commercial space, hotel and resort construction, and infrastructure; recording a growth in the construction sector that was twice as fast as the nation's Gross Domestic Product (GDP). In 2017, the construction sector slowed down to record a growth of 3.1% compared to 8.3% in 2016. This slow down in construction activities was reflected in cement production and imports, which grew at slower rates of 4.6% and 7.1%, respectively, in 2017, compared to the respective growth rates of 17.8% and 29.5% represented in 2016. It collectively recorded a 6.3 % growth in 2017, compared to 25.3% growth in 2016. Further, the building material imports volume index, which increased by 22.9% in 2016, recorded an increase of 6.8% in 2017, indicating a moderate performance in construction activities. Consequently, lending by Licensed Commercial Banks (LCBs) to private sector slowed to 22.4% compared to 26.9% in 2016.

One of the main challenges of the industry remains to be the complex set of public sector rules and regulations. The other principal challenges are rising construction costs and the shortage of skilled construction workers. According to a survey conducted by the Department of Census and Statistics, there is a high demand for elementary workers such as labourers and cleaners from employers. One of the problems is potential labour who seek employment in the Middle East and others who work as trishaw drivers. To fill this labour gap, workers from China, India, Nepal, and Myanmar have been brought in. The CIDA will also introduce new regulations to standardise minimum salaries for construction labour force to address the labour shortage.

A new tax reform will be effective from 1 April 2018, where the industry will be taxed 28% as opposed to the concessionary tax rate of 12%. This will impact the industry, the human capital, and the ongoing projects. The price of raw material is also on the rise, and the depreciation of the Sri Lankan Rupee will have a major impact on the importation of raw material like steel.

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COMPARISON OF KPIs

	2017/18	2016/17	Percentage Change (%)
Comparison based on monetary value			
Construction industry at current market prices as per CBSL 2017 Annual Report (LKR Mn.)	1,027,860	934,706	9.97
AEL Company turnover (LKR Mn.)	17,937	14,787	21.32
Comparison based on employment			
Total employment in construction, electricity, gas, steam and air conditioning supply, water supply, sewerage, waste management, and remediation activities as per CBSL 2017 Annual Report (000' persons)	688	617	11.51
Total number of AEL staff and labourers as at 31 March	2,670	2,655	0.56

OUTLOOK

The construction of the Colombo Port City Phase I will shortly begin where the development potential is estimated to be USD 15 Bn. There are also long-term road development projects that will be initiated like the Ruwanpura Expressway, the Elevated Highways, and others. There are also plans underway to construct a new passenger terminal at the BIA. These national construction projects and the private-sector infrastructure projects will be a huge boost to the national economy as well as the construction industry.

STRATEGIC DIRECTION

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

ENSURING SUSTAINABILITY IN ALL OPERATIONS

Our principal strategic focus is to deliver, create, and derive sustainable value and financial growth through organic and inorganic means. Preserving the environment in all our operations is a top priority at Access Engineering PLC. We ensure that all our operations are conducted in a sustainable, accountable manner. Further, we have nurtured long-term, progressive, and mutually beneficial relationships with all our stakeholders. Our comprehensive stakeholder engagement process is directed towards maintaining these relationships. We support local communities through engagement programmes and initiatives that focus on community development. We understand that the sustainability of AEL rests on our highly-skilled, loyal workforce. We ensure to support our employees by any means possible to create a safe, healthy, engaging working environment.

Key Performance Indicators

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

WINNING HIGH-QUALITY CONTRACTS IN OUR CHOSEN MARKETS AND FIELDS

Winning high-quality contracts in the industry ensures the proliferation of our brand and is fundamental to the sustainability of our business. Our leadership in the sector is a result of consistent, continued trust placed on us by our clients. Our strategic objectives include a stringent process in the selection of contracts and determination of the risk factors. Our risk management mechanisms are rigorously implemented to prevent undue, unforeseen risks to our business. We maintain a strong construction capability and capacity in the local market and have positioned ourselves as an industry leader through offering core engineering solutions and expansion beyond our shores through strategic partnerships. In order to consistently win high-quality contracts, we have recognised the need to embrace new technologies and review the market to anticipate changes.

Key Performance Indicators

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

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

Our Company is also committed to deliver an exceptional, world-class service to our clients. Our internal processes work at the optimal levels in order to prevent any unforeseen circumstances. Measures such as prudent project planning and execution, stakeholder engagement at every stage of the project has helped us successfully execute our projects. We have also maintained leadership in the sector in quality, environment management, health and safety, and sustainability. Our use of cutting-edge technology has enhanced our productivity.

Key Performance Indicators

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

BEING THE PREFERRED PARTNER AMONG INTERNATIONAL CONTRACTORS

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

Key Performance Indicators

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

DEVELOPING AND ATTRACTING EXCELLENT PEOPLE AND CAPABILITIES

Our goal has always been to attract the best in the sector and become the preferred employer of the sector. Our strategic direction emphasises the importance of employee retention in an industry where there is a dearth of skilled labour and employees. Investing in our workforce is one of our strategic priorities. We conduct leadership programmes and professional development programmes at all levels. Our programmes for university students, apprentices, and interns are all directed towards building skills. We have also focused on enhancing our governance process to create a value-based culture.

Key Performance Indicators

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

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INPUTS



FINANCIAL CAPITAL

- Base of over 5,816 equity shareholders
- LKR 23.08 Bn. equity employed
- LKR 9.09 Bn. obtained from banks and financial institutions

Refer to page 71



MANUFACTURED CAPITAL

- LKR 461 Mn. invested in heavy machinery and equipment
- LKR 2.2 Bn. fleet of machinery
- 14 production plants in Sri Lanka

Refer to page 82



INTELLECTUAL CAPITAL

- LKR 18 Mn. invested to upgrade integrated information and planning systems
- The AEL brand

Refer to page 84



HUMAN CAPITAL

- 111 internal and external training programmes conducted
- Total staff and labourers 2,670
- AEL organisational culture

Refer to page 87



SOCIAL AND RELATIONSHIP CAPITAL

- Network of 11,959 suppliers

Refer to page 92



NATURAL CAPITAL

- Energy consumption 236,775,620 Joules
- Water use 319,871 Litres

Refer to page 105

Investors and shareholders

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

Suppliers and Business Partners

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

Clients and the Government

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

Employees

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

Society and local community

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

Environment

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

OUTCOMES
VALUE CREATED FOR STAKEHOLDERS

CONSTRUCTION AND CONSTRUCTION RELATED MATERIALS

AUTOMOBILE

PROPERTY

MECHANICAL ENGINEERING

Key:

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

SUSTAINABILITY STRATEGY



- Profit after tax of LKR 1.9 Bn.
- LKR 600 Mn. interest paid to financial institutions
- LKR 3 Bn. generated from operations
- LKR 1.2 Bn. dividends declared



- LKR 2.3 Bn. paid and distributed among employees
- LTIFR ratio of 0.48
- 206 industrial placements offered



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



- LKR 14 Mn. worth of classroom furniture, 1,470 pairs of desks and chairs, distributed to 42 schools
- LKR 4.7 Bn. paid to sub-contractors
- LKR 1.7 Bn. spent on local suppliers
- LKR 6 Bn. worth of projects executed in joint-venture partnerships



- Upgraded Standard Operating Procedure (SOP)
- 377 employees with over 5 years of experience



- 24,000 trees planted
- 7,038 Kg e-waste recycled from 30 collection centres
- 931 Kg of wastepaper recycled

OUTPUTS

CONSTRUCTION

ROADS AND HIGHWAYS

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Status
Ongoing

Client
Road Development Authority

Start date
16 January 2017

Funded by
Local banks of Sri Lanka

End date
16 July 2019

Role in contract
Main contractor

Project value
LKR 9,378 Mn.

Location
Mirigama to Riloluwa

CONSTRUCTION OF THE PROPOSED PACKAGE “A” OF THE CENTRAL EXPRESSWAY SECTION 2

Central Expressway is one of the key expressways to be developed considering the long-term economical and transportation benefits. The project was initiated by the Road Development Authority under the directive of the Ministry of Higher Education and Highways.

Package “A” of CEP-2, which is 9.71 km, is entrusted to the contractor Consortium; ICC-ACCESS-(NAWALOKA-KDESH JV). Out of the total stretch of 9.71 km, the construction of CH 38+927 to CH 40+430 and CH 40+730 to CH 46+800 is entrusted to Access Engineering PLC. The scope of the work includes construction of a 3.633 km two-way divided expressway with asphaltic concrete four lanes having hard shoulders and soft shoulders either side with culverts, underpasses, one bridge, and a 1.23 km long viaduct. The project also includes 458,590 m³ of earth works.

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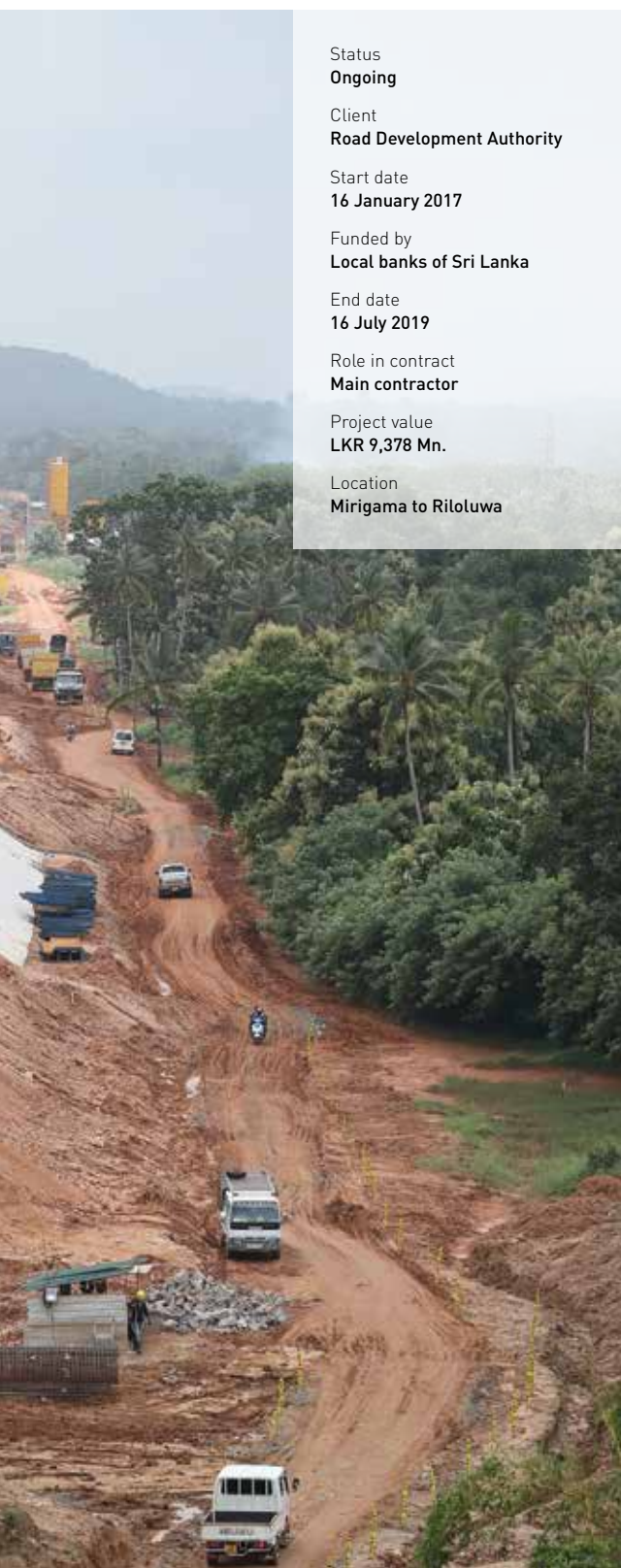
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Status
Ongoing

Client
Road Development Authority

Start date
11 September 2013

Funded by
Government of Sri Lanka

End date
31 December 2018

Role in contract
Main contractor

Project value
LKR 6,956 Mn.

Location
Gampaha district

REHABILITATION AND IMPROVEMENTS TO COLOMBO-KANDY (A001) ROAD FROM KADAWATHA TO NITTAMBUWA

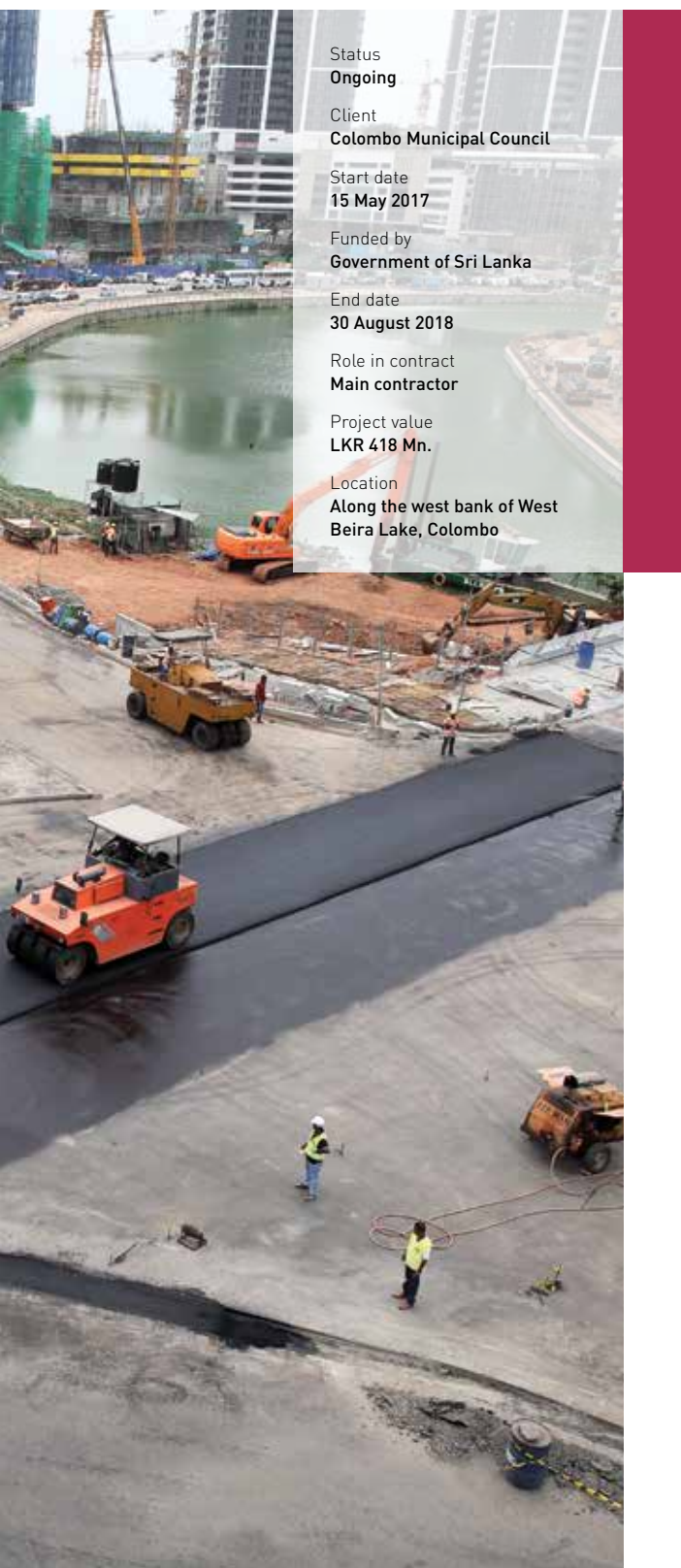
As a part of the National Road Rehabilitation Plan, the widening of the existing Colombo-Kandy corridor up to Nittambuwa was initiated and the rehabilitation and improvement work of the section Kadawatha-Nittambuwa was awarded to Access Engineering PLC, with local bank financing.

The 23 km, two-lane stretch from Kadawatha (17+000 km) – Nittambuwa (40+000 km) is already under rehabilitation and will be improved to a four lane standard carriageway where the width of a single lane would be 3.7 m. The scope also includes extensive land acquisition and utility shifting, widening and improvements to existing cross drainage structures, town improvement with elevated foot walks and centre median/islands as necessary, rehabilitation, improvement of road pavement structure, improvement of the existing drainage system. The project is implemented under the guidance and supervision of Road Development Authority (RDA).

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Status

Ongoing

Client

Colombo Municipal Council

Start date

15 May 2017

Funded by

Government of Sri Lanka

End date

30 August 2018

Role in contract

Main contractor

Project value

LKR 418 Mn.

Location

Along the west bank of West Beira Lake, Colombo

CONSTRUCTION OF PROPOSED RING ROAD ALONG THE WEST BANK OF WEST BEIRA LAKE

With the completion of many new hotels and condominium developments within the Colombo city, especially along the Colombo-Galle Road, the anticipated traffic volume will be doubled, bursting the city roads at their seams.

In order to ease out the anticipated complexities, the Colombo Municipal Council funded by the Government of Sri Lanka initiated the construction of a ring road from Colombo-Galle Road to Justice Akbar Mawatha, creating a direct pathway to access the upcoming hotels and condominium developments in and around Galle Face and along the Galle Road without disturbing the current flow of traffic.

The scope of the work includes the construction of a 1.15 km-long four-lane carriageway where the width of a single lane is 3.3 meters. The road is to be constructed with a 1.8-metre-wide foot path on the right side and a 0.75-metre-wide footpath on the left side and a 7-metre-wide two-lane connection road connecting to the Galle-Colombo Road.

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BRIDGES AND FLYOVERS

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Status
Completed

Client
Road Development Authority

Start date
20 April 2016

Funded by
Government of Spain

End date
23 March 2018

Role in contract
**Main contractor:
Centunión S A of Spain**

**Subcontractor:
Access Engineering PLC**

Project value
LKR 986 Mn.

Location
Rajagiriya

DESIGN AND CONSTRUCTION OF RAJAGIRIYA FLYOVER

The construction work of the flyover project was initiated by the Road Development Authority under the Ministry of Higher Education and Highways to mitigate the heavy traffic congestion which has long been a point of contention among daily commuters. The project is funded by the Government of Spain and the design and the supply of the superstructure are entrusted to; Centunión S A of Spain as the main contractor and the design and construction of substructure, on-site fabrication, the installation and erection of the steel superstructure are subcontracted to Access Engineering PLC.

The state-of-the-art flyover is of 363 m length and accommodates four traffic lanes built on two individual decks where the width of a lane at 3.5 m. The flyover is built following the horizontal alignment of the existing Sri Jayewardenepura Mawatha with two horizontal curvatures of 257 m and 128.5 m in radius respectively and a vertical alignment with a minimum 5.2 m vertical clearance for traffic flow underneath the flyover structure. The first in its kind in Sri Lanka the flyover is constructed on steel tubular Y-shaped piers to give more clearance to the traffic going beneath the flyover.

Project was completed well ahead of the initial contract date of December 2018 and was open to public on 8 January 2018.

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Status
Completed

Client
Road Development Authority

Start date
20 April 2016

Funded by
Government of Spain

End date
19 June 2017

Role in contract
**Main contractor:
Centunion S A of Spain**

**Subcontractor:
Access Engineering PLC**

Project value
LKR 389 Mn.

Location
Ganemulla Level crossing

DESIGN AND CONSTRUCTION OF GANEMULLA FLYOVER

Ganemulla Flyover, a 256 m long flyover with 3.5 m wide two-lane carriageways and 1.2 m wide two pedestrian ways is a much needed solution to the heavy traffic at the Ganemulla Railway Crossing.

The project was spearheaded by the Road Development Authority and was funded by the Government of Spain. The design and the supply of the superstructure was entrusted to the main contractor Centunion S A of Spain and the design of the substructure, onsite fabrication, installation, and erection was subcontracted to Access Engineering PLC, along with construction of approach roads and drainage works.

The flyover was built on pile foundations and a seven-span steel superstructure along with 330-metre-long approach roads. The alignment of the flyover takes a detour from the Ganemulla-Kadawatha Road and links to the Ganemulla-Kandana Road, maximising the natural elevation of the terrain, improving the overall road geometry, eliminating land acquisitions, and utility relocations.



Status
Ongoing

Client
Road Development Authority

Start date
24 July 2016

Funded by
Government of Austria

End date
24 January 2019

Role in contract
**Main contractor:
Bilfinger MCE GmbH
of Austria**

**Subcontractor:
Access Engineering PLC**

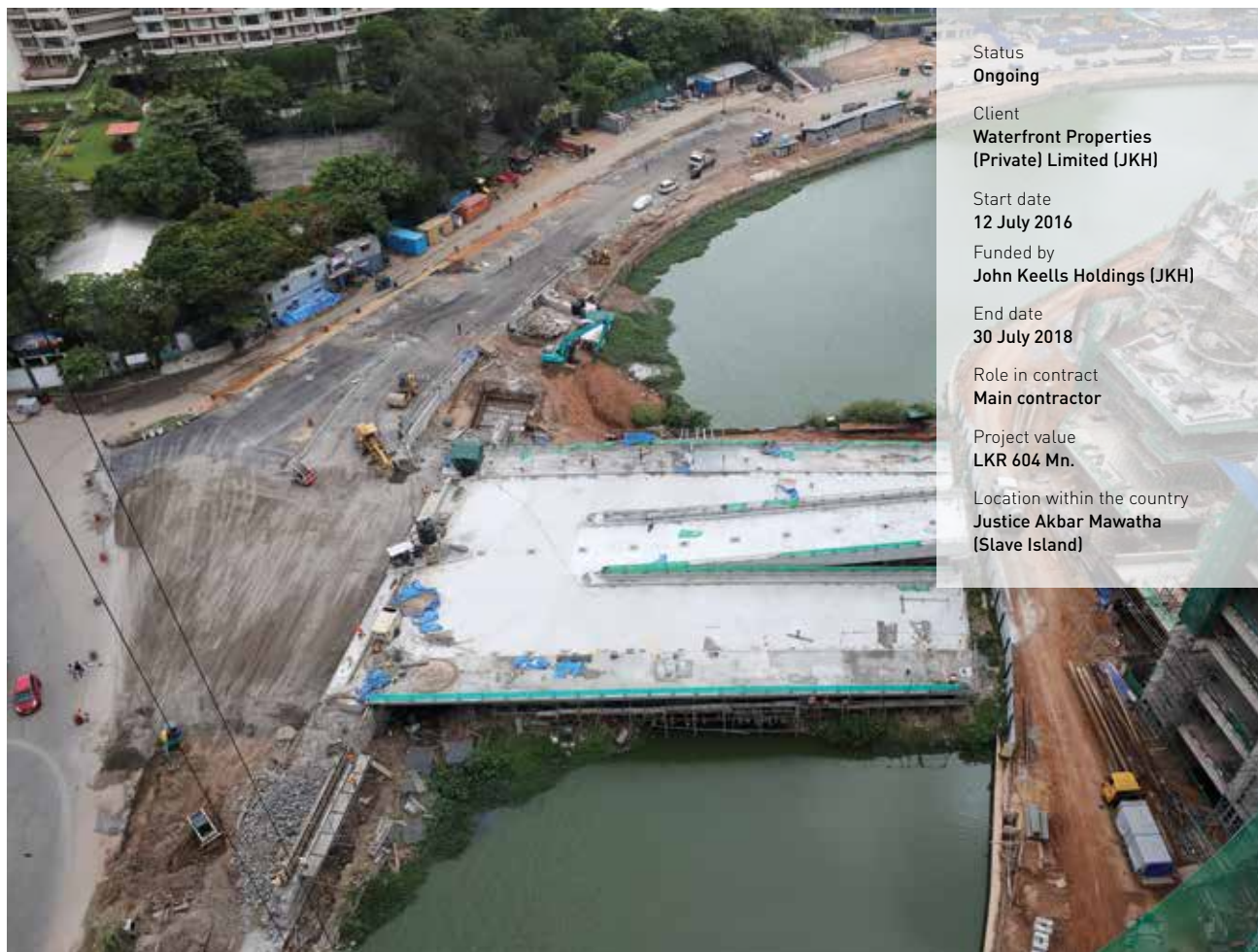
Project value
LKR 695 Mn.

Location
**Across Mahaoya River on
Peliyagoda-Puttalam Road**

RECONSTRUCTION OF KOCHCHIKADE BRIDGE (BRIDGE NO. 38/3) ON PELIYAGODA-PUTTALAM ROAD (A003)

Road Development Authority initiated the work of reconstruction of Kochchikade Bridge across Mahaoya River on Peliyagoda-Puttalam Road (A003) with the financial aids from the Government of Austria together with Bilfinger MCE GmbH of Austria and Access Engineering PLC. The objective of the project is to widen the bridge with four traffic lanes replacing the existing steel bridge that causes severe traffic congestion and difficulties for safe pedestrians' movements.

The scope of the project is to construct a 105 m long, 3 span bridge with spans of 30 m, 45 m and 30 m. The proposed bridge is 19 m wide and has two separate carriageways. Each abutment of the bridge comprises 11 numbers of bored piles and each pier comprises 10 numbers of bored piles. All the piles are of 1.2 m diameter and around 21 m in depth. The approximate lengths of approach roads to be built newly will be 140 m towards Negombo and 110 m towards Chilaw.



Status
Ongoing

Client
**Waterfront Properties
(Private) Limited (JKH)**

Start date
12 July 2016

Funded by
John Keells Holdings (JKH)

End date
30 July 2018

Role in contract
Main contractor

Project value
LKR 604 Mn.

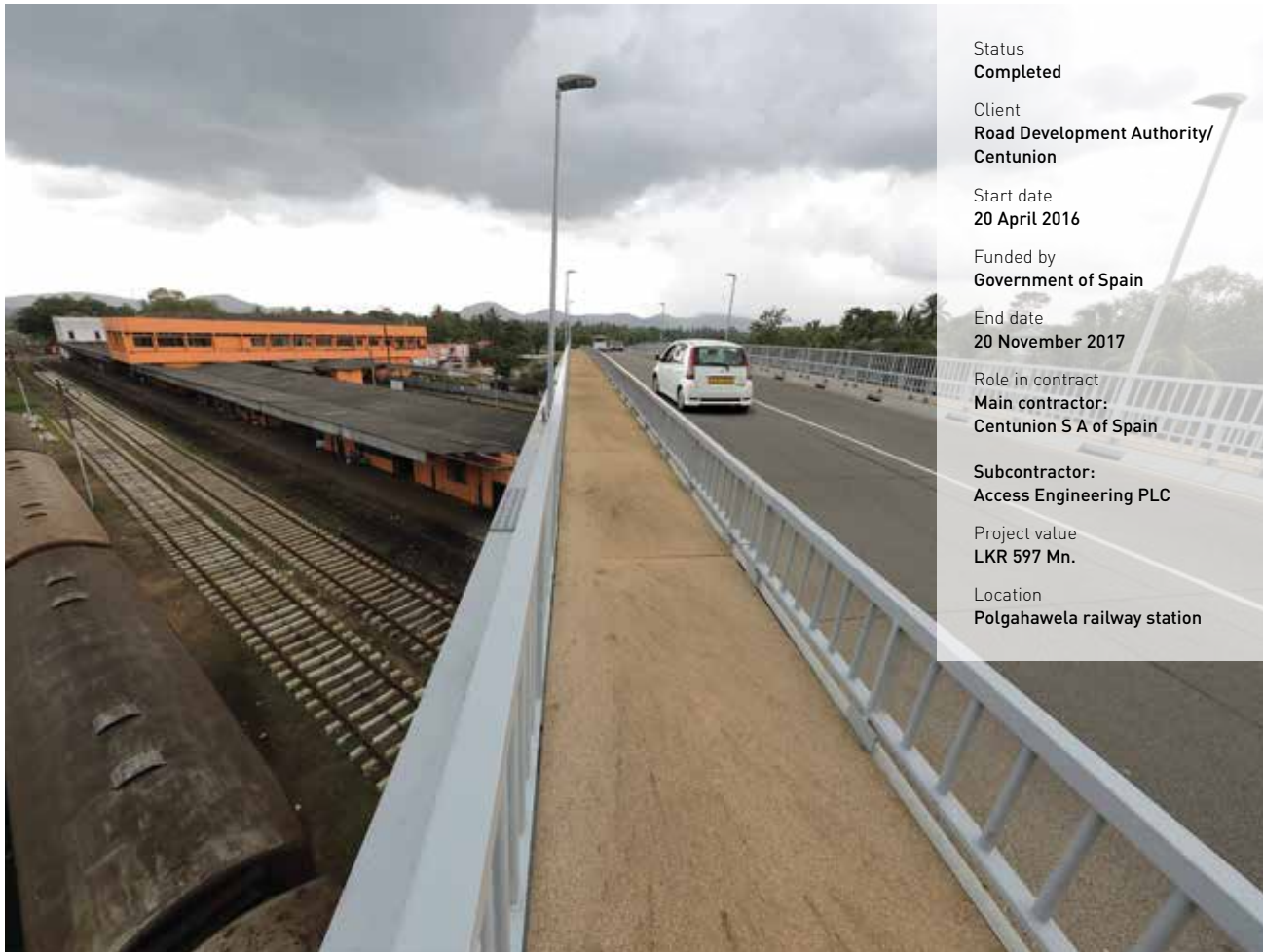
Location within the country
**Justice Akbar Mawatha
(Slave Island)**

DESIGN AND CONSTRUCTION OF BEIRA LAKE BRIDGE AND ASSOCIATED WORK FOR WATERFRONT INTEGRATED RESORT DEVELOPMENT PROJECT

The Waterfront Integrated Resort Project is a multifaceted development that consists of a luxury hotel, convention centre, entertainment facilities, international standard shopping mall, luxury condominiums, and office space. The location of the development along the banks of the Beira Lake requires a bridge to be constructed connecting the development to Justice Akbar Mawatha.

Access Engineering PLC has been awarded the contract to handle design and construction work on this 35 m wide and 50 m long steel bridge which is being built on three piers and one abutment while the other end will be connected to one of the buildings. The design and supply of the steel superstructure has been

undertaken by Centunion S A of Spain. The proposed bridge will consist of six lanes, with aluminium claddings on either side, flower troughs, high mast light towers and decorative lamps while the deck will be constructed of pre-cast concrete slabs and in-situ concrete finished with asphalt concrete. The deck, which rises from the side of Justice Akbar Mawatha, subsequently diverges into two key lanes which give easy access to the hotel development and condominium development.



Status
Completed

Client
**Road Development Authority/
Centunion**

Start date
20 April 2016

Funded by
Government of Spain

End date
20 November 2017

Role in contract
**Main contractor:
Centunion S A of Spain**

**Subcontractor:
Access Engineering PLC**

Project value
LKR 597 Mn.

Location
Polgahawela railway station

DESIGN AND CONSTRUCTION OF POLGAHAWELA FLYOVER

The project was spearheaded by the Road Development Authority under the Ministry of Higher Education and Highways and was funded by the Government of Spain. The design and supply of the superstructure was entrusted to the main contractor: Centunion S A of Spain and the design of substructure, on-site fabrication, installation, and erection was subcontracted to Access Engineering PLC along with the construction of 766 m long approach roads system.

Around 130 trains travel to and fro through the Polgahawela rail junction necessitating continuous shunting of trains which leads to long gate closures for approximately 400 minutes per day at the level crossing located along Polgahawela-Kegalle Road (A19). And this causes severe traffic congestion by the sides of the level crossing.

The project which was initiated as a permanent solution to the situation at hand was to erect a 234 m long steel flyover with a 3.5 m wide two-lane carriageway and 1.5 m wide two pedestrian ways with hand railings on either side. The flyover was built on a six-span steel superstructure of which the maximum span set to 45 m in length. The approach road system comprises of a 3.5 m wide two-lane carriageway and a 1.2 m wide raised foot walks for pedestrians. The alignment of the flyover takes a detour around the existing level crossing to improve the overall road geometry while eliminating the need for extensive land acquisitions and utility relocations.

WATER AND WASTEWATER

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Status
Ongoing

Client
**National Water Supply and
Drainage Board**

Start date
12 June 2017

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

End date
12 December 2018

Role in contract
**Main contractor:
Kolon Global Corporation**

**Subcontractor:
Access Engineering PLC**

Project value
LKR 1,984 Mn.

Location
Ridi Bendi Ela, Maho

DEDURUOYA WATER SUPPLY PROJECT

The water treatment plant in construction is of a capacity of 15,000 m³/day and is to hold raw water intake of 16,500 m³/day. Three numbers of overhead tanks of capacities of 1,000 m³, 750 m³, 1,500 m³ are planned to be built in Maho, Nagollagama, and Polpithigama, respectively.

The project is executed by the National Water Supply and Drainage Board and is funded by the Government of Sri Lanka and Government of South Korea, the construction work of the project is awarded to Kolon Global Corporation. The major parts of the construction work were subsequently subcontracted to Access Engineering PLC.



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Status
Ongoing

Client
**National Water Supply and
Drainage Board**

Start date
4 January 2015

Funded by
Government of Sri Lanka

End date
31 October 2018

Role in contract
Main contractor

Project value
LKR 4,390 Mn.

Location
Padukka and Horana

THE TOWNS EAST OF COLOMBO DISTRICT WATER SUPPLY PROJECT

The Towns East of Colombo District Water Supply Project is implemented by National Water Supply and Drainage Board and funded by local banks. The project is to cover a total of 116 km² which includes 40 Grama Niladhari Divisions under Seethawaka, Padukka and Horana Divisional Secretariat Divisions. The project which aims to provide pipe-borne water supply to an estimated population of 373,000 in the eastern part of the Colombo District is implemented through three contract packages. The Contract Package I which is awarded to Access Engineering PLC includes supply and laying of 1,000 mm diameter DI transmission pipes for a length of 4 km from Meepe to Meegoda and HDPE pipes of variable diameter as distribution mains for 200 km. Current works is conducted in Horana-Galagedara Road and work is expected to go on till August 2018.

ANURADHAPURA NORTH WATER SUPPLY PROJECT – PHASE I

Located in North Central Sri Lanka, Anuradhapura District is an arid region without any nearby rivers or other water sources, and residents rely on limited groundwater drawn from wells for daily living. A high concentration of fluoride, which is harmful to the human body, has been detected in the groundwater, and the harm being inflicted on personal health is a major priority. Furthermore, Chronic Kidney Disease (CKD) is prevalent in the area, of which exact cause is still unknown, but some researchers consider that contaminants in the groundwater may be one of the causes. The Anuradhapura North Water Supply Project will improve the water supply facilities and switch the water source from groundwater to safe surface water, improving the access of area residents to safe drinking water.

The scope consists of construction of the intake facility, a treatment plant at Mahakanadarawa, two groundwater reservoirs at Rambawa and one at Medawachchiya, two water towers at Rambawa, two elevated tanks at Ethakada and Isinbassagala and a pump house at Ethakada.

Status

Ongoing

Client

National Water Supply and Drainage Board

Start date

14 May 2018

Funded by

National Water Supply and Drainage Board

End date

13 April 2020

Role in contract

Main contractor

Project value

LKR 3,650 Mn.

Location

Anuradhapura

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IRRIGATION AND LAND DRAINAGE

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Status
Completed

Client
**Chief Secretary, Northern
Provincial Council**

Start date
**Package I – 24 August 2015
Package II – 19 October 2015**

Funded by
Asian Development Bank

End date
**Package I – 10 May 2018
Package II – 15 October 2017**

Role in contract
Main contractor

Project value
**Package I – LKR 488 Mn.
Package II – LKR 397 Mn.**

Location within the country
Iranamadu Tank, Vavuniya

REHABILITATION OF DOWNSTREAM AND UPSTREAM DAM EMBANKMENTS OF IRANAMADU RESERVOIR (PACKAGE I AND II)

The project which is financed by Asian Development Bank (ADB) International Fund for Agricultural Development (IFAD) was implemented under several packages. The Package I – rehabilitation of Downstream and Upstream Dam Embankments of Iranamadu Reservoir and Package II – Rehabilitation of Spillway, Supplying and Installation of New Radial Gates and Automation of Spill and Sluice Gates were awarded to Access Engineering PLC by Northern Provincial Council in respect for the corporate's extensive experience and industry recognised expertise.



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BUILDINGS

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Status
Completed

Client
Access Realities 2 (Private) Limited

Start date
1 March 2014

Funded by
Access Realities 2 (Private) Limited

End date
31 August 2017

Role in contract
Main contractor:

Project value
LKR 4,900 Mn.

Location
Colombo 2

ACCESS TOWER II – DESIGN AND CONSTRUCTION OF 30 STOREY OFFICE COMPLEX

The project envisages the “second stage development and expansion of the existing iconic Access Tower” and is a state-of-the-art modern office complex providing high quality office accommodation in an upmarket business centre in the Colombo city limits. The tower comprises of 30 floors with parking facilities for approximately 300 vehicles. All design and civil engineering works including piling was undertaken by Access Engineering PLC. The most current techniques prevalent in high rise construction such as post tensioning which is more advanced and cost effective was utilised by the Company in the construction of Access Tower II.



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Status
RC Works – **Ongoing**
Earth Retaining works – **Completed**

Client
Waterfront Properties (Private) Limited

Start date
RC Works – **1 October 2016**
Earth Retaining works –
1 June 2015

Funded by
John Keells Holdings (JKH)

End date
RC Works – **10 August 2018**
Earth Retaining works –
31 December 2017

Role in contract
Subcontractor

Project value
RC Works – **LKR 2,082 Mn.**
Earth Retaining works –
LKR 200.73Mn.

Location
**Justice Akbar Mawatha
(Slave Island)**

WATERFRONT INTEGRATED RESORT, COLOMBO 2 RC WORK PACKAGE FOR BUILDING NOS. 3, 5, AND 6 AND EARTH RETAINING WORK

The Waterfront Integrated Resort Project is a multifaceted development that consists of a luxury hotel, convention centre, entertainment facilities, international standard shopping mall, luxury condominiums and office space.

RC work package

The scope of work for this project include in constructing:

- Building No. 4 – A 147 m apartment building (B1 + 6 stories up to Podium + 39 typical floors) and the parking lot.
- Building No. 5 – A 134 m apartment building (B1 + 4 stories up to Podium + 36 typical floors) and the parking lot.
- Building No. 6 – A 125 m office building (B1 + 5 stories up to Podium + 25 typical floors) and the parking lot.

Earth retaining work

The location of the development at the bank of the Beira Lake has imposed numerous complexities in the groundwork, demanding supplementary actions to be undertaken to support the excavation and basement construction.

Access Engineering PLC was thus awarded the subcontract to fabricate and install steel struts retaining wall system to temporarily support the deep excavation and to facilitate the construction of the basement by HKN JV (Hyundai-Keangnam-Nawaloka Joint Venture).

The scope of the project also includes earth-retaining work, kicker block work, and the construction work of a temporary shed.



Status
Ongoing

Client
Urban Development Authority

Start date
19 March 2016

Funded by
**Public Private Partnership Model
Government of Sri Lanka and
Access Engineering PLC**

End date
31 August 2019

Role in contract
Main contractor

Project value
LKR 4,889 Mn.

Location
**Lesley Ranagala Mawatha,
Serpentine road, Borella**

CONSTRUCTION OF 608 HOUSING UNITS FOR GOVERNMENT EMPLOYEES AT BORELLA

The project which is executed by the Ministry of Megapolis and Western Development is a result of Government's initiative to make housing more accessible to the public sector employees in Sri Lanka.

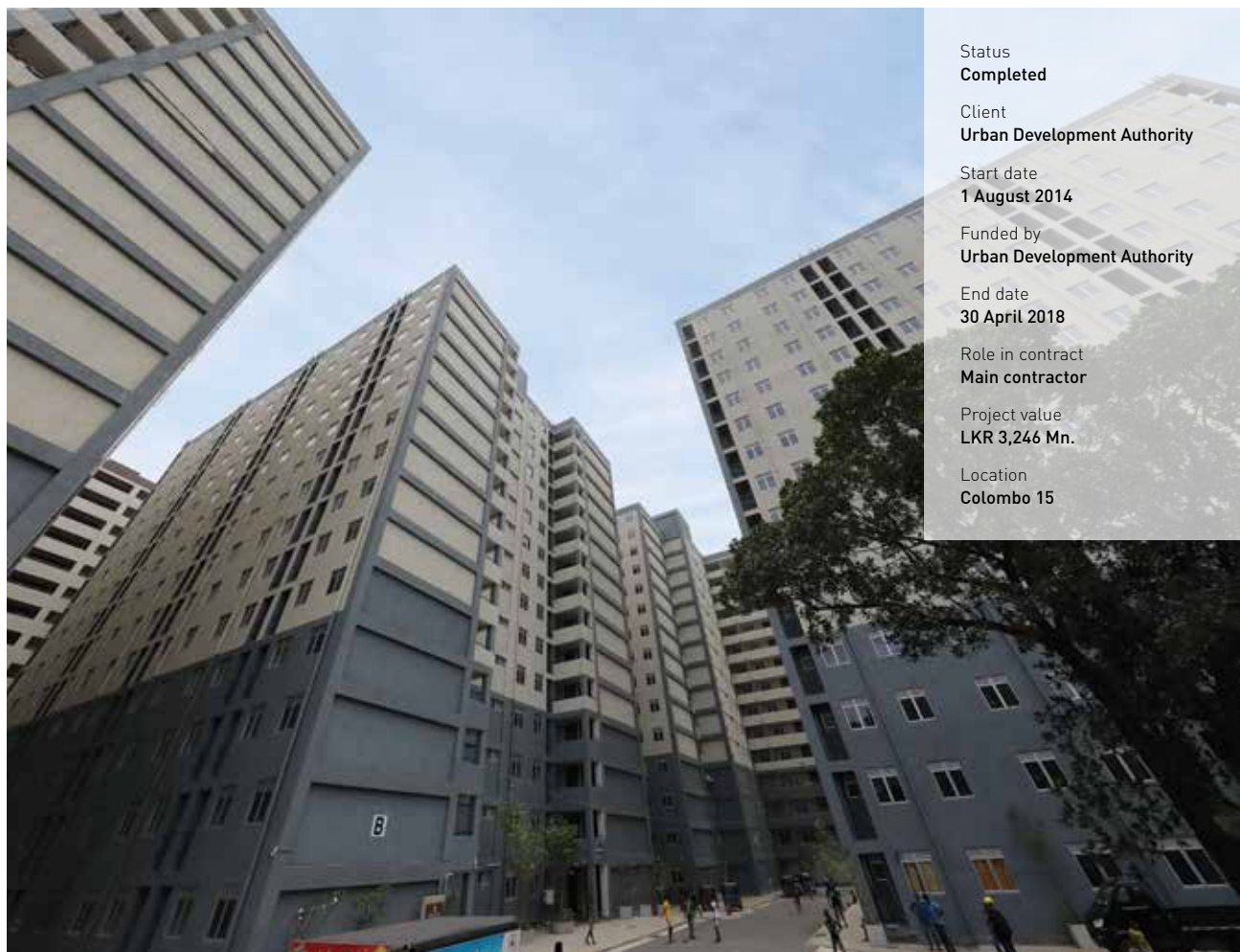
This design and build contract between the Government of Sri Lanka and Access Engineering PLC is considered to be the first Public Private Partnership (PPP) initiative undertaken after 25 years to encourage the private sector to involve more in PPP model projects.

The scope includes investigation, design and construction of two building blocks of G + 24 storeys that accommodate 608 residential housing units and 456 parking lots in 2.5-acre land in Borella.

The complex will comprise 2 and 3 bedroom-apartments along with arranged spaces for living, pantry and modern bathroom facilities.

Keeping abreast of the green and clean Urban Development concept adopted within the city, these residential buildings will include a swimming pool, gymnasium, restaurant and shopping complex to ensure comfortable living in the middle of the city.

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Status
Completed

Client
Urban Development Authority

Start date
1 August 2014

Funded by
Urban Development Authority

End date
30 April 2018

Role in contract
Main contractor

Project value
LKR 3,246 Mn.

Location
Colombo 15

RELOCATION OF UNDERSERVED SETTLEMENT PROJECT – 941 LOW COST HOUSING UNITS AT HENAMULLA – PHASE II

The project was developed as a permanent solution for the relocation of underserved and derelict community settlements scattered across Colombo.

Access Engineering PLC, the leading engineering enterprise in Sri Lanka was entrusted with the design and construction work of the said project which is a part of a drive that is spearheaded by the Ministry of Megapolis and Western Region Development with the forward vision to upgrade the living standards of the underserved communities by providing them proper housing in nearby apartment complexes and thereby utilising the vacant lands where the dilapidated settlements are utilised for city's future development. The Project is implemented under the guidance of Urban Development Authority and construction and supervision of Central Engineering Consultancy Bureau.

The scope of the project entrusted to Access Engineering PLC includes design and construction of four 15-storey apartment blocks which comprise 941 housing units of two bed rooms and spaces for living, kitchen, toilet and balcony along with the basic utilities.

NANOTECHNOLOGY BUILDING PHASE 1B

The expansion project of the Nanotechnology Park in Pitipana, Homagama is a Government Funded project initiated by the Ministry of Science, Technology and Research. The Nanotechnology Park will be developed in a 4-phased approach. Access Engineering PLC was awarded with the sub phase 1B and the scope is to construct:

- A hexagonal shaped laboratory building (Five Floors (G+4) with two basements) to be constructed adjacent to the existing hexagonal shaped three-storey laboratory building, on pile foundation.
- An accommodation building [Nine Floors (G+8)] to be constructed consisting bed rooms and two badminton courts on pile foundation.
- A Two Floors (G+1) building to accommodate canteen and gate house.

Status

Ongoing

Client

**Ministry of Science,
Technology and Research**

Start date

19 March 2018

Funded by

Government of Sri Lanka

End date

29 December 2019

Role in contract

Main contractor

Project value

LKR 3,088 Mn.

Location within the country

Pitipana, Homagama

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TELECOMMUNICATION

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Status
Phase IV,V,VI – Completed
Phase VII – Ongoing

Client
Dialog Broadband Networks
(Private) Limited

Start date
9 June 2017

Funded by
Dialog Broadband Networks
(Private) Limited

End date
31 August 2018

Role in contract
Main contractor

Project value
Cumulative (Phase IV,V,VI,VII)
LKR 979 Mn.

Location
Across the island

DIALOG BACKBONE PROJECT

Dialog Broadband Networks is a subsidiary of Dialog Axiata PLC, one of the Sri Lanka's largest telecommunication operators has made a forward investment with the deployment of a National Optical Fibre Backbone Network and Optical Fibre Sprout Connectivity Project with the intention of enhancing Internet penetration levels and introduction of state-of-art wireless technology for broadband Internet delivery. The National Optical Fibre Backbone Network Project is being implemented in several phases and Phase I to VI have already been completed and in operation.

The scope of the said projects includes planning, obtaining approvals, supply and installation of cables and accessories, testing and commissioning of optical fibre circuits.

DIALOG OPTICAL FIBRE SPROUTS CONNECTIVITY PROJECT

The scope of this project is to carry out services related to the deployment of optical fibre network including survey, supply of cables, network development and installation, testing and commissioning of Optical Fibre Network, underground as well as aerial, in the areas specified in this project.

Status
Ongoing

Client
Dialog Broadband Networks (Private) Limited

Start date
1 October 2013

Funded by
Dialog Broadband Networks (Private) Limited

End date
31 December 2018

Role in contract
Main contractor

Project value
LKR 865 Mn.

Location
Multiple sites

SLT NEW SUBSCRIBER CONNECTION PROJECT

Under this project, currently Access Engineering is assigned to install new telephone line connections and PEO TV connections in Galle, Hambantota, Matara, Ragama, and Wattala areas. We have provided 3,060 new connections for customers in the said areas. Further, the Copper Network Development and MSAN installations are being carried out in the Southern Region. At Sri Lanka Telecom, we are involved in FTTH implementation which is the latest technological improvement in telecommunication industry to provide high speed Internet and related facilities to households around the country using optical fibre cables. The contract is on Unit Rate Basis where the contract is renewed annually based on the performance of the installation teams employed by Access.

Status
Ongoing

Client
Sri Lanka Telecom PLC

Start date
1 October 2013

Funded by
Sri Lanka Telecom PLC

End date
31 December 2018

Role in contract
Main contractor

Project value
Unit rate contract

Location
Multiple sites

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PILING

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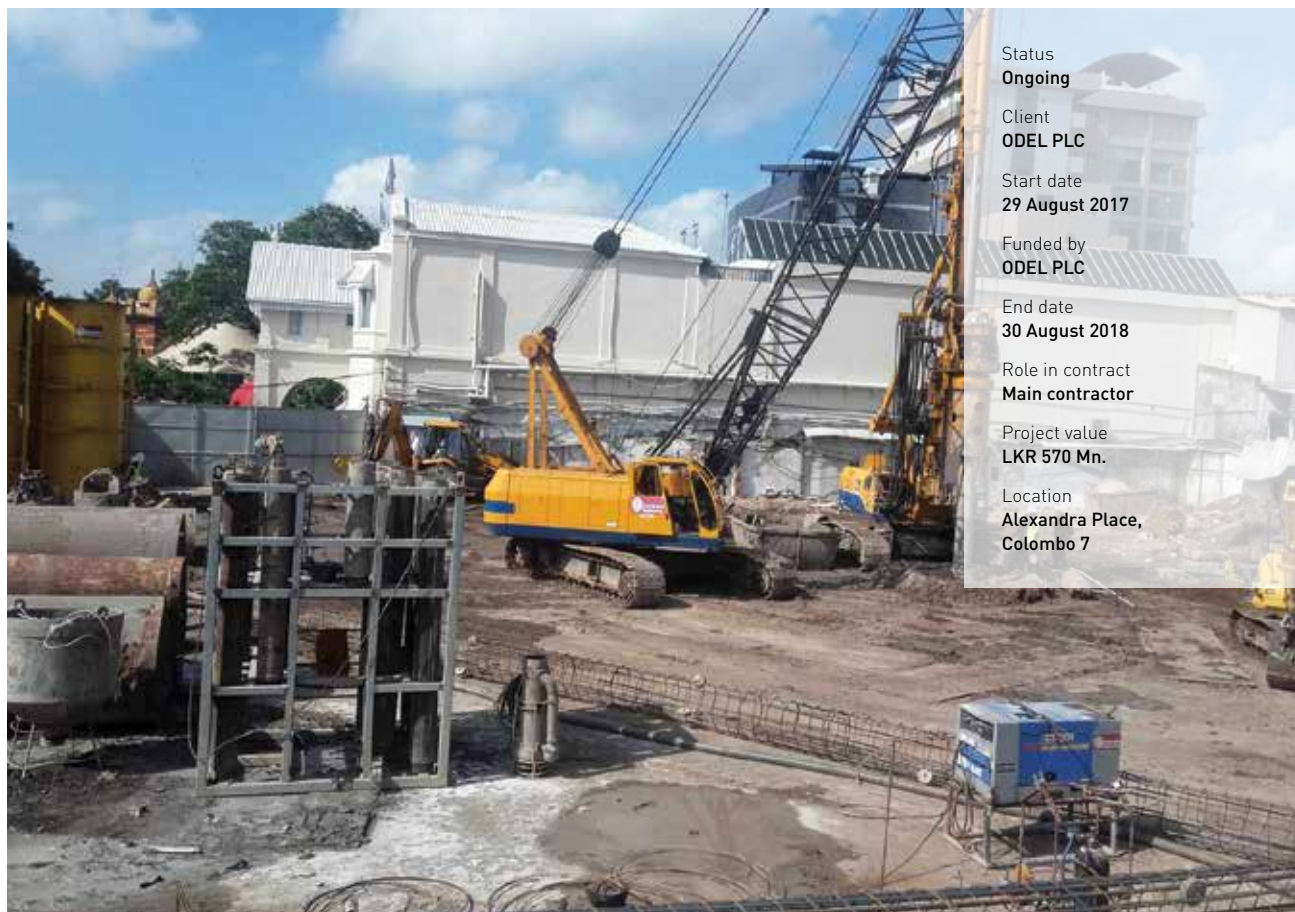
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Status
Ongoing

Client
ODEL PLC

Start date
29 August 2017

Funded by
ODEL PLC

End date
30 August 2018

Role in contract
Main contractor

Project value
LKR 570 Mn.

Location
**Alexandra Place,
Colombo 7**

PILING AND DIAPHRAGM WALL WORKS AT ODEL COMMERCIAL COMPLEX

ODEL PLC is upgrading its flagship store at Ward Place, with the construction of a 300,000 sq. ft. 7 storied mega mall with 4 basement levels adjoining the existing ODEL flagship store at Alexandra Place along with parking amenities. ODEL PLC which initially commenced as a company focusing on the retail garment trade, has evolved to become the first Department Store in Sri Lanka by today.

The work awarded to Access Engineering PLC includes the erection of a diaphragm wall, which is 315 m long, 600 mm wide and 22-24 m deep from the ground level and the installation of 157 numbers of bored piles to an average depth of 27 m.



Status
Completed

Client
**Havelock City (Private) Limited
(Mireka Capital Land)**

Start date
21 June 2017

Funded by
Havelock City (Private) Limited

End date
19 March 2018

Role in contract
Main contractor

Project value
LKR 1,732 Mn.

Location
Wellawatte

CONSTRUCTION OF GUIDE WALL AND PILING WORK FOR HAVELOCK CITY

Havelock City, the brainchild of S P Tao, is developed by Mireka Capital Land, a fully-owned subsidiary of Overseas Realty (Ceylon) PLC, the owner, developer and manager of the iconic World Trade Centre Colombo.

The Havelock City Commercial Development is a 50-storeyed complex which houses a 600,000 sq. ft. Grade "A" premium office tower designed to be a LEED GOLD certified building and a 200,000 sq. ft. shopping mall.

The work awarded to Access Engineering PLC includes the erection of a diaphragm wall, which is 557 m long and installation of 436 numbers of bored piles 18 m to 22 m deep from the ground level.

ACCESS PROJECTS (PRIVATE) LIMITED

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Established in 2002, Access Projects (Private) Limited has provided architects and a spectrum of clients with various architectural/ engineering building products in addition to being a forerunner in the leisure industry for construction, refurbishment, and renovation. The Company has a significant market share in the aluminium and ceiling segment in Sri Lanka.

The Company is a member of AEL Group and is accredited with CIDA SP1 for Aluminium & Finishes (A&F) and Floor, Wall & Ceiling Finishes (FW&C), and CIDA C1 for building construction. The Company is the sole franchiser of Aluk Italy proprietary aluminium doors, windows, and curtain wall systems.

The Quality Management System (QMS), Environment Management System (EMS) and the Occupational Health and Safety Management System (OHSAS) of Access Projects are ISO 9001, ISO 14001 and OHSAS 18001 certified. The workforce of Access Projects (Private) Limited exceeds over 100, comprising professionally qualified engineers, quantity surveyors, draftsmen, marketers, accountants, etc. They are focused to deliver excellence to clients and services of the highest standard.

STAFF COMPOSITION

Staff category	Number of staff
Managerial	31
Operational	93
Clerical and supportive	8





PROPERTY

ACCESS REALTIES (PRIVATE) LIMITED

A 100% owned subsidiary of Access Engineering PLC, Access Realities (Private) Limited is the proprietor and managing agent of Access Tower I (North), a 12 storey office complex providing more than 125,000 sq. ft. of office space completed with slick captivating design, corporate amenities, and contemporary resources. Access Tower I was completed in 1998 and at present is home to a number of tenants. It also functions as the headquarters of AEL.

STAFF COMPOSITION

Staff category	Number of staff
Managerial	3
Operational	18
Clerical and supportive	12

ACCESS REALTIES 2 (PRIVATE) LIMITED

Access Realities 2 (Private) Limited is a 100% owned subsidiary of Access Realities. Its premier project; Access South Tower is a high rise office building that equally adopts green principles and an efficient design.

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 popular banks, commercial office buildings, and restaurants, Access Tower II (South) is an ideal location to grow and develop a business. With a preferred commercial address of Colombo 2, Access Tower II also comes with the perks of the breathtaking views of the Indian Ocean, Beira Lake, and the Colombo skyline. At present the tower is home to 20 tenants from sectors such as real estate, apparel, insurance, telecommunication, business process outsourcing services, and information technology.

STAFF COMPOSITION

Staff category	Number of staff
Operational	10
Clerical and supportive	3

ARL ELEVATE (PRIVATE) LIMITED

Elevate offers a selection of elegant spaces for every occasion on the 28th and 29th floors of Access Tower II. Elevate is a perfect choice for professional meetings, leisure, bespoke and customised events. It comprises of the finest amenities, event management services, state-of-the-art technology for enhanced lifestyle experience at the heart of Colombo. Its exclusive members are privy to the Member's Lounge, private dining, Wellness Centre, and other amenities. The restaurant, conference hall, meeting rooms offer personalised service to any visitor.

STAFF COMPOSITION

Staff category	Number of staff
Managerial	15
Operational	29
Clerical and supportive	72



BLUE STAR REALTIES (PRIVATE) LIMITED

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Blue Star Realities (Private) Limited's premier project "Capital Heights" is a unique and unparalleled real estate venture by Access Engineering PLC with a 50% holding. Comprising 242 elite apartments that add prestige and value to everyday life, Capital Heights is more than a highly residential apartment complex with its offering of the best of both worlds – a refined lifestyle and ideal opportunity for solid, long-term investment.

Capital Heights is scenically located on Buthgamuwa Road, in the quiet but steadily developing residential town of Rajagiriya. Part of the Administrative Capital of Sri Lanka; Sri Jayawardenapura Kotte, Rajagiriya has recently been transformed into a beautiful lake city replete with quiet neighbourhoods, landscaped parks, serene waterways, and a natural bird sanctuary. Capital Heights has the privilege of these peaceful surroundings that belie its close proximity to the city.

STAFF COMPOSITION

Staff category	Number of staff
Managerial	6
Operational	7
Clerical and supportive	6





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HARBOUR VILLAGE (PRIVATE) LIMITED

Harbour Village (Private) Limited is a joint venture formed between Access Engineering PLC, China Harbour Engineering Company Limited (CHEC), and Musthafa's Singapore (Private) Limited. The main objective of this international venture is to seize new opportunities in the burgeoning real estate market in Sri Lanka.

"Marina Square" is a fully-integrated, mix-development project by Harbour Village (Private) Limited with nearly 1,068 condominium units and 150,000 sq. ft. of commercial space ready to offer a perfectly pitched affordable luxury and rigorously upheld standards of service. With the finest finishes and modern amenities, sweeping views of the Indian Ocean and Colombo Port, Marina Square's five towers will soon grace uptown Colombo.

STAFF COMPOSITION

Staff category	Number of staff
Managerial	7
Operational	6
Clerical and supportive	1





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HORIZON HOLDINGS (PRIVATE) LIMITED/HORIZON HOLDINGS VENTURES (PRIVATE) LIMITED/AND HORIZON KNOWLEDGE CITY (PRIVATE) LIMITED

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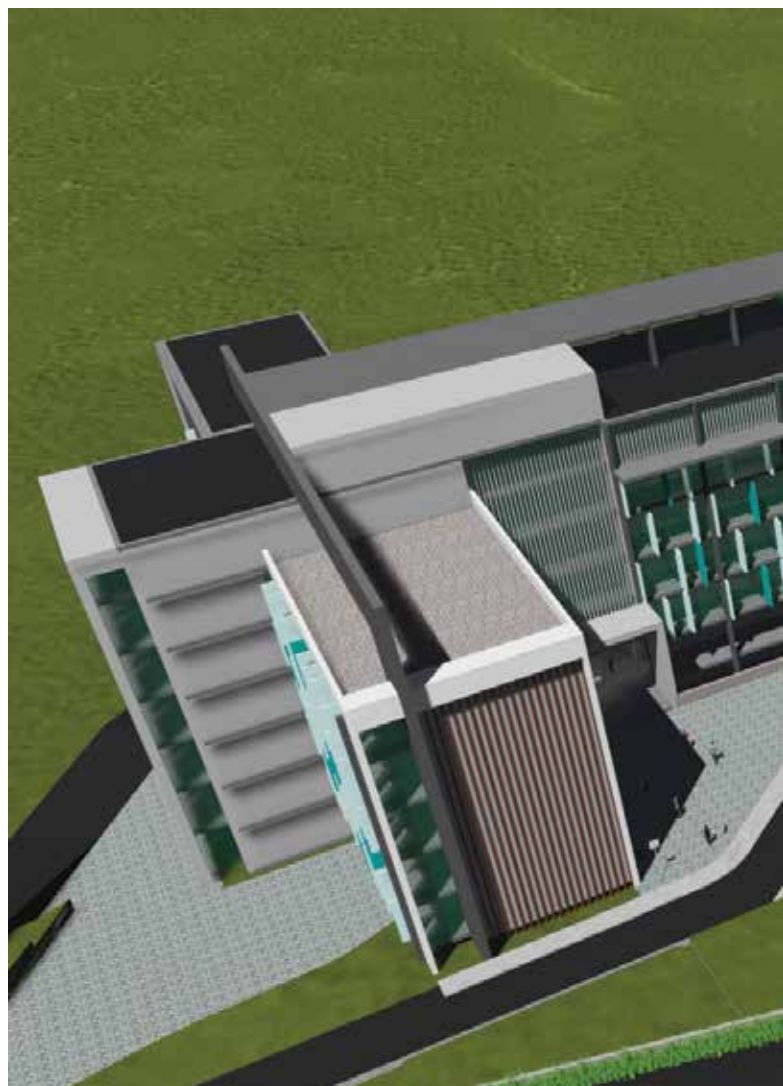
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Horizon Holdings (Private) Limited, Horizon Holdings Ventures (Private) Limited, and Horizon Knowledge City Limited are engaged in the property development business. AEL holds 50%, 100% and 99.9% of the companies' ownership respectively. The three companies jointly own 21 acres of land in Malabe within the IT zone. The lands are earmarked for a variety of key development projects.

One of the main ventures of these companies is the Horizon Knowledge City Project in Malabe which is a state-of-the-art proposed private university which will uplift the national educational sector. This university will cater to a variety of educational disciplines such as IT, science, management, law, engineering, paramedical, and others. The project will enjoy tax and duty-free concessions for the procurement of campus infrastructure and other equipment, technology, and furniture.





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AUTOMOBILE

SATHOSA MOTORS PLC

Sathosa Motors PLC (SML) is the franchise holder for Isuzu vehicles and spare parts manufactured by Messrs Isuzu Motors Limited. The key business lines of SML are sales of new vehicles, sales of spare parts, and workshop services. Over the years, SML has created a value proposition to its loyal customer base by providing unmatched after sales care service. SML caters to the country's need for reliable, low maintenance transportation solutions, especially to the business community. SML will further expand its position as a trusted leader in the automotive industry.

STAFF COMPOSITION

Staff category	Number of staff
Managerial	10
Operational	127
Clerical and supportive	19

SML FRONTIER AUTOMOTIVE (PRIVATE) LIMITED

Established in 2012, SML Frontier Automotive (Private) Limited (SMLF) is the sole authorised distributor of Jaguar and Land Rover in Sri Lanka and operates in a highly competitive premium automobile segment. However, bolstered by strength of internationally renowned brands, the company has made highly commendable progress.





MECHANICAL ENGINEERING

ZPMC LANKA COMPANY (PRIVATE) LIMITED

PREAMBLE
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ZPMC Lanka Company (Private) Limited is a Board of Investment of Sri Lanka approved company, established to provide services to the port sector of Sri Lanka and the region. It is a joint venture between Shanghai Zhenhua Heavy Industries Company Limited of the People's Republic of China and Access Engineering PLC.

Currently ZPMC Lanka provides services to all the container terminals in Sri Lanka, including maintenance contract for container handling equipment and facility maintenance for Colombo International Container Terminals (CICT). It also conducts special repairs and spare parts supply for the South Asia Gateway Terminals (Private) Limited of Port of Colombo, Sri Lanka Ports Authority, King Abdullah Port of KSA, Gwadar International Container Terminals Limited of Pakistan, Pakistan International Container Terminal of Pakistan, and Qasim International Container Terminal of Pakistan.

Further, their commissioning team provided services to King Abdullah Port of Saudi Arabia for commissioning of three STS cranes supplied by ZPMC China and is in the process of arranging short rail replacement of STS cranes at Jeddah Islamic Port at Jeddah, Kingdom of Saudi Arabia.

STAFF COMPOSITION

Staff category	Number of staff
Managerial	3
Operational	125
Clerical and supportive	7





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STAKEHOLDER ENGAGEMENT

Stakeholders are groups that significantly influence or are influenced by the economic, environmental, and social performance of the Company. We understand the importance of clear, transparent, consistent engagement with our stakeholder groups, and have implemented strategies to meet their expectations.

Our stakeholder engagement process involves three stages: identification, identification of key stakeholder groups, and methods of engagement. We identify stakeholders based on our strategic objectives.

STAKEHOLDER ENGAGEMENT PROCESS

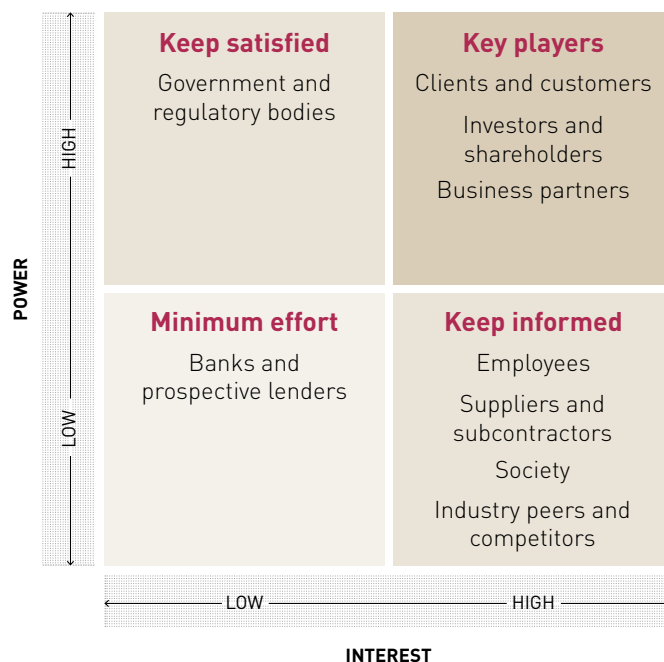


Identification of stakeholders

Our stakeholder identification process is based on an analysis of internal and external environment, through the continuous review, monitoring of micro and macro facts, and our strategic objectives. We also integrate the inputs given by the Management Systems Team and Business Development Team to identify stakeholders.

Identification of key stakeholder groups

Identification of key stakeholder groups is essential in creating and deriving value for stakeholders. Key stakeholders are identified through two criteria: The power exerted by them on AEL and the level of interest they have on our activities and operations.



Methods of engagement

The methods of engagement with stakeholders involve utilising the responsive methods that enable fast decision making. We also consider regulatory and statutory requirements which act as a minimal criteria in deciding the frequency of engagement.

Our stakeholder engagement process helps us to identify the material issues of internal and external stakeholders. The Board of Directors is responsible for setting up corporate objectives, formulating strategies, representing Company to external stakeholders, and protecting stakeholder interests. In this endeavour, they are supported by the Corporate Management.

STAKEHOLDER GROUPS

The following outlines the various stakeholder groups of the Company and our methods of engagement:

Investors and shareholders

We have a duty to provide satisfactory returns to our investors and shareholders by making the Company and all its ventures profitable. We utilise myriad methods to engage and maintain a healthy, proactive dialogue with our investors and shareholders like periodic meetings and business promotional meetings. Our shareholders are kept informed through our website, annual and interim reports, press releases, investor forums, and through the Annual General Meeting.

Banks and prospective lenders

Financial institutions and prospective lenders play a major role in the construction sector. AEL maintains good relationships with financial bodies since they provide the necessary capital to undertake projects. We respond to lenders' queries as well as to settle any dues in a timely manner.

Employees

Employees form the heart of our business operations and we make an extra effort to maintain healthy, consistent relationships with them. An engaged employee will be happy and more productive. Through various means, we keep our employees engaged: Periodic meetings, wide-array of benefits, and training programmes. In return for their commitment our employees are provided with a safe working environment, equal opportunities, individual career growth, opportunities for training and development, rewards based on performances, and initiatives to improve work-life balance. Our vision towards sustainability is driven by our employees.

Government and regulatory bodies

The construction industry is heavily regulated and AEL has always complied with all the necessary regulatory requirements. We keep in touch with relevant regulatory bodies to clearly communicate our grievances. Regulatory authorities play a vital role in approving and reviewing completed, ongoing, and future infrastructure development projects. This engagement has also led to a better understanding between us and our regulators.

We have also undertaken many national infrastructure projects over the course of our operations which illustrates our healthy relationship with the Government of Sri Lanka. Through the act of paying taxes we contribute to the National treasury.

Clients and customers

AEL is in constant contact with our existing and prospective clients and customers as they form the basis of our business operations. We organise meetings to identify their expectations and to better communicate our values and what makes AEL tick. This open dialogue has led to interdependent relationships with our clients and customers.

Suppliers and subcontractors

We are in daily contact with our suppliers and subcontractors to discuss health, safety, environmental sustainability, standards. Our procurement policy has clearly outlined the standards that we expect from our suppliers. The supply chain partners are engaged in the initial stages and continue to be involved throughout the project until its completion. We understand that our industry heavily relies on our suppliers which will have a substantial impact on the timely completion of projects. We also need sub contractors who are capable of carrying out work in an uninterrupted manner, who are trustworthy, competitive in terms of prices, quality of service offered and flexibility, easy to communicate with, have a good past track record, and adhere to ethical conduct. Our constant engagement with them has led to building strong interdependent relationships.

Business partners

Over the years, we have built lasting relationships with our business partners. In order to be the leader in knowledge-based value engineering, we liaise with companies specialising in particular areas enabling a valuable knowledge transfer process. We interact with a large number of local and foreign business partners to deliver exceptional value to all our stakeholders.

Society

We understand that all our activities have a clear impact on the local communities and environment we operate in. While we contribute to the economic development of the country, we are mindful of how our projects impact residents, general public, and the society as a whole. We have adopted sustainability practices in all our projects to minimise the negative impact of our activities on the society and the environment.

All our projects have been approved before hand and have been reviewed extensively by us and the relevant regulatory authorities. Our open and transparent policies open to the scrutiny of any interested party have led to creating a healthy dialogue between the Company and the different elements of society. We also create employment opportunities by undertaking various projects, which bring direct and indirect economic benefits to the communities we operate in.

Industry peers and competitors

Over the years, we have built strong relationships with our peers and competitors to uplift the industry as a whole. Collectively, we realise the importance of engaging and promoting ethical business practices, sharing of knowledge, and actively participating in industry initiatives to enhance and develop the Sri Lankan construction sector.

GRI 102-44

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

Stakeholder group	Method of engagement	Frequency of engagement	Key concerns raised during the year	Company response
Investors and shareholders	<ul style="list-style-type: none"> Periodic meetings to ascertain and review project progress Business promotion meetings 	When required	<ul style="list-style-type: none"> Timely securing of projects Provision of a monetary return on their investment 	<ul style="list-style-type: none"> Vigilant and pro-active business development efforts Paid LKR 1.2 Bn. in dividends
	<ul style="list-style-type: none"> Annual Report and Annual General Meeting Interim Financial Statements Extraordinary General Meetings CSE disclosures and announcements Updated website and dedicated investor relations email Newspaper articles and other publications Road shows and investor forums Research reports of the stock broking community Telephone communication Email and other written correspondence 	Annual Quarterly When required Continuous	<ul style="list-style-type: none"> Providing up-to-date information about the affairs of the Company 	<ul style="list-style-type: none"> Press releases featuring every project at three stages of the life cycle (commencement, execution, and completion), earnings reviews and other publications such as the Integrated Annual Report Frequent release of research reports about the Company via stock broker companies Participation at local and foreign investor forums One to one meetings with institutional investors, stock broker firms, research companies, etc.
Banks and prospective lenders	<ul style="list-style-type: none"> Timely settlement of dues Providing periodic financial information 	Continuous	<ul style="list-style-type: none"> Mitigating the negative effects of high interest regime 	<ul style="list-style-type: none"> Negotiated better rates with financial institutions and strengthened treasury management functions at the Group level
	<ul style="list-style-type: none"> Responding to lenders' queries 	When required		

Stakeholder group	Method of engagement	Frequency of engagement	Key concerns raised during the year	Company response
Employees	<ul style="list-style-type: none"> Periodic management – employee meetings “Open-door” policy Training and development Maintaining transparency in all activities CSR initiatives Staff welfare activities “AEL News” Portal Exit interviews “News Within” quarterly newsletter 	Continuous	<ul style="list-style-type: none"> Need of recognising and rewarding high performers Need to enhance the competence of staff Training and raising awareness of the ERP system Need to provide staff with more up-to-date information about the Company 	<ul style="list-style-type: none"> Continued the performance based reward system Provided training and development opportunities to staff members Carried out continuous user training sessions on different functional areas of the ERP system “AEL News” email based information dissemination system “News Within” quarterly newsletter Implemented the Document Management System
	<ul style="list-style-type: none"> Performance appraisals and rewards Employee satisfaction surveys Annual get-together and staff outing Sports carnival Joint communication from MD and COO via mail to every employee at the beginning of each year AEL “Core Team” Meeting 	Annual		
Government, regulatory bodies, and Acts	<ul style="list-style-type: none"> Public Private Partnership projects Timely feedback through submission of reports, tax returns, updates, etc. Ensuring compliance Participation at various forums, meetings, discussions organised by the Government, and regulatory authorities Membership in industry associations Submission of statutory reports 	Continuous	<ul style="list-style-type: none"> Need to participate in the infrastructure development initiatives of the Government Need to comply with all Government regulatory requirements and payment of dues such taxes, rates, as well as filling of annual returns 	<ul style="list-style-type: none"> Carried out infrastructure development projects throughout the country Participated at various industry related forums, discussions spearheaded by the GoSL Complied with all applicable rules and regulations of the Government with timely payment of all dues

PREAMBLE 02-13	Stakeholder group	Method of engagement	Frequency of engagement	Key concerns raised during the year	Company response
BUSINESS MODEL 14-70	Clients and customers	• Publication of the Integrated Annual Report	Annual	• Speedy delivery of projects at a lesser cost • Need for high quality construction	• Provided solutions that are less costly and speedy such as the diaphragm wall, pre-fabricated bridges, post-tensioning, HDD, micro-trenching, etc. during the year • Completed projects with least number of defects
		• Proactive business development • Progress review meetings • Updated website • Relationship Manager for each major customer • Regular correspondence during Defect Liability Period (DLP)	Continuous		
VALUE CREATION 71-119	Suppliers and subcontractors	• Subcontractor/supplier evaluation • Regular progress review meetings • Updated website • Contract negotiation and communication • Procurement Committee meetings	Continuous	• Timely settlement of dues	• Settled all dues on time with zero fines or penalties for delayed payments
	Business partners	• Regular visits to and from business partners • Updated website • Regular written communication and periodic meetings for ongoing projects • Relationship Manager for each major customer	Continuous	• Need to maintain sound business relationships	• Carried out projects in partnership with foreign partners • Continuous training for business development staff
STEWARDSHIP 120-181	Society	• Updated website • Regular media and other communications with public • Participating at and sponsoring trade exhibitions • Providing employment and internship opportunities • Various Corporate Social Responsibility projects • Consultation of local communities in project planning and execution	Continuous	• Addressing the timely needs of the public while enhancing the knowledge base of the industry	• Carried out various social responsibility initiatives • Offered direct and indirect employment opportunities • Offered internships for over 206 students • Introduced innovative solutions to the industry during the year
		• Publication of the Integrated Annual Report	Annual		
FINANCIAL REPORTS 183-286	Industry peers and competitors	• Membership in industry associations	Continuous	• Need to jointly execute mega-scale infrastructure development projects	• Continued construction of a section of the Central Expressway in partnership with two local contractors
		• Joint execution of infrastructure projects with peers • Industry advancement workshops, discussion forums and CSR projects			
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MATERIALITY

MATERIAL MATTERS AND DETERMINING MATERIALITY

AEL regularly carries out a materiality assessment to identify material topics that significantly influence AEL's ability to sustainably create value in the short, medium, and long term. Determining materiality and identifying material matters are one of the most important aspects of our integrated business model. These topics are analysed according to their importance to the Company as well as the stakeholders by the Board and the Management. AEL has identified aspects that are material to the Company's stakeholders and AEL in the context of its economic, environmental, and social agenda for sustainable value creation. The topics AEL considers to be important are thus rated as low, moderate, and high are tabulated below. AEL has used GRI Sustainability Reporting Guidelines GRI Standards in this process.

Our materiality determination process is given below:

INTERNAL FACTORS

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

EXTERNAL FACTORS

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

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

GRI Aspect	Significance to AEL	Significance to Stakeholders	Internal/External
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

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GRI Aspect	Significance to AEL	Significance to Stakeholders	Internal/External
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

SIGNIFICANCE TO STAKEHOLDER

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

SIGNIFICANT TO AEL

MANAGEMENT APPROACH

Economic performance

The construction sector significantly affect the nation development process since it has a visible output and stimulates economic growth through links with other sectors. We consider economic viability to be one of the most significant material topics to our Company. We strive for organic and inorganic growth through engaging in various economic activities, acquisitions and mergers, and entering into new ventures. Economic performance is thus embedded in our management approach. While retaining sufficient resources to fuel our sustainable growth prospects we also maintain our dividend payout at approximately 40% to 50% thus giving a return on their investment. All financial matters are in accordance with local and global reporting/accounting principles and accounting and auditing standards. We clearly communicate internal control procedures and standard operating procedures that govern all financial matters.

Procurement practices and customer health and safety

Our procurement policy clearly outlines AEL's policy on sustainable procurement practices. Throughout the years, we have established long-term, healthy relationships with suppliers and subcontractors. We evaluate suppliers through a stringent screening process and as a part of our engagement with the local community, we strive to utilise as many local suppliers as possible. We also consider health and safety of the general public to be of utmost importance. We follow strict health and safety guidelines in all our operations. Our infrastructure is built following all required health and safety guidelines.

MANAGEMENT APPROACH

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Anti-corruption and anti-competitive behaviour

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

Energy

With the rapid pace of urbanisation and the consequent rise in energy demand, there is an urgent need for energy efficient urban planning and construction. As a sector, we are energy intensive, with high electricity and fuel consumption. We are aware of this, and take all the necessary measures to minimise our energy consumption through various sustainable practices and energy efficient construction methodologies. We have also ventured into solar power generation where possible to reduce our impact on the environment. All our employees are made aware of energy efficient practises. AEL has well-defined targets given to each business unit on energy consumption in an effort to save energy. Our Management Systems Team monitors energy usage through periodic evaluations.

Water

Water is another resource that our sector is heavily dependent on. Like our energy efficient practices, we have implemented various strategies to minimise and save water usage where possible. The required water consumption for each project is carefully determined at the beginning of the project, and our employees are made aware of these targets. We also take stringent measures to prevent any form of contamination of water sources: we use innovative construction techniques, we budget water for each project and rigorously monitor to ensure efficient water use, and we also reuse water where possible. Targets to be achieved on water consumption are communicated to each business segment and monitored by our Management Systems Team.

Emissions, environment, and biodiversity

Our sustainable construction practices have led to a minimal negative impact on the environment. The first step of any project is to carry out an Environmental Impact Assessment by relevant authorities. Our environmental performance is also monitored through the Environmental Management System (EMS). The EMS is also externally verified. We set an annual target for emissions at the beginning of each financial year and conduct audits.

Importance of preserving biodiversity is communicated across the Company through system audits and site visits by our Management Systems Team. Impacts on biodiversity are periodically reported to the client as well as included in project process review meetings. We also conduct employee awareness programmes and strictly monitor environmental performance through regular EMS audits. The Company environment policy, environmental laws and regulations, and the requirements of the Environment Management System (EMS) are the primary means of communication on biodiversity issues. We also plant trees and have implemented a regular, annual tree planting programme to offset the impact of our emissions.

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

We consider human capital to be the most important asset of our Company. Our highly trained, skilled workforce is the secret to our success through which we have gained a competitive advantage within the industry. We hope to be the "most preferred employer" among the potential candidates. We keep our employees incentivised through training programmes, monetary and non-monetary rewards, performance-based remunerations, welfare activities, and other benefits. We offer internal and external training programmes to all our employees regardless of their grade. 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. The AEL Family is made up of members hailing from all races and religions. Though due to the nature of the industry, our workforce is made up principally of male workers, we take every possible effort to recruit females. We, as a responsible corporate, adhere to all local labour laws and regulations. We have prepared an employee handbook which communicates the benefits, rules and regulations, administrative matters, company policies that are applicable to all employees and by which they are bound.

In our recruitments, we give priority to hiring locally since they possess local knowledge. All our Senior Management is hired locally and we comply with all the necessary regulations in remuneration and other benefits.

We also conduct annual performance appraisals which monitor and evaluate employee performances. Discussions take place about performance management in meetings.

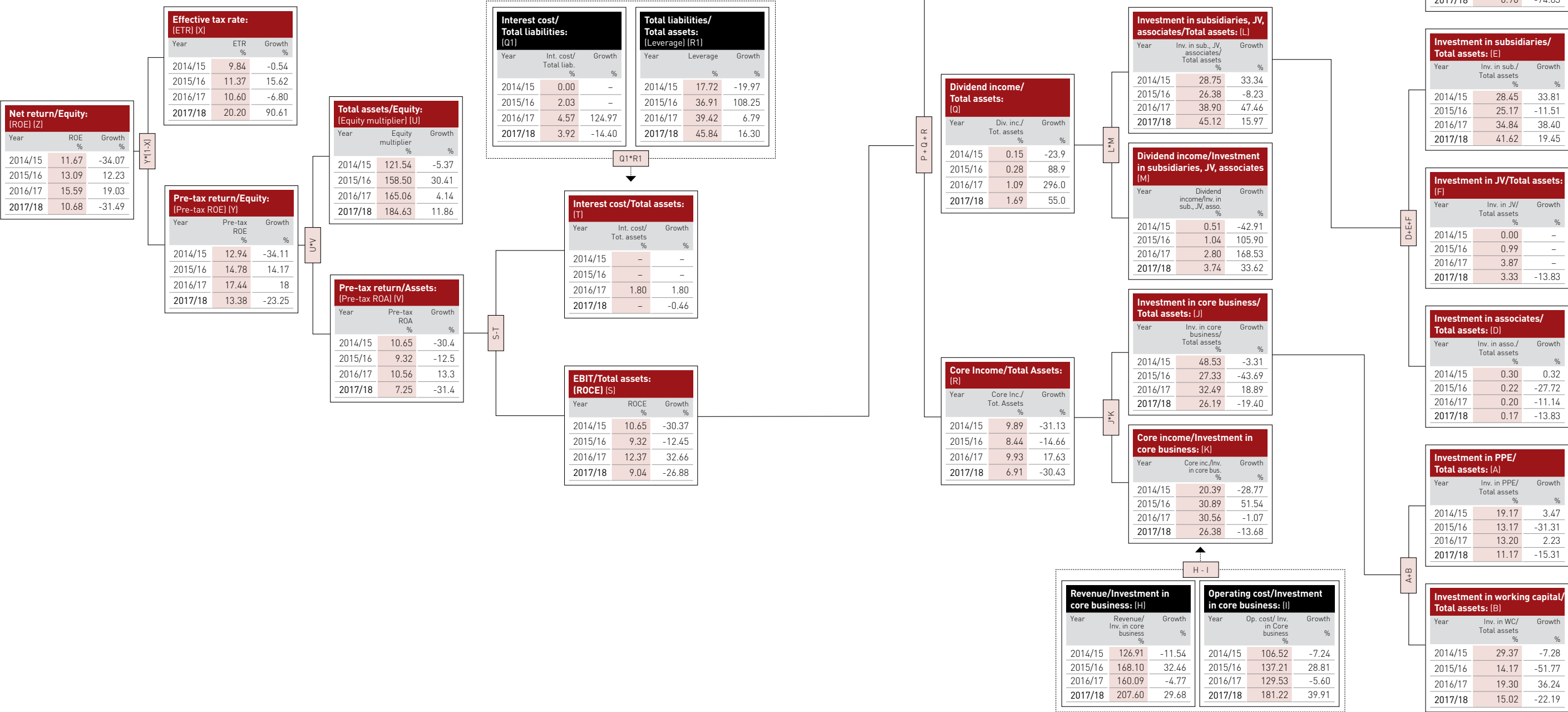
PREAMBLE
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PREAMBLE 02-13	Training and education In an industry where there is a dearth of highly skilled labour, we have recognised the importance of training and development programmes. We offer both internal and external programmes to employees: staff as well as worker categories. We conduct a training needs analysis through performance evaluations and recommendations of managers. AEL formulates a training calendar for every year. Once training programmes are complete, a formal evaluation is conducted by the HR Department which helps with gap analysis and also the feedback leads to improvements.
BUSINESS MODEL 14-70	Diversity and equal opportunity As a household name in Sri Lanka and a leading company in the construction sector, AEL is a diverse, equal opportunity employers. In our workforce we welcome those from different backgrounds. Though most of our staff is made up of male, we take all possibilities to decrease the gap in gender by employing females. Our rewards schemes, promotions, recruitments are all conducted in a highly transparent, and a non-discriminative manner. The employee handbook is used to formally communicate information regarding equal opportunity at AEL.
VALUE CREATION 71-119	Local communities: Socio-economic compliance and indirect economic impacts We recognise that our projects may have a major impact on the communities that we operate in. We support the local communities by creating direct and indirect economic benefits which include generation of employment, sourcing material locally, and engaging in community building initiatives. We have built meaningful relationships with the communities we operate in. Our sustainability policy and strategy are our primary means of communicating our commitment to the community. Our Integrated Annual Report also form an important part of communicating our work to uphold communities. Our CSR programmes are constantly reviewed and are evaluated at monthly progress meetings and performance review meetings. In all our operations we comply with the applicable laws and regulations.
STEWARDSHIP 120-181	
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FINANCIAL CAPITAL

This section is a review of financial capital, a pool of funds used to create value through conversion into other forms of capital, and the financial performance of Access Engineering PLC in 2017/18. It also outlines how the Company organically contributed to the growth of financial capital by mitigating industry-level risks, optimal utilising of assets, improving the operational efficiencies that has resulted in the expansion of all the capitals.

(Follow from right to left)



ACCESS ENGINEERING PLC – BALANCE SHEET (COMPANY)

	Horizontal analysis				Vertical analysis			
	2017/18	2016/17	2015/16	2014/15	2017/18	2016/17	2015/16	2014/15
	%	%	%	%	%	%	%	%
Property, plant and equipment	-7.37	14.70	-5.04	-2.33	9.91	12.42	12.19	17.76
Investment properties	89.00	26.15	–	–	1.26	0.77	0.69	0.96
Intangible assets	-14.82	-14.38	-12.58	13.07	0.16	0.22	0.29	0.46
Investments in subsidiaries	38.63	55.75	22.43	33.39	41.62	34.84	25.17	28.45
Investments in joint venture	–	340.00	–	–	3.33	3.87	0.99	–
Investment in associate	–	–	–	–	0.17	0.20	0.22	0.30
Other non-current financial assets	3.49	12.76	–	–	3.05	3.42	3.42	–
Total non-current assets	23.89	46.01	24.06	19.16	59.51	55.74	42.97	47.92
Inventories	65.99	16.05	-9.58	-21.89	4.90	3.43	3.33	5.09
Trade and other receivables	26.02	48.19	0.72	7.46	25.89	23.84	18.10	24.87
Amount due from related parties	-82.68	191.88	-15.55	358.20	0.72	4.81	1.85	3.04
Current tax assets	–	–	–	–	0.18	–	–	0.08
Other current financial assets	25.45	18.46	29.91	-63.33	6.10	5.64	5.36	5.71
Short-term investments	-1.36	-10.74	-36.80	46.49	0.11	0.13	0.16	0.35
Short-term deposits	-73.19	-84.33	684.95	-21.01	0.85	3.67	26.35	4.64
Cash and cash equivalents	-26.04	63.77	-68.60	2.48	1.75	2.74	1.89	8.31
Total current assets	6.18	-12.67	51.50	-13.34	40.49	44.26	57.03	52.08
Total assets	16.06	12.54	38.35	-0.31	100.00	100.00	100.00	100.00
Stated capital	–	–	–	–	27.28	31.66	35.63	49.30
Revaluation reserve	16.91	17.59	–	–	0.46	0.65	0.40	0.55
Retained earnings	8.43	17.59	15.45	14.78	26.42	28.28	27.06	32.43
Equity attributable to owners of the Company	3.75	8.07	6.09	5.35	54.16	60.58	63.09	82.28
Total equity and liabilities	3.75	8.07	6.09	5.35	54.16	60.58	63.09	82.28
Interest-bearing borrowings	–	–	–	–	15.73	18.25	20.55	–
Employee benefits	42.97	4.33	6.23	18.00	0.54	0.44	0.47	0.62
Deferred taxation	131.16	24.93	-15.77	7.19	1.79	0.90	0.81	1.33
Total non-current liabilities	6.98	0.99	1451.64	10.39	18.06	19.59	21.83	1.95
Trade and other payables	30.14	53.66	25.94	-20.77	21.88	19.51	14.29	15.70
Amount due to related parties	-55.31	130.21	161.46	-68.03	0.10	0.25	0.12	0.06
Interest-bearing borrowings	–	–	–	–	5.77	–	–	–
Current tax liability	–	–	–	–	–	0.04	0.65	–
Unclaimed dividend	42.59	83.78	72.93	-34.52	0.03	0.02	0.01	0.01
Bank overdrafts	–	–	–	–	–	–	–	–
Total current liabilities	62.62	47.97	32.23	-22.86	27.78	19.83	15.08	15.78
Total liabilities	34.97	20.18	188.12	-20.22	45.84	39.42	36.91	17.72
Total equity and liabilities	16.06	12.54	38.35	-0.31	100.00	100.00	100.00	100.00



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

ACCESS ENGINEERING PLC – INCOME STATEMENT (COMPANY)

	Horizontal analysis				Vertical analysis			
	2017/18	2016/17	2015/16	2014/15	2017/18	2016/17	2015/16	2014/15
	%	%	%	%	%	%	%	%
Revenue	21.30	27.42	3.20	-14.74	100.00	100.00	100.00	100.00
Cost of sales	32.89	25.89	4.96	-13.53	-84.33	-76.98	-77.92	-76.61
Gross profit	-17.43	32.84	-2.58	-18.47	15.67	23.02	22.08	23.39
Other income	51.64	89.91	1,416.55	-83.70	4.04	3.23	2.17	0.15
Administrative expenses	-5.81	27.12	-21.07	12.83	-3.73	-4.81	-4.82	-6.30
Other expenses	-25.86	-25.85	-50.04	211.26	-0.16	-0.26	-0.45	-0.94
Net finance income	244.85	-184.82	37.28	-17.53	-2.49	-0.87	1.31	0.99
Profit before tax	-20.37	27.52	21.12	-30.59	13.33	20.31	20.29	17.29
Income tax expenses	51.78	18.85	40.05	-30.96	-2.69	-2.15	-2.31	-1.70
Profit for the period	-28.92	28.64	19.06	-30.55	10.64	18.15	17.98	15.59

REVIEW OF FINANCIAL PERFORMANCE

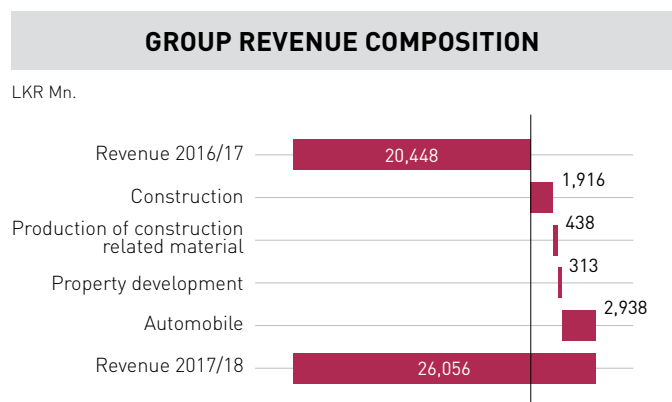
Review of financial performance covers aspects of improving the Return on Equity (ROE) via operational efficiency (Net Profit Margin) and effective utilisation of assets (Asset Turnover).

TURNOVER

In the year under review, the Company and the Group recorded the highest ever turnover of LKR 18 Bn. and LKR 26 Bn. respectively with corresponding growth rates of 21% and 27%.

At the Group level, the construction segment witnessed a revenue growth of 14.90% YoY, production of construction related materials 20.21% YoY, property development of 171.84% YoY and Automobile 56.18% YoY.

Details of the growth in revenue from 2016/17 to 2017/18 are shown in the chart below:



Construction segment

- Road and Highway construction – Positive growth is fueled by Section 2 of the Central Expressway and the existing ongoing project of Kadawatha-Nittambuwa Road project.
- Bridge construction – Completion of the construction of flyovers in Rajagiriya, Polgahawela, and Ganemulla with Spanish funding has contributed mainly to the 24% YoY growth.
- Building and Other – 24% YoY growth was mainly contributed by the completion of the Access Tower II, UDA Phase II nearing completion with 941 housing units, and Piling project of Havelock City.

Please refer page 20 to 47 for further details of above projects.

Construction related material

- Sale of Construction related materials increased by 21.37% YOY mainly with the positive contribution from Asphalt plants and Concrete Batching plants.

Property

- 188% YoY growth in rental income was mainly due to new rental income from Access Tower II recognised during the 2nd half of the year. Access Tower II was fully-booked/leased out even prior to completion, adding approximately 200,000 sq. ft. of premium "A" grade office space.

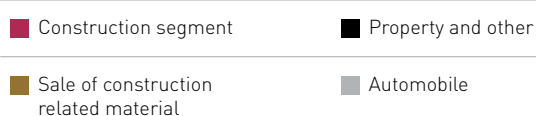
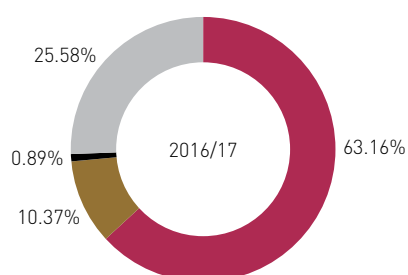
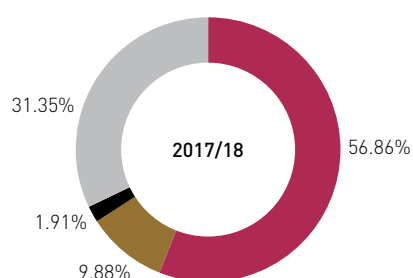
Automobile

- The highest contribution for the overall increase in Group revenue is due to 56.2% YoY growth reported by Automobile which is from 84.42% owned subsidiary of Sathosa Motors PLC.

YOY GROWTH OF REVENUE COMPONENTS

	2017-18 LKR Mn.	2016-17 LKR Mn.	YOY %
Highways construction	2,979	1,207	146.8
Water and drainage construction	1,277	3,144	-59.4
Bridge construction	1,754	1,414	24.1
Building and other construction	8,677	7,026	23.5
Hiring income	71	95	-25.9
Fabrication income	57	28	106.9
Construction segment	14,814	12,915	14.7
Sale of construction related material	2,574	2,121	21.4
Rental income	495	172	187.7
Service charges	2	11	-85.3
Property and other	497	183	171.8
Automobile	8,168	5,230	56.2

YOY GROWTH OF REVENUE COMPONENTS



Profitability

The Group and the Company Overall Gross Profit Margin remained at 15.59% [2016/17: 23.14%] and 15.7% [2016/17: 23.02%]. Despite the macro level challenges faced by the industry during the year under review such as rising raw material prices, increasing prices of imports in the wake of a weakening LKR, disruptions to operations due to natural disasters such as floods, shortage of skilled labour etc.

Significant boost in the revenue has mitigated the overall negative impact of the reduction in the gross profit margin, leading the Group and the Company to report gross profit of LKR 4,061 Mn. and LKR 2,810 Mn. respectively.

Despite the growth in the operational activities with higher revenue reported, at the Company level, administration and other expenses as a percentage of revenue remained at 3.9% [2016/17: 5.07%] which emphasised the Management effort on reducing the negative impact of the macro factors towards the bottom line by efficiently managing the micro factors of the Company.

During the period under review, at the Group level, a marginal increase in the administration and other expenses by 20.81% YoY due to new operational activities started at subsidiary level. But as a percentage of revenue it remained stable at 7.51% [2016/17: 7.92%] which is a positive indication.

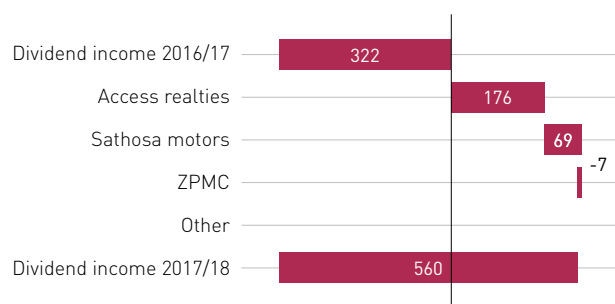
The Company recorded other income amounting to LKR 725 Mn., a growth of 51.6% YoY mainly due to the significant growth in dividend income of 73.75% during the year with the increase of the dividends declared by its fully owned subsidiary of Access Realties and 84% owned subsidiary Sathosa Motors PLC respectively.

At the Group level, other income has increased by LKR 2,279 Mn. supported by a revaluation of investment property. This has Improved the Group EBIT from 16.39% to 17.74% despite the drop in gross profit margin.

At the Company level, EBIT is stood at LKR 2,837 Mn. with the support of increased dividend income.

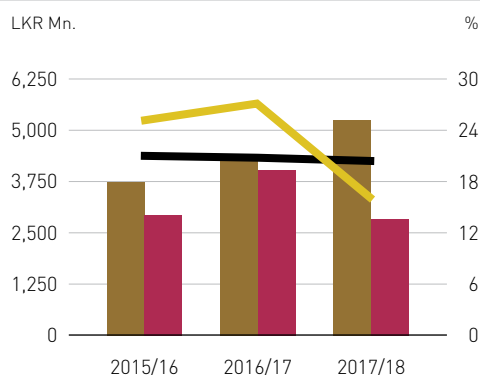
DIVIDEND INCOME GROWTH

LKR Mn.



EBITDA

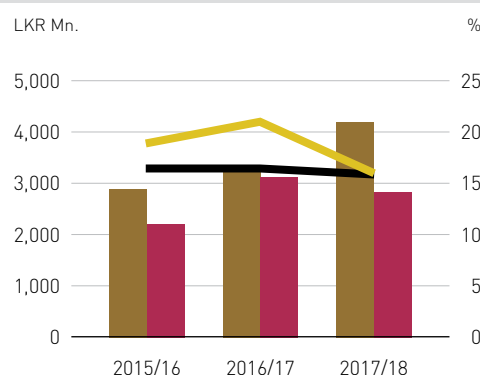
LKR Mn.



■ Group EBITDA ■ Group EBITDA margin
■ Company EBITDA ■ Company EBITDA margin

EBIT

LKR Mn.



■ Group EBIT ■ Group EBIT margin
■ Company EBIT ■ Company EBIT margin

Finance expenses

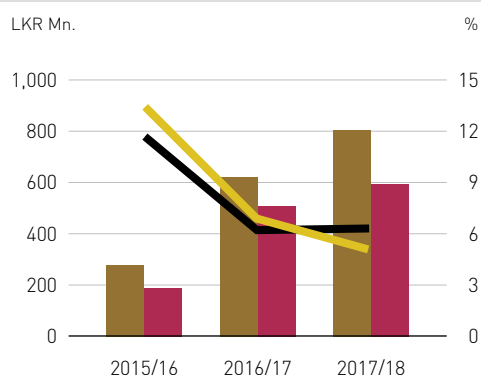
Interest expenses* of the Group and the Company increased from LKR 627 Mn. to LKR 814 Mn. and from LKR 513 Mn. to LKR 599 Mn. respectively with the increase of Short-term Loan facilities raised by Sathosa Motors at the Group level and at AEL Company level.

During the period under review, as a result of Company utilising the funds in fixed deposits, for investment in subsidiaries which were on investment products, interest income* declined by LKR 46 Mn. and LKR 230 Mn. respectively at the Group and the Company Level.

With the declining of the interest Income and increase of interest Expenses, Group and Company Interest coverage ratio has declined slightly from 6.11% and 6.85% to 6.21% and 4.99%.

* Interest income/(Expenses) excluding the IFRS adjustments.

FINANCE INTEREST EXPENSE AND INTEREST COVERAGE



■ Interest expense – Group ■ Interest coverage – Group
■ Interest expense – Company ■ Interest coverage – Company

Taxation

The effective tax rates for 2017/18 remained at 28% and 20% respectively at the Group and the Company level as opposed to 15% and 10% respectively in 2016/17 which almost doubled during the period of review due to the change in deferred tax provision.

With the change of corporate tax rate from 12% to 28% at the Company level, deferred tax provision has increased by LKR 284 Mn. from LKR 50 Mn. to LKR 335 Mn.

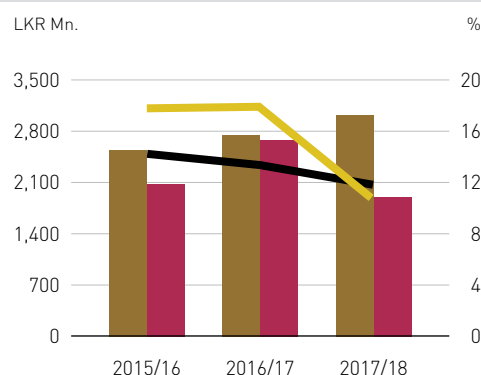
However, at the Group level, deferred tax provision amount increased by LKR 824 Mn., of which LKR 444 Mn. related to Access Realities group.

Profit After Tax (PAT)

The after tax profit for the period ended 31 March 2018 was recorded at LKR 3,026 Mn. and LKR 1,907 Mn. respectively at the Group and the Company level. The highest contribution to the Group PAT was from Access Realities Group of Companies (due to revaluation impact of properties Access Tower I and Access Tower II).

Horizon Holdings Ventures (Private) Limited, Horizon Knowledge City Limited and Harbour Village (Private) Limited generated a combined marginal profit of 289 Mn. mainly via interest income from the unutilised shareholders' funds which were kept for pending investment in the planned activities.

PROFIT AFTER TAX

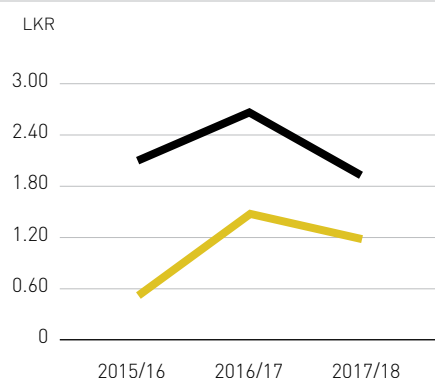


■ Group PAT ■ Group NP margin
■ Company PAT ■ Company NP margin

The Company's associate undertakings made a negative contribution of LKR 9 Mn. to the bottom line, primarily due to a loss of LKR 17 Mn. from the Company's 50% owned venture, Blue Star Construction (Private) Limited which is expected to generate more profit during the 2018/19 financial year with pre-sales being nearly 40% as of 31 March 2018. In addition, contribution from the Company's 30% owned venture ZPMC Lanka Company (Private) Limited was LKR 11 Mn. while its 50% owned venture Horizon Holdings (Private) Limited was a marginal loss of LKR 1 Mn.

Earnings per ordinary share was recorded at LKR 3.07 [2017/18: 2.71] and LKR 1.91 [2017/18: 2.68] at the Group and the Company levels respectively where the local and international external environment that prevailed was not very conducive to most of the operating business segments.

EPS AND DPS



■ Earnings per share ■ Dividends per share declared

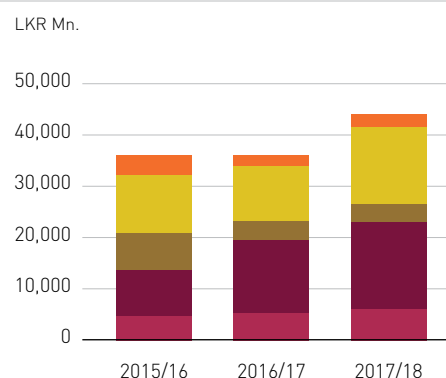
In the year under review, the Directors have approved and paid dividend totaling to LKR 1.2 Bn. during the year, compared to LKR 1.5 Bn. paid in 2016/17.

Despite the negative impacts due to delays in the decision making process, devaluation of the LKR and changes in the corporate tax structure, the Company management has been able to keep a reasonable net profit margin and minimise impact to the ROE through certain mitigation strategies such as venturing into new areas of business, centralising procurement operations specially for major materials, generating revenue from tax free ventures, synergies among the business segments and International Partnerships.

Review of financial position

Total Non-current Asset base of the Group increased by 32% to LKR 21 Bn. primarily with the full recognition of Access Tower II building of Access Realities 2 (Private) Limited. under the Non-current asset category and the Revaluation of Investment property at LKR 2.1 Bn. At the Company Level, LKR 3.3 Bn. investment in Access Realities (Private) Limited for the Access Tower II building and LKR 442 Mn. to Harbour Village (Private) Limited resulted in the Non-current Asset Base increasing by 23.8% to LKR 19 Bn. from LKR 16 Bn.

ASSET DECOMPOSITION – GROUP



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

Despite the significant growth of the Revenue during the period, PPE values remain stable which is a positive indication of proper utilisation of the existing asset base.

With the commencement of new Operational Activities of Subsidiaries, Group operating current asset* base also stood at LKR 21 Bn., a growth of 22.88% YoY. Similarly, Company operating Current Asset Base also Increased marginally by 13.4% YoY compared to the revenue growth of 21% YoY as result of the improvement of internal processes.

LKR 3.8 Bn. increase in Group operating current assets was partially offset by LKR 2.5 Bn. increase in the Group operating current liability* which caused the net operating working capital to increase by only LKR 1.3 Bn.

* Operating current assets = Total current assets – short-term investments – short-term deposits

* Operating current liability = Total current liability – short-term borrowings

GRI 201-3

Defined benefit plan obligations and other retirement plans

Employees are eligible for the defined contribution plans of Employees' Provident Fund (EPF) and the Employees' Trust Fund (ETF) at the rate of 20% (Employer-12% and Employee-8%) and 3% on salary. Employees are also entitled to retirement gratuity. The defined benefit liability as at 31 March 2018 was LKR 178 Mn. (31 March 2017-LKR 125 Mn.).

GRI 201-4

Financial assistance received from the Government Tax concessions given to construction, construction related activities, and production plants

Under the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, the Company was liable for income tax at the concessionary rate of 12% on construction income during 2017/18.

As per Section 17A.2a of Inland Revenue (Amendment) Act No. 22 of 2011 and as amended by Act No. 08 of 2012, profits attributable to manufacturing of construction related materials are exempted from income tax, commencing from year of assessment 2011/12 for a period of seven (7) years.

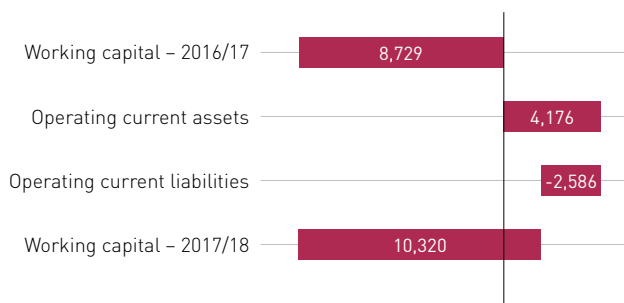
YOY growth of key working capital components

	2017/18 LKR	2016/17 LKR	Growth %
Group			
Inventory	6,085,842,007	5,313,169,051	14.54
Trade and other receivables	11,249,413,659	8,821,036,174	27.53
Trade and other payables	10,116,721,429	7,852,034,784	28.84
Company			
Inventory	1,617,818,301	974,649,784	65.99
Trade and other receivables	8,539,769,405	6,776,755,783	26.02
Trade and other payables	7,218,909,464	5,547,064,752	30.14

At the Company level, the increase in Current Assets has been fully offset by the Increase of Current Liability which resulted in a LKR 85 Mn. reduction in total net working capital, which is another positive indicator of Company's overall operational management.

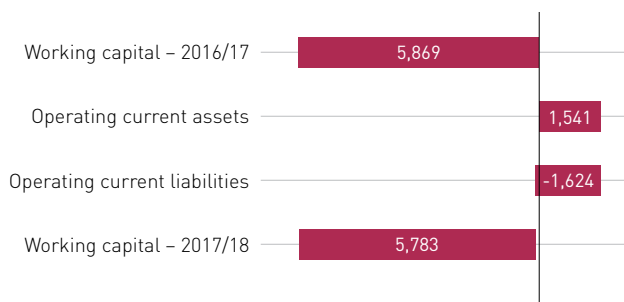
WORKING CAPITAL MOVEMENT – GROUP

LKR Mn.



WORKING CAPITAL MOVEMENT – COMPANY

LKR Mn.



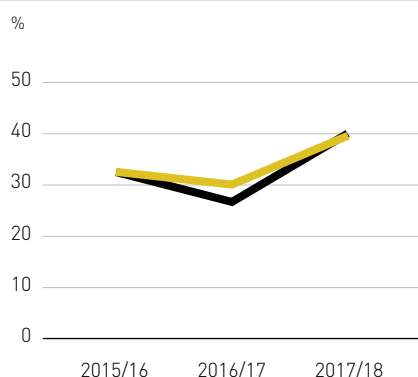
The liquidity position remains strong with approximately LKR 3.4 Bn. held in short-term deposits and cash at the Group level mainly due to unutilised funds of subsidiaries with new investment plans while at the Company level, it stood at LKR 856 Mn.

Total asset base of the Group and the Company only grew by 22.73% YoY and 16.06% YoY which are less than the turnover growth, resulting in an improved asset turnover ratio of 59% to 54% at Group and Company level. This above industry par asset Turnover has created a positive impact on the Company's ROE.

Capital structure

The gearing ratio, which is calculated as a proportion of the total interest-bearing borrowings to equity, increased from 26.62% to 39.37% and 30.13% to 39.70% at the Group and the Company Level respectively. With the new short-term borrowings of LKR 1,904 Mn. at the Company level to support working capital requirements of projects nearing completion stage and the increase of Sathosa Motors' short-term borrowings from LKR 494 Mn. to LKR 2,018 Mn. were the main factors behind these changes.

GEARING RATIO

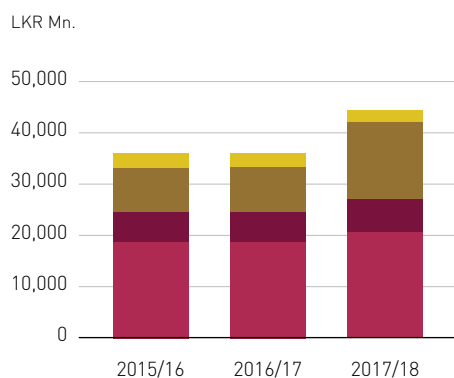


■ Group

■ Company

At the Group and the Company levels, the majority of assets were funded by equity at 52% and 54% respectively, resulting in lower financial leverage compared to the industry, allowing leeway for exploiting opportunities for further expansion in addition to the benefit of competitive borrowing rates.

EQUITY AND LIABILITIES – GROUP



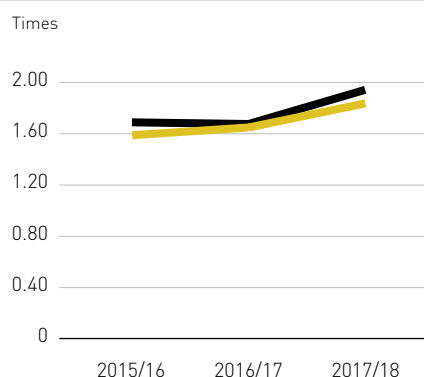
■ Shareholders' funds

■ Current liabilities

■ Non-current liabilities

■ Non-controlling interest

FINANCIAL LEVERAGE



■ Group

■ Company

	Group		Company	
	2017/18	2016/17	2017/18	2016/17
Current ratio (times)	1.57	2.27	1.46	2.23
Quick ratio (times)	1.20	1.70	1.30	2.06
Asset turnover (times)	0.59	0.57	0.54	0.52
Total debt/equity ratio (%)	0.39	0.27	0.40	0.30
Total debt/total assets (%)	0.20	0.16	0.215	0.18
Interest coverage	6.21	6.11	4.99	6.85

Summary – Review of financial performance and financial position

ROE is the final outcome of financial performance and the financial position. Even in the wake of a decline in profit margin mainly due to the macro level challenges faced as an Industry, Company has able to reduce the negative impact on ROE by prudent cost management of projects via better operational efficiency and optimum Capital Structure.

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

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

	ROE (Company)	=	Net Profit margin	X	Asset turnover	X	Financial leverage
2017/18	10.68%		10.64%		0.54		1.85
2016/17	15.59%		18.15%		0.52		1.65
2015/16	13.09%		17.98%		0.46		1.59

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 company of Access Tower generated a net income of LKR 2,012 Mn. and LKR 564 Mn. respectively at the Group and the Company level during the year with the support of LKR 2.1 Bn. Revaluation gain on the Access Tower I and Access Tower II buildings. With gross profits amounting to LKR 456 Mn. and LKR 210.3 Mn. respectively at the Group and the Company level, the Company enjoyed a high margin of 79%.

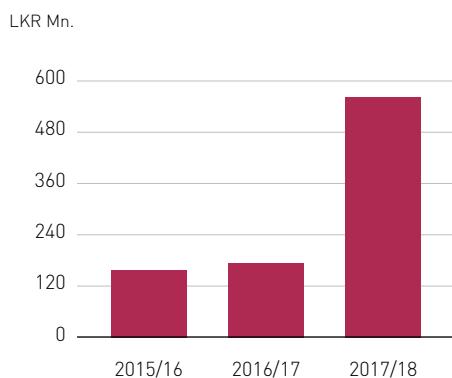
Access Realties 2 (Private) Limited started Operation of Access Tower II during the 2nd half of the year which is the latest addition to the Colombo's high end office space. The Tower which was fully booked/leased out even prior to completion added approximately 200,000 sq. ft. of premium "A" grade office space.

During the period under review, Company Invested nearly LKR 3.3 Bn. in Access Realties (Private) Limited for the construction of Access Tower II where the total completion cost of the building stood at LKR 5.3 Bn.

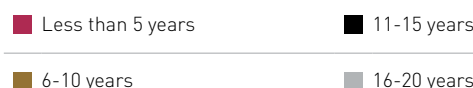
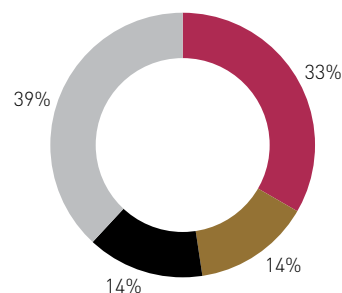
In addition, ARL Elevate (Private) Limited which is 100% owned by Access Realties (Private) Limited started its operations during the year and contributed by LKR 22 Mn. to other income of the Group as Restaurant and Membership Fees.

The group's 2 major investment properties, Access Tower I and II are valued at over LKR 10 Bn. with the revaluation Gain of 2.1 Bn during the 2017/18.

NET PROFIT – COMPANY



TENANT ANALYSIS OF ACCESS TOWER I



Sathosa Motors PLC

During the year under review, Sathosa Motors PLC which has the franchise in Sri Lanka for Isuzu motor vehicles and spare parts manufactured by Isuzu Motors Limited of Japan generated a top line of LKR 8,177 Mn. and LKR 4,963 Mn. at the Group and the Company level, a growth of 56.62% and 22.64% respectively. AEL holds approximately 84.4% of SML which is a Public Quoted Company.

The Company's gross profit margins at the Group and the Company level were 18.31% and 20.90% respectively. With net profit margins of 4.70% and 8.08% respectively at the Group and the Company level, after tax profits stood at LKR 384.2 Mn. and LKR 400.89 Mn.

FUTURE OUTLOOK

Our financial performance in 2017/18 was commendable and we will continue to provide the highest return on investment to our shareholders. We will also focus on strengthening internal control procedures: for example, the treasury management to obtain advantageous rates from financial institution. Further, we will closely monitor subsidiary performances to get the best out of our diversified investments. We will continue to maintain the dividend policy of declaring 40% to 50% of Company profits.

GRI 201-1

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

	2017/18 LKR	2016/17 LKR
Value created		
Gross revenue	17,937,033,665	14,786,897,901
(-) Cost of Goods and Services (Excluding Depreciation and remuneration to employees)	(12,299,905,201)	(9,091,549,644)
Value added from operations	5,637,128,464	5,695,348,257
Other income	724,888,499	478,018,727
Finance income	153,621,910	383,305,085
Total value created	6,515,638,874	6,556,672,069
Value distributed		
Operating costs	275,380,131	370,105,368
Remuneration to the employees	2,297,187,793	1,864,583,983
Directors' fees and remuneration	23,190,000	20,880,000
Community investments	12,626,624	24,950,424
Government levies	2,736,726	1,352,795
Corporate taxes	185,750,576	272,870,382
Interest cost	599,432,728	512,580,046
Non-controlling interest	-	-
Dividends	1,200,000,000	1,500,000,000
Total value distributed	4,596,304,578	4,567,322,998
Total value retained	1,919,334,296	1,989,349,071
Total value distributed and retained	6,515,638,874	6,556,672,069
Value retained		
Profit retained	1,058,857,711	1,234,921,593
Depreciation and amortisation	860,476,585	754,427,478
Total value retained	1,919,334,296	1,989,349,071

PREAMBLE
02-13BUSINESS MODEL
14-70VALUE CREATION
71-119STEWARDSHIP
120-181FINANCIAL REPORTS
183-286ANNEXES
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MANUFACTURED CAPITAL

PREAMBLE
02-13

BUSINESS MODEL
14-70

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Manufactured capital is the physical infrastructure, plant and equipment, IT infrastructure, and assets that are produced externally, and manufactured internally. It excludes intellectual capital such as software, corporate brand, culture, and etc. The proper management of manufactured capital is embedded in our management approach since it directly contributes to achieving manufacturing excellence and operational performance. Our investments in plant and equipment has allowed us to convert resources into capital and the proper management of the manufactured capital has allowed us to reduce our carbon footprint. Our commitment to reduce the environmental footprint of our existing facilities have benefitted natural, intellectual, human, and social and relationship capitals.

Manufactured capital of AEL includes our physical and IT infrastructure that enables us to conduct our operations smoothly. It entails our physical assets such as the land, buildings, our production plants, the quarries we have leased, our heavy vehicle, machinery, and equipment fleet, furniture and fittings. Being in the forefront of process automation our IT infrastructure needs to be able to support the latest ERP system in place and the frequent system updates we do.

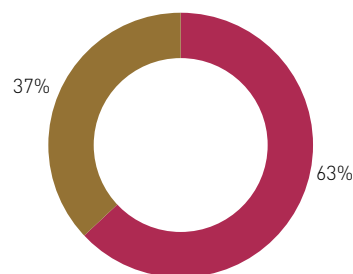
HEAVY CONSTRUCTION VEHICLES, EQUIPMENT, AND MACHINERY

The heavy construction vehicle, equipment and the machinery fleet we possess enables the smooth operation of our core business. They also help us to generate additional revenue in the form of hiring income. In 2017/18, we invested LKR 461 Mn. in our heavy machinery and equipment fleet.

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

The machinery is maintained in good working conditions and there is a designated team that ensures smooth, safe operations of the machinery, equipment, and vehicles. To minimise the environmental impact of the machines, they are constantly checked for CO₂ output and emission tests are conducted annually for the vehicles. For more information refer to natural capital on page 105.

AGEING OF FLEET OF MACHINERY



0-5 Years

5-10 Years

63% of our fleet of machinery had a lifespan less than 5 years

The balance 37% had a lifespan between 5 to 10 years

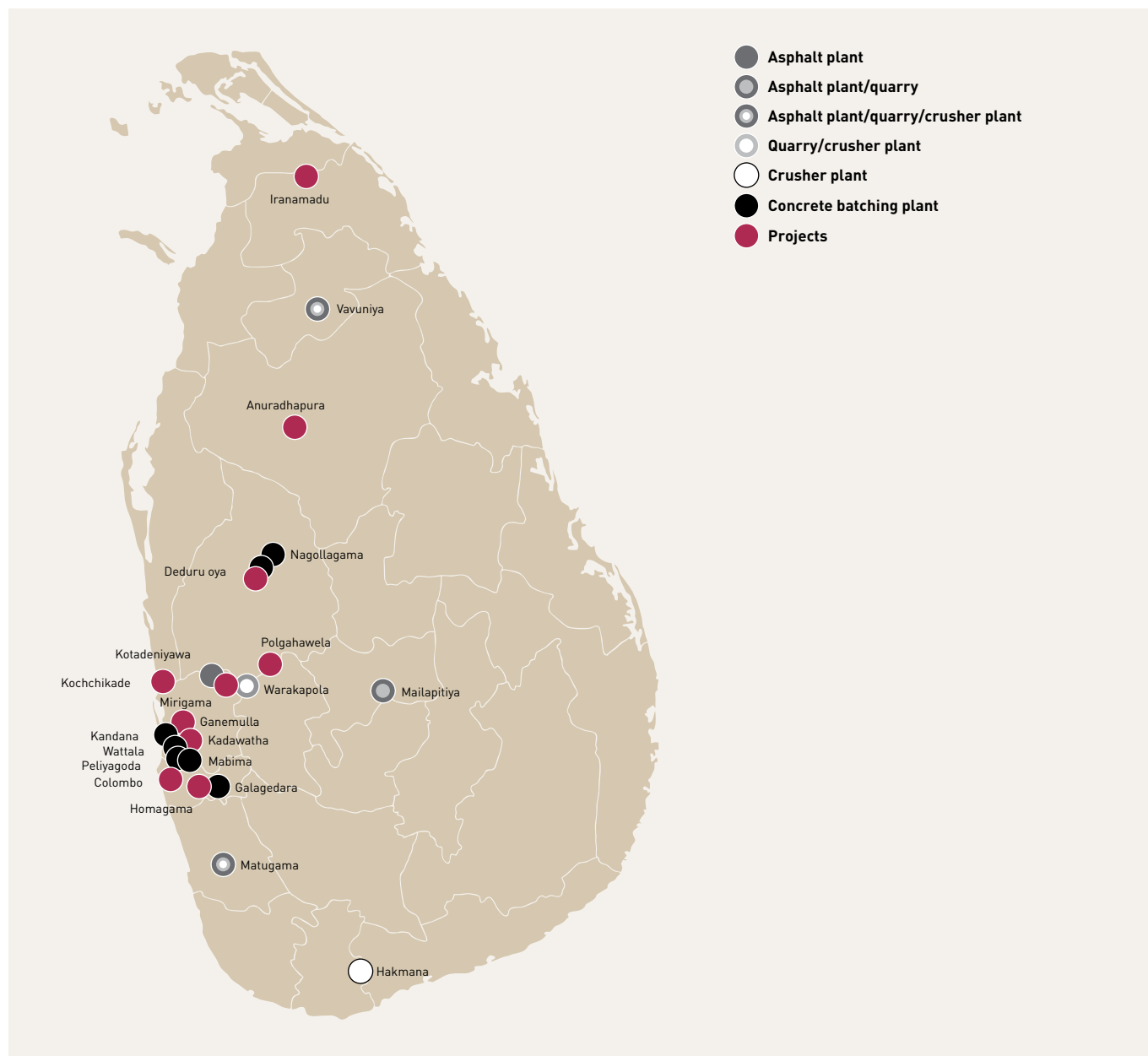
IT INFRASTRUCTURE

Our digital infrastructure including computer hardware, latest firewalls, and backup systems have enabled us to perform functions faster with improved efficiencies. Decision-making has become easier and the processes have become shorter. We continue to invest in cutting-edge technology to improve our systems and processes. For more information about AEL's intangible IT infrastructure, including software and solutions refer to intellectual capital on page 84.

PRODUCTION PLANTS

AEL is a forerunner in the production of construction-related materials. Our production plants located across the country enable us to execute our projects and services smoothly. Understanding the market and demand potential for construction material we have taken conscious decisions to further invest in production plants to cater to ever-increasing demand. We are currently one of the leading asphalt and concrete producers in the country.

Our production plants were located in the following areas:



FUTURE OUTLOOK

Our investments in the manufactured capital exceeded LKR 450 Mn. for 2017/18. We will continue to invest in state-of-the-art equipment, plants, and machinery to be ahead of the curve in a highly competitive industry. We will continue to invest in the latest IT infrastructure to improve process efficiency and information security. We continue to build sufficient capacity to meet future demands for infrastructure development. Our focus is

firmly placed on the number of production plants scattered across Sri Lanka to improve their efficiency by closely monitoring their output. We have conducted feasibility studies to further expand our network of production plants in strategic locations. The secret to the longevity of our fleet of machinery is proper use and continuous maintenance, we will further strengthen internal processes to ensure the proper management of our fleet of equipment.

INTELLECTUAL CAPITAL

PREAMBLE
02-13

BUSINESS MODEL
14-70

VALUE CREATION
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STEWARDSHIP
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Intellectual capital comprises a number of intangible attributes that AEL uses to create value. They include intangibles like corporate culture, systems and processes, knowledge bases, brand value, ethics and integrity.

SYSTEMS AND PROCESSES

In order to improve operational excellence of AEL, we ensure the systems and processes in place are functioning at optimal level. We have developed systems in areas such as business controls, information management, strategic sourcing and partnerships, enhancing local entrepreneurship to serve clients. We are also the first construction company to implement an ERP system and the SAP system installed in 2013 provides an integrated platform to automate the full range of our business processes.

Our HRIS system provides integrated HR information. The "AEL News" platform keeps all employees updated on project progress, financial news and any other important information. This is complemented by "News Within" which is a quarterly newsletter with information about construction projects, sustainability initiatives, technological advancements, human capital, and financial performance of AEL. Our in-house library is a valuable resource to technical and managerial personnel (on paper and electronic media) on civil engineering and project management.

Quality of products and services have been improved by better design and more stringent controls on operations. Rigorous health and safety procedures have also contributed to a reduction in the Lost Time Injury Frequency Rate (LTIFR).

We have recognised the importance of keeping our IT systems upto date. Our IT systems are equipped with the latest hardware and software, firewalls, servers, and backups.

The following systems were upgraded, automated, and digitalised during the year:

- The Document Management System was implemented during the year. This system is used to track, manage, and store documents and reduce the usage of paper.
- Initiation of "SAP Fiori", which provides a set of applications on compatible hand-held devices enabling to perform certain business functions, commenced during the year. This new system will be completed in 2018, and it is more user-friendly, more secure, and more efficient than previous systems.

PROCUREMENT POLICY

Being in the construction industry, we recognise the importance of fair, transparent procurement processes. Our suppliers and supply chain are very extensive. We procure all material, such as concrete, steel and wood, and subcontractor services through our supply chain. Further, sustainability plays a vital role in the procurement process.

Through our vertical integration strategy, we have increased our internal suppliers for ready-mixed concrete, aggregate-base course, and asphalt-concrete which has reduced costs and emission. Since most of our contracts are with Government entities which include additional regulations and requirements, we have a screening process in place for suppliers. Thus, through our screening process, we ensure that our suppliers comply with all the necessary environmental and construction-sector regulations. Further information about our screening process and assessment of the environmental and social impact of our suppliers will be provided under natural capital on page 105 and in financial capital on page 71.

THE ACCESS ENGINEERING BRAND

Our diversified Company integrates civil engineering disciplines such as engineering designs, foundations, construction material and construction projects. Over the years, our brand has gone from strength to strength in the construction sector. The number of national projects that has been entrusted to us over the years attest the leadership of the AEL brand in the sector. The AEL brand and reputation have moved offshore, and we have built firm partnerships around the globe. Our partners hail from China, Hungary, Australia, United Kingdom, USA, Japan, Malaysia, Korea, Spain, and many other countries.

Over the years, we have been at the forefront of introducing new technologies to the Sri Lankan construction industry like Horizontal Directional Drilling (HDD), micro-trenching method of cable installation in telecommunication works, post tensioning and the aluminium form work system in high rise building construction, diaphragm wall for basement construction, and many others.

Our numerous accolades over the years cement our position and our brand in the Sri Lankan construction sector. AEL has the highest market capitalisation in the construction and engineering sector of the Colombo Stock Exchange. We are the only company from the construction and engineering sector which was a constituent of the S&P SL 20 index of the CSE during the year 2017/18. We are also the only company from the sector selected among "Business Today Top 30" for 2017/18, and the only construction company selected to the "Category of 10 Best Corporate Citizens" of the Ceylon Chamber of Commerce.

We have taken numerous steps towards sustainability through different initiatives. We are the only civil engineering company to be a signatory to the United Nations Global Compact as well as the only construction company in Sri Lanka to be a member in good standing of Trace International, UK for anti-bribery compliance. Further, we are members of the Business and Biodiversity Platform of the Ceylon Chamber of Commerce and a member in good standing of the National Chamber of Commerce.

We possess the following grading as per the accreditations given by the Construction Industry Development Authority (CIDA):

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

QUALITY AND ENVIRONMENTAL CERTIFICATIONS

In the construction industry, the importance of quality assurance and environmental certifications cannot be over emphasised. The necessary standards in quality must be met by fulfilling the expected quality requirements through a systematic, company-wide approach. AEL has always complied with the necessary environmental standards and has gone beyond the expected standards in quality. Over the years, we have earned our certifications through efficiencies in our systems and by working towards specific goals. We ensure that we upgrade to the latest standards in order to be on the forefront of the industry. The existing management system certifications of the Company were upgraded during the year as follows:

- The Quality Management System (QMS) from ISO 9001:2008 to ISO 9001:2015
- The Environment Management System (EMS) from ISO 14001:2004 to ISO 14001:2015

GRI 102-16

CORPORATE CULTURE

The corporate culture that exists at AEL has been carefully fostered since our inception and exemplify our vision, mission, and core values. We have created a culture of learning and knowledge sharing where we provide value engineering through research, partnerships, and innovative practices. The practice of value engineering has enabled us to consistently deliver our clients better solutions that are more efficient and effective, durable, less costly and faster. We have also created a culture where we take responsibility for our impact on the community, environment, and society as a whole. The value of transparency and responsible corporate practices form the basis of the corporate culture persisting at AEL. We ensure that we comply with all the necessary regulations and strive to provide the best possible service to our clients.

AEL, being the leading company in Sri Lanka, has to be an example to all. We maintain high standards of ethics and integrity. We have a zero tolerance policy for corruption and unethical behaviour. Our policy in this regard is clearly laid down in the AEL Code of Ethics. All new employees are given an orientation programme where they are introduced to the Company culture, our values, systems, and processes.

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The ethical policy is further communicated by an annual core team meeting headed by the Managing Director; it is further reinforced by our disciplinary procedures and conflicts of interest are suitably addressed. There exists a culture of rewarding performance through various means such as monetary rewards in the form of increments, profit sharing schemes and incentives, and non-monetary rewards in the form of promotion, recognition, training and development.

The Company also benefits from the accumulated experience and intellect of employees with over five years of experience. We consider accumulated knowledge and experience of our employees to be a great asset to the value creation process.

GRI 205-1, 2, 3

There is a Compliance Committee in place to monitor ethical standards and to ensure that we are following what we preach. There are internal audits, system audits, and audits by partners. An annual surveillance is also carried out on renewal of our TRACE membership. Whistle-blowing is also encouraged to uncover instances of corruption. We are happy to report that there were no incidents of corruption reported during the year.

VALUE DERIVED FROM BUSINESS PARTNERSHIPS

The numerous partnerships that AEL has entered into since our inception have helped us grow as a business entity in a myriad of ways. We recognise that our Company is made stronger through the business partnerships we have established, the supplier base we work with, and the strategic partnerships with local and international government and private entities. We continued to be engaged with the Urban Development Authority in a PPP project to build houses for the public sector servants. Further, we were part of a consortium of contractors selected by the GoSL for the construction of the Central Expressway. The following table illustrates in monetary terms the value that AEL has derived from such business partnerships.

Partner status	2017/18 LKR Mn.	2016/17 LKR Mn.	2015/16 LKR Mn.
As a sub-contractor	2,707.13	4,244.68	2,525.79
As a JV partner	-	-	41.00
In Public Private Partnerships (PPP)	2,102.70	854.95	-
As a Partner of a Consortium	1,226.50	40.53	-
Total	6,036.33	5,140.16	2,566.79

COMPLIANCE

We conduct business in an open and transparent manner with generally accepted standards and values. We rigorously comply with local legislation and other necessary regulations. There were no incidents of non-compliance reported during the year.

NEW TECHNOLOGIES AND PROCESSES

Innovation is fundamental to the value engineering proposition offered by AEL. In times of rapid change in markets, tech, communications, the construction sector must innovate to improve. The focus on innovations will improve the reputation of the industry as a whole and will lead to the increase of performance. AEL, as a leader in the industry, has always invested in the most cutting-edge, most modern systems, machinery, processes, equipment, and others to stay abreast with what is happening in the world of construction.

AEL uses technologies like micro-trenching, which has reduced the cost of laying out fibre optics cables and diaphragm wall construction which uses a hydraulic grab. We also use methods like geo-composite in road paving which increases service life and structural capacity of roads, and composite decks on bridges and flyovers where the steel structure is fixed to the concrete structure like in the case of Rajagiriya Flyover Project. We have also introduced post tensioning approach which reduces concrete usage and increases the unsupported span of beams. This method was used in the construction of Access Tower II. We also use shotcreting for slope stabilisation which was used at the ITC Hotel site to stabilise vertical slopes on the boundaries of excavated areas. A new technique that we utilise is the hydraulic concrete splitter to de-bond the concrete from steel. This process reduces noise, dust, and saves time.

FUTURE OUTLOOK

We constantly make improvements to our existing intellectual capital through developing the existing systems and process, the corporate culture, institutionalised knowledge, and etc. We plan to implement "SAP My Spend", an application that enables easy comparison of budget allocated against the actual expenditure.

We will upgrade the Occupational Health and Safety Management System from the existing OHSAS 18001 to ISO 45001. We will also complete the implementation of a "Disaster Recovery" system in the ERP system in the near future.

HUMAN CAPITAL

At AEL, we aim to create an environment where our employees are able to develop their skills which will enable them to contribute to the growth of our Organisation. We are fully-committed to realising any requirements of our employees to make AEL a great place to work. Our HR strategy is aligned with the corporate strategy which helps to achieve our corporate objectives.

Being in construction, health and safety of employees is vital. We have made health and safety a top priority for our employees, subcontractors, general public, and everyone who is involved in our activities. We also strive to create a workplace where everyone feels valued and respected.

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

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

We provide various benefits to keep our employees motivated and happy. We understand that underlying operational excellence ensures that our team has the right skills for their areas or responsibility. Our training programmes help our team to develop skills and then apply what they learn in a practical setting.

GRI 405-1

TOTAL WORKFORCE BY AGE GROUP AND GENDER

	Male		Female		Total	
	No.	%	No.	%	No.	%
Age < 30	526	31	66	4	592	35
30 < Age < 50	943	56	62	4	1005	60
Age > 50	94	5	1	-	95	5
Total	1563	92	129	8	1,692	100

In addition to our staff, there were 978 labourers who were part of our workforce in 2017/18 bringing the total number of workforce to 2,670.

GRI 202-1, 2

Recruitment and retention

AEL has in place a responsible recruitment and remuneration policy to attract and retain a skilled workforce. Shortage of skilled workers being a challenge of the industry that we operate in and the intense competition in the labour market when acquiring specialised skills have led us to create a stringent recruitment policy by which positions are offered without biases in race, ethnicity, religion, age, or gender. Our senior management recruits are hired from within the country. There were a total of 206 industrial placements offered during the period.

GRI 401-1

RECRUITMENTS BY GENDER*

Male		Female		Total	
No.	%	No.	%	No.	%
183	94	12	6	195	100

TURNOVER BY GENDER*

Male		Female		Total	
No.	%	No.	%	No.	%
90	89	11	11	101	100

* The above tables depict the recruitment and turnover rates of the staff. Our labour force has not been accounted for in calculating the recruitment and turnover rates.

GRI 404-1

TRAINING AND DEVELOPMENT

As mentioned in the operating environment section, there is a dearth of skilled and trained workers in the Sri Lankan construction industry. This is a principal challenge of the sector across the world. AEL, being a leader in the construction sector, has always prioritised enhancing skills of our workforce through various training programmes. We understand that trained, skilled, and professional construction workers are the building blocks of good-quality infrastructure.

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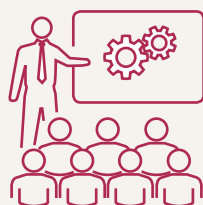
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In 2018, we conducted a number of training programmes to match the needs of the respective units and the diverse needs targeting employees at all levels. There was a total of 40 external and 71 internal training programmes conducted during the reporting year with a participation of 1,455 employees. The number of total training hours stood at 11,891. There was an average of 10.64 hours for staff and 0.47 hours for workers. The training programmes focused on the following areas like job-specific training, corporate training, operational training, soft skills, on-the-job training, general training: leadership and team building and collaborative training (NAITA).

For internal training, there were on-the-job and in-house training using the Company's own resources and expertise. There were also knowledge sharing sessions conducted among employees and industrial training. For external training, methods like institutional training and ad hoc training were used. There were also customised training sessions organised according to organisational requirements.

At the end of each programme the participants would complete a feedback form. We utilised the forms to conduct a feedback analysis to evaluate the effectiveness of our training programme.

The effectiveness of our training programmes gained recognition when we received the "Gold Award" at the Sri Lanka Institute of Training and Development Peoples Development Awards 2017.



71 Internal and **40** external training programmes

11,891 Total number of training hours

1,455 Participants



206 Industrial placements in 2017/18

LKR 8 Mn. Cost of training programmes in 2017/18

4.45 Average training hours per employee

Average training hours



16.27

Female



3.79

Male



10.64

Staff



0.47

Labour

Average training hours per employee category

GRI 404-2

Training programmes overview

Programme	Type	Dates	Number of participants	Average training hours
Internal training on Occupational Health and Safety Management System	Internal	19 August 2017	44	4
Internal training on Health and Safety	Internal	18 November 2017	23	4
Internal training on Management System (H&S)	Internal	25 November 2017	28	4
Seminar on Fall Protection and Work at Heights	External	28 April 2017	8	7
National OSH Conference – 2017	External	11 October 2017	17	7
National Seminar on Occupational Safety and Health	External	24 October 2017	32	7
Sri Lankan Health and Safety laws in Sinhala	External	13 December 2017	2	7
Workshop on Microsoft Project	External	6 April 2017 and 20 August 2017	11	14
One day training programme on Occupational First Aid	External	29 April 2017	45	8
Workshop on essential computer skills	Internal	30 November 2017	10	8
One day workshop for drivers	External	17 December 2017	30	8
HR personnel forum	Internal	16 March 2018	44	8
SAP training on Basics, Finance, Material Management & Equipment and Tools Management	Internal/ External	Continuous	106	40
External training on Civil 3D	External	Continuous	84	40
Internal training on Civil 3D	Internal	Continuous	80	60
Professional training programme on Business Writing and effective Letter Writing techniques	Internal	Continuous	53	28
Course on English for Engineering professionals	External	Continuous	1	30

Employee benefits

To incentivise our employees, we offer myriad benefits to our team including competitive salaries on par with industry standards, parental leave, and other benefits. To motivate our employees further, we offer various programmes which help maintain work-life balance of our employees.

GRI 401-2

Benefits for full-time employees

- | | |
|--|---|
| <ul style="list-style-type: none"> • Performance based rewards • Annual bonus/performance based incentives • Surgical and hospitalisation insurance coverage (Extended to whole family) | <ul style="list-style-type: none"> • Career development • Morning and evening tea with snacks • Providing meals when working extended hours/ on holidays |
| <ul style="list-style-type: none"> • Personal accident and death insurance coverage • Death donations • Personal loans | <ul style="list-style-type: none"> • Annual trips • Sports day/activities • Festival advance |

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GRI 401-3

Parental leave

Total number of employees that were entitled to parental leave	130
Total number of employees that took parental leave	4
Total number of employees who returned to work after parental leave year ended	2
Yet to return to work as at year end	2

As per the Shop and Office Act, all female employees are entitled to maternity leave. We provide 84 working days leave for the first and second child and 42 working days leave for subsequent confinements.

Work-life balance

At AEL, we promote maintaining work-life balance since our line of work is labour intensive and can be mentally and physically exhausting. We understand that the promotion of work-life balance can lead to a significant increase in the team's engagement, cohesiveness, and overall productivity. We hold annual staff trips, a Christmas carnival, and a sports carnival. We have also opened a cafeteria and gymnasium in Access Tower II.

GRI 404-3

Performance evaluation

At AEL, we conduct all appraisals and performance evaluations through a transparent appraisal system. It is an ongoing process that evaluates employees periodically. Through feedback, we have identified skills gaps and learning needs. Throughout the year, employees receive continuous feedback and a formal annual review. We hope enhance the performance-driven culture at AEL even further. All staff members underwent performance evaluation during the year.

Health and safety

As working on our sites harbours risks, we make health and safety of our team, subcontractors, and the general public a top priority. Safety is at the heart of everything we do. There is a company-wide approach taken to create a safe, secure working place. This has led to the minimising of workplace-related risks and other occupational hazards. For each of our projects, our team of experts make educated assumptions on the potential health and safety risks and make our employees aware about them.

In 2017/18, we conducted Health Screening Programmes to identify employees with health issues. A total of 169 employees were screened for health issues at the Central Equipment Division, Telecom Projects Division, and the Piling Unit.

We hope to continue our efforts to raise the health and safety standards at our working places and we plan to obtain the international standard for occupational safety and health: ISO 45001 instead of OHSAS 18001.



169 Employees screened for health issues



0.48 The Lost Time Injury Frequency Rate (LTIFR)



LKR 8 Mn. Cost incurred in relation to safety initiatives in 2017/18

GRI 403-2

Health and safety parameters in 2017/18

Total safety hours	10,320,907
Fatalities	1
Major accidents	1
Minor accidents	4
Frequency of major accidents	0.097<1
Frequency of minor accidents	0.388<1

The Health and safety policy at AEL has outlined the following objectives:



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

- Conducting safety inductions (Video/Presentation).
- Identifying health and safety hazards and assessing risks associated with such hazards.
- Establishing and practising operational controls based on the results of risk assessment.
(Eg. working at height, working with electricity, welding, operating heavy vehicles and machinery etc.)
- Identification of Personal Protective Equipment (PPE) needs based on the activities carried out, appropriate usage, and monitoring its effectiveness.
- Display of safety signage.

- Identifying and conducting emergency mock drills to ensure that pre determined responses are adequate and effective.
- Site trainings and awareness to work safely with minimum impact to health.
- Selection of best "Safety Performer" among the employees to cultivate a safety culture.
- Ensure the competencies of workers prior to the assignment of high-risk activities.
- Review of health and safety performances monthly in the activity centre and annually at Head Office.

Employee grievance handling

Grievances can arise when employee expectations are not fulfilled or when an employee encounters issues with the conditions of work and the working environment. At AEL, we recognise the importance of timely, proactive intervention to address grievances before they escalate. We are committed to address the grievances in a fair and equitable manner. Our formal grievance handling procedure allows any employee to communicate openly and confidentially about any grievance and ensures a fair hearing.

GRI 406-1

Incidents of discrimination and corrective actions taken

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

FUTURE OUTLOOK

In a labour-intensive industry where there is a dearth of highly-skilled employees, we will continue to provide job-specific training among our technical as well as other staff to improve skills. Our training needs analysis will identify training gaps and we will conduct professional development programmes to empower our employees. We will also revamp the employee benefits scheme to enhance financial and non-financial benefits to our employees. Health and safety is also a top priority for us. We will continue to improve our health and safety parameters and internal systems to improve our health and safety ratio and reduce work-related hazards. We will also promote work-life balance as means of staff motivation and improvement of efficiency.

SOCIAL AND RELATIONSHIP CAPITAL

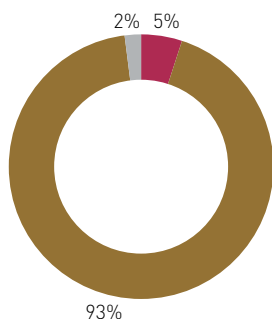
CUSTOMER CAPITAL

The AEL brand has long been associated with the concept of value engineering where we place our priorities on flexibility, innovation, and excellent quality in order to serve our customers as a long-term, reliable partner. The Sri Lankan construction industry is highly competitive and customer needs have diversified, thus we have recognised the need to improve the level of customer satisfaction by strengthening the quality of products and services as well as customer service.

Our exceptional service delivery includes tailor-made solutions in the design and implementation of all our unique projects. We continually improve our technical expertise through our foreign partnerships and knowledge sharing initiatives among peers. This pursuit of knowledge in delivering value engineering has earned us a reputation among customers.

Our greatest strength is our diversified business portfolio that include innovative, cutting-edge construction solutions to serve customer needs. We also place customer satisfaction at the heart of everything we do. Through diverse initiatives we aim to maintain a positive partnership with our customers.

CUSTOMER MIX



Public

Foreign

Private

Value engineering solutions

Since our inception, we have placed our priorities on flexibility, innovation, and providing value engineering of the highest standard to serve our customers as a long-term, reliable partner. We utilise the experience we have accumulated over the years, and the latest innovations in the construction industry to deliver a diversified product offering.

We are also conscious of the importance of sustainability in our field of work. Through various internal processes that are set up in place, we ensure that we use the minimum amount of material, space, energy, natural resources, and produce a minimum of waste. Our capabilities in engineering have contributed to the efficient use of materials and successful project execution.

We also benefit from the partnerships we have established with national and international partners that lead to constructive and interdependent collaborations. We have also gained valuable knowledge from our external partners about the global best practices in the industry.

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

GRI 416-2

There were no incidents of non-compliance concerning health and safety impact to customers reported during the year.

Engineering services

Engineering design

AEL, at the forefront of the construction industry, has invested in state-of-the-art systems and software to execute cutting-edge engineering designs on par with global standards. We recognise that construction requirements differ from project to project, and the tailor-made engineering solutions we bring to the table are unique.

In 2017/18, we completed the Rajagiriya Flyover project ahead of scheduled time and undertook a number of engineering design projects like the design of access bridges in the Central Expressway Project and the commencement of the design of "Marina Square" a proposed mixed-development project comprising of 1,068 apartment units and commercial space. The development is considered one of the largest mixed development projects in Sri Lanka.

There are also a number of engineering design projects continued from the previous year, most notably the design and construction of Kochchikade Bridge. Our Design Division uses design software such as ETAB, STAADPRO, SAP 2000, SAFE, Auto Cad, ADAPT BUILDER, ADAPT, in executing our engineering design projects.

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

No.	Project name	Description of work carried out	Type	Status as of 31 March 2018	Date of commencement	Date of completion	Client
1.	Design and construction of Kochchikade Bridge	Design of pile foundation, approach road and temporary structures.	Bridge	Ongoing	July 2016	July 2018	Road Development Authority
2.	Urban Regeneration Project – City of Colombo: Construction of 608 Housing Units for Government Servants at Borella	Design of two 25 storey buildings comprising 608 apartments units. Scope of work includes design of pile foundation, sumps, pools and the superstructures.	Building	Ongoing	March 2016	October 2018	Urban Development Authority
3.	“Marina Square” – proposed Mixed Development at No. 250, Srimath Ramanathan Mawatha, Colombo 15	Design of five 40 storey buildings comprising 1,068 apartment units including the commercial complex and swimming pools.	Building	Ongoing	March 2017	March 2019	Harbour Village (Private) Limited
4.	Workshop building for Sathosa Motors PLC	Design of steel and concrete workshop building.	Building	Ongoing	December 2017	June 2018	Sathosa Motors PLC
5.	Design of access bridges in Central Expressway Project	Design of steel bridges.	Bridges	Ongoing	June 2017	Continuous and ongoing throughout the project	Access Engineering PLC

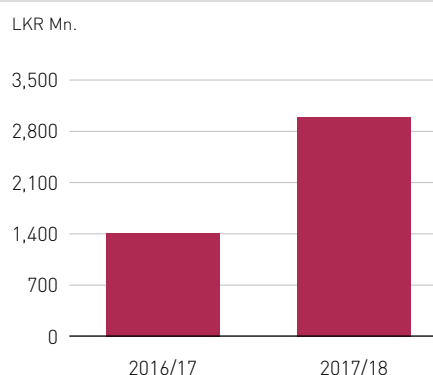
Piling

Pile foundations are generally required to maintain safety in multi-story buildings. AEL has undertaken major projects within the year which include piling works. Our acquisition of the PDA (Pile Driving Analyser) technology (the most widely employed system globally for dynamic load testing and pile driving monitoring) in 2016/17 has contributed to the value engineering services provided by AEL. The Piling Division is well-equipped with the latest machinery including piling machines, a hydraulic grab, crawler cranes, excavators, mobile cranes, and desanders.

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

- Piling works and the diaphragm wall construction of Havelock City Phase III Development and ODEL Commercial Complex.
- Piling works of the proposed Head Office of Pyramid Lanka (Private) Limited.
- Piling works of Capital Heights condominium development by Blue Star Realities (Private) Limited.
- Piling works of the proposed Ambassador Resort and Spa at Mirissa.
- Piling works of the proposed Audi Workshop and Service Centre at Wattala.
- Piling works of the proposed warehouse cum office complex for Ceylon Tea Services at Wattala.

PILING REVENUE



HDD and telecommunication services

AEL's Telecommunications Division carried out the following works during the year:

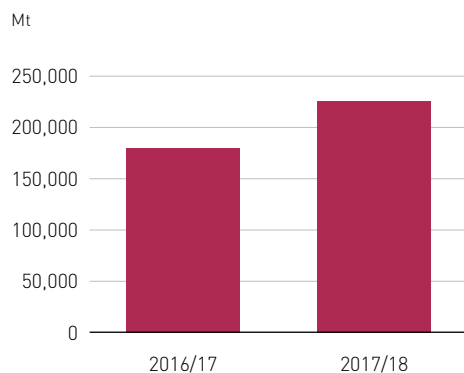
- Designed and built solutions in Optical Fibre Backbone networks, Metro Fibre implementation projects including FTTH networks, copper cable networks, MSAN installation and configuration, tower constructions, and aerial cable installation.
- Network rehabilitation, shifting, fault rectification, and maintenance.
- Installation of pipes, ducts and cables using Horizontal Directional Drilling (HDD) technique which employs a trenchless method to install pipes, ducts, or cables underground with minimal or no disturbance to surrounding structures. This is the most versatile solution for the installation of underground utilities along roads in built-up areas as it causes minimal disturbance.
- Fibreoptic cable installation through cable jetting. Cable jetting is the process of installing a cable in a duct by pushing the cable into the duct whilst blowing air through the duct. This method is extremely productive than the conventional manual cable pulling method. This also enhances quality by eliminating potential damage to cables. The Company has been successful in installing and reaching a distance of approximately 4 km of optical fibre cable on average each day.
- Laying of underground micro ducts using micro trenching. Micro trenching is a low-impact deployment methodology in which fiber, and conduit are inserted into a slot-cut trench without damaging or disrupting existing infrastructure.
- Production of precast telecommunication poles.

Production plants

Asphalt plants

AEL's asphalt plants are located in Kotadeniyawa, Mathugama, Mailapitiya, and Vavuniyawa. The total installed capacity was 456 TPH.

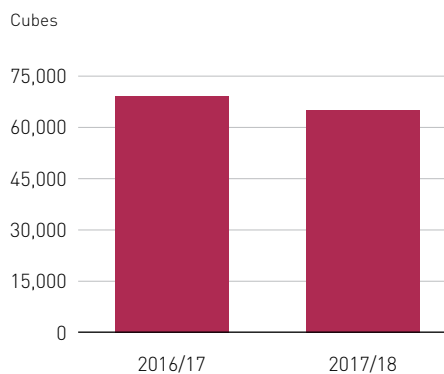
TOTAL ASPHALT PRODUCTION



Crusher plants

AEL's Crusher plants are located in Warakapola, Mathugama, and Vavuniyawa. The total installed capacity was 340 TPH.

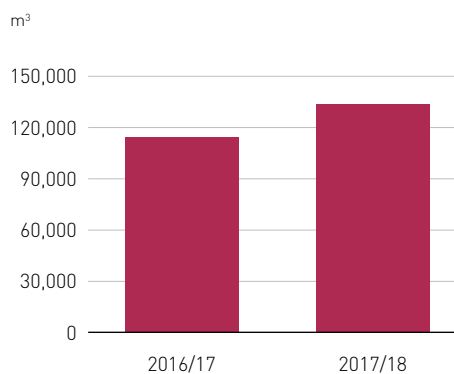
TOTAL SALE OF AGGREGATES



Batching plants

AEL's batching plants are located in Mabima, Wattala, Peliyagoda, Kandana, Deduruoya, and Nagollagama. The total installed capacity was 345 m³/H.

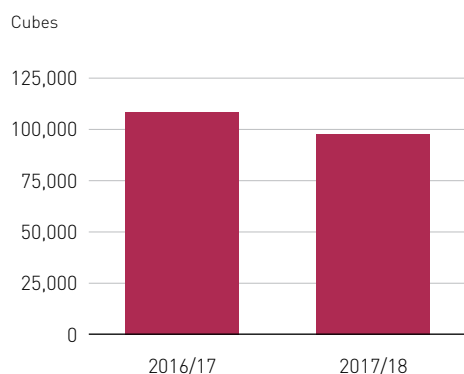
TOTAL SALE OF CONCRETE



Quarry operations

AEL's quarries operate in Vavuniyawa, Warakapola, Mathugama, Hakmana, and Mailapitiya.

TOTAL SALE OF QUARRY PRODUCTS



INVESTOR CAPITAL

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

Investor capital structure

From	To	Number of holders	Number of shares	%
1	1,000	2,933	1,125,063	0.11
1,001	10,000	1,876	7,978,172	0.80
10,001	100,000	721	23,996,946	2.40
100,001	1,000,000	225	68,213,963	6.82
Over 1,000,000		61	898,685,856	89.87
		5,816	1,000,000,000	100.00

Categories of shareholders

Categories of shareholders	Number of holders	Number of shares	%
Local individuals	5,391	741,176,229	74.12
Local institutions	337	167,822,650	16.78
Foreign individuals	55	3,871,763	0.39
Foreign institutions	33	87,129,358	8.71
	5,816	1,000,000,000	100.00

Directors' shareholding as at 31 March 2018

Name of the Director	Number of shares held	%
Mr S J S Perera	250,000,000	25.00
Mr R J S Gomez	75,130,325	7.51
Mr J C Joshua	100,000,000	10.00
Mr S H S Mendis	24,000,000	2.40
Mr D A R Fernando	24,000,000	2.40
Mr S D Munasinghe	24,000,000	2.40
Mr S D Perera	2,000,000	0.20
Prof K A M K Ranasinghe	-	-
Mr N D Gunaratne	-	-
Mr D S Weerakkody	10,000	-

Share prices for the year

	2017/18 (LKR)	2016/17 (LKR)
Market price per share		
Highest	27.00	27.70
	3 August 2017	30 September 2016
Lowest	20.20	20.80
	28 March 2018	1 April 2016
As at end of the year	20.50	23.80

Public holding

The shares that are held publicly account for 42.314% of the total shareholding comprising 5,800 shareholders.

The float adjusted market capitalisation of the Company was LKR 8,674.3 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.

20 Major shareholders

Name of shareholder	2017/18		2016/17*	
	Number of shares	%	Number of shares	%
1. Mr Sumal Joseph Sanjiva Perera	250,000,000	25.000	250,000,000	25.000
2. Mr J C Joshua	100,000,000	10.000	100,000,000	10.000
3. Mr R J S Gomez	75,130,325	7.513	103,300,000	10.330
4. Mrs R M N Joshua	70,000,000	7.000	70,000,000	7.000
5. Mr Shamal Joseph Shavindra Perera	50,233,000	5.023	49,233,000	4.923
6. Mrs D R S Malalasekera	45,000,000	4.500	45,000,000	4.500
7. Foresight Engineering (Private) Limited	30,000,000	3.000	16,185,200	1.619
8. Citi Bank Newyork S/A Norges Bank Account 2	29,118,188	2.912	23,591,649	2.359
9. Mr D A R Fernando	24,000,000	2.400	24,000,000	2.400
10. Mr S H S Mendis	24,000,000	2.400	24,000,000	2.400
11. Mr S D Munasinghe	24,000,000	2.400	24,000,000	2.400
12. Employees' Provident Fund	20,478,289	2.048	20,478,289	2.048
13. SEB AB – Tundra Frontier Opportunities Fund	13,654,837	1.366	6,754,837	0.675
14. Access Medical (Private) Limited	13,000,000	1.300	13,000,000	1.300
15. Nuwara Eliya Property Developers (Private) Limited	8,102,042	0.810	8,102,042	0.810
16. MAS Capital (Private) Limited	6,960,957	0.696	6,960,957	0.696
17. Mr M J Fernando	6,102,869	0.610	5,158,120	0.516
18. RBC Investor Services Bank S A – Blackfriars Developing Markets Funds PLC – Blackfriars	6,000,000	0.600	–	0.000
19. Deutsche Bank A G – National Equity Fund	5,850,000	0.585	4,350,000	0.435
20. Deutsche Bank A G as Trustee for J B Vantage Value Equity Fund	5,072,312	0.507	5,072,312	0.507
	806,702,819	80.670	799,186,406	79.919
Others	193,297,181	19.330	200,813,594	20.081
Total	1,000,000,000	100.000	1,000,000,000	100.000

* Comparative shareholdings as at 31 March 2017 of the twenty largest shareholders as at 31 March 2018.

Investor relations

Clear, consistent communication with our investors is a top priority at AEL. We recognise that keeping our shareholders “in the loop” by providing accurate and timely information has always led to building long-standing relationships with them. The trust that we have built over the years with our investors have helped gain investor confidence.

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

could meet with Directors by prior appointment. This year, we participated at “Invest Sri Lanka” an overseas programme organised by the CSE.

Release dates of interim Financial Statements – 2017/18

Quarter	Due date	Actual release date
1	15 August 2017	8 August 2017
2	15 November 2017	14 November 2017
3	15 February 2018	1 February 2018
4	31 May 2018	30 May 2018

Release date of Annual Reports – 2016/17

	Due date	Actual release date
Annual Report	31 August 2017	4 August 2017
AGM	30 September 2017	30 August 2017

Dividend policy

The dividend policy of the Company remains unchanged.

A final dividend of LKR 0.20 per share was declared for 2016/17 on 1 August 2017 and paid in full during the year. An interim dividend of LKR 0.50 per share was declared for 2017/18 on 30 November 2017 and paid in full by the Company on 21 December 2017.

A second interim dividend of LKR 0.50 per share was declared for 2017/18 on 5 March 2018 and paid in full by the Company on 23 March 2018.

Earnings and dividends since listing

	2017/18		2016/17		2015/16		2014/15		2013/14	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
EPS (LKR)	3.07	1.91	2.71	2.68	2.47	2.09	2.35	1.75	2.83	2.52
DPS (LKR)	1.20	1.20	1.50	1.50	0.75	0.75	1.00	1.00	0.50	0.50
Payout (%)	39.7	63	55	56	30	36	43	57	18	20

Performance of shares relative to ASPI

	31 March 2018	1 April 2017	Change (%)
AEL Price (LKR)	20.50	23.80	(13.87)
ASPI	6,476.78	6,080.01	6.53
S&P SL 20	3,650.10	3,443.12	6.01
Construction and engineering sector	2,074.59	2,392.99	(13.31)

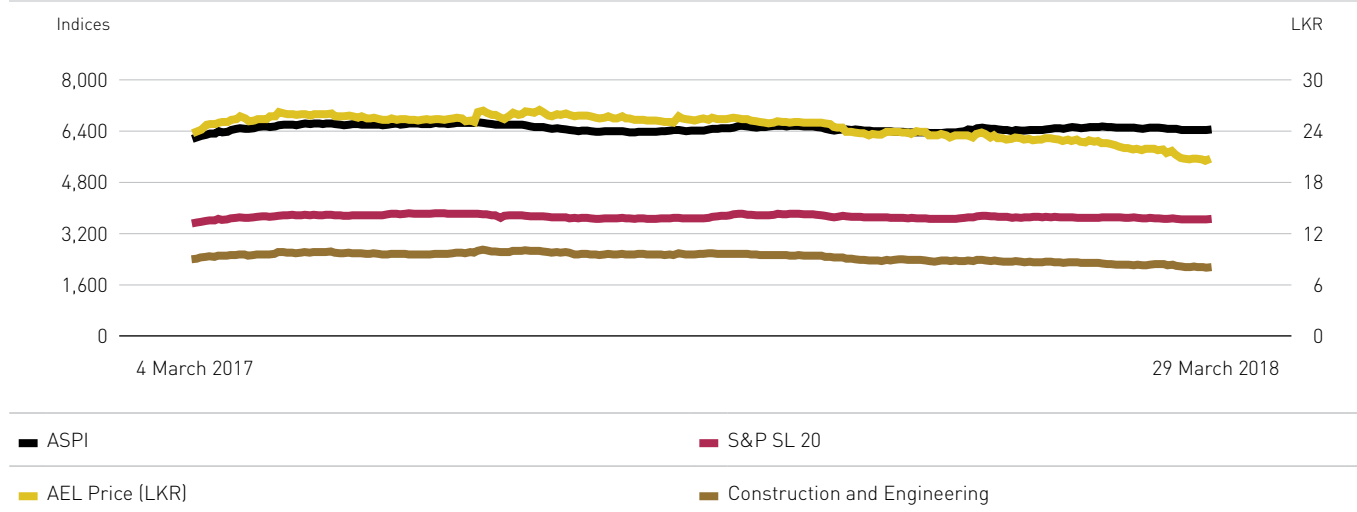
Trading statistics

	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
No. of shares traded	108,091,199	146,979,343	199,334,867	476,248,674	64,571,998
Value of shares traded (LKR)	2,728,514,261	3,624,740,014	4,570,150,971	14,900,355,246	1,265,038,262
No. of days traded	236	242	241	239	239
No. of trades	10,750	25,709	36,018	49,154	13,535

Details of the Debenture Issue

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

AEL TRADING



BUSINESS PARTNER CAPITAL

Over the years, AEL has built firm, lasting relationships with numerous business partners. The nature of the construction sector is such that collaboration, and working partnerships with consultants, suppliers, subcontractors, joint-venture partners, and others are essential to delivering value engineering. AEL's 360-degree management approach to projects ensures that partners are involved from a very early stage to enable the Company to properly take into consideration the financial, environmental, and social aspects of each and every project. AEL's code of conduct that outlines sustainability, ethical practices, and environmental preservation is incorporated in all agreements with external partners.

GRI 206-1

There were no reported incidents of anti-competitive behaviour within the reporting year.

AEL also benefits from constructive and productive collaboration with external partners selected on the basis of transparent criteria. These partners follow AEL's values and its high standards.

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

During the year AEL entered into a number of strategic alliances that have strengthened AEL's position in the construction industry. AEL's alliance with China Harbour Engineering Company Limited and Mustafa's Pte. Ltd. of Singapore for the development of Marina Square mixed development and the alliance with ZPMC China for the commissioning, repair, and maintenance of port machinery continued during the year.

AEL also continued the construction of Kochchikade Bridge with Bilfinger MCE GmbH of Austria and during 2018 the Company completed the construction of Rajagiriya Flyover, Ganemulla Flyover, and the Polgahawela Flyover with Centunion S A of Spain. Further details about our business partnerships and joint projects with local, governments, foreign entities can be found on the projects section on page 20 to 47.

GRI 102-9, 10

Type of supplier	2017/18
Local vendors	11,529
Foreign vendors	334
Internal vendors	96
Total	11,959

New suppliers in 2017/18

Type of supplier	2017/18
Local vendors	1,604
Foreign vendors	62
Internal vendors	11

Selection and evaluation of suppliers

As mentioned above, AEL follow a stringent process in the selection of suppliers. AEL's construction contracts are entered into with public authorities and these contracts impose additional Government requirements. AEL screening process is based on the compliance with the requirements specified by our Standard Operating Procedures and requirements imposed by Environmental Management Systems ISO 14001:2015 and Occupational Health and Safety Assessment Series OHSAS 18001:2007 Standards. Apart from this we perform periodical supplier evaluations such as reviewing samples, conducting factory visits, collecting test reports, discussion with suppliers and trade agencies, and participating in open trade forums both locally and internationally. The screening process in place for suppliers considers factors that are weighted on priority basis. The factors are weighted on priority basis. The following is an overview of AELs' process:

Management criteria	Evaluation criteria	Description
Quality	Price	Price offered by the supplier as opposed to other suppliers
	Delivery time	Track record of delivering goods on time
	Responsiveness and flexibility	Degree of responsiveness and openness to change
	Quality of material	Percentage of goods rejected upon supply
	Credit facility	Credit facility granted
Environmental	Packaging	Degree of conformance with specifications
	Legislation	Conformance with applicable legislations
	Waste management	Soundness and quality of waste management practices adopted
	Test reports	Availability of test reports for inspection
	ISO 14000 Certification	Availability of ISO 14000 Certification

Supplier Environmental Assessment

AEL has introduced the environmental criteria for screening process in placing suppliers which maps out main environmental aspects (air pollution, soil erosion, noise reduction, water preservation, protecting flora and fauna). AEL is committed to protect the environment by obtaining Environmental Management Systems Certification ISO 14001:2015, and its supplier selection process is totally combined with requirements imposed by it's EMS. Here suppliers are encouraged to obtain Environmental Management Certification for doing business with AEL. In the supplier evaluation process AEL offers a score of 10% in total for their environmental commitment.

Suppliers who have been screened for environmental criteria

Our vertical integration strategy has led to the increase of internal suppliers for ready-mixed concrete, aggregate base course, and asphalt concrete. This has led to the reduction of transportation which has reduced the output of emission.

AEL's production plants supply materials, for construction projects following AEL's environmental policy. Company's quarry production has obtained quarry mining licence from the Central Environmental Authority.

AEL has also established numerous partnerships with foreign suppliers from which the Company derive synergistic benefits such as:

- Transfer of knowledge and technical know-how
- Ability to introduce innovative construction methodologies to the local industry
- Opportunity to learn "Best Practices"
- Project financing
- Product representation in the local market
- Overseas factory and field visits

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

Mode of transportation	2017/18 (%)
Air-freight	19
Sea-freight	81

Labour and environmental standards applicable to suppliers

Labour	<p>The following list is in addition to EPF, ETF and Gratuity-related Acts</p> <ul style="list-style-type: none"> • Wages Boards Ordinance • Factories Ordinance • Workmen's Compensation Ordinance • Employment of Women, Young Persons and Children Act • Shop and Office Employees' Regulation • Industrials Disputes Act
Environmental	<ul style="list-style-type: none"> • Environmental Protection License (EPL) • Mining License • Archaeology Clearance • UDA Clearance

GRI 204-1

Spending on local suppliers

The following table indicates the spending on local suppliers at each significant location in 2017/18:

Province	Material purchases (LKR)	Capex (LKR)	Total (LKR)	Local purchases Made from the Budget (%)
Western	1,565,764,655	26,317,778	1,592,082,433	49
North				
Western	40,192,997	8,604,464	48,797,461	27
Northern	46,372,070	2,131,732	48,503,802	54
	1,652,329,722	37,053,974	1,689,383,696	48

GRI 102-13

National registrations

The following table indicates the list of National registrations we have obtained:

No.	Registration body	Membership information
1.	Construction Industry Development Authority (CIDA)	<ul style="list-style-type: none"> • CS – 2 Highways • CS – 2 Water Supply and Sewerage • CS – 2 Buildings • C – 1 Bridges • C – 1 Irrigation and Drainage Canals • C – 1 Dredging and Reclamation • C – 1 Maritime Construction • GP – B1 Piling • SP – 1 Soil Nailing and Stabilization • EM – 1 Electrical Installations (Low Tension) • EM – 1 Heavy Steel Fabrication
2.	National Construction Association of Sri Lanka (NCASL)	Member
3.	Institute of Engineers of Sri Lanka (IESL)	Recognition of Organisation for Training of Graduate Engineers for Corporate Membership (Civil Design Engineering and Civil Construction Engineering)
4.	Institute of Chartered Accountants of Sri Lanka (ICASL)	Approved Training Institution for Certificate Level
5.	International Chamber of Commerce of Sri Lanka	Member
6.	Condominium Association of the Ceylon Chamber of Commerce	Ordinary member
7.	Ceylon Chamber of Commerce Business and Bio Diversity Platform	Patron member
8.	National Chamber of Commerce	Corporate member serving for Engineering and Construction Committee
9.	Employers' Federation of Ceylon	Member

Future initiatives

AEL establishes relationships with suppliers who abide by the Shop and Office Act and screens them thoroughly evaluating their environmental impact. Yet, the Company has identified that the existing supplier's evaluation process does not specifically take into account parameters that monitor and measure their social impact. For example, wages, employment, equity, safety and living conditions, child labour, working hours, and working environment. As a future initiative, AEL will implement an assessment of the suppliers social impact by using a social impact questionnaire.

COMMUNITY CAPITAL

GRI 413-1

CORPORATE SOCIAL RESPONSIBILITY

We now operate in a world where major climate and urban issues have grown more acute. We also face challenges from innovative technologies in energy, architecture and digitalisation, and the rapid pace of transformation.

The construction sector, by its very nature, has an impact on the community. We are proactive therefore in minimising the level of negative impact on the local environment and seek to make a positive contribution to local communities. AEL considers social responsibility, and sustainability as an integral part of its operations. Our understanding of sustainability is based on the concept of systematically reconciling economy, ecology, and community in all our business activities.

Through our infrastructure projects for the private as well as the public sector, we have contributed to the urbanisation and the development of public infrastructure which has raised the standards of living.

GRI 419-1

In all our dealings with the larger community that we operate in, we ensure that we follow all the necessary regulations. We are happy to report that we have complied with all the necessary regulations in social and economic areas.

We also fund community development projects throughout the year. A CSR Committee has been established to select, review, and execute potential CSR projects. All our CSR projects are carefully evaluated before implementation. We take into consideration our CSR policy, the CSR budget, and project objectives.

Our Managing Director together with the CSR Committee has been involved in monitoring and guiding the CSR projects. This reflects the commitment of our Senior Management which has contributed significantly to the success of our CSR initiatives. All our CSR initiatives concerning the preservation of the environment are given in Natural Capital section (page 105).

Our CSR activities can be classified under three different categories:

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

Access Engineering Social Responsibility policy

We have set up a policy which forms the basis of all our CSR activities. Our social policy revolves around complying with legal norms and business ethics and building trusting relationships with our stakeholders by strictly adhering to professional standards of activity. We are cognisant of the impact of our operations from our business activities and through extensive review we strive to minimise and manage them through professional mediation.

The CSR activities were incorporated into five platforms and policies were drawn up for each platform as described below:

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 105)

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.

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Local community development projects



LKR 1 Mn.

From scrap material



LKR 4.4 Mn.

Invested on local community development



LKR 14 Mn.

Worth of classroom furniture

1,470

Pairs of desks and chairs donated to
42 schools

Fabrication and donation of school desks and chairs

In an effort to contribute towards the development of rural schools and the uplifting of rural education, AEL donated school desks and chairs to underprivileged schools in the country. The objective behind the project was to improve the learning environment of rural schools.

The project was implemented in three different phases:

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

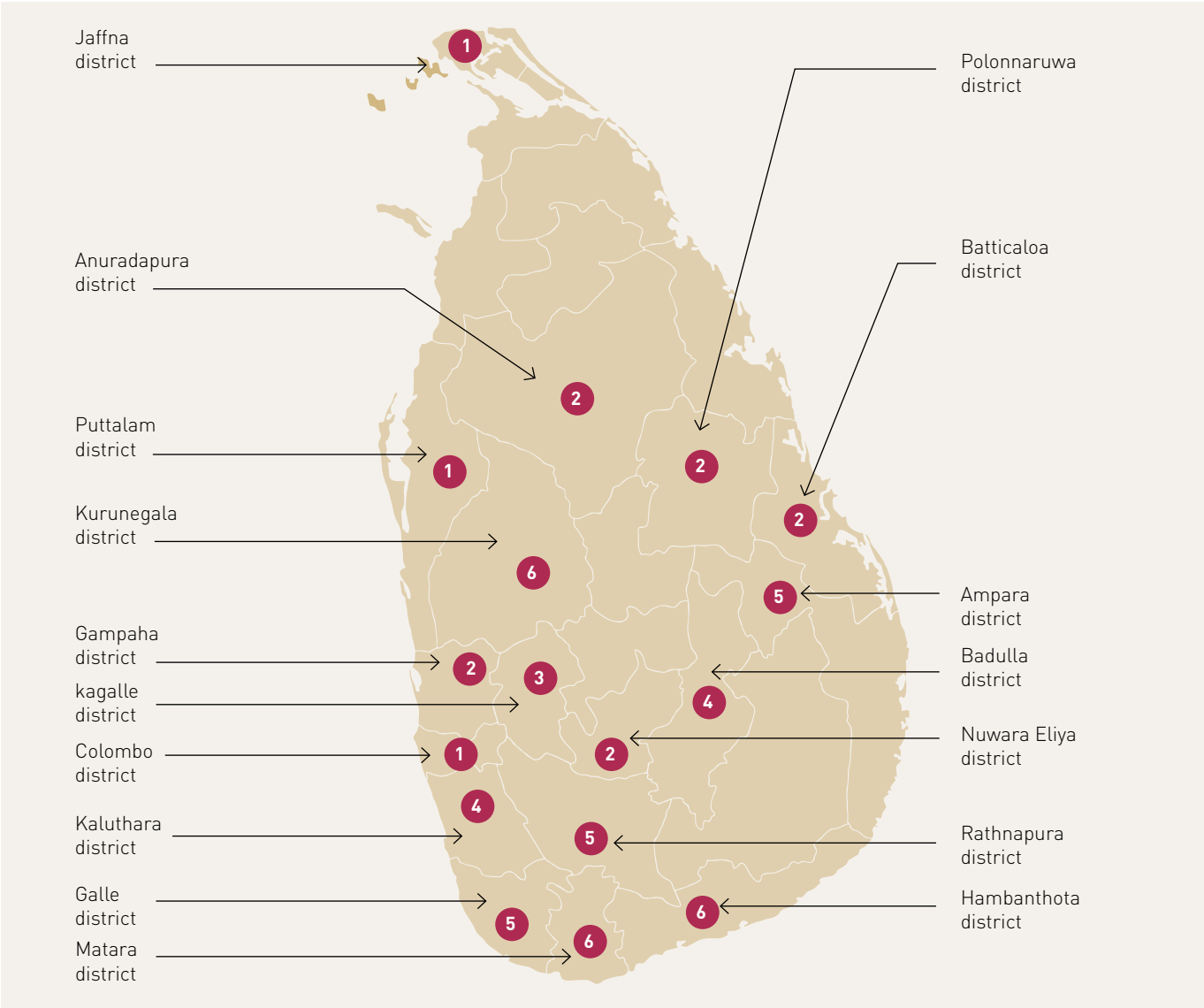
Following the project, over 29 tons of scrap material, scrap metal were collected and traded to an external party for the sum of LKR 1 Mn. These funds were directly transferred to the CSR fund.

Simultaneously a Vocational Training Programme was developed in collaboration with Homagama Technical College for the purpose of industry advancement through facilitation of training and development to rural youth.

All material and equipment were provided for the training programme and to the trainees at the Homagama Training College. A special incentive scheme was also arranged to encourage participation and to sustain the carpentry and the welding Industry. Trainees in return have fabricated desks and chairs adhering to strict specifications issued by the Ministry of Education.

As at the 31 March 2018, we have distributed 1,470 pairs of desks and chairs among a selection of 42 schools around the island (As illustrated in the map). This programme addresses several pillars of AEL's CSR platform.





PREAMBLE 02-13	BUSINESS MODEL 14-70	VALUE CREATION 71-119	STEWARDSHIP 120-181	FINANCIAL REPORTS 183-286	ANNEXES 287-297
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Human Capital Building

Vocational training for skilled labour

As mentioned in the operating environment section, the shortage of skilled labour is a critical issue in the sector as well as an issue that affects the development of the National economy. AEL has been aware of this issue for quite some time. In order to create more professionals in the construction sector, we signed an MoU with the Department of Technical Education and Training (DTET) for the development of skilled workers in trades of masonry, carpentry, and welding.



The programme is in the form of three-month apprenticeships, which includes six weeks of inhouse training and six weeks of on-site training. The programme is structured systematically to improve the quality of workmanship. They are conducted by experts in the industry comprising academics and professional industrialists. Each programme allows twenty apprentices to enrol through the technical colleges in the country. The apprentices are provided with essential materials required for the course work, tool kits, accommodation and a special monthly allowance during the course of the programme.

The apprentices who successfully complete the programme has the opportunity to find a placement in any of the AEL PLC working sites or in other construction firms.

“Mind to Mind” mentoring programme for undergraduates

“Mind to Mind” is a mentoring programme designed and executed to improve the soft skills of engineering undergraduates in local universities. AEL, as a leading construction company in the sector, has recognised that the graduates from state universities possess expertise in the respective field, yet they lack soft skills required to carry out their daily tasks in a corporate environment.

To address this issue, we initiated a coaching/mentoring programme for the third-year undergraduates from the Faculty of Civil Engineering at the University of Moratuwa. We have continued this programme consecutively for the last three years.

The programme facilitates more than 125 undergraduates per year and it will continue in the next year as well. We hope to extend this programme to all other state universities.



FUTURE OUTLOOK

We will work towards creating value through our relationships with customers, business partners, investors, and the community we operate in. We will further improve our product offering by delivering innovative construction solutions to our customer base. Our collaborations with international partners have also led to knowledge sharing and adoption of best practices in the industry. We will improve our communication strategies to keep in touch with our investors through webinars and forums, which will increase the frequency of engagement. Our stringent screening process has ensured the highest ethical and environmental standards in our suppliers. We will continue to support local industries by enlisting local suppliers. Further, we will also continue to support the community that we operate in through our numerous, continuous community outreach programmes organised throughout the year.

NATURAL CAPITAL

We have a comprehensive understanding of our place in the environment and the community we operate in. Generally, the construction industry by nature is fuel-intensive and our operations related to infrastructure development have the potential to significantly affect the environment. We, at AEL, take responsibility to ensure that our operations are run in an environmentally-conscious manner.

Over the years, we have developed well-established policies to manage our environmental performance, to realise continuous improvement, and to minimise negative impacts. We aspire to go beyond compliance and regulatory requirements to do our very best to preserve the environment while accommodating future demands and conditions.

GRI 307-1

During the year there were no incidents of non compliance with environmental laws and regulations.

The following provides extensive information on AEL's environmental policies and management outlining the steps we have taken to reduce usage or emissions of energy, carbon, materials, and water.

Eco-friendly initiatives in 2017/18

- Facilitating bentonite collection within piling sites and providing washing facilities to avoid a muddy environment inside as well as outside construction sites.
- Using special techniques to minimise dust generation such as watering with sprinklers at crusher plants, watering with water bowsers, etc.
- Taking control measures to avoid environmental emergencies/ incidents (e.g. secondary containment for oil/fuel storage, etc.).
- Minimising sound pollution via fixing silencers or isolating sound generating equipment.
- Green belting around the plants to protect the environment from sound pollution, dust generation, etc.
- Environmental friendly designing where environmental aspects are considered during the design.
- Causing minimum disturbance to the existing ecosystem during site office construction whenever feasible (E.g. Environmental friendly site office construction with natural environment).
- Considering environment concerns of the suppliers, during supplier evaluation.
- Compliance to environmental statutory requirements (E.g. EPL conditions, material (ABC, Quarry, Soil) transportation, etc.).
- Promoting employees to adopt practices which conserve our environment (E.g. Using lunch boxes instead of lunch sheets, etc.).

ACTIONS TAKEN TO MITIGATE ENVIRONMENTAL IMPACTS

Significant aspect	Environmental impact	Mitigation strategies adopted during 2017/18
Waste oil and burnt oil generated from the Mechanical Workshop	Water and land pollution	Handing over to CEA-approved burnt oil handler for reuse/recycle
Cement contaminated water generated from Concrete Batching Plants	Water and land pollution	Simple water treatment (Sedimentation) and reuse
Hazardous waste (E.g. oil filters, empty chemical containers, etc.) generation	Water and land pollution	Handing over to CEA-approved service providers for recycling/reuse
Fuel/oil leakages and spillages from storages	Water and land pollution	Secondary containment for storage tanks
Fossil fuel consumption	Depletion of natural resources	Monitoring fuel consumption and preventive/corrective maintenance of equipment
E-waste generation (office operations)	Heavy-metal released to the environment	Handing over to certified recycling agents
Emissions of motor vehicles	Air pollution and contribution to anthropogenic climate change	Emissions tests for motor vehicles and preventing/corrective maintenance of vehicles
Noise from generators	Noise pollution	Soundproofing
Dust from crusher plants	Air quality degradation	Water sprinkling
Dust generated during roadwork	Air quality degradation	Watering
Trees cut during projects	Imbalance of ecology	Minimising the number of trees to be cut during project design/ execution and tree planting programmes
Waste paper (office operations)	Natural resource depletion	Handing over to certified recycling agents

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ENVIRONMENT STEWARDSHIP

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

Tree Planting Programme

We have always taken care to offset the environmental impact caused by our operations through planting trees. Tree planting is a tradition that AEL has upheld over the years to preserve natural vegetation where ever possible and to offset a significant proportion of carbon emission created by its operations.



During the year under review AEL planted over 24,000 trees along the Southern Expressway from Kottawa-Matara under the direct supervision of the Road Development Authority for maintenance and technical guidance. The total number of trees planted and maintained by the Company since inception exceeds 44,000 to date.

E-waste Collection Drive

Over the past few decades, the electrical and electronics industry has become the largest and the fastest growing manufacturing industry with popularising of electronic products like computers, mobile phones, TVs, etc. The immediate concern to the environment once these products become waste is a complex issue faced by all in the modern era.

In Sri Lanka too, e-waste is a rapidly growing issue where advancements in technology have replaced obsolete electronic devices. There is a growing need to spread awareness and to properly manage e-waste in Sri Lanka.



Our very own e-waste Collection Drive implemented to reduce our environmental footprint, was held for the fourth consecutive year on 18, 19, and 20 December 2017. Together with Green Links Lanka the campaign managed to collect a total of 7,038 Kg of e-waste through 30 collection points spread across the country. The collected e-waste debris was handed over to Green Links Lanka for environmentally safe disposal.

Energy Management

According to the The Global Status Report 2017, from the Global Alliance for Buildings and Construction the construction sector accounts for 39% of energy-related CO₂ emissions. This report points towards the dire need to deploy energy-efficient, low-carbon solutions in the construction industry.

We, at AEL, recognise that energy management needs to be an integral part of the wider management processes of the company to be fully effective. Thus, we have integrated energy management to the overall management structure and implemented energy management systems and policies that reduce consumption, CO₂ emissions, while saving money for our customers.

GRI 302-1

Energy consumption

The energy consumed by operations mainly consist of two main components; fuel and electricity. Further, a significant portion of the total fuel is consumed at the Asphalt Plants and the Central Equipment Division. The following practices were adopted through our energy management processes:

To minimise electricity consumption:

- Usage of CFL and LED bulbs.
- Special concern on energy efficient machineries/equipment when procuring.
- Dividing the lighting system into several zones with separate switches.
- Installing power factor correction capacitors, for three phase connection to improve energy efficiency.
- Limiting operation time of air conditioning (in selected areas).
- Isolating locations (such as meeting rooms) from central the air conditioning system.
- Providing natural ventilation and lighting whenever possible, in the construction of site offices, rest rooms, and meal rooms.
- Thermal insulation for roofs to control heating, minimising the need for air conditioning.
- Enabling power management function on computers to switch off or idle, to reduce power consumption.
- Usage of solar-powered lighting, wherever possible.
- Spreading awareness throughout the workplace via posters.

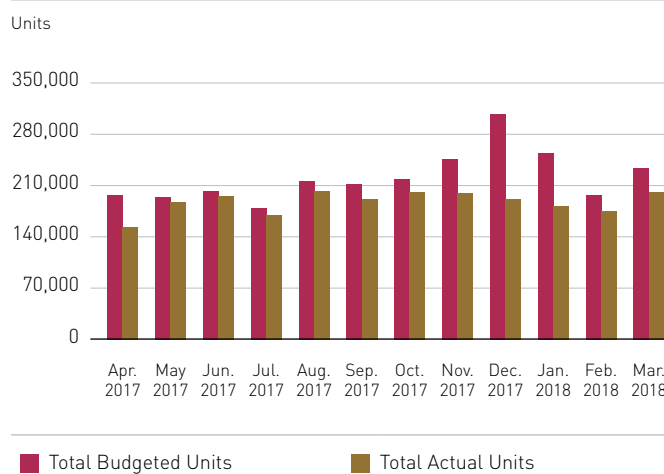
To minimise fuel consumption:

- Procuring fuel efficient vehicles and machineries.
- Maintaining the condition of the vehicles and machineries by performing scheduled services on time.
- Assessing condition of vehicles and machineries annually, so that the operation of vehicles and machineries does not deviate from the rated fuel consumption.
- Disposing or discontinuing vehicles and machineries which are not in the condition of optimal operation.
- Monitoring fuel consumption against the mileage of vehicles and machineries and troubleshoot any deviations.
- Monitoring fuel consumption against the output of the plant to identify deviations.

At the beginning of the year, we set a target of reducing actual electricity consumption by 2% from the budgeted consumption of the year. The Management is satisfied with what we have achieved during the year.

Electricity consumption for 2017/18

ELECTRICITY CONSUMPTION MONITORING REPORT

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Energy consumption

Type of energy used	Units consumed	Conversion ratio	Total energy consumption (Joules)
Diesel (Litres)	6,145,197	36.7	225,528,730
Petrol (Litres)	89,424	36.7	3,281,861
Electricity (KWH)	2,212,508	3.6	7,965,029
			236,775,620

GRI 302-3

Energy intensity

Total energy consumption (Joules)	236,775,620
Year end number of employees	2,670
Energy intensity measured in terms of energy consumption per employee (Joules)	88,680

EMISSIONS

While the construction sector drives economic growth and deliver much-needed infrastructure, a lot of CO₂ is emitted during material manufacturing, transportation, and construction stages. The CO₂ emission factor is very important in the construction industry, and the amount of energy and number of materials consumed during the construction process is considerable. We understand the need to make drastic reductions in our CO₂ emissions within the next few decades to combat irreversible climate change.

We have taken the following initiatives to reduce our CO₂ emissions:

- Executing tree planting programmes.
- Reusing materials during construction and production using technologies such as de-sanders, re-claimer machines, mivan formwork systems.
- Reducing and controlling energy consumption.
- Usage of renewable energy (solar) wherever practicable.
- Directing selected waste for recycling without disposing.

GRI 305-1, 2

Direct and indirect GHG emissions

Type of emission	Type of energy	Units consumed	Conversion rate	Total CO2 emission (Kg)
Direct emission	Diesel (Litres)	6,145,197	2.74	16,837,839
	Petrol (Litres)	89,424	2.28	203,886
Indirect emission	Electricity (KWH)	2,212,508	0.71	1,570,881
Total emission (Direct+Indirect)				18,612,606

GRI 303-1

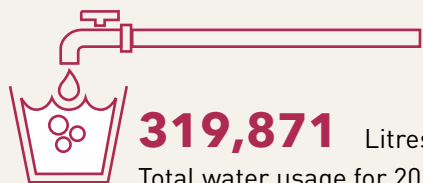
Water Management

In the construction sector, it is paramount that sustainable practices are adopted to manage water resources onsite to protect the natural environment. AEL recognises that managing water responsibly will improve wet weather working conditions, reduce clean up costs, and reduce stockpile losses.

Reusing and recycling water will also form a key part of reducing the pressure on water resources and the environment. Recognising this need, we make the optimal use of stormwater, reuse of grey and black water, and have integrated water management to our processes which have led to economical and effective strategy for managing water.

We have taken the following measures to conserve our water resources:

- 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.).
- Usage of concrete curing agents, so that water consumption for concrete curing is reduced.
- Budgeting water consumption based on project activities for more realistic consumption (construction and day-to-day), and monitor consumption accordingly.
- Monitoring of consumption by the Head Office.
- Re-using water at all our construction sites as much as possible.
- Motivating users to save water via posters and spreading awareness.



319,871 Litres
Total water usage for 2017/18

275,208 Litres
Total ground water used

44,663 Litres
Total bottled-water used



120 Litres
Annual usage per employee



10 Litres
Monthly usage (average) per employee



7,383 Litres
Water reused and recycled

2.31%
Percentage of water recycled

Out of the total water consumption, a significant amount is consumed by Concrete Batching Plants, Crusher Plants and Road Projects. The sources for water are ground water, river water and pipe-borne water from NWSDB.

GRI 303-3

Water Recycling

As mentioned above, we take a conscious effort to reuse and recycle water to minimise our impact on the environment. Water is recycled through the onsite water treatment plants. In sites such as the concrete batching plants, used water is sent to sedimentation tanks and reused after the sedimentation process, in a way that will not affect the quality of service or the operation.

Waste Management

Responsible waste management is an essential aspect of sustainable construction. Management of waste is to eliminate waste where possible, minimising waste where feasible, and the reusing of materials that may become waste. AEL believes in the three "R"s (Reduce, Recycle, and Reuse) when it comes to waste management.

Through our experience in the industry over the years, we have identified that managing and monitoring different waste onsite requires a proper policy, planning, and careful implementation to manage waste efficiently and cost-effectively.

We have adopted the following practices in the management of our waste:

- Every site has its own Waste Management Plan addressing controls to minimise the generation of waste and methods of disposal.
- Type of waste generated in sites, production plants, and the workshop are identified.
- Domestic waste collected onsite are segregated at the time of collection (E.g. iron, glass, steel, paper, polythene, etc.).
- Wastewater generated at site are discharged via a soakage pit (if allowed), or reused after treatment (E.g. Concrete batching plants, Central Equipment Division, etc.).
- Hazardous waste generated at site (burnt oil, oil filters, etc.) are disposed via CEA approved agents for recycle and reuse purposes.
- Non-hazardous construction and demolishing debris are used for landfills.
- Electronic wastes are collected and disposed via a CEA-approved agent. (Refer to page 106)
- Special efforts are taken to recollect used barricading tapes and are handed over for recycling to a CEA-approved agent.

GRI 304-1

Biodiversity

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

Location/Project	Land extent	Description of project	Ownership of land	Position in relation to the protected area	Type of operation	Biodiversity value	Listing of protected status (if applicable)
Iranamadu Reservoir Embankment Project	54.1 hectares	Widening the embankment	Managed by the Organisation	In the area	Productive	Terrestrial and freshwater	Department of Irrigation and Forest Conservation Department
Vavuniya Crusher and Asphalt Plant	0.4 hectares	Production of asphalt	Leased	Adjacent to	Manufacturing	Terrestrial	Forest Conservation Department
Labugama	5.3 hectares	Rehabilitation of WTP	Managed by the Organisation	In the area	Productive	Terrestrial and freshwater	Forest Conservation Department
Kalatuwawa	6.4 hectares	Rehabilitation of WTP	Managed by the Organisation	In the area	Productive	Terrestrial and freshwater	Forest Conservation Department



931 Kg
Wastepaper recycled



16 Numbers
Full-grown trees saved



1,634 Litres
Oil saved



3,724 kWh
Electricity saved



29,587 Litres
Water saved



2.793 m³
Landfill saved



186.2
Reduction in GHG emissions
(Kg of Carbon equivalent)

GRI 103

Grievance Handling

AEL has set in place a stringent mechanism to handle grievances of communities that may be impacted by our operations. Reported complaints are recorded in the Complaint Register.

They are addressed in a timely, effective manner. We also take into account a variety of view points when dealing with concerns and complaints from affected communities.

Grievances filed, addressed, and resolved during the period	26
Filed prior to the reporting period that were resolved during the period	0
Filed during the period and under processing	7
Total	33

ENVIRONMENT, STATUTORY, AND OTHER COMPLIANCE REQUIREMENTS

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

FUTURE OUTLOOK

As an energy-intensive entity, we are highly conscious of our carbon footprint, and we are more than committed to mitigate our negative impact on the environment. Our tree planting programme and our e-waste drive, that have had a lot of success over the years, will continue next year. We will also focus on improving the collection of data concerning energy, water, and emission management. The internal systems will be further improved

to strengthen our compliance to all necessary environmental regulations. Our ecofriendly initiatives and actions to mitigate environmental impact (refer to page 105) will also continue. We will continue to invest in the latest, cutting-edge construction methodologies and solutions to reduce the use of raw material and natural resources such as water.

CAPITAL TRADE-OFFS

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BUSINESS MODEL 14-70
VALUE CREATION 71-119
STEWARDSHIP 120-181
FINANCIAL REPORTS 183-286
ANNEXES 287-297

In the implementation of our corporate strategy, resource allocation take centre stage. In our value creation process, we utilise and mix financial, intellectual, manufactured, human, social and relationship, and natural capitals. These capitals work interdependently and tradeoff, or increase and decrease, in the process of transforming inputs to outputs and outcomes. For example investment in training and development will improve human capital while at the same time will reduce financial capital. Yet, this will be an investment in the long-term since the improvement of human capital will contribute to the sustainability and improvement of the other capitals within our Company. Our strategy is aimed at achieving equitable resource allocations and capital trade-offs that benefit the Company as a whole.

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	102-2 Activities, brands, products, and services	02	
	102-3 Location of headquarters	Inner back cover	
	102-4 Location of operations	02	
	102-5 Ownership and legal form	Inner back cover	
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	102-12 External initiatives	03	
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	102-47 List of material topics	67-70	
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INDEPENDENT ASSURANCE REPORT TO ACCESS ENGINEERING PLC



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We have been engaged by the Directors of Access Engineering PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2018. The Sustainability Indicators are included in the Access Engineering PLC's Integrated Annual Report for the year ended 31 March 2018 (the "Report").

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

Assured sustainability indicators	Integrated Annual Report page
Financial highlights	6

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

Limited assurance sustainability indicators	Integrated Annual Report page
Non-financial highlights	7
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OUR CONCLUSIONS

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

REASONABLE ASSURANCE SUSTAINABILITY INDICATORS

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2018 are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

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

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyaratne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

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 2018, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

MANAGEMENT'S RESPONSIBILITY

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

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

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

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

OUR RESPONSIBILITY

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

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



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

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

REASONABLE ASSURANCE OVER REASONABLE ASSURANCE SUSTAINABILITY INDICATORS

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

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

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

LIMITED ASSURANCE ON THE ASSURED SUSTAINABILITY INDICATORS

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

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;

- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

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

PURPOSE OF OUR REPORT

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

RESTRICTION OF USE OF OUR REPORT

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

CHARTERED ACCOUNTANTS
Colombo
6 August 2018

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BOARD OF DIRECTORS

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1

SUMAL JOSEPH SANJIVA PERERA

Chairman

The Founder Chairman of the AEL 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 AEL Group and Chairman of Sathosa Motors PLC, a company that gained a public listing in 1993. He is a Fellow Member of the Chartered Institute of Management Accountants – UK. It is under his vision and leadership that the AEL Group of Companies has grown to be a diversified and successful business enterprise, in a short span of over two decades.

2

JOSEPH CHRISTOPHER JOSHUA

Managing Director

One of the founder Directors of the AEL Group of Companies, he was instrumental in heading some of the most successful business units within the Group. A founder shareholder, he was the Joint Managing Director/CEO of the Company. It was under his leadership that AEL achieved significant milestones in growth. He also functions as the Joint Managing Director of the AEL Group since 1997. Companies under his purview include Access Realities (Private) Limited, Access Realities 2 (Private) Limited, Harbour Village (Private) Limited, Access Energy (Private) Limited, Access Natural Water (Private) Limited, Eco Friendly Power Developers (Private) Limited and business units of Access International (Private) Limited. He is also a Director of Sathosa Motors PLC.

3

DALPADORUGE ANTON ROHANA FERNANDO

Executive Director/Chief Operating Officer

Joining the AEL Group in 1998 as an Engineer based in the Engineering Division, he played a vital role in enabling the division to become a separate business entity, encompassing the name and persons of AEL. Having held senior management positions in AEL, he was appointed to the Board in 2002. In 2007, he was appointed as the Director/COO of AEL. He is a Corporate Member of Institution of Engineers Sri Lanka (IESL) and has a BSc Degree in Civil Engineering from the University of Peradeniya. He is also a Director of Access International (Private) Limited, Sathosa Motors PLC, Eco Friendly Power Developers (Private) Limited, Access Realities (Private) Limited, Access Realities 2 (Private) Limited and Harbour Village (Private) Limited.

4

SHEVANTHA HARINDRA SUDHARAKA MENDIS

Executive Director/Director – Business Development

Having held many executive and management positions within the AEL Group, he has functioned within the Engineering Division since its inception. With the genesis of AEL, he became a part of that unit and was appointed as Director – Business Development in 2002. He is also a Director of Access International (Private) Limited, Sathosa Motors PLC, SML Frontier Automotive (Private) Limited, Access Realities (Private) Limited, Blue Star Realities (Private) Limited and Access Realities 2 (Private) Limited.

5

SAUMAYA DHARSHANA MUNASINGHE

Executive Director/Director – Business Development

He joined Access International (Private) Limited in 1996 and was promoted to the position of Assistant Manager in 1999. In 2001, he assumed duties as Manager – Special Projects in Access International (Private) Limited and was promoted as General Manager – Special Projects in 2004. He joined AEL in 2006 and was appointed to the Board of AEL as Director – Business Development. He is also a Director of Access International (Private) Limited, Sathosa Motors PLC, SML Frontier Automotive (Private) Limited, Access Realities (Private) Limited and Access Realities 2 (Private) Limited.

6

DILHAN PERERA

Non-Executive Director

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

7

RANJAN JOHN SURIYAKUMAR GOMEZ

Non-Executive Director

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

8

PROF KULATILLEKE ARTHANAYAKE MALIK KUMAR RANASINGHE

Independent Non-Executive Director

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

Prof Ranasinghe has been honoured with the SLAAS General Research Committee Award for Outstanding Contribution to Sri Lankan Science, Trinity Prize for Engineering in 2004, Committee of Vice-Chancellors and Directors (CVCD) Excellence Award 2012 for the Most Outstanding Senior Researcher in Technology and related Sciences in the Sri Lankan Universities, Award for Outstanding Contribution to Education at the World Education Congress 2012, India and the Education Leadership Award 2013 at the 4th Asia's Best B-School Awards in Singapore.

9

NIROSHAN DAKSHINA GUNARATNE

Independent Non-Executive Director

Appointed to the AEL Board in 2011. An Associate Member of the Chartered Institute of Management Accountants – UK. He possesses over twenty years of experience in the field of finance and accounting and has been at MB Financial Services (Private) Limited, a primary dealer appointed by the CBSL and Jewelknit, a subsidiary of Mast Industries – USA.

10

DINESH WEERAKKODY

Independent Non-Executive Director

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

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CORPORATE MANAGEMENT TEAM

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1

SUMAL JOSEPH SANJIVA PERERA

Chairman

Profile given on page 122.

2

JOSEPH CHRISTOPHER JOSHUA

Managing Director

Profile given on page 122.

3

**DALPADORUGE ANTON
ROHANA FERNANDO**

Executive Director/Chief Operating Officer

Profile given on page 122.

4

**SHEVANTHA HARINDRA
SUDHARAKA MENDIS**

Executive Director/Director – Business Development

Profile given on page 122.

5

SAUMAYA DHARSHANA MUNASINGHE

Executive Director/Director – Business Development

Profile given on page 122.

6

VASANTHA MANATUNGE

Senior General Manager

V K Manatunge joined the Company in early 2003 and is currently functioning as the Senior General Manager of Access Engineering PLC. 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 near 40 years of experience in the civil engineering field and has worked in various capacities in the state sector as well as private sector.

7

DHARMASIRI CHANDRAPALA

General Manager – Technical

T D D Chandrapala joined the Company in 2002 and counts over 16 years of experience at the Senior Management level of the Company. He holds a BSc Degree in Civil Engineering and he is also a Chartered Civil Engineer. He has over 40 years of experience in the fields of Irrigation and Drainage, Building Construction, Water Supply, Roads and Bridges.

8

MANOAJ JAYAHSURIYA

General Manager – Project Management Division – I

Manoj joined the Company in March 2006. He has over 31 years of experience in diversified fields such as the Sri Lanka Navy, operations, apparel manufacturing, corporate planning and human resources management. He is a Project Management Professional (PMP) who holds an MBA from the Postgraduate Institute of Management (PIM) of University of Sri Jayewardenepura, BSc (Honours) from the University of Colombo and a Postgraduate Diploma in Psychology as well as several naval professional qualifications.

9

SRIMAL FERNANDOSenior General Manager –
Project Management Division – II

Srimal joined the Company in August 1999 as a Civil Engineer and was promoted to Manager – Engineering in January 2004, General Manager in January 2008 and Senior General Manager in 2017. He holds a Bachelor's Degree in Civil Engineering from the University of Peradeniya and is a Corporate Member of the Institution of Engineers Sri Lanka. During the period of his service, he was involved with major projects in many diversified fields such as Roads and Highways, Bridges, Telecommunication, Water and Waste Water, Piling and Buildings in a senior level management capacity.

10

PALITHA WANIGASUNDARAGeneral Manager –
Project Management Division – III

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

11

THASANTHA KUMARAGeneral Manager –
Project Management Division – IV

Thasantha joined the Company at the beginning of 2013. He has over 23 years of experience in the field of Civil Engineering including Roads, Highways and Bridge Engineering and Project Management. He has served in the capacity of Resident Engineer, Design Engineer, Executive Engineer for the Road Development Authority for seven years and in the private sector for 13 years in the capacity of Project Manager, Senior Project Manager and Divisional Coordinator in the Roads, Highways and Bridges Division. He has a BSc (Honour) 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.

12

KOSALA WICKRAMASINGHE

General Manager – Planning and Development

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

13

NIROSHAN THILAKARATHNE

General Manager – Commercial

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

14

PRABASHANA KUMARADeputy General Manager –
Project Management Division – II

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

15

NILANTHA IDDAGODA

Deputy General Manager – Finance

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

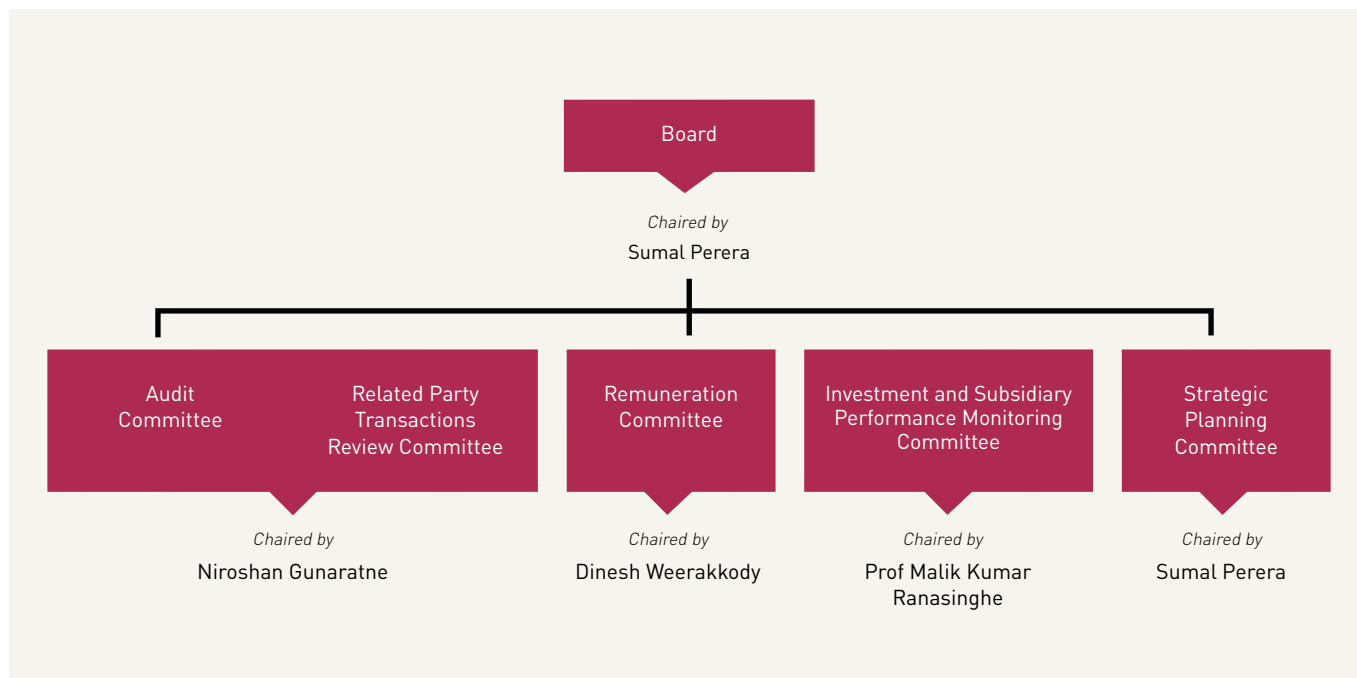
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CORPORATE GOVERNANCE

HIGH-LEVEL CORPORATE GOVERNANCE AND MANAGEMENT STRUCTURE

Under the Board's leadership, AEL has put in place a comprehensive management structure together with clearly defined policies, procedures and limits of delegated authority. Our High-Level Corporate Governance and Management Structure is summarised in the diagram below:

GRI 102-18



More than any policy document, the values define the way we behave with each other, with our customers and partners and how we approach our challenges and opportunities on a daily basis.

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

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

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

SUSTAINABILITY GOVERNANCE

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

LEADERSHIP

The Chairman

Chairman of the Company who acts in an executive capacity is mainly responsible for directing the affairs of the Board while maintaining effective external relationships and practice of good corporate governance. The Chairman is responsible for making sure that the agenda, minutes of prior meetings, Board papers and supplementary information are circulated among the members in advance giving sufficient time for preparation. He encourages active and effective participation of all Board members facilitating productive discussions. The Chairman ensures the proper recording of all matters discussed at the meetings through the Company Secretary. The Chairman 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 143.

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 128. The Board comprises ten (10) Directors out of whom five (5) are Executive Directors and five (5) are Non-Executive Directors. Daily operational aspects of the Company are headed by the Managing Director who is supported by the Director/Chief Operating Officer (COO).

The Board comprises three Non-Executive Directors who are also independent in respect of criteria laid down by the regulatory authorities and have no interests or relationships in relation to the affairs of the Company.

The diverse range of skills and leadership experience offered by the Non-Executive Directors means that they are well qualified to scrutinise performance, assess the Group's risk management and control processes, constructively challenge decisions and operations and support the Executive Directors. Decisions regarding new Board appointments are taken by the Board collectively and the qualifications and experience of Board members are decided based on the nature of the business of the Company and the value addition the member is expected to bring to the Board and the Company. Biographical details of each of the Directors are set out on pages 122 to 123.

CORPORATE MANAGEMENT OF ACCESS ENGINEERING

With the objective of achieving sustained value creation for the benefit of all the stakeholders, the Corporate Management Team of AEL has adhered to the corporate governance principles, along with maintaining effective structures and processes within The Company. The team, comprising the Managing Director, Chief Operating Officer (COO), Board members and the Senior Management, meet at regular intervals to discuss the management of business and operating activities. The core of AEL, Project implementation is carried out by the Project Management Divisions wherein General Managers and Deputy General Managers work on plans and targets, matching those to practical time frames and ensuring any shortfalls or delays are speedily attended to.

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

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

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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 126 and 127.

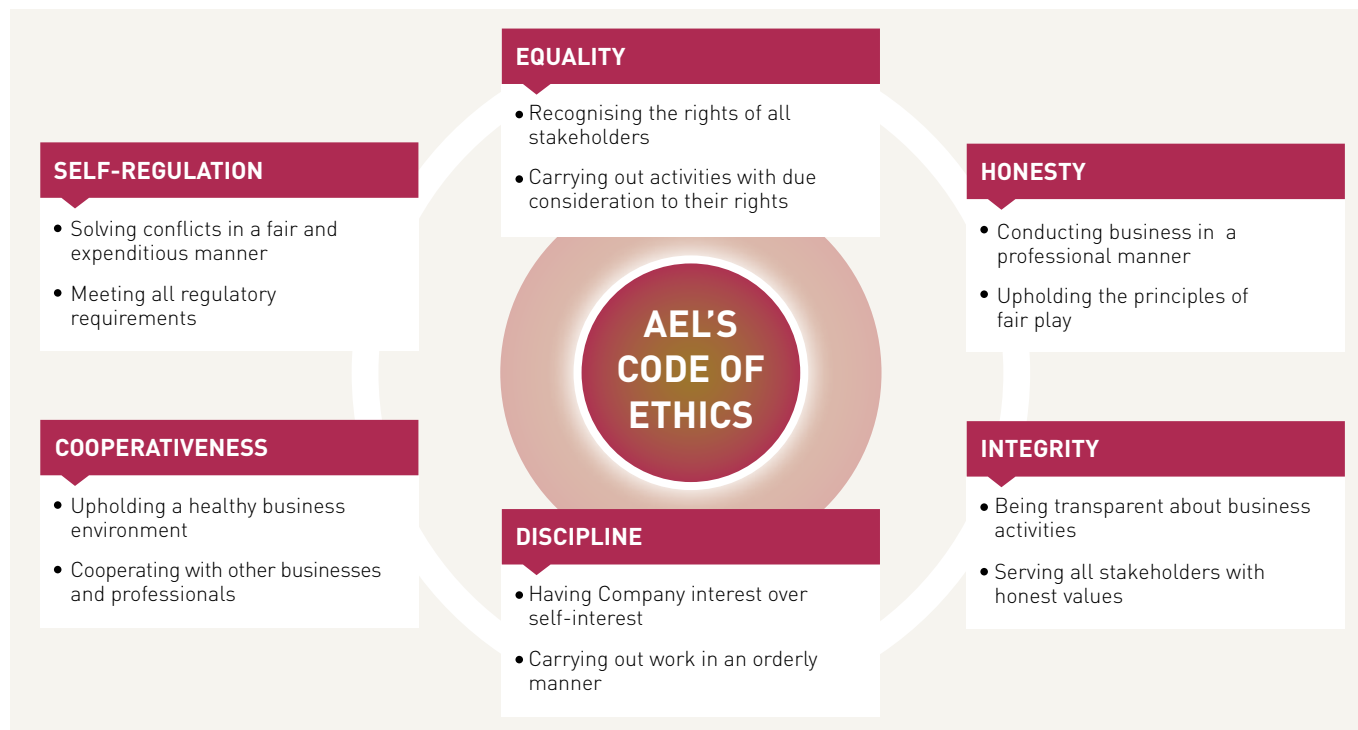
EVALUATION OF THE ENTITY

The Board carries out self-evaluation of its performance both individually as well as collectively against economic, environmental and social targets/goals set at the beginning of each year. Results of these evaluations are properly minuted for future reference. The Executive Directors are required to adhere with the provisions of the "Company Policy on Disciplinary Management" to avoid any potential conflict of interest. Implementation of the said policy is periodically monitored by a five-member committee. The Non-Executive Directors are required to confirm the existence or non-existence of conflicts of interest in the dated declaration submitted to the Board.

Business Ethics

We believe that despite the mere profitability motive, an entity should uphold to its ethics for its sustainability in the long run. Our Code of Ethics has been devised with the objective of developing and maintaining long-term relationships with all stakeholders while satisfying the requirements of our valuable customers. Thus every employee at AEL including the new recruits are firmly guided to abide by the following ethics:

GRI 102-16



Internal Control

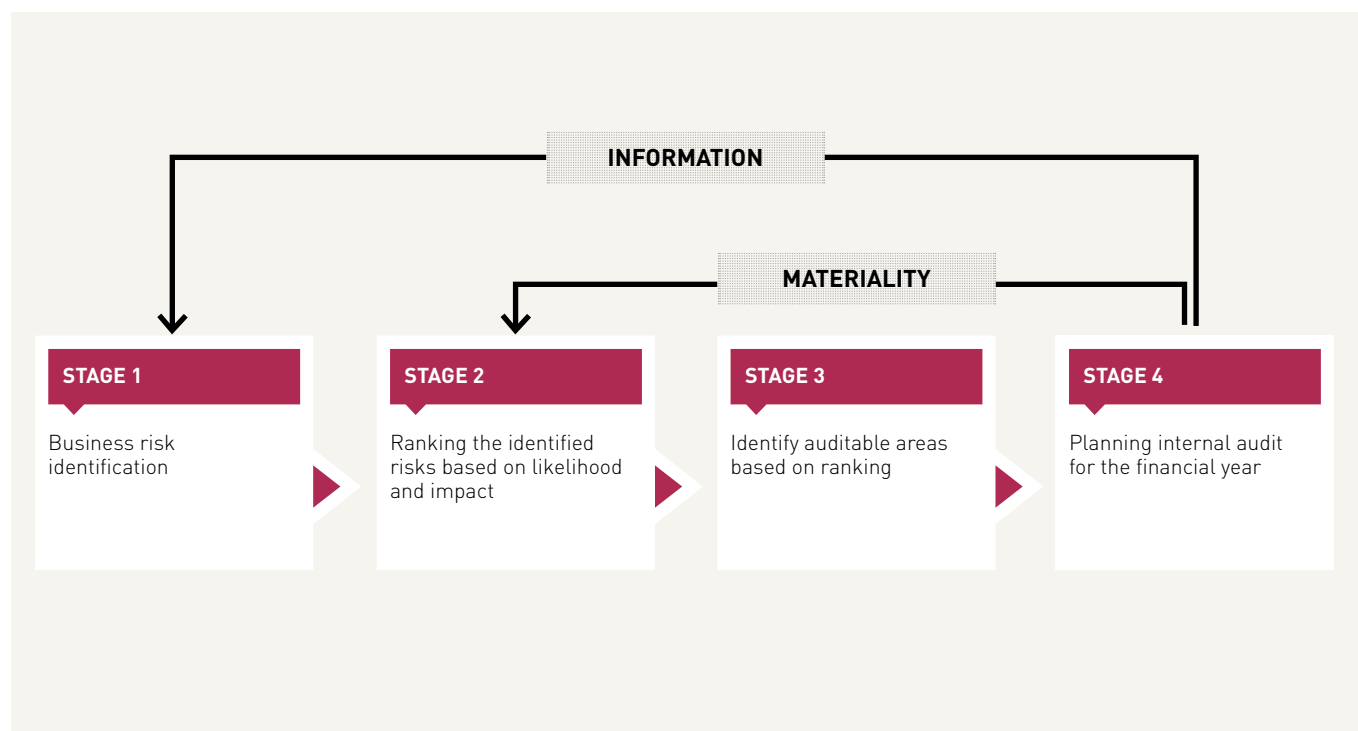
Internal controls are considered a fundamental and an integral part of good corporate governance culture at AEL. The Board of Directors are responsible for identifying and managing all risks of the Company, to this effect, assessment of the operating effectiveness and the malfunctions and exceptions of the internal controls is done by the Internal Audit Division of the Company which aims on providing a reasonable assurance to the Board of Directors and the Corporate Management that the internal controls imposed over core organisational processes are effective enough so as to ensure the achievement of the ultimate objective of wealth maximisation of the Company and its shareholders. Internal audit on process 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 and governance activities within the Company while adding value to its core. It further assists the Company to meet its obligations of adhering to the practice of good corporate governance.

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

The Company adopts a risk assessment based approach with regard to its internal audit functions with the objectives 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 key focus areas in internal auditing for the financial year 2018/19 were identified to be statutory compliance, information technology, enterprise resource planning system, public complaints, insurance process, procurement and financial reporting.



Management Systems

AEL has established and implemented ISO 9001 certified Quality Management System (QMS) since 2004, ISO 14001 certified Environment Management System (EMS) since 2009 and OHSAS 18001 certified Health and Safety Management System (OHSAS) since 2013. Recently we have upgraded our QMS and EMS to meet the requirements of the latest International Standards of ISO 9001:2015 and ISO 14001:2015 respectively. Further, the Company is processing to upgrade its health and safety management system to meet the requirements of the International Standard ISO 45001:2018.

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.

The system interacts with all activities of the Organisation, beginning with the identification of relevant interested parties' needs and expectations, and ending with their satisfaction while enabling AEL to improve process control, reduce wastage, increase market share and raise morale of employees. One key feature of the existing QMS which has replaced the concept of preventive actions is the risk-based thinking.

Our Quality Policy

- AEL is committed to satisfy customer needs and expectations by providing high quality products and services with effective, efficient and innovative solutions.
- The top Management determines the context of the Organisation by strategically analysing and reviewing its internal and external factors to support its strategic direction.

- The Company is committed towards the identification of relevant interested parties, their needs and expectations and their fulfilment to enhance the sustainability of the business.
- To meet with the above commitment, the Company continually improves its quality management system whilst adhering to the applicable regulatory requirements through cost effective, profitable, safe and sound environmental friendly operations.

Environment Management System (EMS)

In order for the Company to be green oriented, an Environmental Management System (EMS) has been established in the Company. It enables managing organisation's significant environmental impacts due to operations which include waste, emissions, energy use and consumption of materials. During the implementation of EMS, significant environmental impacts due to the Organisation's business activities were identified and appropriate controls and programmes are established to ensure minimal impact to the environment. This enables us 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.
- 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 at 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

As a leading infrastructure development solutions provider in Sri Lanka, Access Engineering PLC is committed to prevent injury and ill health to employees, subcontractors, suppliers, visitors, and the general public who use its premises. Necessary safety measures and precautions have been taken in accordance with the applicable health and safety regulations and the safety manual of the Company.

In this regard, the Company aims to:

- Strictly comply with the applicable legal and other requirements and where possible setting its own standards.
- Promote awareness of health and safety and continuously improve the Health and Safety Management System.

GRI 405-1

Below table highlights the summarised version of Committee composition and key areas of responsibilities. Detailed reports are presented on pages referred to in the same table:

Committee and composition	Key areas of responsibilities	Committee report reference
<ul style="list-style-type: none"> • Audit Committee Three (3) Non-Executive Independent Directors and one Non-Executive Director 	Oversight responsibilities for the integrity of financial statements, risk management, business ethics, internal control, internal audit function, compliance, review External Auditor's performance and reporting responsibilities.	Pages 166 and 167
<ul style="list-style-type: none"> • Remuneration Committee Three (3) Non-Executive Independent Directors and one Non-Executive Director 	Setting up the remuneration policy and making recommendations to the Board on recruitment, remuneration and performance evaluation.	Page 169
<ul style="list-style-type: none"> • Related Party Transactions Review Committee Three (3) Independent Non-Executive Directors and one (1) Executive Director 	The Committee to ensure 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.	Pages 168 and 169
<ul style="list-style-type: none"> • Investment and Subsidiary Performance Monitoring Committee Three (3) Independent Non-Executive Directors and two (2) Executive Directors 	The Committee assessing and monitoring existing and new investments of AEL and report observations and recommendations to the Board.	Page 170
<ul style="list-style-type: none"> • Strategic Planning Committee One (1) Independent Non-Executive Director and three (3) Executive Directors 	Committee focusing on planning and setting strategic directions to achieve goals and objectives of the Company	Page 171

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

Board Subcommittees

With 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

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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. This Report describes the Committee's major areas of focus since their last report in financial year 2016/17. 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 Dilhan 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 (LKAS/SLFRS);
2. Ensuring compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial-related regulations and requirements;
3. Ascertaining that the Company's internal controls and risk management processes are adequate and meet the Sri Lanka Auditing Standards requirements;
4. Assessing the independence and performance of the Company's External Auditor;
5. Making recommendations to the Board pertaining to appointment, reappointment and removal of External Auditors and to approve remuneration and terms of engagement of the External Auditor.

Audit Committee Report is given on pages 166 and 167.

Remuneration Committee

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

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

Members of the Remuneration Committee:

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

Remuneration committee report is given on page 169.

Related Party Transactions Review Committee

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

The rules set out in this section further provide certain measures to prevent Directors, Chief Executive Officer or Substantial Shareholders taking advantage of their positions. This Committee comprises three (3) Independent Non-Executive Directors and one (1) Executive Director of the Board.

Members of the Related Party Transactions Review Committee:

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

The purpose of the Committee is to provide independent review, approval and oversight of all proposed Related Party Transactions in accordance with the Related Party Transactions Policy. The Related Party Transactions Review Committee Charter formalises the authority, responsibilities and specific duties pertaining to the Committee. Related Party Transactions Review Committee report is given on pages 168 and 169.

Investment and Subsidiary Performance Monitoring Committee

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

Members of the Investment and Subsidiary Performance Monitoring Committee

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

The Committee's mandate includes –

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

Investment and Subsidiary Performance Monitoring Committee report given on page 170.

Strategic Planning Committee

The Strategic Planning Committee assists the board with its responsibilities for the Organisation's vision, mission and strategic direction.

The Strategic Planning Committee provides a useful forum for Board Members to share views on strategic issues. The Committee addresses strategic issues in detail that require more focused study prior to bringing a matter to the full Board.

Members of the Strategic Planning Committee:

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

Key Responsibilities of the Strategic Planning Committee include –

- Making recommendations to the board related to the organisation's vision, mission strategic initiatives, major programs 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 171.

Compliance Committee

The Compliance Committee is appointed by the Chief Operating Officer (COO) and is set-up to further strengthen good governance at the Corporate Management level. This mechanism will bridge the gap between the Senior Management and the Board of Directors when important decisions are to be made on operational issues. The Board oversees the performance of the Company against the triple bottom line objectives and the Code of Conduct based on the recommendations made by the Compliance Committee via the COO. Regular meetings are conducted to discuss the compliance matters and new trends.

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

Members of the Compliance Committee

Rohana Fernando (Chairman)	Executive Director/ Chief Operating Officer
V K Manatunge (Convener)	Senior General Manager
Palitha Wanigasundara	General Manager (Project Management Division III)
Manoj 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 the most economic, efficient and effective use of resources as well as safeguard assets.

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

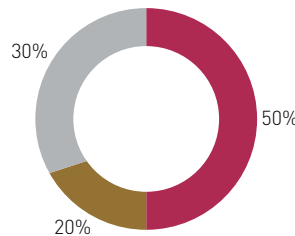
Principal	Description	Comment/Reference	Compliance status
CSE Listing Rule 7.6 – Contents of Annual Report			
(i)	Names of persons who during the financial year were Directors of the Entity	Board of Directors	Complied
(ii)	Principal activities of the Entity and its subsidiaries during the year and any 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's 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 2017/18 there were no material issues pertaining to employees and industrial relations of the Entity	Complied
(viii)	Extents, locations, valuations, and the number of buildings of the Entity's land holdings and investment properties	Annual Report of the Board of Directors on the Affairs of the Company	Complied
(ix)	Number of shares representing the Entity's stated capital	Annual Report of the Board of Directors on the Affairs of the Company	Complied
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Investor capital	Complied
(xi)	Financial ratios and market price information	Investor capital	Complied
(xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Notes to the Financial Statements	Complied
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	In 2017/18 no funds were raised through a public issue, rights issue or a private placement	Complied
(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	Complied
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the rules	<ul style="list-style-type: none"> • Board of Directors (Refer pages 122 and 123) • Compliance with Code of Best Practice on Corporate Governance jointly issued by ICASL and SEC. (Refer pages 139 to 164) • Annual Report of the Board of Directors (Refer pages 184 to 190) • Notes to the Financial Statements (Refer page 205) • Audit Committee Report (Refer pages 166 and 167) 	Complied
(xvi)	Related party transactions exceeding 10% of the equity or 5% of the total assets of the Entity as per audited Financial Statements, whichever is lower	<ul style="list-style-type: none"> • Related Party Transactions Review Committee Report (Refer pages 168 and 169) • Notes to the Financial Statements 	Complied

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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 Practices on Corporate Governance jointly issued by ICASL 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	<ul style="list-style-type: none"> Board of Directors Compliance with Code of Best Practices on Corporate Governance jointly issued by ICASL and SEC. 	Complied
c.	A brief résumé of each Director	Board of Directors	Complied
d.	Brief résumé of newly appointed Director/s	During 2017/18 no new Director was appointed	Complied
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 Practices on Corporate Governance jointly issued by ICASL 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	<ul style="list-style-type: none"> Annual Report of the Board of Directors on the Affairs of the Company Notes to the Financial Statements Remuneration Committee Report (Refer page 169) 	Complied
CSE Listing Rule 7.10.6 – Audit Committee			
a.	Composition	Audit Committee Report	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	Description	Comment	Compliance status								
A . Directors											
A.1 The Board											
A.1	Every public company should be headed by an effective Board, which should direct, lead and control the Company.	<p>The Company is headed by a Unitary Board comprising of ten members. The primary objective of the Board is to provide necessary stewardship, strategic direction, a policy framework and a governance structure in order to achieve the Vision of the Company. The Board regularly monitors the performance of the Company against goals and targets set on a periodic basis and discusses the same at Board meetings in great detail. Composition of the Board is as follows:</p> <div><table><tr><th>Category</th><th>Percentage</th></tr><tr><td>Executive Directors</td><td>50%</td></tr><tr><td>Independent Non-Executive Directors</td><td>30%</td></tr><tr><td>Non-Executive Directors</td><td>20%</td></tr></table></div>	Category	Percentage	Executive Directors	50%	Independent Non-Executive Directors	30%	Non-Executive Directors	20%	Complied
Category	Percentage										
Executive Directors	50%										
Independent Non-Executive Directors	30%										
Non-Executive Directors	20%										
		<p>All Executive Directors are a part of the Company’s Corporate Management Team. The Board consists of professionals from diverse fields such as Engineering, Accounting, Finance, Business Development, Human Resources, and Consultancy, bringing independent judgement and perspectives for the efficient functioning of the Board and discharge of duties.</p> <p>They also sufficiently represent professional, academic and entrepreneurial domains, all of which are necessary for the effective functioning of the Board. Additionally, all Members of the Board possess adequate levels of skills, competencies and knowledge in their respective fields of specialisation so as to provide overall strategic direction to the Company. The Board also sets the level of Risk Appetite of the Company.</p> <p>There are five Subcommittees of the Board of which three are mandatory and two are voluntary. These Committees ensure the Company’s adherence to best practices of corporate governance in conducting business.</p>									

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PREAMBLE 02-13	Principal	Description	Comment	Compliance status																					
	A.1.1	The Board should meet regularly. Board meetings should be held at least once in every quarter of a financial year, in order to effectively execute the Board's responsibilities, while providing information to the Board on a structured and regular basis.	<p>During the year four scheduled Board meetings were conducted, all of which were well planned and informed in advance and all Members were eligible to attend. Attendance of Members at meetings was as follows:</p> <div><div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div>1</div><div>2</div><div>3</div><div>4</div><div>5</div><div>6</div><div>7</div><div>8</div><div>9</div><div>10</div></div></div><table><tr><th>Member</th><th>Attendance (%)</th></tr><tr><td>1. S J S Perera</td><td>100</td></tr><tr><td>2. R J S Gomez</td><td>75</td></tr><tr><td>3. J C Joshua</td><td>100</td></tr><tr><td>4. S H S Mendis</td><td>100</td></tr><tr><td>5. D A R Fernando</td><td>100</td></tr><tr><td>6. S D Munasinghe</td><td>75</td></tr><tr><td>7. Prof K A M K Ranasinghe</td><td>50</td></tr><tr><td>8. N D Gunaratne</td><td>100</td></tr><tr><td>9. S D Perera</td><td>100</td></tr><tr><td>10. D Weerakkody</td><td>100</td></tr></table><p>As and when the need arises Special Board meetings are also conveyed.</p><p>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.</p></div>	Member	Attendance (%)	1. S J S Perera	100	2. R J S Gomez	75	3. J C Joshua	100	4. S H S Mendis	100	5. D A R Fernando	100	6. S D Munasinghe	75	7. Prof K A M K Ranasinghe	50	8. N D Gunaratne	100	9. S D Perera	100	10. D Weerakkody	100
Member	Attendance (%)																								
1. S J S Perera	100																								
2. R J S Gomez	75																								
3. J C Joshua	100																								
4. S H S Mendis	100																								
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6. S D Munasinghe	75																								
7. Prof K A M K Ranasinghe	50																								
8. N D Gunaratne	100																								
9. S D Perera	100																								
10. D Weerakkody	100																								
BUSINESS MODEL 14-70																									
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STEWARDSHIP 120-181	A.1.2	The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls, which enables risk to be assessed and managed.	The Board of Directors provides the entrepreneurial leadership through effective formulation and execution of strategies in order to ensure sustainable value creation to all stakeholders as specified in the Board Charter. Under the guidance of the Board, the Company has developed its short, medium, and long-term strategy and policies and the associated KPIs for monitoring performance. The performance of the Company against these KPIs is regularly monitored by the Board at its meetings and necessary guidance is given to the Corporate Management as required.	Complied																					
FINANCIAL REPORTS 183-286																									
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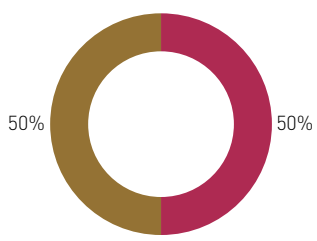
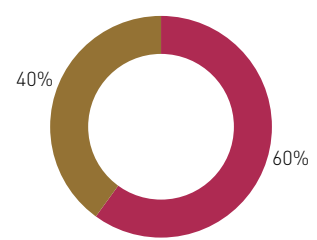
Principal	Description	Comment	Compliance status
A.1.3	The Board collectively, and Directors individually, must act in accordance with the Laws of the Country, as applicable to the business enterprise. There should be a procedure agreed to by the Board of Directors, to obtain independent professional advice where necessary, at the Company's expense.	The Board 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 should have access to the advice and services of the Company Secretary, who is responsible to the Board in ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Any questions of the removal of the Company Secretary should be a matter for the Board as a whole.	All Directors had access to the services of a professional Company secretarial body, which ensured that the Board received information on a timely manner for the effective conduct of meetings. The Company Secretary 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 Company Secretary is also responsible for the distribution of the Company's Annual Report to its shareholders.	Complied
A.1.5	All Directors should bring independent judgement to bear on issues of strategy, performance, resources (including key appointments) and standards of business conduct.	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 past 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

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Principal	Description	Comment	Compliance status
PREAMBLE 02-13	A.1.6 Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged. It must be recognised that Directors have to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting. This should be supplemented by a time allocation for familiarisation with business changes, operations, risks and controls.	All Directors dedicated an adequate amount of time on matters relating to the Company and the Board. Their contribution to the Company was evident in the participation at Board meetings, Board Subcommittee meetings and in the decisions passed through circular resolution. Relevant Board Papers, together with supplementary information, were sent at least a week prior to the Board meetings so as to give them adequate time to critically review and study the contents. In the event, additional information was requested by the Board through the Company Secretary the same was made available at the earliest in order to enhance the effectiveness of Board decisions.	Complied
	A.1.7 One-third of Directors can call for a resolution to be presented to the Board where they feel it is in best interest to the Company to do so.	One-third of the Directors could request for a resolution to be presented to the Board for the best interest of the Company.	Complied
	A.1.8 Every Director should receive appropriate training when first appointed to the Board of a company, and subsequently as necessary. Training curricula should encompass both general aspects of directorship and matters specific to the particular industry/company concerned. A Director must recognise that there is a need for continuous training and an expansion of the knowledge and skills required to effectively perform his/her duties as a Director. The Board should regularly review and agree the training and development needs of the Directors.	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	There are two key tasks at the top of every public company – conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.	The Chairman is responsible for the effective conduct of the business of the Board, while the executive responsibility for management of the Company's business is vested with the Managing Director. Hence, there is a balance of power and authority. The Managing Director is supported by the Director/ Chief Operating Officer in managing the day-to-day affairs of the Company. Decision-making at the highest level happens by adopting the rule of simple majority. No one individual is vested with unfettered powers of decision-making.	Complied

Principal	Description	Comment	Compliance status
A.2.1	A decision to combine the posts of Chairman and Chief Executive Officer in one person should be justified and highlighted in the Annual Report.	The Chairman is mainly responsible for leading, directing, and controlling the affairs of the Board including the Board Balance, effective conduct of Board meetings and Special meetings of the Board. He is also responsible for maintaining effective external relationships. Day-to-day affairs of the Company are headed by the Managing Director who is supported by the Director/Chief Operating Officer (COO). The Managing Director and Chief Operating Officer give leadership to the Corporate Management Team who is collectively responsible for the conduct of day-to-day operations.	Complied
A.3 Chairman's role			
A.3	The Chairman's role in preserving Good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.	As the highest member of the 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 should conduct Board proceedings in a proper manner.	The Chairman is responsible for making sure that the agenda, minutes of prior meetings, Board Papers and supplementary information are circulated among the Members in advance, giving sufficient time for preparation. Agenda for each Board Meeting is finalised by the Chairman in consultation with the Company Secretary and where necessary, feedback from the other Members is taken.	Complied
A.4 Financial acumen			
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	The Board comprises four Members with extensive knowledge and experience in financial matters and who are professionally qualified in finance. This is further strengthened since three of these Members operate in a non-executive capacity. In addition, the rest of the Board Members sufficiently possess knowledge on financial matters, based on experience gathered in their respective fields. The qualifications and experience of Board Members are given in their respective profiles found on pages 122 and 123.	Complied

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Principal	Description	Comment	Compliance status
PREAMBLE 02-13	A.5 Board balance		
	A.5	<p>It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking.</p> <p>The Board comprises ten Directors of which five are Executive Directors and five are Non-Executive. This ratio was maintained throughout the Financial Year.</p>  <p>50% 50%</p> <p>■ Executive Directors ■ Non-Executive Directors</p> <p>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.</p>	Complied
	A.5.1	<p>The Board should include Non-Executive Directors of sufficient caliber and number for their views to carry significant weight in the Board's decisions. The Board should include at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one-third of the total number of Directors, whichever is higher. In the event, the Chairman and CEO is the same Person, Non-Executive Directors should comprise a majority of the Board.</p> <p>50% of the Board of Directors of the Company operates in a Non-Executive capacity and this ratio was maintained throughout the year. Every Non-Executive Director on the Board has excelled in their respective discipline. Thus their contribution to the decision-making of the Board was noteworthy during the year, both quantitatively as well as qualitatively.</p>	Complied
BUSINESS MODEL 14-70	A.5.2	<p>Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non-Executive Directors should be "independent". In all other instances, two or one-third of Non-Executive Directors appointed to the Board of Directors, whichever is higher should be "independent".</p> <p>The Board of Directors of the Company Comprises five Non-Executive Directors out of which three are Independent and this ratio was maintained throughout the year.</p>  <p>40% 60%</p> <p>■ Independent ■ Non-independent</p>	Complied
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Principal	Description	Comment	Compliance status
A.5.3	For a Director to be deemed "independent", such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.	Three Non-Executive Directors on the Board are not involved in day-to-day affairs of the Company and they do not have any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement. Additionally, each Independent Non-Executive Director submits a written declaration of his independence to the Board on an annual basis. This written annual submission is also considered as a part of their annual performance evaluation. Based on the written declaration submitted by the Independent Non-Executive Directors' for the financial year 2017/18, they were considered as continuing to be independent.	Complied
A.5.4	Each Non-Executive Director should submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria set out in the Specimen in Schedule K.	During the year, each Non-Executive Director submitted a dated and signed declaration regarding their independence against the specified criteria set out in the Code. While this declaration fulfilled the requirements of Schedule J of this Code, no circumstance rose for the determination of independence by the Board outside the criteria set out by the Code.	Complied
A.5.5	The Board should make a determination annually as to the independence or non-independence of each Non-Executive Director, based on such a declaration made of decided criteria and other information available to the Board. The Board should determine whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. The Board should specify the criteria not met and the basis for its determination in the Annual Report, if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which indicate the contrary and should set out in the Annual Report the names of Directors determined to be "independent".	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: <ul style="list-style-type: none"> • D S Weerakkody • Prof K A M K Ranasinghe • N D Gunaratne The Board considered the annual declaration made by the Non-Executive Directors' to be a fair representation of their independence.	Complied
A.5.6	If an alternate Director is appointed by a Non-Executive Director such Alternate Director should not be an executive of the Company. If an Alternate Director is appointed by an Independent Director, the person who is appointed also should meet the criteria of independence and the provision on minimum number of Independent Directors also should be satisfied.	This is not applicable as there are no Alternate Directors in the Company.	Not applicable

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	Principal	Description	Comment	Compliance status
PREAMBLE 02-13	A.5.7	In the event the Chairman and Chief Executive Officer is the same person, the Board should appoint one of the Independent Non-Executive Directors to be the "Senior Independent Director" (SID) and disclose this appointment in the Annual Report.	This is not applicable as the Chairman of the Company is not the Chief Executive Officer.	Not applicable
BUSINESS MODEL 14-70	A.5.8	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.	Please refer comment under A.5.7.	Not applicable
VALUE CREATION 71-119	A.5.9	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	The Chairman holds meetings with the Non-Executive Directors' without the presence of Executive Directors as and when necessary. During the year one such meeting was held.	Complied
	A.5.10	Where Directors have concerns about the matters of the Company, which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes.	During the year, there were no matters of the Company that the Board was unable to resolve unanimously. However, in the event such matter arises, the Company Secretary records same in sufficient detail in the Board minutes. These minutes are circulated among Board Members prior to the next meeting.	Complied
STEWARDSHIP 120-181	A.6 Supply of information			
	A.6	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	The Board was provided with timely information by way of Management Reports, 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
FINANCIAL REPORTS 183-286	A.6.1	Management has an obligation to provide the Board with appropriate and timely information, but information volunteered by management may not be enough in all circumstances and Directors should make further inquiries where necessary. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings.	Members of the Board (mainly Executive) are provided with Management Reports, Proposals and Project Performance Reports on a monthly basis, both in a quantitative and qualitative manner. In addition to this, the entire Board is provided with Board Papers and other relevant information by the Corporate Management. The Board is also appraised on areas such as CSR, Risk Management, Corporate Governance, Human Resources and Legal Compliance by the Corporate Management time to time. In instances where additional information is required the same is requested, from the Corporate Management or the responsible individuals. As and when necessary, the Corporate Management also makes presentations to the Board in order to enable sound decision-making.	Complied
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Principal	Description	Comment	Compliance status
		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.	
A.6.2	In order to facilitate effective conduct of meetings, the agenda and papers required for a Board meeting should be provided to Directors at least seven (7) days before the meeting, and the minutes of the meeting should ordinarily be provided to Directors at least two weeks after the meeting date.	As a norm, all Board Papers are circulated to the Board Members 10 working days before hand for them to study the materials and prepare themselves for the meeting and within two weeks of the meeting the decisions taken and the discussion points are minuted and circulated for their review/ comments and finalisation.	Complied
A.7 Appointments to the Board			
A.7	There should be a formal and transparent procedure for the appointment of New Directors to the Board.	All Board appointments are based on the capacity of the individual concerned to pass the "fit and proper" test, which in turn is based on the qualifications, experience and the value that can be added by the individual to the Board as well as to the Company. Existing Directors are vested with the autonomy to critically evaluate the potential candidate in the above test and a final decision is taken by the Board collectively.	Complied
A.7.1	The Nomination Committee should be established to make recommendations to the Board on all new Board appointments. Terms of Reference for Nomination Committees are set out in Schedule A. A. The Chairman and Members of the Nomination Committee should be identified in the Annual Report.	The Company does not have a separate committee for nomination. However, the existing Board Members function in a manner that is similar to a formally appointed Nomination Committee in matters concerning new appointments to the Board. Preliminary discussions were held during the year 2017/18 to establish a Nominations Committee.	Complied
A.7.2	The Nomination Committee or in the absence of a nomination committee, the Board as a whole should annually assess Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessment should be taken into account when new Board appointments are considered and when incumbent Directors come up for re-election.	During the year, the Board critically evaluated the "quality" of the Board in terms of their qualifications, experience, independence and the value that can be added to the Company to effectively meet the demands of the Company. The Board is satisfied with its composition and the level of qualifications, knowledge and experience it possesses as a whole in order to meet strategic demands facing the Company.	Complied

Principal	Description	Comment	Compliance status
PREAMBLE 02-13	A.7.3 Upon the appointment of a new Director to the Board, the Company should forthwith disclose to shareholders:	No new Director was appointed to the Board during the year. However, all new appointments are promptly communicated to the CSE together with a brief résumé containing the member's expertise, other Directorships held and independence for public dissemination.	Not applicable as no new Director was appointed during the year
	<ul style="list-style-type: none"> • A brief résumé of the Director • The nature of his expertise in relevant functional areas • The names of companies in which the Director holds Directorships or memberships in Board Committees and • Whether such Director can be considered independent. 		
	A.8 Re-election		
BUSINESS MODEL 14-70	A.8 All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	Directors are re-elected with the sanction of the shareholders at the Annual General Meeting of the Company. The Articles of Association of the Company requires one Non-Executive Director to appear for re-election every year and as such 2017 saw the re-election of N D Gunaratne who retired by rotation. Generally, Directors who retire are the ones who have held office for the longest period since election and reappointment. Recommendations on the re-election of Directors are given by the Company Secretary and the same is reviewed by the Board.	Complied
		In terms of the Articles of Association of the Company S D Perera will retire by rotation and being eligible will offer himself for re-election at the forthcoming Annual General Meeting.	
	A.8.1 Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director and their reappointment should not be automatic.	In terms of the Articles of Association of the Company, one Non-Executive Director is required to retire by rotation every year. The re-election of Non-Executive Directors' is sanctioned by the shareholders at the Annual General Meeting of the Company.	Complied
VALUE CREATION 71-119	A.8.2 All Directors including the Chairman of the Board, should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years. The names of Directors submitted for election or re-election should be accompanied by a résumé minimally as set out in paragraph A.7.3 above, to enable shareholders to make an informed decision on their election.	No new Director was appointed to the Board during the year. However, in the event a new Director is appointed to the Board, he/she will offer himself/herself for election by the shareholders at the first opportunity.	Complied
STEWARDSHIP 120-181			
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Principal	Description	Comment	Compliance status
A.8.3	Resignation In the event of a resignation of a Director prior to completion of his appointed term, the Director should provide a written communication to the Board of his reasons for resignation.	Before the formal resignation the Directors explain their reasons for the resignation decision and the same is being minuted under the Board meeting minutes. Also when Directors send their resignation letters, they explain the decision factors in the resignation letter for the documentation purposes.	Not applicable as no Director resigned during the year
A.9 Appraisal of Board performance			
A.9	Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.	Performance of the Board is evaluated from time to time with at least once a year to ensure that responsibilities are satisfactorily discharged. Appraisal of Board performance is usually coordinated by the Company Secretary and overseen by the Chairman.	Complied
A.9.1	The Board should have in place a formal and rigorous process for annually reviewing the performance of the Board and its committees and should address any matters that may arise from such review, in the discharge of its key responsibilities as set out in A.1.2.	Performance of the Board for the financial year 2017/18 was assessed at the first Board meeting conducted for the financial year 2018/19. The evaluation was done against the targets and goals set at beginning of the financial year 2017/18 covering areas such as, strategic direction of the Company, regulatory and legal compliance, corporate governance, risk management, financial performance, systems management, and internal audit function among others. The Board was satisfied as a whole of its performance in the year 2017/18.	Complied
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its committees.	Members of the Board and Board Committees carried out self-assessments of their performance for the FY 2017/18 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 2018/19 were identified. Each individual Director was satisfied of his performance in the FY 2017/18. Over the years, both individual and collective performance appraisal of the Board has facilitated continuous development and improvement.	Complied
A.9.3	The Board should have a process to review the participation, contribution and engagement of each Director at the time of re-election.	When a member's name is up for re-election rest of the Board Members discuss the value addition brought by that particular member to the Board and the contribution made thereof. Based on the discussion points the decision is made on re-election. The discussion points are minuted under the Board meeting minutes.	Complied
A.9.4	The Board should state how such performance evaluations have been conducted, in the Annual Report.	Performance of the Board has been appraised through a formalised process of individual appraisal by enabling each member to self-appraise on an anonymous basis.	Complied

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PREAMBLE 02-13	Principal	Description	Comment	Compliance status																	
	A.10 Disclosure of information in respect of Directors																				
BUSINESS MODEL 14-70	A.10	Shareholders should be kept advised of relevant details in respect of Directors.	Shareholders are informed as and when necessary about changes to the Board, interest in the shares of the Company and other relevant details through disclosures and financial results released to the CSE for public dissemination.	Complied																	
	A.10.1	The Annual Report of the Company should set out the relevant information in relation to each Director.	Please refer the pages 122 and 123 for the information relating to Directors of the Company. <table><thead><tr><th>Information requirement</th><th>Page/s</th></tr></thead><tbody><tr><td>• Brief Profile</td><td>122 and 123</td></tr><tr><td>• Nature of Expertise</td><td>122 and 123</td></tr><tr><td>• Related Party Transactions</td><td>255 to 260</td></tr><tr><td>• Other Directorships Held</td><td>122, 123 and 259</td></tr><tr><td>• Attendance at Board Meetings</td><td>140</td></tr><tr><td>• Composition of Board Committees</td><td>134 to 136</td></tr><tr><td>• Attendance at Committee Meetings</td><td>166 to 171</td></tr><tr><td>• Remunerations</td><td>260</td></tr></tbody></table>	Information requirement	Page/s	• Brief Profile	122 and 123	• Nature of Expertise	122 and 123	• Related Party Transactions	255 to 260	• Other Directorships Held	122, 123 and 259	• Attendance at Board Meetings	140	• Composition of Board Committees	134 to 136	• Attendance at Committee Meetings	166 to 171	• Remunerations	260
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VALUE CREATION 71-119	A.11 Appraisal of Chief Executive Officer																				
	A.11	The Board should be required at least annually to assess the performance of the CEO.	Not applicable as the Company doesn't have a CEO.	Not applicable																	
STEWARDSHIP 120-181	A.11.1	At the commencement of every financial year, the Board in consultation with the CEO, should set, in line with the short, medium and long-term objectives of the Company, reasonable financial and non-financial targets that should be met by the CEO during the year.	Not applicable as the Company doesn't have a CEO.	Not applicable																	
	A.11.2	The performance of the CEO should be evaluated by the Board at the end of each financial year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.	Not applicable as the Company doesn't have a CEO.	Not applicable																	
FINANCIAL REPORTS 183-286																					
ANNEXES 287-297																					

Principal	Description	Comment	Compliance status
B. Directors' remuneration			
B.1 Remuneration procedure			
B.1	Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.	<p>Remuneration payable to the Executive Directors of the Company is recommended by the Remuneration Committee.</p> <p>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.</p>	Complied
B.1.1	To avoid potential conflicts of interest, the Board of Directors should set-up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the Company's framework of remunerating Executive Directors. (These also include Post-Employment Benefits as well as Terminal Benefits).	The Remuneration Committee is responsible for recommending the remuneration payable to Executive Directors. The Committee makes recommendations to the Board, which is responsible for the final determination.	Complied
B.1.2	Remuneration Committees should consist exclusively of Non-Executive Directors and should have a Chairman, who should be appointed by the Board.	The Remuneration Committee appointed by the Board consisted of four Non-Executive Directors out of which three were Independent.	Complied
B.1.3	The Chairman and the Members of the Remuneration Committee should be listed in the Annual Report each year.	Details of the Remuneration Committee are given in page 169 of this Report.	Complied
B.1.4	The Board as a whole, or where required by the Articles of Association the shareholders, should determine the remuneration of Non-Executive Directors, including Members of the Remuneration Committee, within the limits set in the Articles of Association. Where permitted by the Articles, the Board may delegate this responsibility to a Subcommittee of the Board, which might include the CEO.	Remuneration payable to the Non-Executive Directors is decided by the Board as a whole. The Non-Executive Directors are paid a monthly fee for being a Member of the Board and its Subcommittees. Since the Non-Executive Directors are not involved in the day-to-day affairs of the Company they are not entitled to any performance incentives.	Complied
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice from within and outside the Company, in discharging their responsibilities.	The Remuneration Committee consulted the Chairman and the Managing Director in providing recommendations regarding the remuneration of other Executive Directors. The Chairman and the Managing Director are not remunerated by the Company.	Complied

	Principal	Description	Comment	Compliance status
PREAMBLE 02-13	B.2 The Level and make up of remuneration			Complied
BUSINESS MODEL 14-70	B.2	Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.	The remuneration package of both Executive and Non-Executive Directors is based on a variety of factors including their contribution to the Company, market rates of remuneration and their expectation. The Board is aware of the fact that the level of remuneration should be sufficient enough to attract and retain Directors of high caliber 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.	
VALUE CREATION 71-119	B.2.1	The Remuneration Committee should provide packages needed to attract, retain and motivate Executive Directors of the quality requires but should avoid paying more than is necessary for this purpose.	The Remuneration Committee considers the value addition of Executive Directors and their contribution to the achievement of short and long-term objectives in structuring their remuneration packages so as to ensure that nothing is paid more than necessary.	Complied
STEWARDSHIP 120-181	B.2.2	Executive Directors' remuneration should be designed to promote the long-term success of the Company.	The remuneration of the key personnel is decided and approved by the Board based on the evaluation and recommendation made by the Remuneration Committee in parity with the current market rates and packages provided. The Executive Director's remuneration is also decided through the same process, while providing specific targets specified in the Executive Director's Terms of Reference.	Complied
FINANCIAL REPORTS 183-286	B.2.3	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies. It should be aware what comparable companies are paying and should take account of relative performance, but should use such comparisons with caution, mindful of the risk that they can result in an increase of remuneration levels with no corresponding improvement in performance.	The Committee conducts an analysis of other companies in the industry in deciding the levels of remuneration of the Company. If the need arises the Company carries out an annual salary survey in determining the level of remuneration of key positions and their increment.	Complied
ANNEXES 287-297	B.2.4	The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or The Group of which it is a part, especially when determining the annual salary increases.	Companies within the Group operate in different industry and market sectors where the remuneration and employment conditions are substantially different to those of the Company.	Not applicable

Principal	Description	Comment	Compliance status
B.2.5	The performance related elements of remuneration of Executive Directors should be designed and tailored to align their interest with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest level.	The extent of contribution and value addition towards achieving the set targets and objectives of a particular year is the key determinant in deciding the performance-related element of the remuneration of the Executive Directors.	Complied
B.2.6	Executive share options should not be offered at a discount (i.e. less than market price prevailing at the time the exercise price is determined), save as permitted by the Listing Rules of the Stock Exchange.	Not applicable as there are no Executive share options in the Company.	Not applicable
B.2.7	In designing schemes of performance-related remuneration, Remuneration Committee should follow the provisions set out in Schedule E.	Provisions of Schedule E of the Code were followed in designing schemes of performance-related remuneration.	Complied
B.2.8	The Remuneration Committee should consider what compensation commitments (including pension contributions) their Directors' contracts of service, if any, entail in the event of early termination. Remuneration Committees should in particular, consider the advantages of providing explicitly for such compensation commitments to apply other than in the case of removal for misconduct, in initial contracts.	There are no compensation commitments (including pension contributions) in Directors' contracts of service.	Not applicable
B.2.9	Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committees should, within legal constraints tailor their approach in early termination cases to the relevant circumstances. The Board's aim should be, to avoid rewarding poor performance while dealing fairly with case where departure is not due to poor performance.	Not applicable as the Company's objective is to avoid early termination by all means.	Not applicable

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PREAMBLE 02-13	B.2.10 Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration for Non-Executive Directors should not normally include share options. If exceptionally options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the Non-Executive Director leaves the Board. Holding share options could be relevant to the determination of a Non-Executive Director's independence.	The remuneration of Non-Executive Directors reflects the degree of responsibilities and the level of time commitment extended by them in contributing and adding value to the Company's decision-making. The Non-Executive Directors' do not have any share options in the Company.	Complied
	B.3 Disclosure of remuneration		
	B.3 The Company's Annual Report should contain a Statement of Remuneration Policy and details of the Board as a whole.	Compensation paid to Key Management Personnel is given in page 260 of this Report. Remuneration Committee Report is given in page 169.	Complied
BUSINESS MODEL 14-70	B.3.1 The Annual Report should set out the names of Directors (or persons in the parent company's committee in the case of a Group Company) compromising the Remuneration Committee, contain a Statement of Remuneration Policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	Names of the Members of the Remuneration Committee and the compensation paid to Key Management Personnel are given in pages 134 and 260 of this Report respectively.	Complied
VALUE CREATION 71-119			
STEWARDSHIP 120-181			
FINANCIAL REPORTS 183-286	C. Relations with shareholders		
	C.1 Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings		
	C.1 Board should use the Annual General Meeting to communicate with shareholders and should encourage their participation.	The Company considers the Annual General Meeting as the primary tool of communication with shareholders. The Notice of Meeting inviting all shareholders is given on page 297 of this Report. All shareholders are free to raise any queries from the Board, on matters relating to the Company at the Annual General Meeting. The Board encourages an open dialogue with shareholders at the Annual General Meeting. Usual proposals adopted at the Annual General Meeting include the Annual Report and the Accounts, reappointment of Directors and Auditors and any other matter that require shareholder approval as per the provisions of the Articles of Association of the Company.	Complied
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C.1.1	Companies should arrange for the Notice of the Annual General Meeting and related papers to be sent to shareholders as determined by statute, before the meeting.	All related papers and the Notice of Meeting are sent to the shareholders 15 days before the Annual General Meeting through the Company Secretary.	Complied
C.1.2	Companies should propose a separate resolution at the Annual General Meeting on each substantially separate issue and should in particular propose a resolution at the Annual General Meeting relating to the adoption of the report and accounts.	To receive and consider the Annual Report and Accounts is the first resolution adopted at every Annual General Meeting. Further, the Company proposes separate resolutions on each substantially separate issue. Hence, shareholders are given the opportunity to vote separately on each substantial issue.	Complied
C.1.3	The Company should ensure that all valid proxy appointments received for general meetings are properly recorded and counted. For each resolution, where a vote has been taken on a show of hands, the Company should ensure that the Relevant Information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the Company.	The Chairman of the Audit Committee, Remuneration Committee, and the Strategic Planning Committee attended the 2017 Annual General Meeting of the Company and answered questions raised by shareholders.	Complied
C.1.4	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees and the Senior Independent Director where such appointment has been made, to be available to answer questions at the Annual General Meeting if so requested by the Chairman.	All related papers and the Notice of Meeting are sent to the shareholders 15 days before the Annual General Meeting through the Company Secretary.	Complied
C.1.5	Company should circulate with every Notice of General Meeting summary of procedures, governing voting at General Meeting.	Summary of procedures governing voting at the General Meeting is distributed with the Notice of Meeting by the Company Secretary.	Complied
C.2 Communication with shareholders			
C.2	The Board should implement effective communication with shareholders.	The Annual General Meeting, Annual Report and other General Meetings (as and when required) are the primary means of communication with shareholders. Additionally, the Company makes disclosures on material and price sensitive matters from time to time to the CSE for dissemination among the public. Similarly the Company's website www.accessengsl.com is updated with financial and project-related information, corporate disclosures and other press releases for public viewing.	Complied
C.2.1	There should be a channel to reach all shareholders of the Company in order to disseminate timely information.	Refer comment given under C.2.	Complied

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						C.2.2	The Company should disclose the policy and methodology for communication with shareholders.	The Company's policy on information dissemination is based on the prime need of creating a fair market for the Company's securities among all market participants. Hence the Company focuses on accurate, timely, relevant and open information dissemination and communication so as to avoid any market malpractice or doubt.	Complied
						C.2.3	The Company should disclose how they implement the above policy and methodology.	The Annual General Meeting, Annual Report and other General Meetings (as and when required) are the primary means of communication with shareholders. Additionally, the Company makes disclosures on material and price sensitive matters from time to time to the CSE for dissemination among the public. Similarly the Company's website www.accessengsl.com is updated with financial and project-related information, corporate disclosures and other press releases for public viewing.	Complied
						C.2.4	The Company should disclose the contact person for such communication.	The point of contact is given in page 3 of this Report.	Complied
						C.2.5	There should be a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company.	The shareholders are free to correspond with the Board either directly or through the Company Secretary as they wish. The Directors can also be met by the shareholders on appointment. The Company Secretary keeps a record of all valid correspondence from the shareholders and directs them to the appropriate Board member who in return would respond as necessary. The Company also has a dedicated investor relations email that could be equally utilised by any shareholder to correspond.	Complied
						C.2.6	The Company should decide the person to contact in relation to shareholder matters. The relevant person with statutory responsibilities to contact in relation to shareholder matters is the Company Secretary or his/her absence should be a member of the Board of Directors.	Both the Company Secretary as well as Members of the Board act as contact points in relation to shareholder matters.	Complied
						C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	Responses for shareholder queries directly sent to individual Members of the Board are sent by the respective members. Queries directed to the Company Secretary are responded by the Directors via the Company Secretary.	Complied

Principal	Description	Comment	Compliance status
C.3 Major and material transactions			
C.3	Further to complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated group net asset base.	Refer the Related Party Transactions Review Committee Report on pages 168 and 169, and Note 28 of Notes to the Financial Statements.	Complied
C.3.1	Prior to a company engaging in or committing to a major related party involving the acquisition, sale or disposition of greater than one-third of the value of the Company's assets or that of a subsidiary which has a material bearing on the Company and/or consolidated net assets of the Company, or a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities, of greater than one-third of the value of the Company's assets, Directors should disclose to shareholders the purpose and material facts of such transactions and obtain shareholders' approval by ordinary resolution at an Extraordinary General Meeting. It also applies to transactions which have the purpose or effect of substantially altering the nature of the business carried on by the Company.	Refer the Related Party Transactions Review Committee Report on pages 168 and 169, and Note 28 of Notes to the Financial Statements.	Complied
C.3.2	Public listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the Securities Exchange Commission and by the Colombo Stock Exchange.	Refer the Related Party Transactions Review Committee Report on pages 168 and 169, and Note 28 of Notes to the Financial Statements.	Complied

	Principal	Description	Comment	Compliance status
PREAMBLE 02-13	D. Accountability and audit			
	D.1 Financial reporting			
BUSINESS MODEL 14-70	D.1	The Board should present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.	The Annual Report of the Board of Directors on the Affairs of the Company making the relevant declarations is given on pages 184 to 190 of this Report.	Complied
VALUE CREATION 71-119	D.1.1	The Board should present an Annual Report including Financial Statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	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
STEWARDSHIP 120-181	D.1.2	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.	Refer comment given under D.1.1 above.	Complied
FINANCIAL REPORTS 183-286	D.1.3	The Board should, before it approves the Company's Financial Statements for a financial period, obtain from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the Financial Statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the system of risk management and internal control was operating effectively.	The Financial Statements itself has the respective declaration stating that all standards, legal requirements are met with and the Deputy General Manager – Finance signs the Financial Statements below that declaration. Apart from that an annual declaration is also signed by the Deputy General Manager – Finance confirming the same.	Complied
ANNEXES 287-297	D.1.4	The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors.	The Annual Report of the Board of Directors on the Affairs of the Company making the relevant declarations, is given on page 184 of this Report.	Complied

Principal	Description	Comment	Compliance status
D.1.5	The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements, together with a Statement by the Auditors about their reporting responsibilities. Further, the Annual Report should contain a Report/Statement on Internal Control. (Refer Schedule L for the contents of the Statement on Internal Control).	"Directors Responsibility for Financial Reporting", "Statement of Auditors" and the "Directors" Statement on Internal Control" are given on pages 191, 193 and 192 respectively.	Complied
D.1.6	The Annual Report should contain a "Management Discussion and Analysis"	"Value Creation" is given on pages 70 to 117 of this Report.	Complied
D.1.7	In the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting of the Company to notify shareholders of the position and of remedial action being taken.	Not applicable as there was no serious loss of capital during the year.	Not Applicable
D.1.8	The Board should adequately and accurately disclose the related party transactions in its Annual Report.	<p>The Company has set in place an effective and comprehensive system of internal control for identifying, recording and disclosing related party transactions. This system ratified by the Board ensures that there is no conflict of interest when transacting with related parties and that there will be no bias favourable treatment.</p> <p>All related party transactions as defined in Sri Lanka Accounting Standards – LKAS 24 "Related Party Transactions" are disclosed in Note 28 to the Financial Statements.</p>	Complied
D.2 Risk management and internal controls			
D.2	The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, risk management and internal control is a process, effected by a Company's Board of Directors and management, designed to provide reasonable assurance regarding the achievement of Company's objectives.	<p>The Company operates with a sound system of internal control within an integrated risk management framework that is formulated and ratified by the Board. This system ensures that shareholders' interests and Company assets are safeguarded.</p> <p>The 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.</p>	Complied

PREAMBLE 02-13	Principal	Description	Comment	Compliance status
BUSINESS MODEL 14-70	D.2.1	The Board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the Annual Report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.	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 192.	Complied
	D.2.2	The Directors should confirm in the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The Directors should describe those risks and explain how they are being managed or mitigated.	The confirmation of the Risk assessment conducted and the principal risks faced by the Company are disclosed in the Enterprise Risk Management Report is given on pages 172 to 181 of this Report.	Complied
VALUE CREATION 71-119	D.2.3	Companies should have an Internal Audit Function.	The Company has an Internal Audit Function headed by the "Head of Internal Audit" and overseen by the Board Audit Committee.	Complied
STEWARDSHIP 120-181	D.2.4	The Board should require the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls and to document to the Board and Board takes the responsibility for the disclosures on internal controls.	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.	Complied
	D.2.5	The responsibilities of Directors in maintaining a sound system of internal control and the contents of the Statement of Internal Control should be in accordance with the Schedule K.	In 2017/18, the Board was satisfied with the effectiveness of the system of internal control in place within the Company. Refer page 192 for the "Directors' Statement on Internal Controls".	Complied
FINANCIAL REPORTS 183-286				
ANNEXES 287-297				

Principal	Description	Comment	Compliance status
D.3 Audit Committee			
D.3	The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.	Accounting policies and financial reporting principles of the Company are formulated so as to ensure compliance with all applicable standards, rules and other regulations. At times the guidance of the External Auditors is also sought in this process.	Complied
D.3.1	The Audit Committee should be comprised a minimum of two Independent Non-Executive Directors (in instances where a Company has only two Directors on its Board) or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher. The Chairman of the Committee should be a Non-Executive Director appointed by the Board.	The Audit Committee comprises of three Independent Non-Executive Directors and one Non-Executive Director of the Board. The Chairman of the Committee is an Independent Non-Executive Director.	Complied
D.3.2	The Audit Committee should have a written Terms of Reference, dealing clearly with its authority and duties. The Audit Committee's Written Terms of Reference must address the committee purpose, the duties and responsibilities of the Audit Committee.	AEL has developed a Charter for the Audit Committee clearly defining the objective/duties of the Committee, each member's duties and responsibilities and administrative arrangements.	Complied
D.3.3 Disclosures			
D.3.3	A separate section of the Annual Report should describe the work of the Committee in discharging its responsibilities.	Refer pages 166 and 167 for the Audit Committee Report.	Complied
D.4 Related Party Transactions Review Committee			
D.4	The Board should establish a procedure to ensure that the Company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.	As a Group norm when transacting with related parties of the Group the responsible parties stress on the price at which the transaction takes place to make sure that neither the buyer nor the seller will gain extraordinary gain through the same.	Complied
D.4.1	A related party and related party transactions will be as defined in LKAS 24.	Company has considered the guidelines provided in the LKAS 24 in defining the related parties, in developing the charter for the Related Party Transactions Review Committee.	Complied

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Principal	Description	Comment	Compliance status	
PREAMBLE 02-13	D.4.2	The Board should establish a Related Party Transactions (RPT) Review Committee consisting exclusively of Non-Executive Directors with a minimum of three Non-Executive Directors of whom the majority should be independent. Executive Directors may attend by invitation. The Chairman should be an Independent Non-Executive Director appointed by the Board.	In compliance with the requirements of the voluntary code of the Corporate Governance, the Related Party Transactions Review Committee comprises three Non-Executive Directors who are also independent. Additionally the Executive Director/COO attend the meetings upon invitation by the Committee.	Complied
	D.4.3	Related Party Transactions Review Committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors.	Company has developed a Charter for the Related Party Transactions Review Committee clearly defining the objective/ duties of the Committee, each member’s duties and responsibilities and administrative arrangements.	Complied
BUSINESS MODEL 14-70	D.5 Code of Business Conduct and Ethics			
	D.5	Companies must adopt a Code of Business Conduct and Ethics for Directors and Key Management Personnel and must promptly disclose any waivers of the Code for Directors or others.	AEL Code of Ethics which includes a story set of corporate values and conduct is circulated to Directors and all employees. The Board ensures that Directors and all employees strictly comply with the AEL Code of Ethics in exercising their duties, communications, role modelling and in any other circumstance, so as to uphold the AEL integrity and image Strict disciplinary actions are initiated for any violation of the AEL Code of Ethics.	Complied
VALUE CREATION 71-119	D.5.1	All Companies must disclose whether they have a Code of Business Conduct and Ethics for Directors and Key Management Personnel and if they have such a Code, make an affirmative declaration in the Annual Report that all Directors and Key Management Personnel have declared compliance with such Code and if unable to make that declaration, state why they are unable to do so. Each Company may determine its own policies in the formulation of such a Code.	AEL has a Code of Ethics which includes the Code of Conduct and is circulated to Directors and all employees. The Board ensures that Directors and employees strictly adhere to the Code of Ethics of the Company in their duties so as not to adversely affect the Company in any manner. The violation of the Code of Ethics is an offence which is subject to disciplinary action.	Complied
	D.5.2	The Company should have a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	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
STEWARDSHIP 120-181	D.5.3	The Company should establish a policy, process for monitoring, and disclosure of shares purchased by any Director, Key Management Personnel or any other employee involved in financial reporting.	Refer the Report of the Related Party Transactions Review Committee on pages 168 and 169.	Complied
FINANCIAL REPORTS 183-286				
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Principal	Description	Comment	Compliance status
D.5.4	The Chairman must affirm in the Company's Annual Report that a Code of Conduct and Ethics has been introduced Company Wide and the procedure for disseminating, monitoring and compliance with that Code. He must also disclose that he is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics.	Refer "Annual Report of the Board of Directors on the Affairs of the Company" given on page 184.	Complied
D.6 Corporate Governance disclosures			
D.6	Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.	This Report on the Company's Compliance with the "Code of Best Practice on Corporate Governance 2017" jointly issued by CA Sri Lanka and SEC meets this requirement.	Complied
D.6.1	The Directors should include in the Company's Annual Report, a Corporate Governance Report setting out the manner and extent to which the Company has complied with the principles and provisions of this Code.	Refer "Annual Report of the Board of Directors on the Affairs of the Company" given on page 184.	Complied
E. Institutional investors			
E.1 Shareholder voting			
E.1	Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	Board encourages the active participation of institutional shareholders at the Annual General Meeting. In addition, Executive Directors meet institutional shareholders upon their request to discuss about the Company's past performance and future strategies.	Complied
E.1.1	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole.	The most structured and continuous dialogue the Company has with the shareholders is the Annual General Meeting. The Chairman is available to meet shareholders at the end of each Annual General Meeting and can be met on appointment on other occasions. The Chairman then communicates the views and concerns of shareholders to the Board as a whole.	Complied
E.2 Evaluation of Governance Disclosure			
E.2	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	Institutional investors are encouraged to give due weight to all relevant factors drawn to their attention in evaluating Companies' governance arrangements.	Complied

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Principal	Description	Comment	Compliance status
PREAMBLE 02-13	F. Other investors		
	F.1 Investing/Divesting decisions		
	F.1 Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	The Company encourages individual shareholders to carry-out adequate analysis or seek independent advice in investing or divesting decisions. The Company facilitates this process by providing information necessary for the same on a timely and unbiased basis. 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
BUSINESS MODEL 14-70	F.2 Shareholders voting		
	F.2 Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	The Company encourages individual shareholders to participate in General Meetings and exercise their voting rights.	Complied
VALUE CREATION 71-119	G. Internet of things and cyber security		
	G.1 Process to identify how the External IT Devices Report could connect to the Organisation's network.	Refer Enterprise Risk Management on pages 172 to 181 of this Annual Report (Information and Technology Risk).	Complied
STEWARDSHIP 120-181	G.2 Appointment of a Chief Information Security Officer (CISO).	The functions of the CISO are carried out by the (Manager IT Operations) reporting to the Senior General Manager.	
	G.3 Allocation of adequate time on the Board meeting agenda for discussions on cyber risk management.	Relevant risks are setout in the Internal Audit Report and same is reported to the Audit Committee. High risk matters are referred to the Board for further actions.	
	G.4 There should be an independent periodic review of the effectiveness on the cyber security risk management and the scope and the frequency of the review.	An Annual Information Risk Management audit is carried out by an independent third party, and identified issues are reported through the Management Letter.	Complied
	G.5 The Board should disclose in the Annual Report, the process to identify and manage cyber security risks.	Refer Enterprise Risk Management on pages 172 to 181 of this Annual Report (Information and Technology Risk).	Complied
	H. Environment, Society and Governance (ESG)		
FINANCIAL REPORTS 183-286	H.1 Reporting of ESG Factors	Refer pages 71 to 119 of the Annual Report for Value Creation.	Complied
	H.2 Environmental Factors	Refer pages 71 to 119 of the Annual Report for Value Creation.	Complied
	H.3 Social Factors	Refer pages 71 to 119 of the Annual Report for Value Creation.	Complied
	H.4 Governance	Refer pages 128 to 165 of the Annual Report – Corporate Governance for this requirement.	Complied
	H.5 Board's role on ESG Factors	The Board understands its role and responsibility in ESG reporting and ensure that the Company adheres to the ESG reporting requirements.	Complied
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Statement of Compliance under Section 168 of Companies Act No. 7 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)	Auditors' 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

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AUDIT COMMITTEE REPORT

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

ROLE OF THE AUDIT COMMITTEE

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

COMMITTEE COMPOSITION

There were no changes to the composition of the Committee as at 31 March 2017. The Committee continued to comprise four Non-Executive Directors as set out below. To ensure compliance with the requirements of the Rule 7.10.6 of Listing Rules of the Colombo Stock Exchange and Code of Best Practices on Corporate Governance issued jointly by The Institute of Chartered Accountants and Securities Exchange Commission of Sri Lanka, Committee membership comprises three (3) Independent Non-Executive Directors and one (1) Non-Executive Director of the Company.

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

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

MEETING ATTENDANCE

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

Name	1 August 2017	13 November 2017	30 January 2018	16 May 2018
Niroshan Dakshina Gunaratne (Chairman)	✓	✓	✓	✓
Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe	✓	X	✓	X
Suresh Dilhan Perera	✓	✓	✓	✓
Dinesh Weerakkody	✓	✓	✓	✓

In addition to the Committee members, the meetings were attended by the COO, GM-Commercial, DGM-Finance and the Internal Auditor on invitation. The company secretaries were also presented at every meeting.

TERMS OF REFERENCE

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

COMPLIANCE

Financial reporting and significant judgements

The Committee is responsible for reviewing whether suitable accounting policies have been adopted and whether Management has made appropriate estimates and judgements in the preparation of the Financial Statements. As part of its review the Committee considers the clarity and completeness of disclosures in the Financial Statements to assess whether these have been set appropriately in the context. The Committee also keeps under review the impact of any actual or expected changes to accounting standards applicable to the Group and provides general oversight in relation to the financial policies of the Group.

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

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

Laws and regulations

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

AUDIT AND ACCOUNTABILITY

Internal controls

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

Internal audit

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

The Committee reviewed and approved the 2017/18 internal audit plan at its meeting in May 2017 and continued to monitor progress against this plan during the year. Results and management actions arising from the reviews undertaken in 2017/18 were discussed in detail at each of the Committee's meetings. The Head of Internal Audit attended all of the Committee's meetings during 2017 and held discussions with the Committee in the absence of Executive Management.

Independent auditors

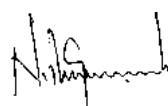
The Audit Committee reviewed the independence and objectivity of the Independent External Auditors, Messrs KPMG Sri Lanka, Chartered Accountants. The Audit Committee has met with the External Auditors to review their audit plan and any observations made by them.

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

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

CONCLUSION

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



Niroshan Dakshina Gunaratne
Chairman – Audit Committee

6 August 2018

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RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee constituted under the Corporate Governance Rules of the Section 9 of Colombo Stock Exchange and 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. The Members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transactions Policy. During the year, the Committee has continued to review and report to the Board on the Group's related party transactions.

ROLE OF THE COMMITTEE

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

COMMITTEE COMPOSITION

There were no changes to the composition of the Committee as at 31 March 2017. The Committee continued to comprise of the three Non-Executive Directors and the two Executive Directors/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 Practices on Corporate Governance issued jointly by The Institute of Chartered Accountants and Securities Exchange Commission of Sri Lanka. The Committee comprised of the Following members;

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

The brief profiles of the existing Members of the Committee are given on pages 122 and 123 of the Annual Report.

MEETING ATTENDANCE

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

Name	1 August 2017	13 November 2017	30 January 2018	16 May 2018
Niroshan Dakshina Gunaratne (Chairman)	✓	✓	✓	✓
Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe	✓	X	✓	X
Dinesh Weerakkody	✓	✓	✓	✓
Rohana Fernando	✓	✓	✓	✓

TERMS OF REFERENCE

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

- Review in advance all proposed Related Party Transactions of the Company except those explicitly exempted by the Code.
- Determine whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company.
- Ensure that no Director of the Company shall participate in any discussion of a proposed Related Party 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 28 of Notes to the Financial Statements.

DECLARATION

• Non-Recurrent Related Party Transactions

There were no any non-recurrent related party transactions which required additional disclosures in the 2017/18 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2.

• Recurrent Related Party Transactions

A declaration of Recurrent Related Party Transactions during the year is given in below table.

Name of the related party	Access Realities 2 (Private) Limited
Relationship	Fully Owned Sub Subsidiary
Nature of transaction	Construction of building
Aggregate value of related party transactions entered into during the financial year	LKR 1,939,171,813/-
Aggregate value of related party transactions as a % of net revenue/income	10.81%
Terms and Conditions of the related party transactions	Transactions are entered in the normal cause of business



N D Gunaratne

Chairman

Related Party Transactions Review Committee

6 August 2018

REMUNERATION COMMITTEE REPORT

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

COMPOSITION

Composition of the Board appointed Remuneration Committee is comprised of three (3) Non-Executive Independent Directors and One (1) Non-Executive Director. There were no changes to the composition of the Committee as at 31 March 2018.

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

ROLE OF THE COMMITTEE

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

Responsibilities includes –

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

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

CONCLUSION

Committee reviewed the performance of Senior Management of the company and the remuneration structure of Executive Directors and Senior Management during the year and recommended The Board on their annual salary increment.



Dinesh Weerakkody

Chairman

Remuneration Committee

6 August 2018

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INVESTMENT AND SUBSIDIARY PERFORMANCE MONITORING COMMITTEE

PURPOSE

The Investment and Subsidiary Performance Monitoring Committee was established during the mid of financial year 2017/18 as a Board subcommittee to provide the Executive Directors and the Independent Directors with an opportunity to discuss prospective investments and performance monitoring of subsidiaries prior to discussion of relevant matters at Board meetings.

COMPOSITION

Composition of the Investment and Subsidiary Performance Monitoring Committee is comprised of three (3) Independent Non-Executive Directors and two executive Directors (2).

Initial committee Members are set in the following table;

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

ROLE OF THE COMMITTEE

Key rules of the committee are mentioned as follows:

- Subcommittee will make its assessment and notify its recommendations to the Board on major new investment in subsidiaries/associates and capital investments in the parent Company.
- Subcommittee will make its assessment and notify its recommendations to the Board on divestment of subsidiaries in the parent company.
- Monitoring the budgets of subsidiaries/associates which are approved by relevant responsible person/persons such as the Board of Directors, Chief Executive Officer or the nominated Head of the Business Unit and ratified by the Chairman or Managing Director of Access Engineering PLC. The subcommittee will submit its 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.

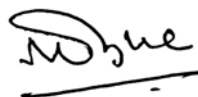
MEETING ATTENDANCE

During the financial year 2017/18, the subcommittee Members attended meetings as set in the following table

Name	21 February 2018	13 December 2017
Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe (Chairman)	✓	✓
Niroshan Dakshina Gunaratne	✓	✓
Dinesh Weerakkody	✓	✓
Joseph Christopher Joshua	✓	✓
Dalpadoruge Anton Rohana Fernando	✓	✓

SUMMARY OF ACTIVITIES AND CONCLUSION

During the year, the Committee comprehensively reviewed the new investment/divestment decisions of Access Engineering PLC and monitored budgets of subsidiaries/associates of the company. Issues noted were discussed vitally. Committee decisions and discussions of the meetings were recorded and forwarded to the Board of Directors of Access Engineering PLC for further action.



Prof Malik Ranasinghe

Chairman

Subcommittee on Investment and Subsidiary
Performance Monitoring

6 August 2018

STRATEGIC PLANNING COMMITTEE REPORT

I'm pleased to present the report of the Strategic Planning Committee for the financial year ended 31 March 2018. During the year the Committee has continued to review and report to the Board on the Company's strategic direction, trends and issues in achieving its goals and objectives.

ROLE OF THE COMMITTEE

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

COMPOSITION

The Committee comprised of three (3) Executive Directors and One (1) Non-Executive Independent Director of the Board. There were no changes to the composition of the Committee as at 31 March 2017.

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

MEETINGS

The Strategic Planning Committee meets as and when necessary at the call of the Committee Chair at dates and times which are specified in advance.

The Committee met several times during the year to discuss the Company's strategic direction and its major strategic issues.

Key Responsibilities of the Strategic Planning Committee

- Periodically reviewing the Company's vision, mission, strategic initiatives, major 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.

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.



S J S Perera

Chairman – Strategic Planning Committee

6 August 2018

ENTERPRISE RISK MANAGEMENT

“As challenges in our operating landscape continue to intensify, the proactive identification and management of risks become all the more vital for ensuring sustainable value creation for all the stakeholders.”

The Group's policy is to ensure that all risks are identified, evaluated and an appropriate response determined prior to any commitment being made to any other party.

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BOARD OF DIRECTORS	The Board is responsible for maintaining a sound risk management framework and internal control system to safeguard the shareholders' investments and the Group's assets, as well as to discharge its leadership responsibility.				in identifying principal risks and ensuring the implementation of an appropriate risk management and internal control system to manage those risks in accordance with corporate governance principles.	
	BOARD SUBCOMMITTEES	<p>Responsible for overseeing the development and implementation of policies relevant to their areas of scope, identification of emerging risks and for monitoring the ongoing effectiveness of our procedures. A detailed description of relevant committees is found in pages 133 to 136.</p>	<p>Audit Committee</p> <p>The Audit Committee represents and assists the Board in fulfilling its oversight responsibility relating to the integrity of the Company's Financial Statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent external audit, the Company's compliance with legal and regulatory requirements, and its policies and ethics established by the Company.</p>	<p>Related Party Transactions Review Committee</p> <p>The objective of the Committee is to ensure that the interest of shareholders are taken into account when entering into related party transactions and to enhance corporate transparency and promote fair transactions between the Company, its subsidiaries and other related parties. The Committee also performs the oversight function on behalf of the Board in complying with the Listing Rules of the Colombo Stock Exchange and with the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.</p>	<p>Remuneration Committee</p> <p>The Remuneration Committee assists the Board to discharge its responsibility by overseeing remuneration policies and practices of the Company. Committee's main role is –</p> <ul style="list-style-type: none">• To review and make recommendations to the Board in relation to the individual remuneration levels of Directors (Executive & Non-Executive), Group Executives, other Executives and other persons whose activities in the Committee's opinion affect the financial soundness of the Company.• To oversee general remuneration practices across the Company and make appropriate recommendations.	
CORPORATE MANAGEMENT		<p>The Team reviews operating and financial performance of Group's operational divisions/ subsidiaries in accordance with corporate objectives, strategies, policies, key performance indicators and annual budgets as approved by the Board in order to assure the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control framework of the Group.</p>				<p>Group Risk Management</p> <p>The Audit Committee performs quarterly-based risk management assessments through the Internal Audit Reports and findings of the Company and its subsidiaries and reviews the internal control processes, and evaluates the adequacy and effectiveness of the risk management and internal control system. The Committee also seeks the observations of the Independent External Auditors of the Group.</p>
OPERATIONS	<p>Board</p> <p>The ultimate responsibility for setting the risk appetite for the effective management of risk rests with the Board. Acting within the authority delegated by the Board, the Strategic Planning Committee and the Audit Committee review specific risk profiles and receives regular reports on risk management, which include the Company's portfolio trends, policies, standards and soundness of internal controls, infrastructure and regulatory compliance. These Committees are authorised to investigate or seek any information relating to an activity within the terms of reference.</p>					

The Board of Directors is responsible for determining the nature and extent of the significant risks the Company is willing to take to achieve its strategic objectives and ensuring that these risks are managed effectively.

The Board continues to be responsible for determining the Group's risk appetite in pursuit of its strategic objectives and for maintaining a robust system of risk management (including regular reviews of principal risks) to mitigate any potential impacts associated with these risks.

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Strategic Planning Committee

The Committee assists the Board and the Management in fulfilling its oversight responsibilities relating to strategic plans, which identify specific long-term goals and business objectives determined to be in the Company's best interest. This includes helping the Board and the Management identify opportunities such as mergers and acquisitions, joint ventures, new markets or product lines, acquisition or disposition of capital assets, equity and debt funding and modifications of existing capital structure, dividend policy, and stock offerings, repurchase programmes and etc. Additionally, the Committee evaluates the progress of execution and effectiveness of the strategic plan, recommend changes to the plan where necessary or advisable and evaluate other issues or opportunities.

Compliance Committee

The Compliance Committee assists the Board and the Management in overseeing the Company's efforts with respect to operational compliance. This includes: (i) compliance with the laws and regulations applicable to the Company's business; (ii) compliance with the Company's policies and procedures, standards of business conduct and ethics by employees, officers, Directors and other associates of the Company that are designed to support lawful and ethical business conduct by the Company and its employees and promote a culture of compliance and (iii) reviewing the Company's enterprise risk management and practices.

Investment and Subsidiary Performance Monitoring Committee

Since the investment decisions and performance of previous investment decisions are essential to be reviewed, a Board subcommittee was set up during the year, comprising three independent Non executive directors and two executive directors. The purpose of the Committee is to discuss prospective investment and performance monitoring of subsidiaries/ associates prior to discussion of the relevant matters at Board Meetings.

Other Risk Overseeing Components

Company's Quality Management System, which conforms to ISO 9001:2015 is also integrated into Company's risk management. Similarly Company's Environmental Management and Health and Safety Management Systems, which are ISO 14001:2015 and OHSAS 18001:2007 accredited, too are integrated into Company's risk management. These systems are implemented in all Business Units.

across the Company and they help mitigating risks related to quality, environment and health and safety. All Business Units are regularly audited by the Management Systems' internal audit teams whilst being biannually audited by Management Systems External Auditor.

Operations

Each business unit's risk management function is led by the respective head of the unit, supported by his Senior Executive Team.

Chief Operating Officer together with the Corporate Management considers the operational risks that arise from the execution of the Company's business including risks of systems and equipment

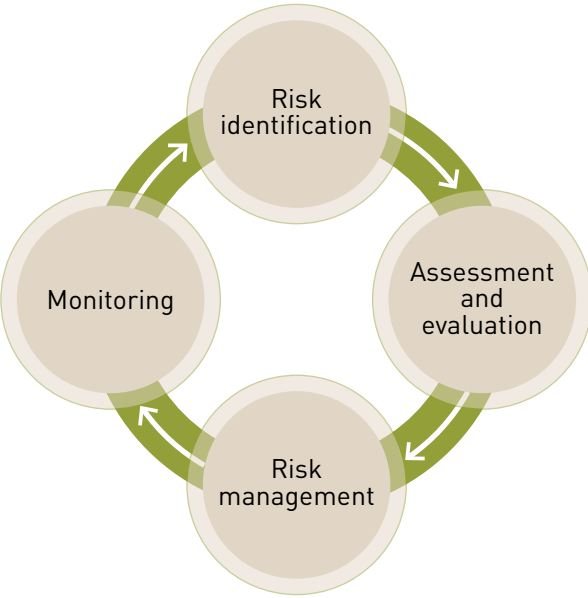
failure, overcapacity situations, inadequate skilled workforce and adverse climatic conditions. The Company adheres to policies, procedures, quality controls and best practices to ensure that all systems and equipment are functional. The consolidated risks and the mitigating actions are presented to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

Internal Audit

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

OUR RISK MANAGEMENT FRAMEWORK

Management approach



Risk identification

Risk Identification is the process of determining risks that could potentially prevent the program, enterprise or investment from achieving its objectives. It includes documenting and communicating the concern.

Assessment and evaluation

Risk registers, which are standardised across the Group, 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.

Risk management

Based on the risk scores derived from the risk register, the respective functions formulate strategies to curtail and mitigate these risk exposures.

Monitoring

Risks are monitored at multiple levels in the Organization including at functional level, Board Sub Committee 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 matrix for risk assessment

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

IMPACT	SIGNIFICANT MODERATE MINOR	LIKELIHOOD		
		LOW	MEDIUM	HIGH
		Plan for action (Mitigate or transfer)	Immediate action (Mitigate or share)	Immediate action (Mitigate or share)
		No action (Accept or avoid)	Plan for action (Mitigate or transfer)	Immediate action (Mitigate or share)
MINOR		No action (Accept)	No action (Accept)	Plan for action (Mitigate or transfer)

The likelihood of occurrence of a risk is determined based on past experience, industry, organisational trends, and judgement.

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

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

Risk rating process

The following diagram summarises the risk rating process of AEL:



Objectives

- Minimise risk of not meeting profit expectations.
- Comply with the regulatory requirements.
- Maintain a sound system of internal controls to safeguard shareholders' wealth and Company assets.
- Ensure faster response to market opportunities by maintaining a "sufficient" liquidity position at all times.
- Move towards diverse business segments synergised with our core business in order to manage our exposure to cyclical downturns in our core business due to external factors.
- Continue ourselves to be the preferred employer, successful in motivating, developing, retaining and attracting the best of human capital.

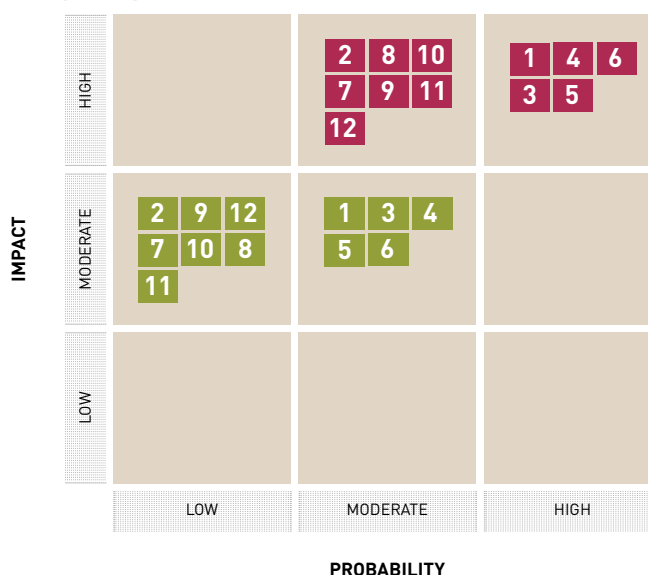
- Keep pace with the current and new technological developments to safeguard against obsolescence and disruptions to our business.
- Achieve cost savings through better management of resources.
- Encourage employees to come up with ideas of innovative solutions and new ventures.

Risk assessment

The Board and the Audit Committee concluded that the level of risk associated with the Group's principal risks is currently consistent with the Group's overall appetite in relation to these risks. The "heat map" sets out the positioning of our principal risks by impact and probability both before any mitigation measures are taken into account and after the impacts of mitigation measures are taken into account.

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Our principal risks



	Risk	Risk description	Impact on KPI's	Risk mitigation strategies	Trend in 2016/17	Trend in 2017/18
PREAMBLE 02-13	1 Operating risks	Operational risks are the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events	<ul style="list-style-type: none"> Delays in project deliverables Operation cost overruns Unsatisfactory product performance Quality not meeting specified requirements Loss of profits, credibility and reputation 	<ul style="list-style-type: none"> Efficient and effective planning and implementation since the inception of the project covering the scope of the project, management of resources, time, quality and risk Conducting frequent progress review meetings for business units to monitor work progress and budgetary controls and accordingly taking precautionary actions when and where necessary Use of appropriate methodologies Use of advanced technology and new construction techniques to expedite project implementation and reduce cost Training and skills enhancement 	Unchanged =	Unchanged = During 2017, the Group has managed to maintain a comprehensive approach to operational risk management
BUSINESS MODEL 14-70						
VALUE CREATION 71-119						
STEWARDSHIP 120-181	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	<ul style="list-style-type: none"> Failure to compete in the market as a result of technological obsolescence in the processes Project completion delays Negative effect on value engineering concept of the Company Vision 	<ul style="list-style-type: none"> Investment in new technology Upgrading of knowledge through training and development, industrial visits Partnering with foreign principals and on the job knowledge transfer 	Unchanged =	Unchanged = In 2017, the Group made considerable investments to adopt new technologies on par with global industry practices
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Risk	Risk description	Impact on KPI's	Risk mitigation strategies	Trend in 2016/17	Trend in 2017/18
3 Socio-economic and political risk	Socio-economic and political factors have a direct impact on the operational and investment activities of the Company	<ul style="list-style-type: none"> Loss of social license to operate as a result of corporate behaviour against the interests of the society The weakening of the Rupee, adds increased market pressures to the business of the Group Negative impact on budgetary control due to political uncertainties 	<ul style="list-style-type: none"> The severity of the socio-economic and political variables is evaluated during the corporate planning sessions on an annual basis Contingency plans are incorporated in the corporate plan An overall feasibility study is conducted including socio-economic and political risks, in order to prevent any potential risk from investing in new ventures 	Unchanged ⊖	Unchanged ⊖ During 2017, the Company engaged in various community-related activities, including community development and philanthropic initiatives while maintaining healthy stakeholder relationship. Influence by Economic and Political risks on Company performance was minimised by strong strategic planning
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	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 ⊖	Unchanged ⊖ During 2017/18, the Company placed a strong emphasis on retaining key talent through performance recognition and reward schemes, succession planning, leadership and career development programmes, ensuring that high quality employees are retained, despite the highly competitive labour environment.

	Risk	Risk description	Impact on KPI's	Risk mitigation strategies	Trend in 2016/17	Trend in 2017/18
PREAMBLE 02-13	5	Potential harm to the growth of the Company, people, our key assets, and others involved in our operations as well as potential damage to the environment and stakeholders	<ul style="list-style-type: none"> Downgrading in CIDA Accreditation Impact on achieving continual growth of the Company Damage stakeholder relationships Impairing Company reputation 	<ul style="list-style-type: none"> Maintain accreditations: ISO 9001, ISO 14001, and OHSAS 18001 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 grounds 	Unchanged =	Unchanged = Company is committed to continual improvement of the quality management system and the environmental management system. Health performance and risk status did not change during 2017/18
BUSINESS MODEL 14-70						
VALUE CREATION 71-119						
STEWARDSHIP 120-181	6	<p>Compliance risk may arise due to the failure to abide by any law or regulatory requirements applicable to the Company.</p> <p>Non-compliance could lead to sanctions by regulatory bodies, penalties and reputational damage, which could have a material adverse effect on the Company's operations and financial condition</p>	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 other taxation 	Unchanged =	Unchanged = During 2017/18, Group adopted its risk mitigation strategies to maintain a high standard of regulatory compliance
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Risk	Risk description	Impact on KPI's	Risk mitigation strategies	Trend in 2016/17	Trend in 2017/18
7 Competition risk	Increased competition has the possibility of reducing market share and margins	<ul style="list-style-type: none"> Total revenue growth Underlying operating margin Underlying Earnings per Share Work won and secured and probable orders 	<ul style="list-style-type: none"> 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 ⬆️	Increased ⬆️ During 2017/18, the Group remained alert with regard to ensuring its competitiveness. The Group has sought to match global standards through benchmarking its businesses to global best practices and maintaining the highest quality levels in terms of both construction, products and services
8 Finance risk	Probability of loss inherent in financing methods which may impair the ability to provide an adequate return	<ul style="list-style-type: none"> Negative impact on the Group's cost of funding due to the increment in interest rate Unavailability of sufficient working capital, negatively affecting the smooth functioning of day-to-day operations of the Group Negative impact on profitability Diminishing Company rating for investors 	<ul style="list-style-type: none"> Credit risk is maintained by reviewing the creditworthiness of counterparties to transactions on a case by case basis updated with latest information as it becomes available Liquidity risk is managed by bank facilities and monitoring headroom Interest rate risk in respect of surplus cash is managed by making deposits with suitable financial institutions 	Increased ⬆️	Increased ⬆️ The Treasury Division, supported by the Finance functions of the businesses for the management of financial risks through ongoing monitoring of liquidity management strategies

	Risk	Risk description	Impact on KPI's	Risk mitigation strategies	Trend in 2016/17	Trend in 2017/18
PREAMBLE 02-13	9 Reputation risk	Reputation risk is the risk that an event or incident could damage the image of the Company	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	Unchanged ⊖	Unchanged ⊖ The Group's Policies, Procedures and Best Practices are the foundation of its uncompromising approach to ethical and transparent business during 2017/18
BUSINESS MODEL 14-70						
VALUE CREATION 71-119						
STEWARDSHIP 120-181	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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Maintaining a well-established IT governance structure • Maintaining a proper "back up" system in order to overcome data loss • Implementing a password/access control policy • Incorporating necessary validation and verification functions at the information entry level • Carrying out Application Control Audits • Installing a Fire Protection System at the Server Rooms and maintaining centralised UPS Rooms and installing Smoke Detectors for the Server Rooms and UPS Rooms 	Unchanged ⊖	Unchanged ⊖ The majority of the Group's IT systems are centralised to ensure uniformity and standardisation across the Group
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Risk	Risk description	Impact on KPI's	Risk mitigation strategies	Trend in 2016/17	Trend in 2017/18
11 Procurement risk	Material/Services price variations and availability of them will adversely affect the progress of the business	<ul style="list-style-type: none"> Reducing underlying operating margin Inability to meet the completion targets Degrading quality standards of works 	<ul style="list-style-type: none"> 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 	Unchanged =	Unchanged = During 2017/18, the Group has managed the risks associated with procurement satisfactorily
12 Fraud risk	Fraud risk arises due to weaknesses in the internal controls, which could result in financial losses	<ul style="list-style-type: none"> Losing reputation of the Group Decrease in operating profitability of the Group Going concern of the Company 	<ul style="list-style-type: none"> 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 	Unchanged =	Unchanged = During 2017/18, Group has managed to continue with robust internal controls to mitigate risks associated with frauds and built up ethical working environment for employees

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FINANCIAL

CALENDAR

Sixth Annual General Meeting	30 August 2017
First Quarter Report	8 August 2017
Second Quarter Report	13 November 2017
Third Quarter Report	30 January 2018
Fourth Quarter Report	24 May 2018
Final Dividend for 2016/17	22 August 2017
First Interim Dividend for 2017/18	21 December 2017
Second Interim Dividend for 2017/18	23 March 2018

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

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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 2018. This Report covers Chairman's Message, Corporate Governance and Management Structure, Enterprise Risk Management, Sustainability and all other relevant information for the year ended 31 March 2018, 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 of the Board of Directors on the Affairs of the Company, contains the information required in terms of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and is guided by recommended best practices.

GENERAL

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

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

The Company also has LKR 5,000 Mn. (2017 – LKR 5,000 Mn.) Rated Senior Unsecured Redeemable Debentures at a par value of LKR 100/- which are listed on the Main Board of the Colombo Stock Exchange.

Both the Company and the Debentures in issue have been assigned a Rating of "[SL] A+ with a stable outlook" by ICRA Lanka Limited.

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

Access Engineering PLC manages a portfolio of diverse range of businesses including Construction, Construction-Related Material, Property and Automobile. Refer Note 1.3 to the Financial Statements on page 205 for a brief description of the principal activities of the Company and its subsidiaries.

Significant changes of the subsidiaries comprises the Company further investing LKR 452,382,500/- in 9.83% of the share capital of Harbour Village (Private) Limited which increased the share holding from 51% (2017) to 60.83% on 4 August 2017.

REVIEW OF THE PERFORMANCE

Review of the financial and operational performance of the Company and the Group are described in the Joint Statements of Managing Director and Chief Operating Officer and under the review of business operations on pages 10 to 13 Segment-wise contribution to Group revenue, results, assets and liabilities are provided in Note 4 (page 210) to the Financial Statements.

FINANCIAL STATEMENTS

The Financial Statements of the Group prepared in line with Sri Lanka Accounting Standards (SLFRs/LKASs), inclusive of specific disclosures, duly signed by two Directors on behalf of the Board and the Auditors are included in this Annual Report and forms part and parcel hereof.

FINANCIAL RESULTS AND APPROPRIATIONS

Revenue

Revenue generated by the Company amounted to LKR 17,937 Mn. (2017 – LKR 14,787 Mn.) whilst Group revenue amounted to LKR 26,056 Mn. (2017 – LKR 20,448 Mn.). Contribution to Group revenue, from different business sectors is provided in Note 5.1 (page 213) to the Financial Statements.

Profits and appropriations

The profit after tax of the Company was LKR 1,908 Mn. (2017 – LKR 2,684 Mn.), whilst the Group profit attributable to equity holders of the parent for the year was LKR 3,071 Mn. (2017 – LKR 2,708 Mn.)

Dividends

An interim dividend of LKR 0.50 per share was declared on 30 November 2017 and paid on 21 December 2017.

A second interim dividend of LKR 0.50 per share was declared on 5 March 2018 and paid on 23 March 2018.

A final dividend of LKR 0.20 per share was declared for 2016/17 on 7 August 2017 and paid in full during the year.

Access Engineering PLC for the year ended 31 March	2018 LKR '000	2017 LKR '000
Profit after tax	1,907,931	2,684,342
Other adjustments	(30,705)	18,201
Balance brought forward from the previous year	7,837,739	6,335,196
Amount available for appropriation	9,714,965	9,037,739
1st interim dividend of LKR 0.50 per share (2017 – LKR 0.50)	(500,000)	(500,000)
2nd interim dividend of LKR 0.50 per share (2017 LKR 0.50)	(500,000)	(500,000)
Final dividend declared of LKR 0/- per share (2017 – LKR 0.20)*	–	(200,000)
Balance to be carried forward next year	8,714,965	7,837,739

* In accordance with LKAS 10, "Events after the Reporting Period", the final dividend has not been recognised as a liability in the Financial Statements.

Reserves

The reserves of the Company and Group as at 31 March 2018 amounted to LKR 8,868 Mn. (2017 – LKR 8,221 Mn.) and LKR 11,781 Mn. (2017 – LKR 9,840 Mn.) respectively. The movement and composition during the year are given in the Statement of Changes in Equity on page 202.

Accounting policies

The accounting policies adopted in the preparation of Financial Statements of the Company and the Group are given on pages 206 to 286 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 206 to 286. Figures pertaining to the previous period have been restated where necessary to conform to the presentation for the year under review.

Donations

Total donations made by the Company and the Group as at 31 March 2018 amounted to LKR 892,263/- (2017 – LKR 2,542,592/-) and LKR 1,197,513/- (2017 – LKR 5,232,992/-) respectively.

Corporate social responsibility

The Company continued its Corporate Social Responsibility initiatives with a range of programmes, details of which are set out on pages 101 to 103 of the Annual Report.

Property, plant and equipment (PPE) and intangible assets

The Company's and Group's capital expenditure on PPE amounted to LKR 787 Mn. (2017 – LKR 1,120 Mn.) and LKR 1,590 Mn. (2017 – LKR 1,332 Mn.) respectively and all other related information and movements have been disclosed in Note 11 (page 223) to the Financial Statements.

There were no additions to intangible assets of the Company during the year (2017 – Nil). Addition to intangible assets of the Group during the year amounted LKR 12.85 Mn. (2017 – LKR 2.691 Mn.) respectively. All other related movements to intangible assets are disclosed under Note 13 (page 233) to the Financial Statements.

MARKET VALUE OF PROPERTIES

Market value of property, plant and equipment

All land and buildings owned by Group companies were revalued and all information related to revaluation is given in Note 11 (page 223) to the Financial Statements.

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Land holdings

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

Location	Extent			Carrying value of assets (LKR)
	A	R	P	
Access Engineering PLC				
No. 336/1, Low Level Road, Jalthara, Ranala	–	3.0	38.40	55,000,000
No. 267, Dehiwala Road, Maharagama	–	3.0	1.00	180,000,000
No. 278, Alubogahalanda, Jalthara, Ranala	3.0	3.0	4.86	68,000,000
No. 117, Dehiwala Road, Boralesgamuwa	–	2.0	35.00	145,000,000
Dickowita – Hendala	2.0	3.0	10.18	15,800,000
Weliwita – Kaduwela	2.0	–	–	48,000,000
Divigalahena – Hakmana	10.0	–	–	10,000,000
Access Realities 2 (Private) Limited				
No. 264/5, 266, 268, 278 and 278/4, Dr Colvin R De Silva Mawatha (Union Place) and Nos. 116 and 118 Dawson Street, Colombo 2	1.0	–	25.65	4,018,870,000
Access Realities 2 (Private) Limited				
30 Stories Building at Nos. 116 and 118 Dawson Street, Colombo 2	–	–	–	6,750,000,000
Sathosa Motors PLC				
Peliyagoda – Leasehold Land	2	–	23.93	5,212,010
No. 86, Vauxhall Street, Colombo 2	–	–	28.70	326,086,000
Access Projects (Private) Limited				
No. 278, Kekulanvila Road, Jalthara, Ranala	2.0	1.0	38.38	37,350,000
No. 42A, Yatawathura, Malagala, Padukka	–	3.0	10.00	4,077,241
Horizon Holdings Ventures (Private) Limited				
Investment Property – Land at Kaduwela	4.0	1.0	4.00	475,200,000
Horizon Knowledge City Limited				
No. 278, Weliwita Road, Weliwita	8.0	1.0	28.75	765,000,000

Investment properties

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

The Group revalued its investment properties in line with the policies adopted by the Group and the carrying value at Company and Group level is LKR 415.8 Mn. (2017 – LKR 220 Mn.) and LKR 10,713.9 Mn. (2017 – LKR 3,289 Mn) respectively. All information related to revaluation of the investment properties is provided in Note 12 (page 230) to the Financial Statements.

INVESTMENTS

A detailed description of the Company's investment in quoted shares held as at 31 March 2018, is given in Note 20 (page 243) to the Financial Statements.

In addition, a detailed description of the Company's fixed deposits and debentures held as at 31 March 2018, are given in Notes 21 and 16 (page 244 and 240) to the Financial Statements.

STATED CAPITAL

The Stated Capital of the Company is LKR 9,000,000,000/- representing 1,000,000,000 ordinary shares (2017 – LKR 9,000,000,000/- representing 1,000,000,000 ordinary shares), as given in Note 23 (page 245) to the Financial Statements.

DEBENTURE

Debentures of the Company is LKR 5,000 Mn. representing 50,000,000 debentures (2017 – LKR 5,000 Mn. of 50,000,000 debentures), as given in Note 25.1 (page 247) to the Financial Statements. The said debentures have been assigned a Rating of '(SL) A+ with a stable outlook' by ICRA Lanka Limited.

RATIOS AND MARKET PRICES OF DEBENTURES

Ratios and market prices of the Listed Rated Senior Unsecured Redeemable Debentures issued by the Company, as required by the Listing Rules are set out in Note 25 to the Financial Statements on page 246.

SHARE INFORMATION

Shareholders

There were 5,816 shareholders registered as at 31 March 2018 (6,119 shareholders as at 31 March 2017). The details of distribution of shares are given on page 95 of the Annual Report.

Major shareholders, distribution schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on pages 95 to 98 under Investor Capital.

THE BOARD OF DIRECTORS

Directors' responsibility for Financial Reporting

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

The Statement of Directors' Responsibility is given on page 191.

Names of Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 120 to 123.

Executive Directors

Mr S J S Perera – Chairman
Mr J C Joshua – Managing Director
Mr D A R Fernando – Chief Operating Officer
Mr S H S Mendis
Mr S D Munasinghe

Non-Executive Directors

Mr R J S Gomez
Mr S D Perera

Independent Non-Executive Directors

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

Retirement and re-election of Directors

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

Directors of subsidiary companies are given in page 296 of this Report.

Review of the performance of the Board

The performance of the Board has been appraised through a formalised process of individual appraisal by enabling each member to self-appraise on an anonymous basis and it is mentioned in page 149.

BOARD COMMITTEES

The Audit Committee, Remuneration Committee, Strategic Planning Committee and the Related Party Transactions Review Committee function as Board Subcommittees, with Directors, who possess the requisite qualifications and experience. The composition of the said Committees as at 31 March 2018 is as follows:

Audit Committee

Mr N D Gunaratne – Chairman
Prof K A M K Ranasinghe
Mr S D Perera
Mr D S Weerakkody

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Remuneration Committee

Mr D S Weerakkody – Chairman
Prof K A M K Ranasinghe
Mr N D Gunaratne
Mr S D Perera

Related Party Transaction 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 Monitoring Committee

Prof K A M K Ranasinghe – Chairman
Mr N D Gunaratne
Mr D S Weerakkody
Mr J C Joshua
Mr D A R Fernando

Strategic Planning Committee

Mr S J S Perera – Chairman
Mr J C Joshua
Mr D A R Fernando
Prof K A M K Ranasinghe

Interests Register

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

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31 March 2018 and 31 March 2017 are as follows:

Shareholding as at 31 March	2018	2017
Mr S J S Perera	250,000,000	250,000,000
Mr J C Joshua	100,000,000	100,000,000
Mr R J S Gomez	75,130,325	103,300,000
Mr D A R Fernando	24,000,000	24,000,000
Mr S H S Mendis	24,000,000	24,000,000
Mr S D Munasinghe	24,000,000	24,000,000
Mr S D Perera	2,000,000	2,000,000
Prof K A M K Ranasinghe	Nil	Nil
Mr N D Gunaratne	Nil	Nil
Mr D S Weerakkody	10,000	Nil

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 2018 as recorded in the Interests Register are given in this Report under Directors' shareholding.

RELATED PARTY TRANSACTIONS

The Company's transactions with Related Parties, given in Note 28 to the Financial Statements, have complied with Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act as declared by the Board of Directors.

DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed under key management Personnel compensation in Note 28.6 to the Financial Statements on page 260.

DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in contracts with the Company are stated below. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Except for the transactions referred to in Note 28 (page 255) to the Financial Statements, the Company did not carry out any transaction with any of the Directors.

CORPORATE GOVERNANCE

The Board of Directors confirm, that they are in compliance with Section 7.10 of the Listing Rules of the CSE. The Chairman, the Board of Directors and the Key Management Staff is dedicated towards upholding an effective Corporate Governance Framework in compliance with the Code of Business Conduct, Ethics of the Company and in implementing systems and structures required to ensuring best practices within the Company.

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

The Corporate Governance Statement on pages 128 to 171 explains the measures adopted by the Company during the year of review.

SUSTAINABILITY

The Group pursues its business goals based on a model of stakeholders' governance. Finding of the continuous internal stakeholder engagements have enabled the Group to focus on material issues highlighted by other stakeholders such as employees, customers, suppliers and the community. These steps have been encapsulated in a Group-wide strategy focused on sustainable development which is continuously evolving based on the above-mentioned stakeholder engagements. Refer Capital Formation and Distribution on pages 70 to 112.

EMPLOYMENT POLICY

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

At Company level as at 31 March 2018 a total of 2,670 persons were in employment (2,655 persons as at 31 March 2017). Refer Human Capital on pages 87 to 91 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 2018 trade and other payables of the Company and Group amounted to LKR 7,219 Mn. (2017 – LKR 5,547 Mn.) and LKR 10,117 Mn. (2017 – LKR 7,852 Mn.) respectively. Refer trade and other payables in Note 27 of page 255.

The Group strives to integrate principles of sustainable practices in its value chain through extensive stakeholder consultations, the findings of which are integrated into work plans.

ENVIRONMENTAL PROTECTION

The Group complies with appropriate environmental laws and regulations to fulfil the best practices applicable in the country of operation. After making adequate enquiries from the management, the Directors are satisfied that the Company operates in a manner that minimises the detrimental effects on the environment and provides products and services, that have a beneficial effect on the customers and the communities within, which the Company operates. Refer Natural Capital on pages 105 to 111 for more information.

RESEARCH AND DEVELOPMENT

The Group has an active approach to research and development and recognises the contribution that it can make to the Group's operations. Significant expenditure has taken place over the years and substantial effort will continue to be made to introduce new products and processes and develop existing products and processes to improve operational efficiency.

STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and the Group and all other known statutory dues as were due and payable by the Company and the Group as at the Statement of Financial Position date have been paid or, where relevant provided for, except as specified in Note 29 (page 260) to the Financial Statements covering commitments and contingencies.

CONTINGENT LIABILITIES

Except as disclosed in Note 29 (page 260) to the Financial Statements, there were no material contingent liabilities as at the Statement of Financial Position date.

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RISK MANAGEMENT

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company and the Group on a quarter basis. The Directors review this process through the Audit Committee, to identify the competence and success of internal controls.

Specific steps taken by the Company in managing the risks are detailed in the section on Enterprise Risk Management on pages 172 to 181.

EVENTS AFTER THE REPORTING PERIOD

Except for the matters disclosed in Note 30 (page 264) to the Financial Statements, there were no material events as at the date of the Auditors' Report, which require adjustment to or disclosure in the Financial Statements.

GOING CONCERN

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

INDEPENDENT AUDITORS' REPORT

The Report of the Independent Auditor on the Financial Statements of the Company is given on pages 193 to 199.

AUDITORS

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

A total amount of LKR 4,222,979/- is payable by the Company to the Auditors for the year under review comprising LKR 2,640,000/- as audit fees and LKR 1,582,979/- for non-audit services (on Note 8 of page 216).

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 6 August 2018 recommended that they be reappointed as Auditors. 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

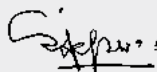
The Board of Directors approved the Consolidated Financial Statements on 6 August 2018.

ANNUAL GENERAL MEETING

The Seventh Annual General Meeting will be held on 19 September 2018.

The Notice of the Annual General Meeting appears on page 297.

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



S J S Perera
Chairman



J C Joshua
Managing Director



P W Corporate Secretarial (Pvt) Ltd.
Secretaries

6 August 2018
Colombo

STATEMENT OF DIRECTORS' RESPONSIBILITY

This Statement sets out the responsibility of the Board of Directors in relation to the Financial Statements of the Company and its subsidiaries. Responsibility of the Auditors in relation to the Financial Statements of the Company and its subsidiaries is set out in the "Independent Auditors' Report" given in pages 193 to 199.

The Directors are responsible for the proper recording and maintenance of books of accounts of all transactions of the Company and its subsidiaries under Sections 150 (1), 151, 152 (1), and 153 of the Companies Act No. 07 of 2007.

Under Section 148, the Directors are responsible for preparing Financial Statements that give a true and fair view of the state of the affairs of the Company and its subsidiaries at the end of each financial year. These statements consist of the Statement of Comprehensive Income giving a true and fair view of the profit or loss of the Company and its subsidiaries for the financial year, the Statement of Financial Position giving a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year, Statement of Changes in Equity, Statement of Cash Flows and the Notes thereto.

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

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

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

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

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries and all other known statutory dues as were due and payable by the Company and its subsidiaries as at reporting date have been paid or, where relevant, provided for, except as specified in Note 29 to the Financial Statements covering commitments and contingencies.

By Order of the Board,



P W Corporate Secretarial (Private) Limited
Secretaries

6 August 2018
Colombo

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DIRECTORS' STATEMENT ON INTERNAL CONTROL

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INTRODUCTION

The following statement fulfils the requirement to publish the Directors' Statement on Internal Control as per the Code of Best Practice on Corporate Governance 2017 jointly issued by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

BOARD'S RESPONSIBILITY

The Board of Directors is responsible for the adequacy and effectiveness of the Group's system of internal controls. However, such a system is designed to manage the Group's key exposure areas within an acceptable risk profile rather than eliminating the risk of failure to achieve the Group's objectives. Accordingly, the system of internal controls can only provide a reasonable assurance but not absolute against the material misstatement of management and financial information and records or against financial losses or fraud. The Board has established an ongoing process for identifying, evaluating and managing the significant exposures faced by the Company and this process includes enhancing the system of internal controls as and when there are changes for the business environment or regulatory framework.

KEY INTERNAL CONTROL PROCESSES

Following features of the System of Internal Control put in place by the Board provide reasonable assurance regarding the reliability of financial reporting. They also ensure the adequacy and effectiveness of the system.

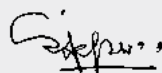
- Committees appointed by the Board to assist them in ensuring the effectiveness of Company's daily operations, and to ensure that these daily operations are within the corporate objectives, strategies and annual budget ratified by the Board
- Internal Audit Department which is headed by the Chief Internal Auditor carries out periodic audits on an ongoing basis covering all operational projects/units to ensure the effectiveness of the system of internal control. These audits are carried out in accordance with the Annual Audit Plan approved by the Board Audit Committee and findings of the same are submitted to the Board Audit Committee for their review on a quarterly basis. Additionally special audits are conducted as and when the need arises and findings of the same are submitted to the Board Audit Committee for their review.
- The Board Audit Committee reviews internal control issues identified by the Internal Audit Department, regulatory bodies, and the Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of

internal audits. The minutes of the Board Audit Committee meetings are tabled at the Board meetings of the Company.

- In accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS, processes that are required to comply with requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress to enhance the system's effectiveness and efficiency.
- The Board also has taken into consideration the requirements of the Sri Lanka Accounting Standard – SLFRS 9 – "Financial Instruments" and SLFRS 15 – "Revenue from Contracts with Customers" – that has been issued with effective date being 1 January 2018 and SLFRS 16 – "Leases" – which will become effective on 1 January 2019.
- The comments made by External Auditors in connection with the internal control system during the financial year 2016/17 were taken into consideration and appropriate steps have been taken to incorporate them where applicable.

CONFIRMATION STATEMENT

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs), requirements of the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange.



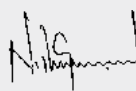
S J S Perera

Chairman



J C Joshua

Managing Director



N D Gunaratne

Chairman, Audit Committee

6 August 2018

INDEPENDENT AUDITORS' REPORT



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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
Internet : +94 - 11 244 6058
: www.kpmg.com/lk

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 2018, 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 200 to 286.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company Financial Statements and the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Company Financial Statements and the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

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Recognition of revenue

Refer Note 5 to the Consolidated Financial Statements

Risk description	Our response
<p>The major components of Group's revenue comprises of revenue from construction contracts and sales of new vehicles amounting to LKR 14.69 Bn. and LKR 7.07 Bn. respectively for the year ended 31 March 2018.</p>	<p>Our audit procedures on Construction Revenue included,</p> <ul style="list-style-type: none"> • Comparing the percentage of contract revenue recognised for all contracts in progress during the year with certifications from the surveyors appointed by the customers or payment applications from the in-house surveyor. • Inspecting a sample of project budgets, contract agreements with customers and subcontractors to identify key terms and conditions and recalculation of the stage of completion of the projects. • Assessing the accuracy of Management's forecast by comparing the historical financial performance of completed contracts with the original budgets for those contracts and challenging the key assumptions and estimates adopted in the forecast. • Obtaining confirmations from lawyers in order to assess if there are any legal proceedings in respect of the construction contracts. • Testing the existence and valuation of variations and claims both in terms of contract revenue and contract costs to supporting documentation in order to verify claims were in accordance with contract terms. • Evaluation of the adequacy of the disclosures in respect of contract accounting and the key risks relating to Financial Statements.
<p>The recognition of the Company's and the Group's revenue and profit on construction contracts accounting is inherently complex and we focused on this area because there is judgement involved in estimating the costs to complete of projects. This is assessed by reference to the proportion of contract cost incurred for the work performed up to the end of the reporting period relative to the estimated total costs for each contract.</p>	<p>Our audit procedures relating to sales of new vehicles included,</p> <ul style="list-style-type: none"> • Obtaining and understanding of and assessing the design, implementation and operating effectiveness of the Group's key internal controls over revenue recognition. • Scrutinising all the revenue invoices raised throughout the reporting period and comparing details of a sample of these invoices, which met certain risk-based criteria, with relevant underlying documentation. • Inspecting significant manual adjustments to revenue recording during the reporting period, enquiring of management the reasons for such adjustments and comparing the details of the adjustment with relevant underlying documentation. • Assessing whether revenue had been recognised in the appropriate accounting period by comparing a sample of sales transactions around the year end with relevant underlying documents, which included customers' signed acknowledgement of delivery.
<p>The recognition of the Group revenue from sales of vehicles are recognised when the customer has accepted the vehicle which is evidenced by the customers' signature on the delivery note. Revenue arising from after-sales services is recognised when the relevant service is completed and there are no further performance obligations.</p>	
<p>We identified revenue recognition of the Group and the Company as a key audit matter because of the estimation of the total revenue is inherently subjective and requires significant management judgement and errors in the recognition of revenue could have a material impact on the Group's profit for the year.</p>	



Valuation of investment properties

Refer Note 12 to the Consolidated Financial Statements

Risk description	Our response
<p>The Group has recorded a net gain on revaluation of freehold land and building amounting to LKR 2.30 Bn. as at 31 March 2018 by revaluing the land and building during the year.</p> <p>Investment Properties are measured at fair value in the Statement of Financial Position. The Group has engaged independent professional valuers with appropriate expertise in valuing properties to determine the fair value of the investment property in accordance with recognised industry standards.</p> <p>We identified this as a key audit matter because of the significant judgements and estimates involved in assessing the fair value of the investment property.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> Assessing the objectivity, independence, competence and qualifications of the external valuers. Assessing the appropriateness of the valuation techniques used by the external valuers, taking into account the profile of the investment properties. Assessing the key assumptions applied and conclusion made by the external valuer in deriving the fair value of the properties and comparing the same with evidence of current market values and consultation with internal specialist. Assessing the adequacy of the disclosures in the Financial Statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.

Carrying amount of goodwill

Refer Note 13 to the Consolidated Financial Statements

Risk description	Our response
<p>The Group has goodwill amounting to LKR 1.18 Bn. as at 31 March 2018.</p> <p>The carrying amount of goodwill could be materially misstated if inappropriate judgements and estimates were used by the Management in calculating the recoverable amount for each cash-generating unit ("CGU") as part of their impairment assessment.</p> <p>The recoverable amount of the goodwill is determined based on value in use calculation. These calculations used cash flows projected using judgements and estimates based on the financial budgets approved by the Management.</p> <p>We have identified the carrying amount of the Goodwill as a key audit matter because the impairment assessments prepared by Management are complex and contain certain judgemental assumptions applied which could be subject to management bias in their selection.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> Assessing the impact of changes in the key assumptions on the conclusions reached in the impairment assessments and whether there were any indicators of management bias. Evaluating the reasonableness of the Group's key assumptions for its cash flow projection such as discount rates, cost inflation and business growth with reference to the internally and externally derived sources including Group budgetary process and reasonableness of historical forecasts. Challenging the reasonableness of key assumptions based on our knowledge of the business and industry. Considering the adequacy of the Group disclosures in the Financial Statements in respect of impairment testing.



Impairment of investments in subsidiaries and investments in equity-accounted investees

Refer Note 14 and 15 to the Consolidated Financial Statements

Risk description	Our response
<p>The Company hold investments in subsidiaries and investments in equity-accounted investees amounting to LKR 13.73 Bn. and LKR 1.16 Bn. respectively as at 31 March 2018.</p> <p>The carrying amount of each investments in subsidiary and investments in equity-accounted investees have been tested for impairment as individual cash-generating units. The carrying amount of these investments could be materially misstated if inappropriate judgements and estimates were used by the Directors in calculating the recoverable amount for each Cash-Generating Unit ('CGU') as part of their impairment assessment.</p> <p>Investments which does not generate adequate returns may be an indication of impairment. Due to the investments being material it will have a significant impact on financial performance of the Company/Group.</p> <p>We have identified the impairment of investments in subsidiaries and investments in equity-accounted investees as a key audit matter since that is based on forecasting and discounting cash flows, which are inherently judgemental.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> Assessing the impairment indications of investments made in subsidiaries and associates and challenging the reasonableness of the discounted cash flow models, discount rate, growth rate, scope of work, principles and accuracy of the forecasts. Reviewing of value in use computations for investments with impairment indications and discussion with Management of Group/Component. Assessing the adequacy of disclosures in the Financial Statements.

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Carrying value of inventories

Refer Note 17 to the Consolidated Financial Statements

Risk description	Our response
<p>The Group has significant levels of inventory 2018 – LKR 6.09 Bn. and judgements are taken with regard to categorisation of stock as obsolete and/or slow moving to be considered for provision; estimates are then involved in arriving at provisions against cost in respect of slow moving and obsolete inventories to arrive at valuation based on lower of cost and net realisable value.</p> <p>Given the level of judgements and estimates involved, there is a risk that carrying value of inventory could be misstated.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> • Understanding and evaluating the design, implementation and operating effectiveness of Management's key internal controls over inventory management including the purchases of inventories, inventory valuation, and cycle counts of inventories and reviews of the status of inventories. • Performing year end physical quantity verification on construction materials for selected sites. • On sample basis, comparing the carrying value of inventories with sales prices subsequent to the end of the reporting period. (Performed for both company and the component) • Performing recalculations on inventory valuation for selected samples in accordance with the Group's valuation policy. • Assessing the realisations of inventories during the period and after the period end. • Obtaining the surveyor's (In-house) valuation report on the work in progress as at 31 March 2018, and inquired the Management over the reasonableness of the valuation performed by the surveyor. • Obtaining the subsequent Interim Payment Applications (IPAs) of the work in progress as at the year end, and verified the subsequent realisation of work in progress. • Comparison of inventory levels, by product group, to sales data to corroborate whether slow moving and obsolete inventories had been appropriately identified and challenge the Group's categorisation as obsolete or slow moving for automobile sector. • Assessing whether the Group's policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgement and estimation made in respect of inventory provisioning.

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Recoverability of trade and other receivables

Refer Note 18 to the Consolidated Financial Statements

Risk description	Our response
<p>The Group has trade and other receivables amounting to LKR 11.25 Bn.</p> <p>There are inherent risks relating to customer's credit risk profile which varies due to the size of each customer and the industries that the customers operate in. The risk is whether the trade and other receivables are recoverable and that adequate allowance has been made for doubtful receivables.</p> <p>Management has assessed the receivable balances individually based on the age of debts to identify any objective evidence of impairment and is satisfied that the carrying value of the trade receivables represents the recoverable amount as at reporting date.</p> <p>Impairment provision made for trade receivables of the Group as at reporting date is LKR 89.22 Mn. Material level of trade and other receivables and the judgements involved in determining the impairment provision were considered as a key focus area.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> Assessing the appropriateness of the allowance for trade and other receivables by evaluating the receivables allowance policy and methodology with reference to debtors aging and historical payment trends. Circularised samples of trade receivables confirmations for construction receivables to verify existence and tested the reconciliations where discrepancies were identified and testing the subsequent collections for outstanding trade receivables, where applicable. 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. Testing the adequacy of the provisions for bad debt recorded against trade receivable balances by taking into account the ageing of receivables at year end and cash received after year end, as well as the controls over its calculation. Assessing the historical accuracy of provisions for bad debt recorded by examining the utilisation or release of previously recorded provisions. Assessing the appropriateness of relevant disclosures included in the consolidated Financial Statements.

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 Auditors' report thereon.

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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



AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' 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 Auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether

the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

6 August 2018

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Revenue	5.1	26,055,590,803	20,448,189,559	17,937,033,665	14,786,897,901
Cost of sales		(21,994,429,511)	(15,716,388,314)	(15,126,447,918)	(11,382,941,278)
Gross profit		4,061,161,292	4,731,801,245	2,810,585,747	3,403,956,623
Other income	6.1	2,519,087,363	240,180,119	724,888,499	478,018,727
Administrative expenses		(1,893,465,924)	(1,572,683,446)	(669,681,707)	(711,024,006)
Other expenses		(63,358,073)	(47,089,878)	(28,955,917)	(39,054,672)
Operating profit		4,623,424,658	3,352,208,040	2,836,836,622	3,131,896,672
Net finance cost	7.1	(382,588,880)	(150,147,595)	(445,810,818)	(129,274,961)
Share of results of equity-accounted investees, net of tax	15.2	(9,671,067)	28,757,868	-	-
Profit before tax	8	4,231,164,711	3,230,818,313	2,391,025,804	3,002,621,711
Income tax expense	9.1	(1,204,849,540)	(484,634,630)	(483,094,897)	(318,279,370)
Profit for the year		3,026,315,171	2,746,183,683	1,907,930,907	2,684,342,341
Profit attributable to:					
Equity holders of the parent		3,070,832,659	2,708,004,209	1,907,930,907	2,684,342,341
Non-controlling interest		(44,517,488)	38,179,474	-	-
Profit for the year		3,026,315,171	2,746,183,683	1,907,930,907	2,684,342,341
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit liability	26.1	(19,122,325)	23,044,468	(23,988,146)	20,730,348
Revaluation of land and buildings		211,524,251	168,485,373	-	85,925,126
Related tax	9.1	(94,598,099)	(18,620,804)	(37,793,969)	(5,577,066)
Other comprehensive income for the year, net of tax		97,803,827	172,909,037	(61,782,115)	101,078,408
Total comprehensive income for the year, net of tax		3,124,118,998	2,919,092,720	1,846,148,792	2,785,420,749
Total comprehensive income attributable to:					
Equity holders of the parent		3,167,637,324	2,877,238,943	1,846,148,792	2,785,420,749
Non-controlling interest		(43,518,326)	41,853,777	-	-
Total comprehensive income for the year, net of tax		3,124,118,998	2,919,092,720	1,846,148,792	2,785,420,749
Basic earnings per share	10	3.07	2.71	1.91	2.68
Dividend per share	23.3			1.20	1.50

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

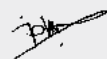
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Assets					
Non-current assets					
Property, plant and equipment	11	5,980,093,102	5,427,580,928	3,270,611,938	3,530,773,791
Investment properties	12.1	10,713,949,513	3,288,619,125	415,800,000	220,000,000
Investment properties – work in progress	12.3	402,478,308	3,310,763,207	-	-
Intangible assets and goodwill	13.1	1,400,829,854	1,418,339,114	52,973,724	62,192,106
Investments in subsidiaries	14	-	-	13,729,275,147	9,903,465,207
Equity-accounted investees	15.1	1,191,865,526	1,202,645,902	1,155,465,410	1,155,465,410
Non-current financial assets	16	1,482,032,531	1,425,831,563	1,007,045,205	973,295,205
		21,171,248,834	16,073,779,839	19,631,171,424	15,845,191,719
Current assets					
Inventories	17	6,085,842,007	5,313,169,051	1,617,818,301	974,649,784
Trade and other receivables	18.1	11,249,413,659	8,821,036,174	8,539,769,405	6,776,755,783
Amount due from related parties	28.2	199,685,811	108,624,037	236,849,747	1,367,148,298
Current tax assets	9.3	66,116,571	-	60,699,819	-
Other current financial assets	19	2,195,368,035	1,821,906,293	2,010,995,242	1,602,976,153
Short-term investments	20	35,560,781	36,051,028	35,560,781	36,051,028
Short-term deposits	21	2,041,431,464	2,922,306,646	279,511,813	1,042,530,082
Cash and cash equivalents	22	1,394,098,390	949,395,427	577,006,066	780,178,393
		23,267,516,718	19,972,488,656	13,358,211,174	12,580,289,521
Total assets		44,438,765,552	36,046,268,495	32,989,382,598	28,425,481,240
Equity and liabilities					
Equity					
Stated capital	23.1	9,000,000,000	9,000,000,000	9,000,000,000	9,000,000,000
Revaluation reserve		404,698,445	249,969,954	152,660,185	183,737,473
Retained earnings		11,375,847,076	9,589,746,941	8,714,965,150	8,037,739,070
Equity attributable to equity holders of the parent		20,780,545,521	18,839,716,895	17,867,625,335	17,221,476,543
Non-controlling interest		2,299,725,473	2,711,502,144	-	-
Total equity		23,080,270,994	21,551,219,039	17,867,625,335	17,221,476,543
Non-current liabilities					
Government grant	24	5,923,485	6,142,874	-	-
Loans and borrowings	25	5,137,825,136	5,206,144,240	5,188,152,872	5,188,152,872
Employee benefits	26	238,920,256	183,276,363	178,275,827	124,693,344
Deferred tax liabilities	9.4	1,157,536,815	284,042,411	590,652,004	255,513,714
		6,540,205,692	5,679,605,888	5,957,080,703	5,568,359,930
Current liabilities					
Bank overdraft	22	564,712,154	278,198,636	-	-
Trade and other payables	27	10,116,721,429	7,852,034,784	7,218,909,464	5,547,064,752
Amount due to related parties	28.3	68,558,191	67,307,412	31,541,539	70,580,173
Loans and borrowings	25	3,948,402,215	531,090,420	1,904,960,917	-
Current tax liabilities	9.3	88,268,191	59,996,915	-	11,502,620
Unclaimed dividends		31,626,686	26,815,401	9,264,640	6,497,222
		14,818,288,866	8,815,443,568	9,164,676,560	5,635,644,767
Total liabilities		21,358,494,558	14,495,049,456	15,121,757,263	11,204,004,697
Total equity and liabilities		44,438,765,552	36,046,268,495	32,989,382,598	28,425,481,240
Net asset per share		20.78	18.84	17.87	17.22

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 Iddagoda

Deputy General Manager – Finance

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

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



J C Joshua

Managing Director
6 August 2018
Colombo



D A R Fernando

Chief Operating Officer

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to equity holders of the parent				Non-controlling interests LKR	Total equity LKR
	Stated capital	Revaluation reserve	Retained earnings	Total		
	LKR	LKR	LKR	LKR		
Balance at 1 April 2016	9,000,000,000	100,860,402	8,361,639,086	17,462,499,488	532,191,820	17,994,691,308
Profit for the year	-	-	2,708,004,209	2,708,004,209	38,179,474	2,746,183,683
Other comprehensive income for the year, net of tax	-	149,109,552	20,125,181	169,234,733	3,674,303	172,909,036
Total comprehensive income for the year	-	149,109,552	2,728,129,390	2,877,238,942	41,853,777	2,919,092,719
<i>Contributions and distributions</i>						
Cash dividends	-	-	(1,500,000,000)	(1,500,000,000)	-	(1,500,000,000)
Dividend paid to non-controlling interests	-	-	-	-	(30,696,310)	(30,696,310)
<i>Changes in ownership interests</i>						
Acquisition of NCI - Horizon knowledge city limited	-	-	(21,535)	(21,535)	(49,968,465)	(49,990,000)
Acquisition of subsidiary with NCI - Harbour village (private) limited	-	-	-	-	2,118,151,290	2,118,151,290
Non-controlling interest of SMLF right issue	-	-	-	-	99,970,032	99,970,032
Balance at 31 March 2017	9,000,000,000	249,969,954	9,589,746,941	18,839,716,895	2,711,502,144	21,551,219,039
Profit for the year	-	-	3,070,832,659	3,070,832,659	(44,517,488)	3,026,315,171
Other comprehensive income for the year, net of tax	-	154,728,491	(57,923,826)	96,804,665	999,162	97,803,827
Total comprehensive income for the year	-	154,728,491	3,012,908,833	3,167,637,324	(43,518,326)	3,124,118,998
<i>Contributions and distributions</i>						
Cash dividends	-	-	(1,200,000,000)	(1,200,000,000)	-	(1,200,000,000)
Dividend paid to non-controlling interests	-	-	-	-	(42,654,575)	(42,654,575)
<i>Changes in ownership interests</i>						
Acquisition of NCI - Harbour village (private) limited	-	-	(26,808,698)	(26,808,698)	(425,573,802)	(452,382,500)
Non-controlling interest of SMLF right issue	-	-	-	-	99,970,032	99,970,032
Balance at 31 March 2018	9,000,000,000	404,698,445	11,375,847,076	20,780,545,521	2,299,725,473	23,080,270,994

Company	Stated Capital LKR	Revaluation Reserve LKR	Retained Earnings LKR	Total LKR
Balance at 1 April 2016	9,000,000,000	100,860,402	6,835,195,392	15,936,055,794
Profit for the year	-	-	2,684,342,341	2,684,342,341
Other comprehensive income for the year, net of tax	-	82,877,071	18,201,337	101,078,408
Total comprehensive income for the year	-	82,877,071	2,702,543,678	2,785,420,749
<i>Contributions and distributions</i>				
Cash dividends	-	-	(1,500,000,000)	(1,500,000,000)
Balance at 31 March 2017	9,000,000,000	183,737,473	8,037,739,070	17,221,476,543
Profit for the year	-	-	1,907,930,907	1,907,930,907
Other comprehensive income for the year, net of tax	-	(31,077,288)	(30,704,827)	(61,782,115)
Total comprehensive income for the year	-	(31,077,288)	1,877,226,080	1,846,148,792
<i>Contributions and distributions</i>				
Cash dividends	-	-	(1,200,000,000)	(1,200,000,000)
Balance at 31 March 2018	9,000,000,000	152,660,185	8,714,965,150	17,867,625,335

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		Group		Company	
		2018	2017	2018	2017
	Note	LKR	LKR	LKR	LKR
Operating activities					
Profit before tax		4,231,164,711	3,230,818,313	2,391,025,804	3,002,621,711
Adjustments to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment	11.1/ 11.2	1,023,382,343	890,453,638	851,258,202	743,977,147
Amortisation and impairment of intangible assets	13.1	30,361,220	28,909,314	9,218,382	10,446,437
Provision for employee benefits	26.1	50,516,729	48,594,971	35,142,287	32,948,662
Provision for/write-off of bad and doubtful debts/inventories	8	130,765,822	47,388,202	6,567,615	39,010,106
Gain on fair value changes of investment properties	12.1	(2,303,297,521)	-	-	(45,607,401)
Loss on fair value changes of short-term investments	6.1	490,247	4,336,447	490,247	4,336,447
Gain on disposal of property, plant and equipment	6.1	(27,798,224)	(74,646,021)	(20,033,264)	(15,373,993)
Gain on disposal of investments	6.1	-	(81,511,884)	-	(83,852,043)
Amortisation of Government grant	24	(219,389)	(219,126)	-	-
Share of results of equity-accounted investees, net of tax	15.2	9,671,067	(28,757,868)	-	-
Dividend income	6.1	(1,486,092)	(3,478,792)	(560,181,409)	(322,404,091)
Net finance cost	7.1	382,588,880	150,147,595	445,810,818	129,274,961
Operating profit before working capital changes		3,526,139,793	4,212,034,789	3,159,298,682	3,495,377,943
Working capital adjustments:					
Increase in inventories		(827,298,687)	(886,006,081)	(643,168,517)	(134,803,254)
Increase in trade and other receivables		(2,504,459,891)	(2,371,365,880)	(1,775,499,492)	(2,311,847,629)
Increase in other current financial assets		(373,461,742)	(150,600,367)	(408,019,089)	(249,841,439)
(Increase)/decrease in amounts due from related parties		(91,061,774)	(61,694,541)	1,130,298,551	(898,749,813)
Increase in trade and other payables		2,271,342,719	2,508,170,563	1,674,612,130	1,939,979,380
Increase/(decrease) in amounts due to related parties		1,250,779	24,957,756	(39,038,634)	39,920,569
Cash generated from operating activities		2,002,451,197	3,275,496,239	3,098,483,631	1,880,035,757
Interest paid		(914,019,607)	(664,894,098)	(599,432,728)	(513,984,163)
Income tax paid	9.3	(444,242,262)	(604,557,722)	(253,327,198)	(396,629,508)
Gratuity paid	26	(13,995,161)	(11,003,846)	(5,547,950)	(7,048,050)
Net cash flows generated from operating activities		630,194,167	1,995,040,573	2,240,175,755	962,374,036

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For the year ended 31 March	Note	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Investing activities					
Purchase of property, plant and equipment	11.1/11.2	(1,590,188,328)	(1,332,439,504)	(787,457,805)	(1,120,230,400)
Purchase of intangible assets	13.1	(12,851,960)	(2,690,875)	–	–
Purchase of other non-current financial assets		–	(100,000,000)	–	(100,000,000)
Purchase of investment properties	12.1	(6,886,444)	(5,104,692)	–	–
Purchase of investment properties – work in progress	12.3	(2,011,061,524)	(1,752,062,320)	–	–
Proceeds from sale of property, plant and equipment		57,816,286	93,828,063	20,594,720	25,111,940
Acquisition of subsidiary, net of cash acquired	31.2	–	(417,332,158)	–	(2,295,001,160)
Investment in subsidiary		–	–	(3,373,427,440)	(1,200,000,000)
Investment in joint venture		–	(850,000,000)	–	(850,000,000)
Proceeds from sales of investments		–	39,964,050	–	–
Net proceed from sale of unit trust		–	184,828,075	–	184,828,075
Net Investment in short-term deposits		880,875,182	3,768,958,907	763,018,269	5,511,377,428
Dividends received	6.1	1,486,092	3,478,792	560,181,409	322,404,091
Interest received		455,566,774	542,489,574	121,164,348	412,920,976
Net cash flows generated from/(used in) investing activities		(2,225,243,922)	173,917,912	(2,695,926,499)	891,410,950
Financing activities					
Dividends paid to equity holders of the parent		(1,200,000,000)	(1,500,000,000)	(1,200,000,000)	(1,500,000,000)
Dividend paid to non-controlling interests	32	(42,654,575)	(30,696,310)	–	–
Acquisition of non-controlling interests		(452,382,500)	(49,990,000)	(452,382,500)	(49,990,000)
Proceeds from issue of shares to non-controlling interest		99,970,032	99,970,032	–	–
Proceeds from borrowings	25.2	11,392,330,318	2,326,925,774	4,446,960,917	–
Repayment of borrowings	25.2	(8,040,907,775)	(2,429,965,873)	(2,542,000,000)	–
Payment of finance lease liabilities	25.3	(3,116,300)	(5,200,982)	–	–
Net cash flows generated from/(used in) financing activities		1,753,239,200	(1,588,957,359)	252,578,417	(1,549,990,000)
Net increase/(decrease) in cash and cash equivalents		158,189,445	580,001,126	(203,172,327)	303,794,986
Cash and cash equivalent at 1 April		671,196,791	91,195,665	780,178,393	476,383,407
Cash and cash equivalent at 31 March	22	829,386,236	671,196,791	577,006,066	780,178,393

Cash and cash equivalent includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

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

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

This section provides corporate and group information about Access Engineering PLC and its subsidiaries.

1.1 Reporting entity

Access Engineering PLC ("Company") is a Company domiciled and operating in Sri Lanka and listed on the Colombo Stock Exchange. The Company's registered office and the principal place of business are located at "Access Towers", 278, Union Place, Colombo 2.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Access Engineering PLC as at and for the year ended 31 March 2018, comprise the Company and its subsidiaries (together referred to as the "Group").

The Financial Statements of all companies in the Group have a common financial year which ends on 31 March. Access Engineering PLC does not have any identifiable parent of its own. The Company is the ultimate parent of the Group.

1.3 Principal activities and nature of operations

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

Information about Subsidiaries

The Consolidated Financial Statements of the Group include:

Name	Principal activities	Percentage of equity interest	
		2018	2017
Access Realities (Private) Limited	Commercial property development for lease and rental	100	100
Access Realities 2 (Private) Limited	Commercial property development for lease and rental	100	100
ARL Elevate (Private) Limited	Provision of conference, restaurant and support facilities	100	100
Sathosa Motors PLC	Authorised distributor for ISUZU brand vehicles in Sri Lanka	84.42	84.42
SML Frontier Automotive (Private) Limited	Authorised distributor for Jaguar and Land Rover in Sri Lanka	42.21	42.21
Access Projects (Private) Limited	Construction and supply of construction-related services and materials	80	80
Horizon Holdings Ventures (Private) Limited	Property development	100	100
Horizon Knowledge City Limited	Property development	99.99	99.99
Harbour Village (Private) Limited	Residential and commercial property development	60.83	51

Associate

The Group has a 30% (2017 – 30%) interest in ZPMC Lanka Company (Private) Limited.

Joint venture

The Group has a 50% (2017 – 50%) interest in Horizon Holdings (Private) Limited.

The Group has a 50% (2017 – 50%) interest in Blue Star Realities (Private) Limited.

All the companies are incorporated in Sri Lanka.

There were no significant changes in the nature of the principal business activities of the Company or its subsidiaries during the financial year under review. The business activities of the Company and its subsidiaries are described in the Group Structure on page 5.

PREAMBLE 02-13	<p>2. BASIS OF PREPARATION</p> <p>2.1 Statement of compliance</p> <p>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) 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.</p> <p>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.</p>	<ul style="list-style-type: none"> Land and buildings stated at revalued amounts – LKAS 16 (Refer Note 11). Investment properties measured at fair value – LKAS 40 (Refer Note 12).
BUSINESS MODEL 14-70	<p>2.2 Responsibilities for the Financial Statements</p> <p>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).</p> <p>The Board of Directors acknowledges this responsibility as set out in the Statement of "Directors' Responsibility for Financial Statements" (Refer page 191), "Annual Report of the Board of Directors" (Refer page 184) and in the statement appearing with the Statement of Financial Position (Refer page 201) of the Annual Report.</p>	<p>2.4 Functional and presentation currency</p> <p>These Consolidated Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Group's functional and presentation currency.</p>
VALUE CREATION 71-119	<p>2.3 Basis of measurement</p> <p>These Financial Statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:</p> <ul style="list-style-type: none"> Financial assets and financial liabilities that have been measured at fair value – LKAS 39 (Refer Note 33). Employee benefit liability recognised based on actuarial valuation – LKAS 19 (Refer Note 26). 	<p>2.5 Significant accounting judgements, estimates and assumptions</p> <p>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.</p>
STEWARDSHIP 120-181	<p>The Financial Statements for the year ended 31 March 2018, were approved and authorised for issue by the Board of Directors on 6 August 2018.</p>	<p>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.</p>
FINANCIAL REPORTS 183-286		<p>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.</p>
ANNEXES 287-297		<p>Management considered the following items, where significant judgements, estimates and assumptions have been used in preparing these Financial Statements.</p>

Going concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties related to event or conditions that may cast significant doubt upon the Group's/Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 March 2018 is included in the following Notes:

- Income Tax (current tax and deferred tax) (Note 9)
- Revaluation of property, plant and equipment (Note 11)
- Fair value of the investment properties (Note 12)
- Impairment of non-financial assets: key assumption underlying recoverable amount (Note 13)
- Measurement of defined benefit obligation: key actuarial assumptions (Note 26)
- Recognition and measurement of provisions and contingencies: key assumption about the likelihood and magnitude of an outflow of resources (Note 29)
- Fair value measurement of financial instruments (Note 33)
- Impairment of financial assets: key assumption underlying recoverable amount (Note 34)

2.6 Summary of significant accounting policies

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages.

Those accounting policies presented with each note, have been applied consistently by the Group.

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

2.6.1. Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

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

Profit or loss and each component of 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.

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If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.6.2 Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period;
Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period;
Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities including deferred tax liabilities as non-current.

2.6.3 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.6.4 Foreign currency transactions

Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated to functional currencies at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in foreign currency are translated into the functional currency at the exchange rate when fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

2.6.5 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.

2.6.6 Statement of cash flows

The Statement 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 amount of cash and subject to an insignificant risk of change in value.

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

Cash and cash equivalent includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

3. SRI LANKA ACCOUNTING STANDARDS (SLFRSs/ LKASs) ISSUED BUT NOT YET EFFECTIVE

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

(a) SLFRS 9 – Financial Instruments

The Institute of Chartered Accountants of Sri Lanka issued the final version of SLFRS 9 – "Financial Instruments" that replaces LKAS 39 – "Financial Instruments : Recognition and Measurement". SLFRS 9 brings together all three aspects of the accounting for the "financial instruments project": classification and measurement; impairment; and hedge accounting.

This standard becomes effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is currently in the process of evaluating the potential impact of this standards.

(b) SLFRS 15 – "Revenue from Contracts with Customers"

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under SLFRS (LKAS 18 – "Revenue" and LKAS 11 – "Construction Contracts"). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is currently in the process of evaluating the potential impact of this standards.

(c) SLFRS 16 – Leases

SLFRS 16 replaces IAS 17 Leases, IFRIC 4 determining whether an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. This standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group has not reasonably estimated the financial impact as at the date of publication of these Financial Statements.

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4. SEGMENT INFORMATION

Accounting policy

Segment is a distinguishable component of the Group that is engaged either in providing related products or services (Business Segment), or in providing products or services within a particular economic environment (Geographical Segment), which is subject to risks and returns that are different from those of the Segments. The Group's Primary Format for segmental reporting is based on Business Segments. The Business Segments are determined based on the Group's Management and internal reporting structure.

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the Consolidated Financial Statements.

As such for management purposes, the Group is organised into business units based on their products and services and has four operating Business Segments as follows:

Business segment	Operations
Construction	Process of constructing buildings and other infrastructures
Construction Related Materials	Production and supply of construction-related material such as asphalt product, quarry products, crusher products, ready mix concrete and other construction material
Property	Development of high rise buildings and manage the same or otherwise leasing, renting out or sale in whole or in part
Automobile	Importing and distribution or sale of three branded motor vehicles, spare parts and operates of workshop

4.1 Business segment

For the year/period ended 31 March 2018	Construction LKR	Construction- related material LKR	Property LKR	Automobile LKR	Adjustments and eliminations LKR	Group total LKR
Revenue						
External customers	14,782,024,192	2,608,487,087	496,717,441	8,168,362,083	-	26,055,590,803
Inter-segment	1,963,445,725	1,211,541,003	57,908,843	8,535,450	(3,241,431,021)	-
Total revenue	16,745,469,917	3,820,028,090	554,626,284	8,176,897,533	(3,241,431,021)	26,055,590,803
Segment operating profit	1,896,582,544	352,026,399	2,571,130,522	635,497,744	(831,812,551)	4,623,424,658
Net finance income/(cost)	(507,008,069)	-	229,619,179	(105,199,990)	-	(382,588,880)
Share of results of equity-accounted investees, net of tax (Note 15.2)	-	-	-	-	(9,671,067)	(9,671,067)
Income tax expense	(466,088,583)	-	(647,258,452)	(43,843,024)	(47,659,481)	(1,204,849,540)
Segment profit	923,485,892	352,026,399	2,153,491,249	486,454,730	(889,143,099)	3,026,315,171
Capital expenditure	496,677,275	296,645,259	2,275,896,064	551,769,658	-	3,620,988,256
Depreciation and amortisation	758,368,097	141,796,297	12,621,961	123,865,377	17,091,831	1,053,743,563
As at 31 March 2018						
Segment assets	32,625,264,466	1,968,314,299	17,654,686,394	5,381,964,100	(13,191,463,707)	44,438,765,552
Segment liabilities	15,775,750,995	755,413,393	1,623,679,326	3,509,950,022	(306,299,178)	21,358,494,558

For the year/period ended 31 March 2017	Construction LKR	Construction- related material LKR	Property LKR	Automobile LKR	Adjustments and eliminations LKR	Group total LKR
Revenue						
External customers	12,865,608,992	2,169,895,966	182,725,694	5,229,958,907	-	20,448,189,559
Inter-segment	1,799,183,398	1,058,027,480	52,027,035	417,701	(2,909,655,615)	-
Total revenue	14,664,792,390	3,227,923,446	234,752,729	5,230,376,608	(2,909,655,615)	20,448,189,559
Segment operating profit	3,003,663,816	340,865,467	149,256,009	309,097,890	(450,675,141)	3,352,208,040
Net finance income/(cost)	(194,884,604)	-	43,722,606	1,014,403	-	(150,147,595)
Share of results of equity-accounted investees, net of tax (Note 15.2)	-	-	-	-	28,757,868	28,757,868
Income tax expense	(362,740,849)	-	(22,721,384)	(63,736,253)	(35,436,145)	(484,634,630)
Segment profit	2,446,038,363	340,865,467	170,257,232	246,376,040	(457,353,418)	2,746,183,683
Capital expenditure	1,050,114,960	182,468,590	1,778,451,482	81,262,358	-	3,092,297,390
Depreciation and amortisation	679,640,052	114,512,244	1,263,575	106,879,544	17,067,537	919,362,953
As at 31 March 2017						
Segment assets	29,190,633,249	1,479,842,978	11,795,048,040	3,900,105,679	(10,319,361,451)	36,046,268,495
Segment liabilities	12,163,625,406	461,593,751	1,164,094,257	2,240,881,392	(1,535,145,350)	14,495,049,456

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DETAILED INFORMATION ON STATEMENT OF PROFIT OR LOSS AND OCI ITEMS

5. REVENUE

Accounting policy

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking in to account contractually defined terms of payment, and excluding tax or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

Rendering of services

Revenue for services rendered is recognised in the Statement of Profit or Loss once all significant performance obligations have been completed.

Construction contracts

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

If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue in the Statement of Profit or Loss due to its operating nature.

Agency commissions and hire income

If the Group acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognised is the net amount of commission made by the Group.

Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

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

5.1 Revenue

For the year ended 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Roads and highways construction	2,979,494,492	1,207,164,786	2,979,494,492	1,207,164,786
Water and drainage construction	1,276,854,180	3,144,237,554	1,276,854,180	3,144,237,554
Bridge construction	1,754,410,689	1,414,098,207	1,754,410,689	1,414,098,207
Building and other construction	8,677,458,328	7,025,926,441	9,213,110,637	6,703,379,660
Sale of construction-related material	2,574,220,914	2,120,910,107	2,581,555,329	2,188,594,066
Hiring income	70,730,643	95,451,091	74,266,305	101,706,856
Fabrication income	57,342,033	27,716,772	57,342,033	27,716,772
Rental income	495,154,491	172,116,236	-	-
Service charges	1,562,950	10,609,457	-	-
Vehicle sales and after sales services	8,168,362,083	5,229,958,908	-	-
	26,055,590,803	20,448,189,559	17,937,033,665	14,786,897,901

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 operating income.

The following specific criteria are used for the purpose of recognising income:

Dividend income

Income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

6.1 Other income

For the year ended 31 March	Note	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Dividend income		1,486,092	3,478,792	560,181,409	322,404,091
Rent income		4,183,125	1,389,649	14,601,225	13,963,500
Loss on fair value changes in short-term investments		(490,247)	(4,336,447)	(490,247)	(4,336,447)
Gain on fair value changes of investment property	12.1	2,303,297,521	–	–	45,607,401
Gain on disposal of property, plant and equipment		27,798,224	74,646,021	20,033,264	15,373,993
Foreign exchange gain/(loss)		92,690,487	(12,622,985)	92,727,969	(12,622,985)
Sundry income		90,122,161	96,113,205	37,834,879	13,777,131
Gain on disposal of investment		–	81,511,884	–	83,852,043
		2,519,087,363	240,180,119	724,888,499	478,018,727

7. NET FINANCE INCOME/(COST)

Accounting policy

Interest income

Interest income is recorded using the Effective Interest Rate (EIR) method, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in net finance income in the Statement of Profit or Loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

7.1 Net finance cost

For the year ended 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Finance income				
Interest income on fixed deposits	262,508,086	308,173,288	37,079,301	265,091,379
Interest income on repurchase agreements	3,047,848	12,670,550	3,047,848	10,888,362
Interest income on debenture	145,267,285	143,683,097	98,200,000	95,578,219
Other interest income	19,749,738	11,979,938	15,294,761	11,747,125
	430,572,957	476,506,873	153,621,910	383,305,085
Interest income on retention receivable	94,490,121	98,363,169	66,613,838	61,478,701
Interest income on staff loan	6,367,649	4,114,566	6,367,649	4,114,566
Total finance income	531,430,727	578,984,608	226,603,397	448,898,352
Finance cost				
Interest on finance leases	(4,568,483)	(3,760,542)	-	-
Interest on bank overdraft	(77,274,191)	(61,011,249)	(347,178)	(74,113)
Interest on debenture	(494,636,902)	(494,588,153)	(512,505,934)	(512,505,933)
Interest on bank loan	(236,682,261)	(67,294,524)	(86,579,616)	-
	(813,161,837)	(626,654,468)	(599,432,728)	(512,580,046)
Un-winding of prepaid retention receivable expenses	(94,490,121)	(98,363,169)	(66,613,838)	(61,478,701)
Un-winding of prepaid staff loan expenses	(6,367,649)	(4,114,566)	(6,367,649)	(4,114,566)
Total finance cost	(914,019,607)	(729,132,203)	(672,414,215)	(578,173,313)
Net finance cost	(382,588,880)	(150,147,595)	(445,810,818)	(129,274,961)

8. PROFIT BEFORE TAX

Accounting policy

Expenditure recognition

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Profit or Loss.

For the purpose of presentation of Statement of Profit or Loss, the Directors are of the opinion that "function of expenses" method presents fairly the elements of the enterprise's performance; hence such presentation method is adopted.

For the year ended 31 March	Note	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Profit before tax is stated after charging all expenses including following:					
Auditors' remuneration – Statutory audit and related services		6,339,000	6,180,096	2,640,000	2,403,500
Auditors' remuneration – Non-audit services		2,721,345	3,269,177	1,582,979	1,620,329
Loss on fair value changes in short-term investments	6.1	490,247	4,336,447	490,247	4,336,447
Provision for/write-off of bad and doubtful debts/inventories	8.1	130,765,822	47,388,202	6,567,615	39,010,106
Donations		1,197,513	5,232,992	892,263	2,542,592
CSR expense		13,511,400	25,430,897	12,626,624	24,950,424
Depreciation, amortisation		1,053,743,563	919,362,953	860,476,584	754,423,585
Personnel cost including:					
Defined benefit plan costs – Gratuity	26.1	50,516,729	48,594,971	35,142,287	32,948,662
Defined contribution plan costs – EPF		136,191,663	120,902,188	96,816,490	78,708,710
Defined contribution plan costs – ETF		34,047,916	30,052,798	24,204,121	19,677,178
Directors' emoluments and fees	28.6	85,288,391	74,474,000	43,790,000	34,780,000
Staff cost		2,503,923,094	2,040,964,880	2,064,823,123	1,624,307,564
Performance incentives		111,155,049	141,803,208	111,155,049	141,803,208

8.1 This includes loss of inventories due to misappropriation amounting to LKR 87,550,588 in Sathosa Motors PLC.

As at 31 March	Group		Company	
	2018	2017	2018	2017
Number of employees	3,212	3,222	2,670	2,655

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.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Current tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment properties measured at fair value is presumed to be recovered through sale and the Group has not rebutted this presumption.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to 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.

Revaluation surplus on freehold land

As per section 6 and Chapter IV of the Inland Revenue Act No. 24 of 2017, freehold lands used for business or investment purpose would be liable to tax at the time of realization. Accordingly deferred tax is recognised on the revaluation surplus of freehold lands which are treated as capital assets used in the business for tax purpose.

Freehold lands which are treated as investment assets for tax purpose would not be considered for deferred tax, since the Act requires deemed cost of the assets to be equal to market value as at 30 September 2017.

9.1 The major components of income tax expense for the years ended 31 March 2018 and 2017 are:

For the year ended 31 March	Note	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Consolidated Statement of Profit or Loss					
Current income tax:					
Current income tax charge	9.2	424,367,145	474,469,782	185,931,897	295,048,543
Adjustments in respect of current income tax of previous year		1,586,090	(20,350,945)	(181,321)	(22,178,161)
Deferred tax:					
Relating to origination and reversal of temporary differences	9.4	778,896,305	30,515,793	297,344,321	45,408,988
Income tax expense reported in the Statement of Profit or Loss		1,204,849,540	484,634,630	483,094,897	318,279,370
Consolidated Statement of Other Comprehensive Income					
Deferred tax related to items recognised in Other Comprehensive Income during the year:					
Net loss on actuarial gains and losses		6,725,051	2,761,551	6,716,681	2,529,011
Net gain on revaluation of lands and buildings		87,873,048	15,859,253	31,077,288	3,048,055
Deferred tax charged to other comprehensive income	9.4	94,598,099	18,620,804	37,793,969	5,577,066

9.2 Reconciliation between accounting profit and taxable profit

For the year ended 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Accounting profit before income tax	4,231,164,711	3,230,818,313	2,391,025,804	3,002,621,711
Aggregate non-deductible expenses	1,727,814,605	1,415,187,739	949,252,980	779,137,392
Aggregate allowable items	(2,358,394,211)	(933,657,290)	(843,463,012)	(885,132,414)
Total statutory income	3,600,585,105	3,712,348,762	2,496,815,772	2,896,626,689
Exempted income	(1,184,956,319)	(835,239,010)	(991,840,488)	(796,017,989)
Taxable income	2,415,628,786	2,877,109,752	1,504,975,284	2,100,608,700
Taxable revenue at 2%	246,950,821	231,944,829	-	-
Taxable construction income at 12%	1,471,632,388	1,945,585,658	1,471,632,388	1,832,011,832
Taxable other income at 28%	697,045,577	699,579,265	33,342,896	268,596,868
	2,415,628,786	2,877,109,752	1,504,975,284	2,100,608,700
Tax @ 2%	4,939,016	4,638,896	-	-
Tax @ 12%	176,595,887	233,470,279	176,595,887	219,841,420
Tax @ 28%	195,172,761	195,882,193	9,336,010	75,207,123
Dividend tax	47,659,481	35,436,144	-	-
Deemed dividend tax	-	5,042,270	-	-
Current tax expenses	424,367,145	474,469,782	185,931,897	295,048,543

9.3 Current tax liabilities

For the year ended 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	59,996,915	248,999,284	11,502,620	164,499,820
Acquired in business combination	-	6,165,439	-	-
Provision made during the year	424,367,145	474,469,782	185,931,897	295,048,543
Adjustment for the prior year	1,586,090	(20,350,945)	(181,321)	(22,178,161)
Payments made during the year	(444,242,262)	(604,557,722)	(253,327,198)	(396,629,508)
Notional Tax	(404,492)	(15,633,975)	(304,785)	(1,088,836)
WHT recoverable	(19,151,776)	(29,094,948)	(4,321,032)	(28,149,238)
Balance at the end of the year	22,151,620	59,996,915	(60,699,819)	11,502,620
Made up as follows				
Current tax assets	(66,116,571)	-	(60,699,819)	-
Current tax liabilities	88,268,191	59,996,915	-	11,502,620
	22,151,620	59,996,915	(60,699,819)	11,502,620

9.4 Deferred tax liabilities

For the year ended 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	284,042,411	234,905,814	255,513,714	204,527,660
Provision for the year recognised in profit or loss	778,896,305	30,515,793	297,344,321	45,408,988
Provision for the year recognised in OCI	94,598,099	18,620,804	37,793,969	5,577,066
Balance at the end of the year	1,157,536,815	284,042,411	590,652,004	255,513,714

9.5 Deferred tax provision as at the year end is made up as follows:

As at 31 March	2018		2017	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
	LKR	LKR	LKR	LKR
Group				
Accelerate depreciation for tax purpose	2,483,188,752	695,292,851	2,389,475,199	315,302,039
Revaluation of land and building to fair value	1,969,945,479	551,584,734	140,070,644	20,233,709
Provision for doubtful debtors	(36,774,899)	(10,296,972)	(42,296,638)	(5,160,003)
Defined benefit obligation	(215,751,742)	(60,410,488)	(179,681,645)	(27,631,154)
Tax loss set off	-	(18,633,310)	-	(18,702,180)
	4,200,607,590	1,157,536,815	2,307,567,560	284,042,411
Company				
Accelerate depreciation for tax purpose	2,092,078,410	585,781,955	2,200,598,213	268,463,243
Revaluation of land and building to fair value	232,443,762	65,084,253	60,842,450	7,422,510
Provision for doubtful debtors	(36,774,899)	(10,296,972)	(42,296,638)	(5,160,003)
Defined benefit obligation	(178,275,827)	(49,917,232)	(124,693,345)	(15,212,036)
	2,109,471,446	590,652,004	2,094,450,680	255,513,714

9.6 Applicable rates of income tax

Company

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

As per the provisions of new Inland Revenue Act No. 24 of 2017 and amendments there to, the Company will be liable for income tax at the rate of 28% for taxable income, commencing from the year of assessment 2018/19.

Further, the Company has recognised deferred tax liability on business assets (land) at 28% amounting to LKR. 31,077,288/- as at 31 March 2018.

Tax exemption

As per Section 17A.2a of Inland Revenue (Amendment) Act No. 22 of 2011 and as amended by Act No. 08 of 2012, profits attributable to manufacturing of construction-related materials are exempted from income tax, commencing from year of assessment 2011/12 for a period of seven (7) years.

Subsidiaries

Access Realties (Private) Limited

As per the agreement entered into with the Board of Investment (BOI) of Sri Lanka, under Section 17 of the Board of Investment Act No. 04 of 1978, the Company is exempted from income tax for the period of seven (7) years from the year of assessment in which the enterprise commences make profit in relation to the transactions in that year or any year of assessment not later than five (5) years reckoned from the date of its operations whichever year is earlier. Accordingly, the seven (7) years income tax exemption period has commenced on 1 April 2003.

In accordance with the agreement entered into with the BOI of Sri Lanka, the Company is liable for income tax at 2% on its revenue for next fifteen (15) years immediately following the seven (7) years tax exemption period. On that basis, the revenue arising from the business shall be taxed at 2% during the concessionary period covering 1 April 2010 to 31 March 2025.

However, the Company is liable to pay income tax at 28% on other income.

As per the provisions of new Inland Revenue Act No. 24 of 2017 and amendments thereto, the company has recognised deferred tax liability on business assets (land) at 28% amounting to LKR 441,046,715/- during the year because the Management is under the impression that the asset will not be disposed prior to the expiration of BOI concessionary rate period.

No provision has been made on differed taxation on other assets, since the Company is liable to income tax at 2% on its revenue for fifteen (15) years commencing from 1 April 2010.

Access Realties 2 (Private) Limited

As per the Agreement entered into with the Board of Investment of Sri Lanka under Section 17 (A) of Inland Revenue (Amendment) Act No. 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 (3) years from the date of 4 April 2013.

Further Insertion of New Section under 48 D of Inland Revenue (Amendment) Act No. 09 of 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 year of assessment shall be reckoned from the year in which the Enterprise commences to make profits or any year of assessment not later than two (2) years reckoned from the date of commencement of commercial operations whichever year is earlier as determined by Commissioner General of Inland Revenue.

However, the Company is liable to pay income tax at 28% on other income.

No provision has been made on deferred taxation, since the Company is exempted from tax for the period of twelve (12) years.

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ARL Elevate (Private) Limited

In accordance with the provision in the Inland Revenue Act No. 10 of 2006 and amendments thereto, the Company is liable for income tax at 28%.

No provision has been made on deferred tax.

Sathosa Motors PLC and its Subsidiary

In accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, the Company is liable for income tax at 28% on its taxable profit. Deferred tax rate is 28%.

Access Projects (Private) Limited

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

Deferred tax asset amounting to LKR 122,192,932/- has not been recognised for the deductible temporary differences as the Management is of the opinion that the reversal of the taxable asset will not be crystallised in the foreseeable future.

As per the provisions of new Inland Revenue Act No. 24 of 2017 and amendments there to, the Company will be liable for income tax at the rate of 28% for taxable income, commencing from the year of assessment 2018/19.

Horizon Holdings Ventures (Private) Limited

In accordance with the provisions in the Inland Revenue Act No. 10 of 2006 and amendments thereto, the Company is liable for income tax at 28% on its taxable profit.

No provision has been made on deferred tax.

Horizon Knowledge City Limited

Pursuant to the agreement dated 12 February 2016 entered into with the Board of Investment (BOI) under Section 17 of the Board of Investment Law No. 04 of 1978, the profits and income of the enterprise is exempt from income tax for a period of eight (8) years reckoned from the year of assessment as may be determined by the Board ("Tax exemption period").

After the expiration of the aforesaid tax exemption period, referred above, the profit and income of the Company will be charged at the rate of 15% for a period of two (2) years.

Deferred tax has been calculated at the rate of 28%.

Harbour Village (Private) Limited

The Company has entered into an agreement with BOI for ten (10) years tax holiday period and the provisions of the Inland Revenue Act No. 10 of 2006 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 profit and income of the enterprise for the year ended 31 March 2018. 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. Company is liable to pay income tax at 28% on other income.

As per the provisions of new Inland Revenue Act No. 24 of 2017 and amendments there to, the company has recognised deferred tax liability on business assets (land) at 28% amounting to LKR 45,265,247/-, because the Management is under the impression that the asset will not be disposed prior to the expiration of BOI exemption period.

10. EARNINGS PER SHARE

Accounting policy

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

For the year ended 31 March	Group		Company	
	2018	2017	2018	2017
Profit attributable to ordinary equity holders of the parent (LKR)	3,070,832,659	2,708,004,209	1,907,930,907	2,684,342,341
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)	3.07	2.71	1.91	2.68

During the year the Company has not issued ordinary shares and no dilution of earnings per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these Financial Statements.

11. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purpose and are expected to be used during more than one period. The Group applies the requirements of LKAS 16 in accounting for 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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes 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 in terms of which the Group assumes substantially, all the risk and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured and capitalised at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss when the asset is derecognised. Gains are not classified as revenue.

Revaluation

A revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Revaluation is performed on freehold land and building by professionally qualified valuers using the open market value at least once in every three years to ensure that the fair value does not differ materially from its carrying amount.

Depreciation

Depreciation is recognised in profit or loss on straight-line basis over the estimated useful lives of each part of item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised. Depreciation is not charged on freehold land and capital work in progress.

The estimated useful lives are as follows:

Asset category	Useful life (years)
Freehold building	10-25
Leasehold building	50
Improvements to leasehold property	8-9
Plant and machinery	3-10
Motor vehicles	4-8
Office equipment	3-5
Furniture and fittings	3-5
Tools	3-8
Other construction equipment	5

The residual value, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Capital work in progress

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

Reclassification to investment properties

When the use of a property changes from owner occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in Other Comprehensive Income and presented in the revaluation reserve. Any loss is recognised in profit or loss.

Reconciliation of beginning and ending balances by classes of assets

11.1 Group

	Land	Building	Freehold Plant and machinery	Motor vehicles	Office equipment
	LKR	LKR	LKR	LKR	LKR
Cost or valuation					
Balance at 1 April 2016	995,169,111	846,620,427	3,776,015,617	755,509,564	333,936,799
Additions	14,077,241	68,655,847	779,116,068	66,849,211	58,512,047
Transfer from investment properties	-	45,360,000	-	-	-
Acquisition of a subsidiary	-	-	-	-	28,500
Disposals/derecognition	-	(27,172,090)	(102,392,549)	(28,624,892)	(7,581,403)
Revaluation adjustment	123,305,099	45,180,274	-	-	-
Balance at 31 March 2017	1,132,551,451	978,644,458	4,452,739,136	793,733,883	384,895,943
Additions	326,836,000	71,072,082	490,704,608	101,677,093	56,376,051
Transfer to investment properties	(195,800,000)	-	-	-	-
Disposals/derecognition	-	-	(37,617,565)	(51,277,643)	(4,414,640)
Revaluation adjustment	202,842,000	8,682,251	-	-	-
Balance at 31 March 2018	1,466,429,451	1,058,398,791	4,905,826,179	844,133,333	436,857,354
Accumulated depreciation and impairment losses					
Balance at 1 April 2016	-	112,414,692	1,608,104,176	413,648,000	233,742,854
Charge	-	56,983,893	462,565,714	100,729,511	53,202,459
Acquisition of a subsidiary	-	-	-	-	792
Disposals/derecognition	-	(27,172,090)	(90,808,239)	(21,645,019)	(7,499,235)
Balance at 31 March 2017	-	142,226,495	1,979,861,651	492,732,492	279,446,870
Charge	-	62,375,905	540,705,591	106,269,064	52,898,608
Disposals/derecognition	-	-	(37,328,163)	(34,634,733)	(4,388,567)
Balance at 31 March 2018	-	204,602,400	2,483,239,079	564,366,823	327,956,911
Carrying value					
At 31 March 2018	1,466,429,451	853,796,391	2,422,587,100	279,766,510	108,900,443
At 31 March 2017	1,132,551,451	836,417,963	2,472,877,485	301,001,391	105,449,073

Group property, plant and equipment with a cost of LKR 1,230.59 Mn. (2017 – LKR 908.94 Mn.) have been fully depreciated and continue to be in use by the Group.

Assets under construction

Group capital work in progress includes, construction cost incurred to build new workshop of Sathosa Motors PLC amounting to LKR 77.67 Mn. and cost of construction of buildings of Horizon Knowledge City Limited amounting to LKR 40.28 Mn.

	Furniture and fittings LKR	Freehold Tools LKR	Other construction equipment LKR	Leasehold Motor vehicles LKR	Capital work in progress LKR	Total LKR
	188,309,956	436,766,985	226,880,552	26,853,214	26,903,896	7,612,966,121
	16,365,847	230,000,576	73,865,897	-	24,996,771	1,332,439,504
	-	-	-	-	-	45,360,000
	-	-	-	-	-	28,500
	[828,351]	[11,923,717]	-	(2,500,000)	-	(181,023,002)
	-	-	-	-	-	168,485,373
	203,847,452	654,843,844	300,746,449	24,353,214	51,900,667	8,978,256,497
	132,733,707	188,660,226	143,453,290	-	78,675,271	1,590,188,328
	-	-	-	-	-	(195,800,000)
	[912,780]	[16,859,690]	-	-	(12,626,039)	(123,708,357)
	-	-	-	-	-	211,524,251
	335,668,379	826,644,380	444,199,739	24,353,214	117,949,899	10,460,460,719
	106,174,312	241,291,227	97,935,854	8,750,985	-	2,822,062,100
	35,973,670	128,170,496	48,171,639	4,656,256	-	890,453,638
	-	-	-	-	-	792
	[826,312]	[11,390,066]	-	(2,500,000)	-	(161,840,961)
	141,321,670	358,071,657	146,107,493	10,907,241	-	3,550,675,569
	28,132,641	163,948,882	64,551,652	4,500,000	-	1,023,382,343
	[905,981]	[16,432,851]	-	-	-	(93,690,295)
	168,548,330	505,587,688	210,659,145	15,407,241	-	4,480,367,617
	167,120,049	321,056,692	233,540,594	8,945,973	117,949,899	5,980,093,102
	62,525,782	296,772,187	154,638,956	13,445,973	51,900,667	5,427,580,928

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11.2 Company

	Land	Freehold			
	Building	Plant and machinery	Motor vehicles	Office equipment	
	LKR	LKR	LKR	LKR	LKR
Cost or valuation					
Balance at 1 April 2016	305,611,111	60,388,889	3,579,881,605	587,970,101	230,213,963
Additions	10,000,000	–	691,904,076	60,483,511	43,386,891
Disposals/derecognition	–	(18,125,126)	(68,098,397)	(24,101,428)	(6,440,303)
Revaluation adjustment	61,188,889	24,736,237	–	–	–
Balance at 31 March 2017	376,800,000	67,000,000	4,203,687,284	624,352,184	267,160,551
Additions	–	–	461,334,745	35,903,029	40,435,866
Transfer to investment properties	(195,800,000)	–	–	–	–
Disposals/derecognition	–	–	(36,778,944)	(5,950,000)	(1,112,974)
Balance at 31 March 2018	181,000,000	67,000,000	4,628,243,085	654,305,213	306,483,443
Accumulated depreciation and impairment losses					
Balance at 1 April 2016	–	12,086,238	1,507,680,338	333,892,977	178,088,379
Charge	–	6,057,245	435,420,079	68,830,908	36,963,894
Disposals/derecognition	–	(18,125,127)	(65,886,871)	(17,185,033)	(6,360,685)
Balance at 31 March 2017	–	18,356	1,877,213,546	385,538,852	208,691,588
Charge	–	6,700,000	503,125,899	73,531,901	36,226,686
Disposals/derecognition	–	–	(36,671,842)	(5,949,997)	(1,088,807)
Balance at 31 March 2018	–	6,718,356	2,343,667,603	453,120,756	243,829,467
Carrying value					
At 31 March 2018	181,000,000	60,281,644	2,284,575,482	201,184,457	62,653,976
At 31 March 2017	376,800,000	66,981,644	2,326,473,738	238,813,332	58,468,963

Company property, plant and equipment with a cost of LKR 1,038.47 Mn. (2017 – LKR 743.44 Mn.) have been fully depreciated and continue to be in use by the Company.

Transfer to investment properties

On 1 April 2017, land located at No. 267, Dehiwala Road, Maharagama and land located at Dickowita, Hendala were transferred from property, plant and equipment to investment properties. It was no longer used by the Company and decided for the capital appreciation. (Note 12.1)

11.3 Revaluation of land and building

Company

The freehold land and building of the Company were revalued as at 31 March 2017 by Mr K T D Tissera – FIV (Sri Lanka), FRICS (Eng) an independent professional valuer on an open market value for existing use basis.

Subsidiaries

The freehold land and building of Access Projects (Private) Limited was revalued as at 31 March 2017 by Mr K T D Tissera – FIV (Sri Lanka), FRICS (Eng) an independent professional valuer on a depreciated replacement cost basis for buildings and market value basis for land as at the date of revaluation.

	Freehold			Total LKR
	Furniture and fittings LKR	Tools LKR	Other construction equipment LKR	
	104,602,271	431,669,090	226,880,552	5,527,217,582
	10,589,449	230,000,576	73,865,897	1,120,230,400
	(318,500)	(11,917,553)	-	(129,001,308)
	-	-	-	85,925,126
	114,873,220	649,752,113	300,746,449	6,604,371,801
	14,989,665	91,341,210	143,453,290	787,457,805
	-	-	-	(195,800,000)
	(190,905)	(16,859,690)	-	(60,892,513)
	129,671,980	724,233,633	444,199,739	7,135,137,093
	82,029,849	237,170,591	97,935,854	2,448,884,226
	20,729,861	127,803,521	48,171,639	743,977,147
	(316,461)	(11,389,186)	-	(119,263,363)
	102,443,249	353,584,926	146,107,493	3,073,598,010
	7,919,072	159,202,992	64,551,652	851,258,202
	(187,560)	(16,432,851)	-	(60,331,057)
	110,174,761	496,355,067	210,659,145	3,864,525,155
	19,497,219	227,878,566	233,540,594	3,270,611,938
	12,429,971	296,167,187	154,638,956	3,530,773,791

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The freehold land of Horizon Knowledge City Limited was revalued as at 31 March 2018 by Mr K T D Tissera – FIV (Sri Lanka), FRICS (Eng.) an independent professional valuer on market value basis for land as at the date of revaluation.

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

Location	Extent
Access Engineering PLC	
Land depicted at No. 336/1, Low Level Road, Jalthara, Ranala	3 roots and 38.4 perches
Land depicted at No. 278, Alubogahalanda, Jalthara, Ranala	3 acres, 3 roots and 4.86 perches
Land depicted at Weliwita, Kaduwela	2 acres
Land depicted at Divigalahena, Hakmana	10 acres
Access Projects (Private) Limited	
Land depicted at No. 278, Kekulanvila Road, Jalthara, Ranala	2 acres, 1 root and 38.38 perches
Land depicted at No. 42 A, Yatawathura, Malagala, Padukka	3 roots and 10 perches
Horizon Knowledge City Limited	
Land depicted at No. 278, Weliwita Road, Weliwita	8 acres, 1 root and 28.75 perches
Sathosa Motors PLC	
Land depicted at No. 86, Vauxhall Street, Colombo 2	28.70 perches

The carrying amount of revalued land and buildings if they were carried at cost less depreciation and impairment, would be as follows:

	Group		Company	
	2018	2017	2018	2017
As at 31 March	LKR	LKR	LKR	LKR
Cost	785,100,181	251,412,681	80,032,686	110,843,186
Accumulated depreciation and impairment	(37,716,552)	(25,190,064)	-	-
Net carrying amount	747,383,629	226,222,617	80,032,686	110,843,186

12. INVESTMENT PROPERTIES

Accounting policy

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

Recognition and measurement

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Derecognition

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment properties only when there is a change in use. For a transfer from investment properties 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 upto 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.

12.1 Quantitative and qualitative disclosures of the investment properties

As at 31 March	Note	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Balance at the beginning of the year		3,288,619,125	3,328,874,433	220,000,000	174,392,599
Additions (subsequent expenditure)		6,886,444	5,104,692	-	-
Transfer from/(to) property, plant and equipment	11.1/11.2	195,800,000	(45,360,000)	195,800,000	-
Transfer from investment properties work in progress	12.3	4,919,346,423	-	-	-
Gain on fair value changes		2,303,297,521	-	-	45,607,401
Balance at the end of the year		10,713,949,513	3,288,619,125	415,800,000	220,000,000
Rental income derived from investment properties		590,589,815	234,752,729	10,418,100	9,681,000
Direct operating expenses (including repair and maintenance) generating rental income		101,246,562	(32,652,594)	-	-

Property located at No. 117, Dehiwala Road, Boralesgamuwa (in Company) is leased to the SML Frontier Automotive (Private) Limited, which is an indirect subsidiary of the Company. As per LKAS 16, this property has been classified as property, plant and equipment in the Group Financial Statements. (Note 11.1)

12.2 Location, extent and valuation of investment properties

Company

Based on the observation of Board of Directors, Company decided that the sales price of comparative properties has not changed significantly during the year 2017/18. Therefore, Company has decided that fair value of investment properties as at 31 March 2018 was similar to the carrying value as at the previous reporting date and that there is no need to recognise gain/(loss) on fair value adjustment based on Section 75-e of the LKAS 40 – "Investment Property".

Fair value of the property is 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 2017.

Subsidiaries

Fair value of the investment properties are 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 2018.

Location and extent of Group's investment properties of the reporting date are as shown below:

Location	Extent	Freehold building Sq. ft.
Access Engineering PLC		
Land depicted at No. 117, Dehiwala Road, Boralesgamuwa*	2 roots and 35 perches	12,784
Land depicted at No. 267, Dehiwala Road, Maharagama	3 roots and 1 perches	–
Land depicted at Dickowita, Hendala	2 acres 3 roots and 10.18 perches	–
Access Realities (Private) Limited		
Land depicted at 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 acres 25.65 perches	216,718
Access Realities 2 (Private) Limited		
30 Stories Buildings at Nos. 116 and 118 Dawson Street, Colombo 2	–	404,554
Horizon Holdings Ventures (Private) Limited		
Land depicted at No. 278, Weliwita Road, Weliwita	4 acres 1 root and 4 perches	–

* Property located at No. 117, Dehiwala Road, Boralesgamuwa is secured on overdraft facility obtained for the value of LKR 125 Mn. (Note 22)

12.3 Investment properties – work in progress

As at 31 March	Group	
	2018 LKR	2017 LKR
Balance at the beginning of the year	3,310,763,207	1,191,726,723
Additions	2,011,061,524	1,752,062,320
Acquisition through business combination	–	366,974,164
Transfer to investment properties	(4,919,346,423)	–
Balance at the end of the year	402,478,308	3,310,763,207

Investment properties – work in progress consists of the development at No. 250, Srimath Ramanathan Mawatha, Kotahena, Colombo 15 by Harbour Village (Private) Limited and upon completion of Access Tower II building at Dr Colvin R De Silva Mawatha, Union Place, Colombo 2, it was transferred to investment property with the completion of development.

13. INTANGIBLE ASSETS AND GOODWILL

Accounting policy

Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
Research and development	Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.
Other intangible assets	Other intangible assets are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embedded in the specific asset to which it relates. All other expenditure, including expenditure on internally-generated goodwill and brands, is recognised in profit or loss as incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category that is consistent with the function of the intangible assets.

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

Leasehold right – land

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

Software

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets and is amortised on a straight-line basis over its useful life.

The estimated useful lives are as follows:

Asset category	Useful lives
Enterprise resource planning system	10 years
Other software	3-5 years

Derecognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is derecognised.

13.1 Reconciliation of beginning and ending balances by classes of assets

	Group				Company	
	Leasehold right LKR	Software LKR	Goodwill LKR	Total LKR	Software LKR	Total LKR
Cost/revaluation						
At 1 April 2016	210,000,000	100,426,436	1,089,204,227	1,399,630,663	93,093,482	93,093,482
Additions	–	2,690,875	–	2,690,875	–	–
Acquisitions through business combination	–	–	90,394,715	90,394,715	–	–
At 31 March 2017	210,000,000	103,117,311	1,179,598,942	1,492,716,253	93,093,482	93,093,482
Additions	4,500,000	8,351,960	–	12,851,960	–	–
At 31 March 2018	214,500,000	111,469,271	1,179,598,942	1,505,568,213	93,093,482	93,093,482
Amortisation and impairment						
At 1 April 2016	21,486,488	23,981,337	–	45,467,825	20,454,939	20,454,939
Amortisation	16,697,886	12,211,428	–	28,909,314	10,446,437	10,446,437
At 31 March 2017	38,184,374	36,192,765	–	74,377,139	30,901,376	30,901,376
Amortisation	17,447,887	12,913,333	–	30,361,220	9,218,382	9,218,382
At 31 March 2018	55,632,261	49,106,098	–	104,738,359	40,119,758	40,119,758
Carrying value						
At 31 March 2018	158,867,739	62,363,173	1,179,598,942	1,400,829,854	52,973,724	52,973,724
At 31 March 2017	171,815,626	66,924,546	1,179,598,942	1,418,339,114	62,192,106	62,192,106

Leasehold right comprises of the leasehold land of the Sathosa Motors PLC and prepaid lease payment of SML Frontier Automotive (Private) Limited.

Leasehold land relate to the property persistently known and called "SATHOSA MOTORS WORKSHOP" is located at No. 25/11, New Nuge Road, Peliyagoda acquired by Sathosa Motors PLC on a 99 years lease commencing from 1987. The total gross area of the land is 343.93 perches. The leasehold right has been revalued by an independent valuer Mr R T K Sirisena – an independent professional valuer. Valuation has been done based on the demand and supply factors, current evidence of values, improvements and infrastructures etc. as at 31 March 2012. The estimated useful life of leasehold right as at 31 March 2018 is sixty-eight years (remaining lease period).

SML Frontier Automotive (Private) Limited recognised prepaid lease payments in respect of Welisara workshop premises which has been subleased by Frontier Automotive (Private) Limited. Remaining lease period as at 31 March 2018 is three years.

Software balance in intangible assets mainly consists of the SAP Enterprise Resource Planning system software and SAP user license acquired by the Company.

14. INVESTMENTS IN SUBSIDIARIES

Accounting policy

Investments in subsidiaries are initially recognised at cost in the Financial Statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries are immediately recognised in the Statement of Profit or Loss. Following initial recognition, investment in subsidiaries are carried at cost less any accumulated impairment losses. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

	Number of shares	Effective holding %	Company	
			2018	2017
			LKR	LKR
Sathosa Motors PLC	5,093,745	84.42	1,196,572,767	1,196,572,767
Access Realities (Private) Limited*	196,758,218	100	7,870,328,720	4,496,901,280
Access Projects (Private) Limited	16,000,000	80	1,000,000,000	1,000,000,000
Horizon Holdings Ventures (Private) Limited	29,000,000	100	290,000,000	290,000,000
Horizon Knowledge City Limited	62,499,000	99.998	624,990,000	624,990,000
Harbour Village (Private) Limited**	174,970,574	60.83	2,747,383,660	2,295,001,160
			13,729,275,147	9,903,465,207

* Company has invested LKR 3,373,427,440/- in Access Realities (Private) Limited during the current financial year. (Note 31.1)

** The Company has acquired 28,282,915 number of shares to the consideration of LKR 452,382,500/- from non-controlling interest. Therefore, holding percentage of Harbour Village (Private) Limited by the Company has increased from 51% to 60.83% during the current financial year. (Note 32.1)

Accounting estimate – provision for impairment

An impairment assessment was carried out as at 31 March 2018 and it was concluded that net realisable value of all the investments included under unquoted investments exceed its carrying value.

15. EQUITY-ACCOUNTED INVESTEEES

Accounting policy

The Group's interests in equity-accounted investees comprise interest in associate and joint ventures.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The Statement of Profit or Loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The Financial Statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as "Share of profit of equity accounted investees" in the Statement of Profit or Loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

15.1 Carrying amount of interest in equity-accounted investees

	Number of shares	Holding %	Group		Company	
			2018	2017	2018	2017
			LKR	LKR	LKR	LKR
Investment in Joint Ventures						
Horizon Holdings (Private) Limited	7,770,000	50	295,428,288	296,493,275	300,000,000	300,000,000
Blue Star Realties (Private) Limited	80,300,000	50	799,924,734	819,604,837	800,000,000	800,000,000
			1,095,353,022	1,116,098,112	1,100,000,000	1,100,000,000
Investment in an Associate						
ZPMC Lanka Company (Private) Limited	5,546,544	30	96,512,504	86,547,790	55,465,410	55,465,410
			1,191,865,526	1,202,645,902	1,155,465,410	1,155,465,410

15.2 Group's share of total comprehensive income

For the year ended 31 March	2018	2017
	LKR	LKR
Joint ventures	(20,745,090)	17,000,278
Associate	11,074,023	11,757,590
	(9,671,067)	28,757,868

15.3 Investment in joint ventures

The Group has a 50% interest in Horizon Holdings (Private) Limited, a joint venture involved in the business of property development.

The Group has invested on 30 May 2016, 50% interest in Blue Star Realities (Private) Limited, a joint venture involved in the business of residential property development.

The Group's interest in Blue Star Realities (Private) Limited is 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:

	Horizon Holdings (Private) Limited		Blue Star Realities (Private) Limited		Total	
	2018	2017	2018	2017	2018	2017
	LKR	LKR	LKR	LKR	LKR	LKR
Non-current assets	7,579,259	6,249,907	19,933,119	22,061,159	27,512,378	28,311,066
Current assets	596,874,106	609,904,062	1,965,409,790	1,583,004,039	2,562,283,896	2,192,908,101
Non-current liabilities	(240,000,000)	(240,000,000)	(23,119,795)	(8,880,087)	(263,119,795)	(248,880,087)
Current liabilities	(4,067,343)	(13,637,974)	(422,003,810)	(20,788,683)	(426,071,153)	(34,426,657)
Net assets (100%)	360,386,022	362,515,995	1,540,219,304	1,575,396,428	1,900,605,326	1,937,912,423
Group's share of net assets (50%)	180,193,011	181,257,998	770,109,652	787,698,214	950,302,663	968,956,212
Elimination of unrealised profit on downstream sales	-	-	-	2,091,541	-	2,091,541
Goodwill	115,235,277	115,235,277	29,815,082	29,815,082	145,050,359	145,050,359
Carrying amount of interest in joint venture	295,428,288	296,493,275	799,924,734	819,604,837	1,095,353,022	1,116,098,112
Revenue	-	39,250,000	-	-	-	39,250,000
Depreciation and amortisation	(132,616)	(132,360)	-	-	(132,616)	(132,360)
Interest expense	(8,156)	(5,278)	(1,058,645)	(699,376)	(1,066,801)	(704,654)
Income tax reversal/(expense)	731,818	1,830,205	(12,934,226)	(18,939,849)	(12,202,408)	(17,109,644)
Profit and total comprehensive income (100%)	(2,129,973)	(5,209,118)	(35,177,124)	35,026,591	(37,307,097)	29,817,473
Profit and total comprehensive income (50%)	(1,064,987)	(2,604,559)	(17,588,562)	17,513,296	(18,653,549)	14,908,737
Elimination of unrealised profit on downstream sales	-	-	(2,091,541)	2,091,541	(2,091,541)	2,091,541
Group's share of total comprehensive income	(1,064,987)	(2,604,559)	(19,680,103)	19,604,837	(20,745,090)	17,000,278

There were no dividends received from the joint ventures during 2017/18 (2016/17 – Nil).

The joint ventures had no material contingent liabilities or capital commitments as at 31 March 2017 or 2018.

15.4 Investment in an Associate

The Group has a 30% interest in ZPMC Lanka Company (Private) Limited, which has entered into a contract with Colombo International Container Terminal to service and maintain the Container Handling Equipment supplied by Shanghai Zhenhua Heavy Industries Company Limited of China (known as ZPMC).

The Group's interest in ZPMC Lanka Company (Private) Limited is accounted for using the equity method in the Consolidated Financial Statements.

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:

	2018	2017
	LKR	LKR
Non-current assets	3,755,385	5,713,765
Current assets	529,137,281	384,411,256
Non-current liabilities	(1,835,737)	(1,759,915)
Current liabilities	(209,853,579)	(100,325,330)
Net assets (100%)	321,203,350	288,039,776
Group's share of net assets (30%)	96,512,504	86,547,790
Carrying amount of interest in associate	96,512,504	86,547,790
Revenue	655,589,737	394,232,888
Total comprehensive income (100%)	36,855,465	39,130,446
Group's share of total comprehensive income (30%)	11,074,023	11,757,590
Dividends received by the Group	(1,109,308)	(7,887,183)

The associate had no material contingent liabilities or capital commitments as at 31 March 2017 or 2018.

16. NON-CURRENT FINANCIAL ASSETS

Accounting policy

This consists of investment in quoted debentures which have been designated as held to maturity financial instruments and measured at amortised cost using Effective Interest Rate method less impairment.

As at 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Investments in debentures				
National Development Bank PLC	812,478,615	812,478,615	562,747,945	562,747,945
Hatton National Bank PLC	556,663,297	500,462,329	334,027,397	300,277,397
People's Leasing & Finance PLC	2,620,756	2,620,756	–	–
Sampath Bank PLC	110,269,863	110,269,863	110,269,863	110,269,863
	1,482,032,531	1,425,831,563	1,007,045,205	973,295,205

17. INVENTORIES

Accounting policy

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

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

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

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

Work in progress

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

Goods in transit

Goods in transit are recognised at purchase cost.

17.1 Inventories

As at 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Inventories	2,918,075,167	2,400,814,192	955,291,329	784,106,861
Work in progress	3,004,860,549	2,550,007,268	662,386,181	182,126,252
Goods in transit	225,445,424	370,260,993	140,791	8,416,671
Less: Provision for inventories	(62,539,133)	(7,913,402)	-	-
	6,085,842,007	5,313,169,051	1,617,818,301	974,649,784

18. TRADE AND OTHER RECEIVABLES

Accounting policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other financial nature receivables are recognised as other receivables. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the Effective Interest Rate (EIR) method less any provision for impairment.

Provision for impairment of receivables

Evidence of impairment is considered for receivables at an individual basis. Individual impairment is created in respect of specific receivables which are known to be facing serious financial problems or have a trade dispute with the entity. Such balances may be identified by examining an aged receivable analysis which details the time lapsed since the creation of a receivable. Long outstanding balances identified from such analyses could be considered for inclusion in the allowance for doubtful debts.

18.1 Trade and other receivables

As at 31 March	Note	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Trade receivables	18.2	9,323,745,501	7,521,692,454	7,490,671,978	5,772,400,376
Other receivables	18.3	555,845,034	254,926,271	199,299,467	126,368,401
Advance and prepayments	18.4	1,369,823,124	1,044,417,449	849,797,960	877,987,006
		11,249,413,659	8,821,036,174	8,539,769,405	6,776,755,783

As at 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
18.2 Trade receivables				
Trade receivables	9,412,964,395	7,605,388,595	7,561,891,146	5,853,454,122
Less: Provision for impairment of receivables	(89,218,894)	(83,696,141)	(71,219,168)	(81,053,746)
	9,323,745,501	7,521,692,454	7,490,671,978	5,772,400,376
18.3 Other receivables				
Interest receivables	40,081,743	20,467,790	16,326,672	17,619,110
Margin on bond	89,773,275	85,211,326	89,773,275	85,211,326
Other tax receivables	222,010,054	51,807,177	93,116,124	18,550,273
Others	203,979,962	97,439,978	83,396	4,987,692
	555,845,034	254,926,271	199,299,467	126,368,401
18.4 Advances and prepayments				
Deposits and prepayments	85,548,340	72,937,680	53,298,619	48,889,746
Advances	1,203,016,738	897,636,876	736,512,211	776,237,406
Refundable deposit	81,258,046	73,842,893	59,987,130	52,859,854
	1,369,823,124	1,044,417,449	849,797,960	877,987,006

19. OTHER CURRENT FINANCIAL ASSETS

Accounting policy

This mainly comprises of retention receivable and staff loans which have been designated as loans and receivables financial instruments and measured at amortised cost using Effective Interest Rate method less impairment.

As at 31 March	Note	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Retention receivable	19.1	1,771,621,788	1,475,519,235	1,634,959,632	1,325,740,139
Staff loans		49,976,846	49,721,317	46,698,735	46,889,102
Prepaid retention receivable expenses		366,510,423	287,416,710	322,077,897	221,097,881
Prepaid staff loan expenses		7,258,978	9,249,031	7,258,978	9,249,031
Total other current financial assets		2,195,368,035	1,821,906,293	2,010,995,242	1,602,976,153

19.1 Retention receivable

As at 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Retention receivable	1,833,786,601	1,475,519,235	1,645,198,571	1,325,740,139
Less: Provision for impairment of retention receivable	(62,164,813)	-	(10,238,939)	-
	1,771,621,788	1,475,519,235	1,634,959,632	1,325,740,139

20. SHORT-TERM INVESTMENTS

Accounting policy

Investment in equity securities have been designated as fair value through profit or loss financial instruments. Gain or loss on fair value changes of the investments have been charged to the profit or loss.

Group/Company	Number of shares	Cost		Market value	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Quoted investments					
Nation Lanka Finance PLC	12,300	453,009	453,009	12,300	12,300
Lanka Indian Oil Corporation PLC	36,600	1,035,414	1,035,414	1,101,660	1,061,400
Touchwood Investments PLC	21,600	414,108	414,108	-	-
Horana Plantations PLC	7,500	538,464	538,464	165,000	123,750
The Colombo Fort Land & Building Company PLC	5,000	499,533	499,533	96,000	90,500
Namunukula Plantations PLC	3,300	527,231	527,231	289,410	244,200
Richard Pieris & Co. PLC	50,000	798,848	798,848	640,000	415,000
Free Lanka Capital Holdings PLC	15,600	78,000	78,000	56,160	23,400
People's Merchant PLC	100	1,976	1,976	1,100	1,390
CIC Holdings PLC	204,000	23,517,007	23,517,007	12,015,583	16,340,400
Softlogic Holdings PLC	208,500	6,110,307	6,110,307	5,129,100	2,481,150
Vallibel One PLC	123,300	3,210,050	3,210,050	2,786,580	2,157,750
Central Investments & Finance PLC	1,000,000	10,000,000	10,000,000	-	-
People's Leasing Company PLC	839,400	15,109,200	15,109,200	13,262,520	13,094,622
Commercial Bank of Ceylon PLC	39	-	-	5,296	5,086
Tess Agro Company PLC	80	-	-	72	80
Total		62,293,147	62,293,147	35,560,781	36,051,028
(Less) Provision for impairment		(26,732,366)	(26,242,119)	-	-
Fair value as at the end of the year		35,560,781	36,051,028	35,560,781	36,051,028

21. SHORT-TERM DEPOSITS

Accounting policy

Investments in fixed deposits have been designated as loans and receivable financial instruments and measured at amortised cost using Effective Interest Rate method less impairment.

As at 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Fixed deposits	2,041,431,464	2,922,306,646	279,511,813	1,042,530,082
	2,041,431,464	2,922,306,646	279,511,813	1,042,530,082

22. CASH AND CASH EQUIVALENTS

Accounting policy

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

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

As at 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Favourable balance				
Cash at bank	1,337,558,095	324,663,571	550,559,611	168,054,456
Cash in hand	31,467,872	37,663,630	26,446,455	32,123,937
Investment in repos	25,072,423	587,068,226	–	580,000,000
	1,394,098,390	949,395,427	577,006,066	780,178,393
Unfavourable balance				
Bank overdraft	(564,712,154)	(278,198,636)	–	–
Cash and cash equivalent for the purpose of Statement of Cash Flows	829,386,236	671,196,791	577,006,066	780,178,393

Company

Property located at No. 117, Dehiwala Road, Boralesgamuwa is secured on overdraft facility obtained for the value of LKR 125 Mn. (Note 12.2)

Group

The bank overdraft (Commercial Bank) of the Access Projects (Private) Limited is secured by the corporate guarantee issued by the parent company for LKR 250 Mn. and personal guarantees issued by Mr Sumal Perera (Chairman of the AEL) for LKR 658.63 Mn.

The bank overdrafts from National Development Bank and Hatton National Bank of the SML Frontier Automotive (Private) Limited are secured by the corporate guarantee issued by the Sathosa Motors PLC for LKR 200 Mn. and LKR 950 Mn. respectively.

23. CAPITAL AND RESERVES

23.1 Stated capital

	2018		2017	
	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 for one vote per individual present at meetings of the shareholders or one vote per share in case of a poll. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

23.2 Revaluation reserve

The revaluation reserve consist of the revaluation of property, plant and equipment, and revaluation of investment properties reclassified from property, plant and equipment.

23.3 Dividends

The following dividends were declared and paid by the Company for the year:

	Company	
	2018	2017
	LKR	LKR
Dividends on ordinary shares		
Final dividend*	200,000,000	500,000,000
Interim dividend	500,000,000	500,000,000
Second interim dividend	500,000,000	500,000,000
Total dividends	1,200,000,000	1,500,000,000
Dividend per share	1.20	1.50

*Dividend paid out of previous year's profits.

24. GOVERNMENT GRANT

Accounting policy

Government grants are recognised initially as deferred income at fair value when there is a reasonable assurance that they will be received and the Group will comply with the conditions associated with the Grant, and are then recognised in the Statement of Comprehensive Income as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in the Statement of Comprehensive Income as other income on a systematic basis in the periods in which the expenses are recognised.

When the group receives grants on non-monetary assets, the assets and the grant are recognised at nominal amounts and released to profit or loss over the expected useful life of the asset, based on a pattern of consumption of the benefits of the underlying assets by equal annual instalments.

As at 31 March	Group	
	2018	2017
	LKR	LKR
Balance at the beginning of the year	6,142,874	6,362,000
Amortisation	(219,389)	(219,126)
Balance at the end of the year	5,923,485	6,142,874

The above represents a Government grant received by Sathosa Motors PLC, for the construction of workshop at Peliyagoda and are amortised over a period of fifty (50) years.

25. LOANS AND BORROWINGS

Accounting policy

Loans and borrowings are initially recognised at fair value net of directly attributable transaction costs. Subsequently they are measured at amortised cost.

As at 31 March	Note	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Current portion of loans and borrowings					
Term loan	25.2	3,946,136,743	528,709,600	1,904,960,917	–
Finance lease obligation	25.3	2,265,472	2,380,820	–	–
		3,948,402,215	531,090,420	1,904,960,917	–
Non-current portion of loans and borrowings					
Debentures	25.1	5,007,262,734	5,007,311,766	5,188,152,872	5,188,152,872
Term loan	25.2	126,711,734	192,716,334	–	–
Finance lease obligation	25.3	3,850,668	6,116,140	–	–
		5,137,825,136	5,206,144,240	5,188,152,872	5,188,152,872

25.1 Debentures

As at 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	4,825,670,000	4,825,670,000	5,000,000,000	5,000,000,000
Debentures issued during the year	-	-	-	-
Balance at the end of the year	4,825,670,000	4,825,670,000	5,000,000,000	5,000,000,000
Interest payable	181,592,734	181,641,766	188,152,872	188,152,872
Carrying value as at the end of the year	5,007,262,734	5,007,311,766	5,188,152,872	5,188,152,872

On 18 November 2015 the Company issued fifty million (50,000,000) rated senior unsecured redeemable debentures to the value of LKR five billion (LKR 5,000,000,000/-). These debentures are listed in the Colombo Stock Exchange.

Sathosa Motors PLC has invested 1,743,300 Numbers of Type One Five-Year Tenor debentures issued by the Company, amounting to LKR 174,330,000/-. Carrying value of above debentures has been eliminated at the Group level.

Details regarding the listed debentures are as follows:

Instrument type	Value in LKR	Proportion %	Interest frequency	Coupon rate %	Effective annual yield %	IROCGS* as at reporting date %
Type 1-5 years tenor	4,998,410,000	99.97	Semi-annually	10.25	10.51	10.06
Type 2-6 years tenor	1,030,000	0.02	Semi-annually	10.45	10.72	10.11
Type 3-7 years tenor	20,000	0.00	Semi-annually	10.72	11.01	10.15
Type 4-8 years tenor	540,000	0.01	Semi-annually	10.95	11.25	10.20
Total	5,000,000,000					

* Interest rate of comparable Government Securities.

The listed debentures were not traded since issuing date. Therefore, highest traded price, lowest traded price, last traded price for the year ended 31 March 2018 and yield to maturity of trade were not available.

Debt security-related ratios

For the year ended/as at 31 March	Company	
	2018	2017
Debt to equity ratio	0.40	0.30
Quick assets ratio	1.30	2.06
Interest cover	4.99	6.86

Utilisation of funds raised via debenture issue is as follows:

Objective number	Objective 1	Objective 2
Objective as per prospectus	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 as per prospectus in LKR (Mn.)	2,586	2,414
Proposed date of utilisation as per prospectus	FY 2015/16 and FY 2016/17 in approximate proportions of 53% and 47% respectively	FY 2015/16 and FY 2016/17 in approximate proportions of 38% and 62% respectively
Amount allocated from proceeds in LKR (Mn.) (A)	2,586	2,414
Percentage of total proceeds (%)	52	48
Amount utilised in LKR (Mn.) (B)	2,586	2,414
Percentage utilisation against allocation (B/A) (%)	100	100
Clarification if not fully utilised including where the funds are invested (e.g.: whether lent to related party/s etc.)	N/A	N/A

25.2 Term loan

As at 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	721,425,934	824,466,033	–	–
Obtained during the year	11,392,330,318	2,326,925,774	4,446,960,917	–
Repayment during the year	(8,040,907,775)	(2,429,965,873)	(2,542,000,000)	–
Balance at the end of the year	4,072,848,477	721,425,934	1,904,960,917	–
Loan payable within one year	3,946,136,743	528,709,600	1,904,960,917	–
Loan payable after one year	126,711,734	192,716,334	–	–
	4,072,848,477	721,425,934	1,904,960,917	–

25.3 Finance lease obligation

As at 31 March	Group	
	2018	2017
	LKR	LKR
Balance at the beginning of the year	10,054,096	15,255,079
Repayments during the year	(3,116,300)	(5,200,982)
	6,937,796	10,054,096
Less: Interest in suspense	(821,656)	(1,557,136)
Balance at the end of the year	6,116,140	8,496,960
Payable within one year	2,265,472	2,380,820
Payable after one year	3,850,668	6,116,140
	6,116,140	8,496,960

25.4 Analysis of loans and borrowings

Company name	Lending institution	Nature of the facility	Interest rate and security	Maturity	Loan value LKR Mn.	2018	2017
						LKR Mn.	LKR Mn.
Company							
Access Engineering PLC	Cargills Bank Limited	Bank Loan	AWPLR + 0.5% Unsecured	12 Months	100.16	100.16	-
		Bank Loan	AWPLR + 0.5% Unsecured	12 Months	60.1	60.1	-
		Bank Loan	AWPLR + 0.5% Unsecured	12 Months	50.08	50.08	-
		Bank Loan	AWPLR + 0.5% Unsecured	12 Months	40.06	40.06	-
		Bank Loan	AWPLR + 0.85% Unsecured	12 Months	100.16	100.16	-
		Bank Loan	AWPLR + 0.85% Unsecured	12 Months	75.12	75.12	-
		Bank Loan	AWPLR + 0.85% Unsecured	12 Months	50.08	50.08	-
		Commercial Bank of Ceylon PLC	Bank Loan	11.75% (Renew monthly) Unsecured	12 Months	451	451
	Bank Loan		11.75% (Renew monthly) Unsecured	12 Months	150.5	150.5	-
	Bank Loan		11.80% (Renew monthly) Unsecured	12 Months	75.11	75.11	-
	Bank Loan		AWPLR + 0.7% Unsecured	12 Months	75.73	75.73	-
	Bank Loan		11.75% (Renew monthly) Unsecured	12 Months	100.32	100.32	-
	Bank Loan		11.75% (Renew monthly) Unsecured	12 Months	501.46	501.46	-
		Bank Loan	11.80% (Renew monthly) Unsecured	12 Months	75.08	75.08	-

						2018	2017
Company name	Lending institution	Nature of the facility	Interest rate and security	Maturity	Loan value LKR Mn.	LKR Mn.	LKR Mn.
Group							
Access Projects (Private) Limited	Commercial Bank of Ceylon PLC	Bank Loan	11.75% Fixed Interest Personal Guarantee Mr Sumal Perera	54 Months	9.5	1.19	3.56
		Bank Loan	AWPLR + 2.25% Guarantee of T Bar Machine	48 Months	6	-	1.50
		Bank Loan	12% Fixed Rate Guarantee of Motor Vehicle – KY-7408	48 Months	5	-	1.77
		Bank Loan	AWPLR + 1.75% Guarantee of Motor Vehicle – CAB-0803	60 Months	12.9	-	4.30
		Bank Loan	AWPLR + 2.00% Guarantee of Meegoda Land	36 Months	4	1.56	2.889
		Bank Loan	AWPLR + 2.5% Guarantee of Toyota Axio Motor Vehicle – CAQ-0791	48 Months	3.885	-	3.237
		Bank Loan	AWPLR + 2.0% Guarantee of land situated at No. 278, Kekunavila Road, Jalthara, Ranala	36 Months	40	9.61	34.445
		Bank Loan	AWPLR + 2.0% Guarantee of Form Work System	48 Months	28	18.67	25.668
		Bank Loan	AWPLR + 2.0% Guarantee of Aluminum Profile Machine	48 Months	14	9.91	13.416
Sathosa Motors PLC	Commercial Bank of Ceylon PLC	Revolving short-term loans	11.5% (Renew monthly) Unsecured	3 Months	708.42	278.82	174
		Import Loan	11.3% (Renew monthly) Unsecured	3 Months	343.93	343.93	-
	Hatton National Bank PLC	Revolving short-term loans	11.32% (Renew monthly) Unsecured	3 Months	240	222	-
	Bank of Ceylon	Revolving short-term loans	11.4% (Renew monthly) Unsecured	3 Months	240	240	-

Company name	Lending institution	Nature of the facility	Interest rate and security	Maturity	Loan value LKR Mn.	2018	2017
						LKR Mn.	LKR Mn.
SML Frontier Automotive (Private) Limited	National Development Bank	Short-term Loan	AWPLR + 2% Corporate Guarantee from Sathosa Motors PLC for LKR 200 Mn.	6 Months	200	200	-
	Hatton National Bank	Bank Loan	AWPLR + 2% (Renew monthly) Corporate Guarantee from Sathosa Motors PLC for LKR 950 Mn.	84 Months	200	122.69	150.10
		Letter of Credit and Temporary Over Draft Facilities	AWPLR + 2% Corporate Guarantee from Sathosa Motors PLC for LKR 950 Mn.	3 Months	550	519.51	306.59
		Short-term Loan	AWPLR + 2% Corporate Guarantee from Sathosa Motors PLC for LKR 950 Mn.	6 Months	200	200	-

26. EMPLOYEE BENEFITS

Accounting policy

Short-term employee benefits

Short-term employee benefits are expected as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund

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

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

Defined benefit plans

The liability recognised in the Statement of Financial Position in respect of defined benefit plan is the present value of defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – “Employee Benefits”. Remeasurements, comprising of actuarial gains and losses, are recognised immediately in the Statement of Financial Position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. The Group recognises the changes in the defined benefit liability attributable to the service costs (current service costs and any past service costs) and interest expense in the profit or loss. Key assumptions used in determining the defined benefit obligation are given in Note 26.2.

Defined benefit plan liability has not been externally funded by the Company as well as subsidiaries of the Group.

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

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability:

As at 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Balance at the beginning of the year	183,276,363	168,729,706	124,693,344	119,523,080
Current service cost	30,246,565	30,808,653	20,179,086	19,801,123
Interest cost	20,270,164	17,786,318	14,963,201	13,147,539
Actuarial (gains)/losses	19,122,325	(23,044,468)	23,988,146	(20,730,348)
	252,915,417	194,280,209	183,823,777	131,741,394
Less: Payments made during the year	(13,995,161)	(11,003,846)	(5,547,950)	(7,048,050)
Balance at the end of the year	238,920,256	183,276,363	178,275,827	124,693,344

26.1 Expense recognised in the Statement of Profit or Loss and Other Comprehensive Income

As at 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Current service cost	30,246,565	30,808,653	20,179,086	19,801,123
Interest cost	20,270,164	17,786,318	14,963,201	13,147,539
Expense recognised in Statement of Profit or Loss	50,516,729	48,594,971	35,142,287	32,948,662
Actuarial (gains)/losses recognised in other comprehensive income	19,122,325	(23,044,468)	23,988,146	(20,730,348)
Total provision for the year	69,639,054	25,550,503	59,130,433	12,218,314

26.2 Key assumptions and quantitative sensitivity analysis

The cost of the defined benefit plan are determined using actuarial valuations and it involves making various assumptions. These include the determination of the discount rate, future salary increases, staff turnover and retirement age (mortality in service). Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The key assumptions and their sensitivity analyses are discussed further below:

26.3 Company

An independent actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2018 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:

	2018	2017
Discount rate (%)	11	12
Expected annual average salary increment rate (%)	8.50	8.50
Staff turnover factor (%)	2	1
Retirement age (years)	55	55

26.4 Group

a. Sathosa Motors PLC

An actuarial valuation of the provision for employee benefits was carried out as at 31 March 2018 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:

	2018	2017
Discount rate (%)	10-12	11-12
Expected annual average salary increment rate (%)	10-11	10-12
Staff turnover factor (%)	5-40	10-40
Retirement age (years)	55	55

26.5 Sensitivity of assumptions used

A quantitative sensitivity analysis for significant assumptions as at 31 March is, as shown below:

	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Effect on the defined benefit obligation liability				
Increase by one percentage point in discount rate	(18,470,131)	(13,946,820)	(15,873,640)	(11,866,833)
Decrease by one percentage point in discount rate	21,323,226	16,050,683	18,511,348	13,889,919
Increase by one percentage point in salary increment rate	22,160,143	16,888,645	18,785,674	14,233,849
Decrease by one percentage point in salary increment rate	(19,573,400)	(14,521,537)	(16,351,468)	(12,324,789)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

26.6 Future expected contributions to the defined benefit plans

The following payments are expected contributions to the employee benefit obligation in future years:

	Company	
	2018	2017
	LKR	LKR
Within the next 12 months (next annual reporting period)	21,160,958	15,355,887
Between 2 and 5 years	42,016,240	22,768,011
Beyond 5 years	191,257,138	139,038,367
Total expected payments	254,434,336	177,162,265

27. TRADE AND OTHER PAYABLES

Accounting policy

Trade payables are the aggregate amount of obligation to suppliers for goods delivered to or services consumed by the Group in the ordinary course of business. Trade payables are classified as current liabilities if they are payable within one year or less.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other payables are normally none-interest-bearing liabilities.

As at 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Trade creditors	3,923,970,185	3,027,229,925	3,331,035,416	1,939,521,691
Other tax payable	27,772,415	62,896,722	-	-
Accrued expenses	807,170,500	515,574,545	389,110,458	348,884,517
Mobilisation advance	3,335,139,882	2,851,469,349	3,060,166,937	2,502,189,206
Advances received	1,479,945,418	1,109,494,513	162,494,213	575,169,489
Retention payable	394,243,346	262,107,474	276,102,440	181,299,849
Security deposit	148,479,683	23,262,256	-	-
	10,116,721,429	7,852,034,784	7,218,909,464	5,547,064,752

28. RELATED PARTY DISCLOSURE

28.1 Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Disclosure as per the requirement of the Colombo Stock Exchange Listing Rule Section 9.3.2 and the Code of Best Practice on Related Party Transactions, under the Securities and Exchange Commission Directives issued under Section 13 (C) of the Securities and Exchange Commission Act, is on page 168 – Related Party Transactions Review Committee Report.

The following tables provide the amount receivable from/to and summary of the transactions entered with related parties for the relevant financial years.

28.2 Amounts due from related parties

As at 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Access International (Private) Limited	105,092,353	24,667,131	88,922,255	19,042,053
Access Civimech (Private) Limited	25,274,071	12,230,599	22,092,606	12,114,725
Access International Projects (Private) Limited	58,717,396	22,337,946	56,767,915	22,251,430
Access Industrial Systems (Private) Limited	43,327	9,826,639	43,327	9,826,639
Blue Star Realities (Private) Limited	10,055,136	35,584,998	10,055,136	35,584,998
Access Real Estate (Private) Limited	105,319	69,610	-	-
Access Lifestyle (Private) Limited	249,258	26,411	-	-
ZPMC Lanka Company (Private) Limited	80,024	-	-	-
Access Natural Water (Private) Limited	68,927	-	-	-
Access Projects (Private) Limited	-	-	10,618,337	170,798,284
SML Frontier Automotive (Private) Limited	-	-	19,994,500	1,822,128
ARL Elevate (Private) Limited	-	-	2,400,000	-
Sathosa Motors PLC	-	-	21,846,521	-
Harbour Village (Private) Limited	-	-	4,109,150	2,899,161
Access Realities 2 (Private) Limited	-	-	-	1,092,808,880
Access International (Private) Limited – Networking	-	75,951	-	-
Mr Sheran Fernando (Director)	-	3,804,752	-	-
	199,685,811	108,624,037	236,849,747	1,367,148,298

28.3 Amounts due to related parties

As at 31 March	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Access International (Private) Limited	30,381,482	4,116,104	1,042,715	3,156,804
Access Natural Water (Private) Limited	391,478	601,985	307,175	431,713
Access International Projects (Private) Limited	15,318,865	34,384,162	828,000	17,407,495
Reprographics (Private) Limited	239,802	984,170	110,944	974,050
Access Industrial Systems (Private) Limited	1,475,294	80,500	1,240,000	-
Access Civimech (Private) Limited	692,678	389,168	-	-
Access Energy Solution (Private) Limited	13,630,049	26,745,558	-	-
Horizon Holdings (Private) Limited	983	-	-	-
Access Solar Power (Private) Limited	5,949,913	-	-	-
Access Real Estate (Private) Limited	237,647	-	-	-
Access Residencies (Private) Limited	120,000	-	-	-
Access Lifestyle (Private) Limited	120,000	-	-	-
Mr Darshana Munasinghe (Director)	-	5,765	-	-
SML Frontier Automotive (Private) Limited	-	-	348,585	129,180
Access Projects (Private) Limited	-	-	20,987,416	46,323,720
Sathosa Motors PLC	-	-	4,835,000	89,961
Access Realties (Private) Limited	-	-	1,496,704	2,067,250
ARL Elevate (Private) Limited	-	-	345,000	-
	68,558,191	67,307,412	31,541,539	70,580,173

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28.4 Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties:

For the year ended	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Subsidiaries				
Sales of goods/rendering of services	-	-	2,230,872,825	1,887,132,473
Purchases of goods/receiving of services	-	-	(621,126,229)	(533,129,432)
Dividend received	-	-	557,696,431	311,038,117
Interest paid	-	-	(17,869,032)	17,869,032
Investment in shares/acquisition of MI	(452,382,500)	(49,990,000)	(3,825,809,940)	(1,249,990,000)
Equity accounted investees				
Sales of goods/rendering of services	231,816,420	56,409,644	228,599,978	55,165,244
Purchases of goods/receiving of services	-	(245,015)	-	-
Dividend received	998,378	7,887,183	998,378	7,887,183
Investment in shares	-	(50,000,000)	-	(50,000,000)
Other related party companies				
Sales of goods/rendering of services	203,613,857	110,191,330	124,474,961	59,718,116
Purchases of goods/receiving of services	(576,904,921)	(438,294,697)	(408,687,204)	(358,329,179)

28.5 Directorships held by Directors in other Group of Companies

Company name	Company (AEL)						
	S J S Perera	J C Joshua	R J S Gomez	S D Perera	D A R Fernando	S H S Mendis	S D Munasinghe
Subsidiaries							
Access Realities (Private) Limited	✓	✓	✓	✓	✓	✓	✓
Access Realities 2 (Private) Limited	✓	✓	✓		✓	✓	✓
ARL Elevate (Private) Limited	✓	✓		✓	✓	✓	✓
Sathosa Motors PLC	✓	✓	✓		✓	✓	✓
SML Frontier Automotive (Private) Limited	✓					✓	✓
Access Projects (Private) Limited	✓			✓			
Horizon Knowledge City Limited	✓	✓			✓		
Harbour Village (Private) Limited	✓	✓			✓		
Associate							
ZPMC Lanka Company (Private) Limited		✓					✓
Joint Venture							
Blue Star Realities (Private) Limited	✓					✓	
Other related party companies							
Access International (Private) Limited	✓	✓	✓	✓	✓	✓	✓
Access Natural Water (Private) Limited	✓	✓	✓	✓			
Access Civimech (Private) Limited	✓			✓			
Access Energy Solutions (Private) Limited	✓	✓	✓				
Access Industrial Systems (Private) Limited	✓			✓			
Access Solar (Private) Limited	✓			✓			
Access International Project (Private) Limited	✓			✓			
Access Real Estate (Private) Limited	✓			✓			
Access Residencies (Private) Limited	✓			✓			
CRDS Development (Private) Limited		✓					
Reprographics (Private) Limited				✓			
Access Lifestyle (Private) Limited	✓			✓			

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28.6 Transactions, arrangements and agreements involving Key Management Personnel and their Close Family Members

According to LKAS 24 – “Related Party Disclosures”, Key Management Personnel (KMP) 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 individual's domestic partner and children;
- (b) children of the individual's domestic partner; and
- (c) dependents of the individual or the individual's domestic partner

CFM are related parties to the entity. There were no transactions with CFM during the year.

A. Directors' loans

No loans have been given to the Directors of the Company.

B. Compensation paid to the Key Management Personnel of the Group

For the year ended 31 March	Note	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Short-term employee benefits	8	85,288,391	74,474,000	43,790,000	34,780,000
Total compensation paid to Key Management Personnel		85,288,391	74,474,000	43,790,000	34,780,000

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to Key Management personnel.

29. PROVISIONS, COMMITMENTS AND CONTINGENCIES

Accounting policy

Provisions are recognised when the Group/Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset when the reimbursement is virtually certain. The expense relating to provision is presented in Income Statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions are calculated based on the historical experience and the specific terms in the individual cases. The Group arrives at an estimate on the basis of an evaluation of the most likely outcome.

All known provisions have been accounted for in preparing the Financial Statements.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured. All contingent liabilities are disclosed as a Note to the Financial Statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (LKAS 18). 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 2018, relates to the following:

29.1 Disclosure – Company

29.1.1 Legal claim contingency

29.1.1.1 Legal cases filed against the Company

Case No. CHC706/10/MR

The case of money recovery by GTB Colombo Corporation (Private) Limited against three defendants, namely, 1st defendant: Asia Pacific Golf Course Limited, 2nd defendant: Access Engineering PLC and 3rd defendant: Urban Development Authority. The claim is made amounting to LKR 17,691,919/68 together with interest against the three defendants jointly and/or severally in the High Court of Western Province for non-payment of material supplied and invoiced by the plaintiff to the 1st defendant.

Access Engineering PLC is contesting the case, since the material purportedly supplied by the plaintiff was not received by the 2nd defendant and not invoiced to the 2nd defendant. This matter is fixed for further trial on 20 September 2018 and 1 October 2018.

Case No. 2361/15/M

The case of money recovery by B G Ajith Prasanna against defendant namely, Access Engineering PLC. The claim is made amounting LKR 5,000,000/- to recover damages for the plaintiff by an accident which took place in Katubedda. The defendant is contesting the case since there is no negligence and/or any fault whatever on the part of the defendant. Terms of settlement were filed and this case was settled on 22 March 2018.

Case No. DMR/930/2017

The case of money recovery by Nilmini Shiroma Bombuwala against three defendants namely, 1st defendant: Ceylon Tea Services PLC; 2nd defendant: Delma Properties (Private) Limited; 3rd defendant: Access Engineering PLC. The claim is made amounting LKR 75,000,000/- to recover damages caused due to the constructions of the three defendants. This matter is fixed for pre-trial on 11 October 2018.

29.1.1.2 Legal cases filed by the Company

Case No. B506/14

The Accused has been charged for fraudulently encashing a cheque for LKR 3,600,000/- of Access Engineering PLC and the Company has filed a case against Bank of Ceylon, Union Place branch. This matter was fixed to be called on 29 August 2018 for further report by Police.

Case No. HC228/14

The case of money recovery by Access Engineering PLC against defendant namely, Allianz Insurance Lanka Limited. The claim LKR 48,000,000/- is made against defendant for the rejection of claims made under Contractors' All Risk Insurance Policy' bearing Policy Number CAR/12658. This matter was fixed for 19 November 2018 for further trial.

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29.1.2 Guarantees

Bank guarantees issued by the banks on behalf of the Company are as follows:

Bank	Amount LKR
Nations Trust Bank PLC	940,905,263
Hatton National Bank PLC	1,982,417,486
DFCC Bank PLC	49,971,150
Sampath Bank PLC	443,371,101
Bank of Ceylon	751,864,617
People's Bank	2,098,864,258
Union Bank of Colombo PLC	32,229,049
National Development Bank PLC	60,410,400
Commercial Bank of Ceylon PLC	585,811,330
Cargills Bank Limited	424,259,102
	7,370,103,756

Corporate Guarantees issued by the Company on behalf of Access Projects (Private) Limited for banking facilities is LKR 250 Mn.

29.1.3 Tax assessments

PAYE tax assessment received for the year of assessment 2011/12

The Department of Inland Revenue has raised PAYE Tax Assessment to the Company for the year of assessment 2011/12, assessing shares gifted by three shareholders of the Company at that time to the employees of the Company and to external parties, to pay PAYE tax of LKR 634.6 Mn. plus penalty of LKR 317.3 Mn. The Company has filed valid appeal against this assessment.

The appeal was determined in favour of the Department of Inland Revenue by CGIR and Company has filed valid appeal to Tax Appeal Commission (TAC) against the CGIR determination.

Income tax assessment received for year of assessment 2012/13

The Department of Inland Revenue has raised an assessment on Income Tax for the year of assessment 2012/13, assessing the tax exemption claimed under Section 17A (2) (c) and qualifying payment claimed under Section 34(2) (s) of Inland Revenue Act No. 10 of 2006 for same investment, to pay Income tax LKR 152,394,432/- plus penalty of LKR 76,197,216/-. The Company has filed valid appeal against this assessment.

The appeal was determined in favour of the Department of Inland Revenue by CGIR and Company has filed valid appeal to Tax Appeal Commission (TAC) against the CGIR determination.

Income tax assessment received for year of assessment 2013/14

The Department of Inland Revenue has raised an assessment on Income Tax for the year of assessment 2013/14, assessing the tax exemption claimed under Section 17A (2) (c) and qualifying payment claimed under Section 34 (2) (s) of Inland Revenue Act No. 10 of 2006 for same investment, to pay income tax LKR 218,211,187/- plus penalty of LKR 109,105,593/-. The Company has filed valid appeal against this assessment.

The appeal was determined in favour of the Department of Inland Revenue by CGIR and Company has filed the Intimation of intention of appeal to Tax Appeal Commission (TAC) against the CGIR determination.

Income tax assessment received for the year of assessment 2014/15

The Department of Inland Revenue has raised an assessment of income tax for the year of Assessment 2014/15, assessing the tax exemption claimed under Section 17A (2) (c) and qualifying payment claimed under Section 34 (2) (s) of Inland Revenue Act No. 10 of 2006 for same investment, to pay income tax LKR 155,973,209/- plus penalty of LKR 74,867,140/-. The Company has filed valid appeal against this assessment.

Income tax assessment received for the year of assessment 2015/16

The Department of Inland Revenue has raised an assessment of income tax for the year of Assessment 2015/16, assessing the tax exemption claimed under Section 17A (2) (c) of Inland Revenue Act No. 10 of 2006 to pay income tax LKR 211,677,432/- plus penalty of LKR 117,309,929/-. The Company has filed valid appeal against this assessment.

29.2 Disclosure – Group

Sathosa Motors PLC

Tax assessments

NBT assessments 2009/10 and 2010/11

Revenue authorities are of the view 2/3rd disallowance is applicable for NBT paid on imports. However the Company is claiming the position that 2/3rd disallowance is applicable for NBT paid quarterly only. Liability assessed by the revenue for the year of assessment 2009/10 is LKR 7,350,762/- and the penalty calculated LKR 3,675,381/-. Liability assessed by the revenue for the year of assessment 2010/11 is LKR 7,790,377/- and the penalty calculated LKR 3,895,189/-.

The Company appeals to the Court of Appeal on 16 April 2017 regarding the assessment of 2009/10 and assessment 2010/11 is being evaluated by the Tax Appeal Commission.

Having sought professional advise, the Management is confident that the said 2/3rd disallowance is applicable for NBT paid quarterly only and as such no liabilities would arise. Accordingly, no provision has been made in the Financial Statements.

Corporate guarantees

Corporate guarantees issued by Sathosa Motors PLC on behalf of SML Frontier Automotive (Private) Limited is LKR 1,000 Mn. as at reporting date.

Access Projects (Private) Limited

Guarantees

Bank guarantees issued by the banks to Access Projects (Private) Limited's customers are as follows:

Bank	Letter of credit/import documents against acceptance facility LKR	Performance bid retention bonds LKR	Total LKR
Commercial Bank of Ceylon PLC	3,608,399	587,237,032	590,845,431

30. EVENTS AFTER THE REPORTING PERIOD

There have been no material events after the reporting date except for the following that would require adjustments to or disclosure in the Financial Statements:

30.1 Company

Disposal of Subsidiaries and Joint Venture

On 20 April 2018, the Company entered into an agreement to sell the following subsidiaries and joint venture on a given purchase consideration:

Number	Name of the Company	Number of shares held by AEL	Percentage of shares held by AEL	Sales consideration LKR
1	Horizon Knowledge City Limited	62,499,000	99.998	765,000,000
2	Horizon Holdings (Private) Limited	7,770,000	50	300,000,000
3	Horizon Holdings Ventures (Private) Limited	29,000,000	100	475,000,000

Company will be received the sales consideration by twelve equal monthly instalments, starting from 20 April 2018 and subsequent instalments are to be received monthly on or before 20 of each month.

30.2 Group

Sathosa Motors PLC

There have been no events subsequent to the reporting period, which would have any material effect on the Company's or on the Group's Financial Statements except for the below explanatory note.

Impact on Financial Statements as a result of Loss of Inventory

The Company has quantified the loss of inventories due to misappropriation occurred after the reporting period is amounting to LKR 37,563,601/- (Net of advance received from customers). However, those misappropriated inventories which were in existence as at 31 March 2018 were not adjusted in this regard according to Sri Lanka Accounting Standard – LKAS 10 – “Events after the reporting period”.

31. BUSINESS COMBINATIONS

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the Statement of Profit or Loss in accordance with IAS 39. Other contingent consideration that is not within the scope of IAS 39 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in LKAS 37 – Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

31.1 Investment in Subsidiary – 2017/18

Access Realties (Private) Limited

Access Engineering PLC further invested LKR 3,373,427,440/- in Access Realties (Private) Limited a fully-owned subsidiary of AEL involving the commercial property development for lease and rental.

31.2 Acquisitions in 2016/17

Acquisition of Harbour Village (Private) Limited

On 10 January 2017, the Group acquired 51% of the voting shares Harbour Village (Private) Limited, an unlisted company engaged to carry on a business of property.

The Group has elected to measure the non-controlling interests in the acquire at fair value.

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Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Harbour Village (Private) Limited as at the date of acquisition were:

	Fair value recognised on acquisition LKR
Assets	
Property, plant and equipment	2,418,026,487
Cash and cash equivalents	1,877,669,002
Trade receivables	27,062,248
Total identifiable net assets at fair value	4,322,757,736
Non-controlling interest measured at fair value	(2,118,151,290)
Goodwill arising on acquisition (Note 13)	90,394,715
Purchase consideration transferred	2,295,001,160
Cash and cash equivalent acquired (Net)	(1,877,669,002)
Net cash outflow on acquisition of subsidiary	417,332,158

There is no contingent consideration of the acquisition of Harbour Village (Private) Limited.

31.3 Investments in Subsidiaries – 2016/17

Access Engineering PLC further invested LKR 1,200 Mn. in Access Realities (Private) Limited, a fully-owned subsidiary of AEL involving the commercial property development for lease and rental.

32. NON-CONTROLLING INTEREST

Non-controlling interest is measured at their proportionate share of the acquirees identifiable net assets at the date of acquisition.

The total profit and loss for the year of the Company and its subsidiaries included in consolidation are shown in the Statement of Profit or Loss and Comprehensive Income with the proportion of profit and loss after taxation pertaining to non-controlling shareholders of subsidiaries being deducted as "Non-controlling Interest". All assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the Consolidated Statement of Financial Position. The interest of non-controlling shareholders of subsidiaries in the fair value of net assets of the Group is indicated separately in the Consolidated Statement of Financial Position under the heading "Non-controlling interest". 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	2018 %	2017 %
Access Projects (Private) Limited	Sri Lanka	Construction	20	20
Sathosa Motors PLC	Sri Lanka	Automobile	15.58	15.58
Horizon Knowledge City Limited	Sri Lanka	Property development	0.002	0.002
Harbour Village (Private) Limited	Sri Lanka	Property development	39.17	49

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 period/year ended 31 March 2018	Access Projects (Private) Limited LKR	Sathosa Motors PLC LKR	Horizon Knowledge City Limited LKR	Harbour Village (Private) Limited LKR	Total LKR
Non-current assets	232,863,471	1,685,552,322	805,281,510	406,689,890	3,130,387,193
Current assets	1,371,332,696	3,696,411,779	23,651,982	4,713,784,482	9,805,180,939
Non-current liability	(41,215,436)	(173,321,383)	(56,795,760)	(45,938,527)	(317,271,106)
Current liability	(1,368,191,689)	(3,336,570,216)	(253,948)	(691,734,020)	(5,396,749,873)
Net asset	194,789,042	1,872,072,502	771,883,784	4,382,801,825	7,221,547,153
Net asset attributable to non-controlling interest	38,957,808	544,008,752	15,438	1,716,743,475	2,299,725,473
Revenue	1,982,897,549	8,176,897,533	-	-	10,159,795,082
Profit for the year	(632,418,615)	384,272,769	41,958	53,638,814	(194,465,074)
Other comprehensive income	5,169,384	195,267	146,046,240	(173,740)	151,237,151
Total comprehensive income	(627,249,231)	384,468,036	146,088,198	53,465,074	(43,227,923)
Profit attributable to non-controlling interest	(126,483,723)	60,955,911	1	21,010,323	(44,517,488)
OCI attributable to non-controlling interest	1,033,877	30,418	2,920	(68,053)	999,162
Total comprehensive income attributable to non-controlling interest	(125,449,846)	60,986,329	2,921	20,942,270	(43,518,326)
Cash flows from/(used in) operating activities	(218,169,429)	(626,243,811)	(1,024,726)	355,560,961	(489,877,005)
Cash flows from/(used in) investment activities	16,960,448	(390,202,338)	4,275,333	237,034,879	(131,931,678)
Cash flows from/(used in) financing activities	(53,144,300)	1,054,395,747	(200,000)	-	1,001,051,447
Net increase/(decrease) in cash and cash equivalents	(254,353,281)	37,949,598	3,050,607	592,595,840	379,242,764
Dividend paid to non-controlling investment during the year	360,000	42,294,570	5	-	42,654,575

For the period/year ended 31 March 2017	Access Projects (Private) Limited LKR	Sathosa Motors PLC LKR	Horizon Knowledge City Limited LKR	Harbour Village (Private) Limited LKR	Total LKR
Non-current assets	281,780,269	1,249,510,931	588,855,180	367,001,872	2,487,148,252
Current assets	1,963,214,720	2,650,631,101	37,655,310	3,976,828,652	8,628,329,781
Non-current liabilities	(105,233,618)	(183,258,729)	–	–	(288,492,347)
Current liabilities	(1,315,923,099)	(2,057,735,876)	(514,904)	(14,493,773)	(3,888,667,652)
Net assets	823,838,272	1,659,147,425	625,995,586	4,329,336,751	7,438,318,033
Net assets attributable to non-controlling interest	164,767,654	425,346,962	12,520	2,121,375,008	2,711,502,144
Revenue	2,596,363,917	5,230,376,607	–	–	7,826,740,524
Profit for the year	115,370,278	233,567,250	1,233,584	6,579,013	356,750,126
Other comprehensive income	17,570,341	1,028,645	–	–	18,598,986
Total comprehensive income	132,940,620	234,595,895	1,233,584	6,579,013	375,349,113
Profit allocated to non-controlling interest	23,074,056	11,881,677	25	3,223,717	38,179,474
Other comprehensive income allocated to non-controlling investment	3,514,068	160,234	–	–	3,674,303
Total comprehensive income attributable to non-controlling interest	26,588,124	12,041,911	25	3,223,717	41,853,777
Cash flows from/(used in) operating activities	379,420,518	69,297,736	(1,150,855)	(44,022,924)	403,544,475
Cash flows from/(used in) investment activities	(44,182,861)	126,086,093	8,413,718	(1,499,695,595)	(1,409,378,645)
Cash flows from/(used in) financing activities	(370,747,659)	15,384,546	–	1,876,625,002	1,521,261,889
Net increase/(decrease) in cash and cash equivalents	(35,510,002)	210,768,375	7,262,863	332,906,484	515,427,720
Dividend paid to non-controlling interest during the year	2,500,000	28,196,310	–	–	30,696,310

32.1 Acquisition of NCI

In August 2017, the Group acquired an additional 9.83% interest in Harbour Village (Private) Limited for LKR 452,382,500/- in cash, increasing its ownership from 51% to 60.83%. The carrying amount of Harbour Village (Private) Limited's net assets in the Group's Consolidated Financial Statements on the date of the acquisition was LKR 4.33 Bn. The Group recognised a decrease in NCI of LKR 425.57 Mn. and decrease equity attributable to owners of the Company by LKR 26.81 Mn.

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale (AFS) financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Profit or Loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Short-term investment has been classified as financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss.

It has been classified the trade receivables and investment in fixed deposits as loans and receivable financial assets.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss.

It has been classified the investment in Debenture as held-to-maturity financial assets.

AFS financial assets

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

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in Other Comprehensive Income and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the Statement of Profit or Loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the Management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Statement of Profit or Loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's Consolidated Statement of Financial Position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses, at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that have occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and loss is recognised in the Statement of Profit or Loss. Interest income (recorded as finance income in the Statement of Profit or Loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance cost in Statement of Profit or Loss.

AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss – is removed from OCI and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Profit or Loss, the impairment loss is reversed through the Statement of Profit or Loss.

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 and financial guarantee contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss 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 LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the 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 LKAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position only if there is a current enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair Value of Financial Instruments

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

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

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

An analysis of fair values of financial instruments are summarised in the table below:

33.1 Accounting classification – Group

As at 31 March	Loans and receivables (L&R)		Fair value through profit or loss (FVTPL)	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Financial assets measured at fair value				
Equity securities	-	-	35,560,781	36,051,028
Financial assets/liabilities not measured at fair value				
Trade and other receivables	10,941,855,265	8,696,291,318	-	-
Amounts due from related parties	199,685,811	108,624,037	-	-
Other current financial assets	2,195,368,035	1,821,906,293	-	-
Short-term deposits	2,041,431,464	2,922,306,646	-	-
Cash and cash equivalent	1,394,098,390	949,395,427	-	-
Corporate debt securities	-	-	-	-
Unsecured bond issue	-	-	-	-
Bank overdraft	-	-	-	-
Interest-bearing borrowings	-	-	-	-
Trade payable	-	-	-	-
Amount due to related parties	-	-	-	-
Total	16,772,438,965	14,498,523,721	35,560,781	36,051,028

33.2 Accounting classification – Company

As at 31 March	Loans and receivables (L&R)		Fair value through profit or loss (FVTPL)	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Financial assets measured at fair value				
Equity securities	-	-	35,560,781	36,051,028
Financial assets/liabilities not measured at fair value				
Trade and other receivables	8,393,354,662	6,709,315,764	-	-
Amounts due from related parties	236,849,747	1,367,148,298	-	-
Other current financial assets	2,010,995,242	1,602,976,153	-	-
Short-term deposits	279,511,813	1,042,530,082	-	-
Cash and cash equivalent	577,006,066	780,178,393	-	-
Corporate debt securities	-	-	-	-
Unsecured bond issue	-	-	-	-
Loans and borrowings	-	-	-	-
Trade payable	-	-	-	-
Amount due to related parties	-	-	-	-
Total	11,497,717,530	11,502,148,690	35,560,781	36,051,028

Held to maturity		Total		Other financial liabilities	
2018	2017	2018	2017	2018	2017
LKR	LKR	LKR	LKR	LKR	LKR
-	-	35,560,781	36,051,028	-	-
-	-	10,941,855,265	8,696,291,318	-	-
-	-	199,685,811	108,624,037	-	-
-	-	2,195,368,035	1,821,906,293	-	-
-	-	2,041,431,464	2,922,306,646	-	-
-	-	1,394,098,390	949,395,427	-	-
1,482,032,531	1,425,831,563	1,482,032,531	1,425,831,563	-	-
-	-	-	-	5,007,262,734	5,007,311,766
-	-	-	-	564,712,154	278,198,636
-	-	-	-	4,078,964,617	729,922,894
-	-	-	-	6,781,581,547	5,000,565,435
-	-	-	-	68,558,191	67,307,412
1,482,032,531	1,425,831,563	18,290,032,277	15,960,406,312	16,501,079,243	11,083,306,143

Held to maturity		Total		Other financial liabilities	
2018	2017	2018	2017	2018	2017
LKR	LKR	LKR	LKR	LKR	LKR
-	-	35,560,781	36,051,028	-	-
-	-	8,393,354,662	6,709,315,764	-	-
-	-	236,849,747	1,367,148,298	-	-
-	-	2,010,995,242	1,602,976,153	-	-
-	-	279,511,813	1,042,530,082	-	-
-	-	577,006,066	780,178,393	-	-
1,007,045,205	973,295,205	1,007,045,205	973,295,205	-	-
-	-	-	-	5,188,152,872	5,188,152,872
-	-	-	-	1,904,960,917	-
-	-	-	-	4,158,742,527	3,044,875,547
-	-	-	-	31,541,539	70,580,173
1,007,045,205	973,295,205	12,540,323,516	12,511,494,923	11,283,397,855	8,303,608,592

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34. FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

34.1 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed in this Note.

Accounting policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability;

Or

In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Financial Statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by 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 remeasured 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.

34.2 Fair value hierarchy

The following table shows fair value measurement hierarchy of the Group's assets, liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if carrying amount is a reasonable approximation of fair value.

34.2.1 Fair value hierarchy – Group

		Fair value hierarchy							
		Level 1		Level 2		Level 3		Total	
As at 31 March	Note	2018	2017	2018	2017	2018	2017	2018	2017
		LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets									
Fair value through profit and loss	33.1	35,560,781	36,051,028	–	–	–	–	35,560,781	36,051,028
Non-financial assets									
Land and building	11.1	–	–	–	–	2,524,828,242	2,111,195,909	2,524,828,242	2,111,195,909
Investment properties	12.1	–	–	–	–	10,713,949,513	3,288,619,125	10,713,949,513	3,288,619,125

34.2.2 Fair value hierarchy – Company

		Fair value hierarchy							
		Level 1		Level 2		Level 3		Total	
As at 31 March	Note	2018	2017	2018	2017	2018	2017	2018	2017
		LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets									
Fair value through profit and loss	33.2	35,560,781	36,051,028	-	-	-	-	35,560,781	36,051,028
Non-financial assets									
Land and building	11.2	-	-	-	-	248,000,000	443,800,000	248,000,000	443,800,000
Investment properties	12.1	-	-	-	-	415,800,000	220,000,000	415,800,000	220,000,000

35. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 Introduction

Financial Risk Management is the practice of economic value in a firm by using financial instrument, manage exposure to risk face by Group. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations. The major financial liabilities used by a group including debt securities, loans and borrowings and trade and other payables. The main purpose of these financial investments is to finance the Group's operations and to provide guarantees to support its operations.

35.2 Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established Group risk management policies to identify analyse the risk face 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 face by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee. The Committee reports regularly to the Board of Directors on its activities.

The Group is exposed to key financial risks include Credit Risk, Liquidity Risk, Market Risk.

The Board of Directors reviews, verifies, agree the policies for managing each type of risk which are summarised below:

35.3 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

35.3.1 Trade receivables

Customer credit risk is managed by each business units subject to Group's established policies procedures and controls relating to customer credit risk management.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, Management also considers the factors that may influence the credit risk of its customer based including default risk associate with the industry and country in which customers operate. Each new customer is analysed individually for 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 on an individual basis. The calculation is based on actual incurred historical data. The minimum exposure to credit risk at the reporting date is the carrying value of the each class of financial assets disclosed in Note 33.

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several industries and operate in largely independent markets and material payments being backed by guarantees and enters contractual agreements with client before starting the operations.

As at 31 March, the aging analysis of trade receivables that were not impaired was as follows:

	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Neither past due nor impaired	5,065,627,802	4,138,045,157	4,012,992,627	3,193,337,133
Past due but not impaired				
< 30 Days	894,939,112	759,159,587	693,258,320	452,648,678
30-60 Days	646,448,066	998,065,088	495,457,796	634,942,691
61-90 Days	285,196,327	133,897,691	231,774,493	123,717,871
91-120 Days	267,710,528	120,826,800	65,969,995	106,636,234
> 120 Days	2,163,823,666	1,371,698,132	1,991,218,747	1,261,117,769
	9,323,745,501	7,521,692,454	7,490,671,978	5,772,400,376

Management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

As at 31 March 2018, trade receivables and retention receivables with an initial carrying value of LKR 151,383,707/- (2017: LKR 83,696,141/-) for the Group and LKR 81,458,107/- (2017: LKR 81,053,746/-) for the Company were impaired and fully provided for. See below for the movements in the provision for impairment of receivables:

	Group	Company
	LKR	LKR
At 1 April 2016	46,039,609	42,296,638
Charge for the year	41,168,260	40,841,458
Reversal due to subsequent receipt	(3,511,727)	(2,084,350)
At 31 March 2017	83,696,141	81,053,746
Charge for the year	79,356,517	12,073,312
Utilised during the year	(6,147,212)	(6,147,212)
Reversal due to subsequent receipt	(5,521,739)	(5,521,739)
At 31 March 2018	151,383,707	81,458,107

35.3.2 Short-term deposits and cash and cash equivalents

Credit risk from balances with banks and financial institution is managed by the Group's treasury management in accordance with the Group's policy.

Treasury management established "investment policies" in place, funds invest with high liquidity and high level of safety. The funds may invest in investments grade assets with a rating award by rating agencies or awarded internally by the fund management company. The Group held short-term deposits and cash and cash equivalent as at 31 March 2018 which represents its maximum credit exposure on these assets.

As at 31 March 2018 – 99% (2017 – 99%) of the favourable balances of bank and financial institution were rated “A” or better for the Group,

Fitch rating – Group	2018		2017	
	LKR	%	LKR	%
AA+	832,985,374	25	1,196,077,823	37
AA	18,645,580	1	3,921,271	0
AA-	2,407,973,699	71	1,932,629,244	60
A+	45,593,267	1	44,817,241	1
A	73,331,518	2	69,495,586	2
BB+	460,121	0	29,052	0
Total	3,378,989,559	100	3,246,970,217	100

As at 31 March 2018 – 99% (2017 – 99%) of the favourable balances of bank and financial institution were rated “A” or better for the Company.

Fitch rating – Company	2018		2017	
	LKR	%	LKR	%
AA+	705,844,297	85	1,067,639,266	88
AA	3,683,271	1	3,787,628	0
AA-	10,057,963	1	55,094,310	5
A+	36,694,254	4	16,664,794	1
A	73,331,518	9	67,369,488	6
BB+	460,121	0	29,052	0
Total	830,071,424	100	1,210,584,538	100

The Group’s maximum exposure to credit risk for the components of the Statement of Financial Position at 31 March 2018 and 2017 is the carrying amounts as illustrated in Note 33.

35.3.3 Corporate debt securities

As at 31 March 2018, 100% (2017 – 100%) were guaranteed by a banking institution with a rating of “A” or better for the Group.

Fitch rating – Group	2018		2017	
	LKR	%	LKR	%
AA-	2,620,756	0	2,620,756	0
A+	556,663,297	38	500,462,329	35
A	922,748,478	62	922,748,478	65
	1,482,032,531	100	1,425,831,563	100

As at 31 March 2018, 100% (2017 – 100%) guaranteed by a banking institution with a rating of “A” or better for the Company.

Fitch rating – Company	2018		2017	
	LKR	%	LKR	%
AA-	-	0	-	0
A+	334,027,397	33	300,277,397	31
A	673,017,808	67	673,017,808	69
	1,007,045,205	100	973,295,205	100

35.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its risk of a shortage of funds using a liquidity planning tools. The Group’s approach of managing liquidity risk is to ensure as far as possible that it will always have sufficient liquidity meets its liability when due, and maintaining the balance between financial assets and liabilities and forecasting cash flows from operating activities, without incurring unacceptable losses or risking damages to the Group’s reputation.

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt instruments at an amount in excess of expected cash flows on financial liabilities. To measure and mitigate liquidity risk, the Company closely monitors its net operating cash flow, forecasting and maintaining a level of cash and cash equivalents and secured committed funding facilities from financial institutions.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group’s performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group’s policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Maturity analysis

The table below summarises, the maturity profile of Group's/Company's financial liabilities at 31 March 2018 based on contractual undiscounted payments:

	Carrying amount LKR	On demand LKR	6 months or less LKR	6-12 months LKR	More than 1 year LKR
Non-derivative financial liabilities – Group					
Bank overdrafts	564,712,154		564,712,154	–	–
Trade and other payables	10,116,721,429	–	6,781,581,547	3,335,139,882	–
Amounts due to related parties	68,558,191	–	68,558,191	–	–
Loans and borrowings	9,086,227,351	–	3,757,486,946	10,025,131	5,318,715,274
Income tax payables	88,268,191	–	88,268,191	–	–
Unclaimed dividend	31,626,686	31,626,686	–	–	–

	Carrying amount LKR	On demand LKR	6 months or less LKR	6-12 months LKR	More than 1 year LKR
Non-derivative financial liabilities – Company					
Bank overdrafts	–	–	–	–	–
Trade and other payables	7,218,909,464	–	4,158,742,527	3,060,166,937	–
Amounts due to related parties	31,541,539	–	31,541,539	–	–
Loans and borrowings	7,093,113,789	–	1,904,960,917	–	5,188,152,872
Unclaimed dividend	9,264,640	9,264,640	–	–	–

35.5 Market risk

Market risk is the risk that fair value of future cash flows of financial instruments will fluctuate because of changes in market price. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the Group Management.

Market risk comprises the following types of risk:

- I. Interest rate risk
- II. Currency risk
- III. Commodity price risk
- IV. Equity price risk

Financial instruments affected by market risk include loans and borrowings, deposits, AFS investments 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 exposure to the risk of changes market interest rates relates primarily to the Group long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial instruments. Group treasury designed capital structure guidelines for each projects at the planning stage and thereby maintains optimised level of gearing in the Group. The Group manage its interest rate risk by monitoring and managing cash flows negotiating favorable rates on borrowings and deposits including and maintaining on appropriate combination of fixed and floating rate risk.

Capital structure as at 31 March	Note	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Loans and borrowings	25	9,086,227,351	5,737,234,660	7,093,113,789	5,188,152,872
Bank overdraft	22	564,712,154	278,198,636	-	-
Total borrowings		9,650,939,505	6,015,433,296	7,093,113,789	5,188,152,872
Equity		23,080,270,994	21,551,219,039	17,867,625,335	17,221,476,543
Debt/Equity (%)		41.81	27.91	39.70	30.13

At the reporting date, the interest rate profile of the Group's/Company's interest-bearing financial instruments were:

Capital structure as at 31 March	Note	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Fixed rate instruments					
Financial assets		3,548,536,418	4,935,206,436	1,286,557,018	2,595,825,287
Financial liabilities		5,014,568,874	5,021,138,526	5,188,152,872	5,188,152,872
Variable rate instruments					
Financial liabilities		4,636,370,631	994,294,770	1,904,960,917	-

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group exposes to the foreign currency risk on purchases, foreign operations that are denominated in a foreign currencies. These currencies primarily are the Euro, US Dollars (USD), Pound (GBP) and Djiboutian Franc.

The Group hedges its exposure to fluctuations on the translation of its foreign operations by forward contracts and matching sales and purchases to same currency. The Group's treasury management closely monitors the exchange rate fluctuations and advices Management regular basis.

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the Management of the Group is as follows:

	2018						2017				
	EUR	USD	GBP	DJF	SGD	JPY	EUR	USD	GBP	DJF	JPY
Trade and other receivables	1,893,089	3,374,740	-	-	-	-	7,372,548	3,011,157	-	-	-
Cash at bank	1,335,165	976,095	87,470	4,372,286	-	-	84,738	5,100,823	86,816	8,424,789	-
Trade and other payables	(230,627)	(880,821)	(167,037)	-	(12,900)	206,336,470	(3,688,717)	(1,642,986)	(154,293)	-	(534,768,955)
Net statement of financial position exposure	2,997,627	3,470,014	(79,567)	4,372,286	(12,900)	206,336,470	3,768,569	6,468,994	(67,477)	8,424,789	(534,768,955)

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

	2018						2017				
	EUR	USD	GBP	DJF	SGD	JPY	EUR	USD	GBP	DJF	JPY
Trade and other receivables	1,893,089	3,374,740	-	-	-	-	7,372,548	3,011,157	-	-	-
Cash at bank	1,335,165	976,095	87,470	4,372,286	-	-	84,738	5,100,823	86,816	8,424,789	-
Trade and other payables	(230,627)	(861,855)	-	-	(12,900)	-	(3,688,717)	(1,642,498)	-	-	-
Net statement of financial position exposure	2,997,627	3,488,980	87,470	4,372,286	(12,900)	-	3,768,569	6,469,482	86,816	8,424,789	-

The following significant exchange rates were applicable during the year 2017/18:

	Company/Group Year end Spot Rate	
	2018	2017
	LKR	LKR
EUR	195.17	165.43
USD	157.49	153.91
GBP	222.58	193.18
DJF	0.83	0.86
SGD	120.80	110.85
JPY	1.49	1.38

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	2018		2017	
	Strengthening	Weakening	Strengthening	Weakening
	LKR	LKR	LKR	LKR
EUR (10% movement)	58,505,076	(58,505,076)	62,343,437	(62,343,437)
USD (10% movement)	54,652,610	(54,652,610)	99,564,283	(99,564,283)
GBP (10% movement)	(1,720,228)	1,720,228	(1,303,513)	1,303,513
DJF (10% movement)	362,463	(362,463)	724,532	(724,532)
SGD (10% movement)	(155,826)	155,826	-	-
JPY (10% movement)	(30,197,342)	30,197,342	(74,001,328)	74,001,328

Company	2018		2017	
	Strengthening	Weakening	Strengthening	Weakening
	LKR	LKR	LKR	LKR
EUR (10% movement)	58,505,076	(58,505,076)	62,343,437	(62,343,437)
USD (10% movement)	54,948,434	(54,948,434)	99,571,797	(99,571,797)
GBP (10% movement)	1,946,898	(1,946,898)	1,677,111	(1,677,111)
DJF (10% movement)	362,463	(362,463)	724,532	(724,532)
SGD (10% movement)	(155,826)	155,826	-	-

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price arising from uncertainties about future values of the investment securities. The Treasury management monitors the mix of debt and equity securities in investment portfolio based on market indicators and manage risk through diversification of portfolio. Reports on the equity portfolio are submitted to the Group's Senior Management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

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35.6 Capital management

Capital management is financial strategy aimed ensuring maximum efficiency in a company's cash flow. The Group's objective of capital management is to maintain strong financial position healthy capital ratios in order to safeguard the Company's ability to continue as a going concern in order to maximise shareholder value. Capital consists of share capital, reserves, retained earnings and non-controlling interests of the Group. The Group's Management and Board of Directors monitor the return on capital and dividends to ordinary shareholders.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 2017.

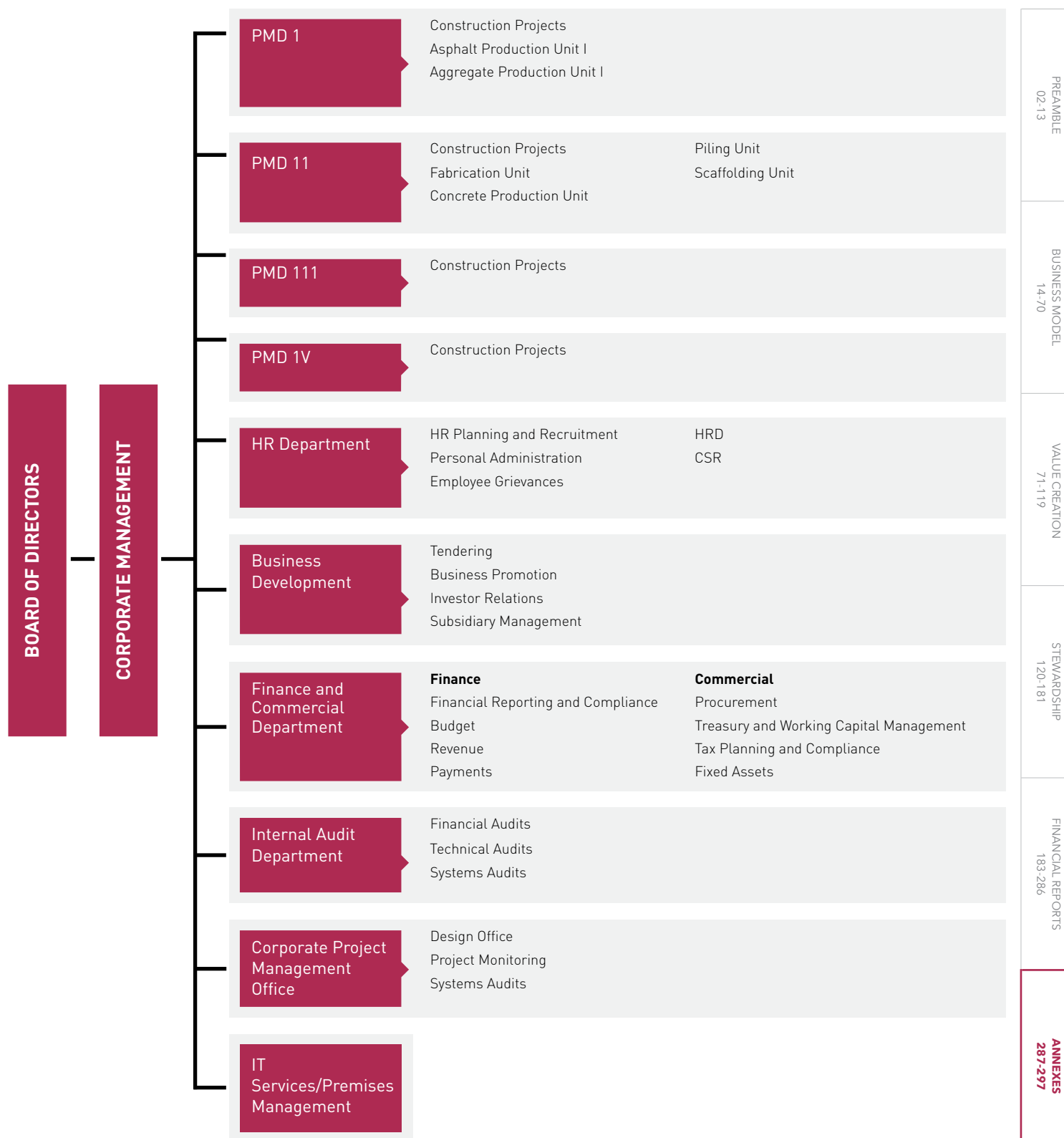
35.7 Distribution made and proposed

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the Statement of Profit or Loss.

Distribution made and proposed are disclosed in Note 23.3.

OPERATING STRUCTURE



EIGHT YEAR SUMMARY

		2017/18	2016/17	2015/16
PREAMBLE 02-13	Statement of Profit or Loss and Other Comprehensive Income Highlights			
	Revenue	LKR Mn.	26,056	20,448
	Gross profit	LKR Mn.	4,061	4,732
	EBITDA	LKR Mn.	5,677	4,272
BUSINESS MODEL 14-70	EBIT	LKR Mn.	4,623	3,352
	Net finance income/cost	LKR Mn.	(383)	150
	Profit after tax	LKR Mn.	3,026	2,746
	Profit attributable to equity holders	LKR Mn.	3,071	2,708
VALUE CREATION 71-119	Statement of Financial Position Highlights			
	Property, plant and equipment	LKR Mn.	5,980	5,428
	Total non-current assets	LKR Mn.	21,171	16,074
	Cash and cash equivalent	LKR Mn.	1,394	950
STEWARDSHIP 120-181	Short-term deposits	LKR Mn.	2,041	2,922
	Total assets	LKR Mn.	44,439	36,046
	Stated capital	LKR Mn.	9,000	9,000
	Retained earnings	LKR Mn.	11,376	9,590
FINANCIAL REPORTS 183-286	Equity attributable to equity holders	LKR Mn.	20,781	18,840
	Loans and borrowings	LKR Mn.	9,086	5,737
	Total non-current liabilities	LKR Mn.	6,540	5,680
	Statement of Cash Flow Highlights			
ANNEXES 287-297	Cash flows generated from operating activities	LKR Mn.	630	1,994
	Cash flows used in investing activities	LKR Mn.	(2,226)	(1,327)
	Cash flows generated from/(used in) financing activities	LKR Mn.	1,753	(87)
	Key Financial Ratios			
	EPS	LKR	3.07	2.71
	DPS	LKR	1.20	1.50
	Net assets per share	LKR	20.78	18.84
	Dividend payout	%	39.08	55.39
	ROE	%	13.1	12.7
	ROCE	%	14.40	12.3
	Gearing	%	43.70	30.5
	Current ratio	Times	1.60	2.3
	Quick ratio	Times	1.20	1.7
	Price per share	LKR	20.50	23.8
	Investor Highlights			
	Total number of shareholders	No.	5,816	6,119
	% of public holding	%	42.31	39.59
	Value of shares traded	LKR Mn.	2,729	3,625
	No. of trades	No.	10,750	25,709

2014/15	2013/14	2012/13	2011/12	2010/11
16,514	16,373	13,900	7,320	3,651
3,815	4,186	3,061	2,121	1,296
3,322	3,771	2,883	2,159	1,498
2,653	3,180	2,433	1,931	1,359
110	136	239	102	22
2,424	2,902	2,412	1,737	1,167
2,346	2,833	2,376	1,733	962
4,222	3,787	3,741	2,672	1,229
9,155	7,349	7,579	6,641	4,029
1,918	1,521	703	1,641	225
1,048	1,140	1,371	883	96
22,328	20,204	16,642	14,284	5,767
9,000	9,000	9,000	9,000	3,000
7,169	5,815	3,486	1,670	1,144
16,269	14,916	12,486	10,670	4,344
350	65	8	13	625
514	359	259	174	525
3,218	1,608	1,301	638	745
(2,337)	(341)	(1,721)	(3,332)	(1,329)
(737)	(459)	(513)	4,116	309
2.35	2.83	2.38	1.83	1.20
1.00	0.50	0.50	0.27	2.00
16.27	14.92	12.49	10.67	7.24
43	18	21	15	167
14.4	19	19	16.2	22.1
15.4	20.5	18.9	17.5	27.9
2.1	0.4	0.1	0.1	14.4
2.6	2.8	2.4	2.3	1.9
2.1	2.3	1.9	1.8	1.6
19.2	22.5	19.7	26.7	N/A
4,610	2,196	2,153	1,838	N/A
37.92	35.53	36.52	36.52	N/A
14,900	2,148	1,265	45	N/A
49,154	10,229	13,535	975	N/A

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OUR STORY

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2004

AEL was awarded the highest accreditation in many fields of civil engineering by the Institute of Construction Training and Development (ICTAD) which is the governing body of the industry and developed its Quality Management System (QMS) in conformity to the requirements of ISO 9001:2004 to continuously improve the effectiveness and efficiency of its performance.



2008

Access Realities (Private) Limited, which is the owner and the managing agent of Access Tower, a 12-story modern A-Grade office complex in the Central Business District of Colombo became a subsidiary of AEL.



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).

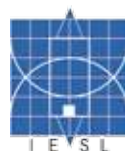


2009

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.

2011

To cater to the growing demand for infrastructure development following the end of a three decade long civil war and build sufficient capacity for expansion AEL issued 180 million ordinary shares raising LKR 4.5 Bn. in a private placement. For the first time in the corporate history of Sri Lanka the founder shareholders gifted LKR 3 Bn. worth of ordinary shares among over 1,000 of its dedicated employees. AEL became the first construction company in Sri Lanka to become a part of the world's largest corporate sustainability initiative, the United Nations Global Compact (UNGC). Integrating its operations backward AEL ventured into the production of construction related material such as asphalt, ready mix concrete, crusher products and quarry operations.



2010

AEL was accredited by the Institution of Engineers Sri Lanka (IESL) as an institution for training of engineers for professional charter.



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 Realities 2 (Private) Limited. AEL acquired 80% of issued share capital of Access Projects (Private) Limited an industry leader in interior and aluminium works.



2016

AEL invested in 50% issued share capital of Blue Star Realities (Private) Limited [former Blue Star Constructions (Private) Limited] for the construction of 242 luxury condominium apartment units in Rajagiriya. SML Frontier Automotive (Private) Limited was appointed the sole distributor for Jaguar vehicle in Sri Lanka.



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.



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.



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.

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AWARDS AND ACCOLADES

NATIONAL AWARD FOR CONSTRUCTION PERFORMANCE FOR THE YEAR 2017



Construction of Canal Bank Protection Works of St. Sebastian South Canal

Valued between LKR 100 Mn. and LKR 500 Mn.

Awarded by the Construction Industry Development Authority



Asphalt paving works for Colombo Port Expansion Project – East Container Terminal – Phase I

Valued between LKR 100 Mn. and LKR 500 Mn.

Awarded by the Construction Industry Development Authority

ANNUAL REPORT AWARDS – 2017



Construction Sector – Gold

Awarded by The Institute of Chartered Accountants of Sri Lanka

PEOPLE DEVELOPMENT AWARD – 2017



Gold Award

Awarded by the Sri Lanka Institute of Training and Development

BEST CORPORATE CITIZEN SUSTAINABILITY AWARD – 2017



Ten Best Corporate Citizens

Awarded by the Ceylon Chamber of Commerce



Less than LKR 15 Bn. Turnover – Winner

Awarded by the Ceylon Chamber of Commerce



Construction Sector – Winner

Awarded by the Ceylon Chamber of Commerce



Corporate Environment Management – Winner

Awarded by the Ceylon Chamber of Commerce

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ABBREVIATIONS

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Short Form	Definition
ABC	Aggregate Base Course
ACA	Associate Member of Chartered Accountants
ADB	Asian Development Bank
AEL	Access Engineering PLC
A&F	Aluminum & Finishes
AFS	Available for Sale
AGM	Annual General Meeting
APL	Access Projects (Private) Limited
ARL	Access Realities (Private) Limited
ASPI	All Share Price Index
AWPLR	Average Weighted Prime Lending Rate
BIA	Bandaranaike International Airport
BOC	Bank of Ceylon
BOD	Board of Directors
BOI	Board of Investment
BSc	Bachelor of Science
CAGR	Compound Annual Growth Rate
CBSL	Central Bank of Sri Lanka
CD	Compact Disc
CEA	Central Environmental Authority
CEO	Chief Executive Officer
CFL	Compast Fluorescent Lamp
CFM	Close Family Members
CG	Corporate Governance
CGIR	Commissioner General of Inland Revenue
CGU	Cash Generating Unit
CHEC	China Harbour Engineering Company
CICT	Colombo International Container Terminals
CIDA	Construction Industry Development Authority
CIMA	Chartered Institute of Management Accountants
CISO	Chief Information Security Officer
CKD	Chronic Kidney Disease
CMA	Institute of Certified Management Accountants of Sri Lanka
COO	Chief Operating Officer
CPC	Code of Civil Procedure
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
CVCD	Committee of Vice-Chancellors and Directors
DGM	Deputy General Manager
DI	Ductile Iron
DLP	Defects Liability Period
DPS	Dividend Per Share
DTET	Department of Technical Education and Training
EBIT	Earnings Before Interest and Taxes

Short Form	Definition
EBITDA	Earning Before Interest Tax Depreciation and Amortisation
EBT	Earnings Before Tax
EMP	Environmental Management Plan
EMS	Environment Management System
EPD	Environmental Product Declarations
EPF	Employees' Provident Fund
EPL	Environmental Protection License
EPS	Earnings Per Share
ETR	Effective Interest Rate
ERP	Enterprise Recourse Planning
ESG	Environmental, Social and Governance
ETF	Employees' Trust Fund
E WASTE	Electronic Waste
FRICS	Fellow – Royal Institution of Chartered Surveyors
FTTH	Fiber to the Home
FVTPL	Fair Value Through Profit or Loss
FW&C	Floor, Wall & Ceiling Finishes
FY	Financial Year
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GM	General Manager
GoSL	Government of Sri Lanka
GRI	Global Reporting Initiative
GHG	Greenhouse Gas
GSP	Generalised System of Preferences
HDD	Horizontal Directional Drilling
HDPE	High Density Polyethylene
HR	Human Resources
HRIS	Human Recourse Information System
HTML	Hypertext Markup Language
IAS	International Accounting Standards
ICASL	Institute of Chartered Accountants of Sri Lanka
ICRA	Indian Credit Rating Agency
ICT	Information and Communication Technology
ICTAD	Institute of Construction Training and Development
IESL	Institution of Engineers Sri Lanka
IFAD	International Fund for Agricultural Development
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IOC	Lanka Indian Oil Company
IPOs	Initial Public Offerings
IROCGS	Interest Rate of Comparable Government Securities

Short Form	Definition
ISO	International Organisation for Standardization
IT	Information Technology
ITC	Indian Tobacco Company
IUCN	International Union for Conservation of Nature
JKH	John Keells Holdings
JV	Joint Venture
KMP	Key Management Personnel
KPI	Key Performance Indicator
KWH	Kilowatt Hour
LC	Letter of Credit
LCB	Licensed Commercial Banks
LED	Light Emitting Diodes
LEED	Leadership in Energy and Environmental Design
LKAS	Sri Lanka Accounting Standards
LTD	Limited
LTIFR	Lost Time Injury Frequency Rate
MBA	Master of Business Administration
MD	Managing Director
MD & A	Management Discussion & Analysis
MENA	Middle East and North Africa
M&E	Mechanical and Engineering
MLT	Maintain Load Test
MoU	Memorandum of Understanding
MSAN	Multi Service Access Node
NAITA	National Apprentice and Industrial Training Authority
NBFI	Non-Bank Financial Institution
NBT	Nation Building Tax
NCASL	National Construction Association of Sri Lanka
NCI	Non-Controlling Interest
NED	Non-Executive Director
NP	Net Profit
NWSDB	National Water Supply and Drainage Board
NAITA	National Apprentice and Industrial Training Authority
OCI	Other Comprehensive Income
ODS	Ozone Depleting Substances
OHSAS	Occupational Health and Safety Assessment Series
OSP	Out Side Plant
OTDR	Optical Time Domain Reflectometer
PAT	Profit After Tax
PAYE	Pay As You Earn
PDA	Pile Driving Analyser
PIM	Postgraduate Institute of Management
PLC	Public Liability Company
PLR	Public Lending Right
PMB	Polymer Modified Bitumen

Short Form	Definition
PMD	Project Management Division
PMP	Project Management Professional
PPE	Property Plant and Equipment/Personnel Protective Equipment
PPP	Public-Private Partnership
PUC	Projected Unit Credit
QMS	Quality Management System
RC	Reinforced Concrete
R&D	Research and Development
RDA	Road Development Authority
ROCE	Return on Capital Employed
ROE	Return on Equity
ROI	Return on Investment
RPT	Related Party Transactions
SAP	Systems Applications and Products in Data Processing
S & P SL 20	Standard and Poors Sri Lanka 20
SCADA	Supervisory Control and Data Acquisition
SCB	Soil-Cement Bentonite
SEC	Securities and Exchange Commission
SGT	Super Gain Tax
SIC	Standard Interpretations Committee
SID	Senior Independent Director
SL	Sri Lanka
SLAAS	Sri Lanka Association for the Advancement of Science
SLAuS	Sri Lanka Auditing Standards
SLFRS	Sri Lanka Financial Reporting Standards
SML	Sathosa Motors PLC
SLSAE	Sri Lanka Standard on Assurance Engagements
SLT	Sri Lanka Telecom
SMLF	SML Frontier Automotive (Private) Limited
SOP	Standard Operating Procedure
TAC	Tax Appeal Commission
UDA	Urban Development Authority
UK	United Kingdom
UN	United Nations
UNGC	United Nations Global Compact
UPS	Uninterruptible Power Supply
US	United States
USA	United States of America
USD	United States Dollar
USSR	Union of Soviet Socialist Republics
WTP	Water Treatment Plant
YOY	Year on Year
ZPMC	Zhenhua Heavy Industries Company Limited

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DIRECTORS OF SUBSIDIARY COMPANIES

PREAMBLE 02-13	Company Name	Name of Director
BUSINESS MODEL 14-70	Sathosa Motors PLC	S J S Perera
		T D Gunasekara
		E S Coorey
		M M N De Silva
		J C Joshua
		D A R Fernando
		S H S Mendis
		S D Munasinghe C Wijesinghe
VALUE CREATION 71-119	Access Realties (Private) Limited	S J S Perera
		J C Joshua
		R J S Gomez
		D A R Fernando
		S H S Mendis
		S D Munasinghe
		S D Perera
STEWARDSHIP 120-181	Access Projects (Private) Limited	S J S Perera
		D D S Ferdinando
		S D Perera
		I S N Fernando
		S P Wanigasundara
		R M R K Wickramasinghe
		T A L N Thilakarathne
FINANCIAL REPORTS 183-286	Horizon Holdings Ventures (Private) Limited	D A U Priyasaman
		M Dharmapriya
		R M R K Wickramasinghe
		V K Manatunge
	Horizon Knowledge City Limited	D A U Priyasaman
		M Dharmapriya
		S J S Perera
		J C Joshua
		D A R Fernando
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		S J S Perera
		J C Joshua
		D A R Fernando
		B Yinzhan
		Z Xiaoqiang

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of Access Engineering PLC will be held at The National Chamber of Commerce, Sri Lanka No. 450, D R Wijewardena Mawatha, Colombo 10 on Wednesday 19 September 2018 at 3.00pm and the business to be brought before the Meeting will be:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31 March 2018 and the Report of the Auditors thereon.
2. To re-elect as a Director Mr S D Perera who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company.
3. To authorise the Directors to determine donations for the ensuing year.
4. To reappoint Messrs KPMG, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

By Order of the Board
Access Engineering PLC

Sgd.
P W CORPORATE SECRETARIAL (PVT) LTD.
Director/Secretaries

6 August 2018
Colombo

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
2. A Proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 278, Union Place, Colombo 2, not less than thirty-six (36) hours before the time fixed for the commencement of the Meeting.

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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 Ranjan John Suriyakumar Gomez	of Colombo or failing him*
Mr Joseph Christopher Joshua	of Colombo or failing him*
Mr Shevantha Harindra Sudhakara Mendis	of Colombo or failing him*
Mr Dalpadoruge Anton Rohana Fernando	of Colombo or failing him*
Mr Saumaya Darshana Munasinghe	of Colombo or failing him*
Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe	of Colombo or failing him*
Mr Niroschan Dakshina Gunaratne	of Colombo or failing him*
Mr Suresh Dilhan Perera	of Colombo or failing him*
Mr Dinesh Stephan Weerakkody	of Colombo

as my/our* Proxy to vote as indicated hereunder for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 19 September 2018 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 S D Perera who retires in terms of Article No. 88 (i) of the Articles of Association of the Company, as a Director	<input type="text"/>	<input type="text"/>
Resolution 2		
To authorise the Directors to determine donations for the ensuing year.	<input type="text"/>	<input type="text"/>
Resolution 3		
To reappoint Messrs KPMG, Chartered Accountants as Auditors of the Company and authorise the Directors to determine their remuneration.	<input type="text"/>	<input type="text"/>

In witness my/our* hand/s this day of Two Thousand and Eighteen.

.....
Signature of Shareholder/s

* Please delete the inappropriate words.
Instructions as to completion appear on the reverse.

INSTRUCTIONS AS TO COMPLETION

1. This Form of Proxy must be deposited at No. 278, Union Place, Colombo 2 not less than thirty-six (36) hours before the time fixed for the Meeting.
2. In perfecting the Form of Proxy please ensure that all details are legible.
3. If you wish to appoint a person other than a Director of the Company as your proxy, please insert the relevant details in the space provided.
4. Please indicate with an 'X' in the space provided, how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.
5. In the case of a company/corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
6. In the case of a proxy signed by an Attorney, the Power of Attorney must be deposited at The Secretaries' Office (i.e. P W Corporate Secretarial (Private) Limited., No. 3/17, Kynsey Road, Colombo 8) for registration.
7. In the case of joint holders the Form of Proxy must be signed by the first holder.

CORPORATE INFORMATION

NAME OF COMPANY

Access Engineering PLC

REGISTERED OFFICE

Access Engineering PLC

Access Towers

278, Union Place,

Colombo 2,

Sri Lanka.

Tel : +94 11 760 6606

Fax : +94 11 760 6605

Web : www.accessengsl.com

E-mail: investor.relations@accessengsl.com

LEGAL FORM

A public limited liability company incorporated in Sri Lanka on 31 July 2001 under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 on 6 February 2008.

Ordinary Voting Shares are listed on the Main Board of the Colombo Stock Exchange.

Rated Senior Unsecured Redeemable Debentures are listed on the Colombo Stock Exchange.

COMPANY REGISTRATION NUMBER

PB 200 PQ

BOARD OF DIRECTORS

S J S Perera

J C Joshua

D A R Fernando

S H S Mendis

S D Munasinghe

R J S Gomez

Prof K A M K Ranasinghe

N D Gunaratne

S D Perera

D S Weerakkody

AUDIT COMMITTEE

N D Gunaratne – Chairman

Prof K A M K Ranasinghe

D S Weerakkody

S D Perera

REMUNERATION COMMITTEE

D S Weerakkody – Chairman

Prof K A M K Ranasinghe

N D Gunaratne

S D Perera

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

N D Gunaratne – Chairman

Prof K A M K Ranasinghe

D S Weerakkody

D A R Fernando

INVESTMENT AND SUBSIDIARY PERFORMANCE MONITORING COMMITTEE

Prof K A M K Ranasinghe – Chairman

J C Joshua

D A R Fernando

N D Gunaratne

D S Weerakkody

STRATEGIC PLANNING COMMITTEE

S J S Perera – Chairman

J C Joshua

D A R Fernando

Prof K A M K Ranasinghe

BANKERS

Bank of Ceylon

Nations Trust Bank PLC

Sampath Bank PLC

Hatton National Bank PLC

Commercial Bank of Ceylon PLC

People's Bank

DFCC Bank PLC

National Development Bank PLC

Union Bank of Colombo PLC

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

32 A, Sir Mohamed Macan Markar

Mawatha,

Colombo 3,

Sri Lanka.

Tel : +94 11 242 6426

Fax : +94 11 244 5872



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ACCESS ENGINEERING PLC

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