



# CENTRAL ENGINEERING SERVICES (PVT) LTD.

(We are ISO 9001 and ISO 14001 Certified Company.)



## ANNUAL REPORT 2015



A FULLY OWNED SUBSIDIARY OF CECB  
MINISTRY OF MAHAWELI DEVELOPMENT AND ENVIRONMENT

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**Inner Back Cover** Corporate Information





“Central Engineering Services (Pvt) Ltd (CESL) is a fully owned subsidiary of the Central Engineering Consultancy Bureau (CECB) incorporated as a limited liability company on 16th December 2003 under the Companies Act No: 17 of 1982 and re registered on November 2009 under the Companies Act No 07 of 2007.”

CESL became actively operational at the beginning of 2011 to make use of the opportunity created by the high demand for construction services as a result of the boom during this period. CESL took up the challenges which the industry offered, gaining construction management and technical exposure, as well as its project management know how by working alongside CECB. The Core business of CESL is centered on the construction of Buildings, Roads, Bridges, Irrigation Structures, and Other Special Projects. The company is also involved in the production of concrete and asphalt for its projects.

CESL construction serves clients in the public sector as well as the private sector. CESL earned the trust of hundreds of government officials, business leaders, and administrators by meeting time targets, again on all types of institutional construction projects. Our early entry into the industry as consultants, under CECB umbrella, way back in 1973, taught us many lessons that presently act as source of motivation. Also the construction experience under the umbrella of CECB creates a sustainable business environment.

# VISION \_\_\_\_\_ ●

To be the unique model for the construction industry in Sri Lanka.

# MISSION \_\_\_\_\_ ●

Acquiring excellence in construction technology and process innovation with a highly motivated, trained staff whose contribution is adequately recognized.

# CORPORATE GOALS \_\_\_\_\_ ●



- Integrated and Transparent Management System for all Functional Areas.
- Establish a unique Quality, Environment, Health and Safety System.
- To maintain adequate working capital by diversified investments.
- To have the best Human Resource base in the construction industry.
- Effective management of CESL assets as an independent profit making entity.
- Introduce system improvement methodology using modern technologies to optimize construction cost.
- To maintain adequate work in hand and develop organizational sustainability.

# VALUES ---

- **CLIENTS** - We aim to provide our clients with innovative, long lasting and quality products and deliver engineering services that go beyond their expectations.
- **STAFF** - To attract and retain motivated and talented professionals by providing career development opportunities and rewarding career paths.
- **SUSTAINABILITY** - To ensure long-term environmentally sustainable infrastructure, provide assistance to our clientele and also to utilize energy efficient construction processes and equipment during developments.
- **GENDER EQUITY** - Assigning resources, programs, and decision making fairly to both males and females without any discrimination on the basis of gender, and addressing any imbalances in benefits available to both males and females.
- **POSITIVE "QHSE" CULTURE** - Our main priority is to ensure the well-being of our workforce in all activities that we carry out by nurturing a behavioral culture that places a strong focus on health and safety. The company all functional areas are covered by a Quality Health Safety and Environment Management System.



**Buildings**



**Roads**



**Bridges**



**SERVICE SECTORS**



**Other Special Projects**



**Irrigation Structures**

## BUILDINGS

CESL has been in the fore-front of design and construction of buildings on a turnkey basis in the country. The construction work undertaken so far range from multistoried buildings, factory type buildings and iconic buildings to entire townships developments suitable all over the island.

Recently CESL has undertaken rehabilitation and refurbishment of buildings of architecturally important nature.

CESL largely depends on its in house expertise. However, in special cases CESL can engage personal such as reputed architects to strengthen its project teams to suit various requirements of a specific project.

- Architectural
- Structural
- Electro-Mechanical
- Water Supply & Drainage
- Information Technology
- Building Services
- Contract & Quantity Surveying
- Project Management
- Engineering Procurement & Construction



## ROADS

CESL with years of experience in planning, designing and the construction of roads in Sri Lanka is an expert in the sector. The firm's rich experience includes,

- Construction of trunk roads, arterial roads and elevated roads and widening, rehabilitation, up gradation, and resurfacing, etc.
- Construction of complete road furniture.





## BRIDGES

CESL is an expert in bridge engineering and have vast experience in design and construction of bridges & culverts in the country. Over the years CESL has been able to gain an inevitable reputation in design, construction and maintenance of,

- Concrete and Steel Flyovers.
- Concrete, Steel and Composite Bridges.
- Pedestrian Bridges, Overpass Bridges.
- Rehabilitation and strengthening of existing bridges.
- Drainage structures such as culverts, lined roadside drains and lead way drains.



## IRRIGATION STRUCTURES

The engineering expertise of the CESL in irrigation extends to plan design execution and commissioning of large scale irrigation projects.

This assignment includes; Augmentation, rehabilitation and construction of reservoirs, canals, anicuts, earthen dams, regulation structures, weirs, and hydraulic structures, etc.



## OTHER SPECIAL PROJECTS

CESL contribute to the planning, designing and the construction of any special projects in other sectors. This includes;

- Developing Zoological Garden & Safari Parks.
- Bio Diversity Parks.
- Play Grounds.
- Sewerage & Water Treatment Plants.







olicies.

Stage Index

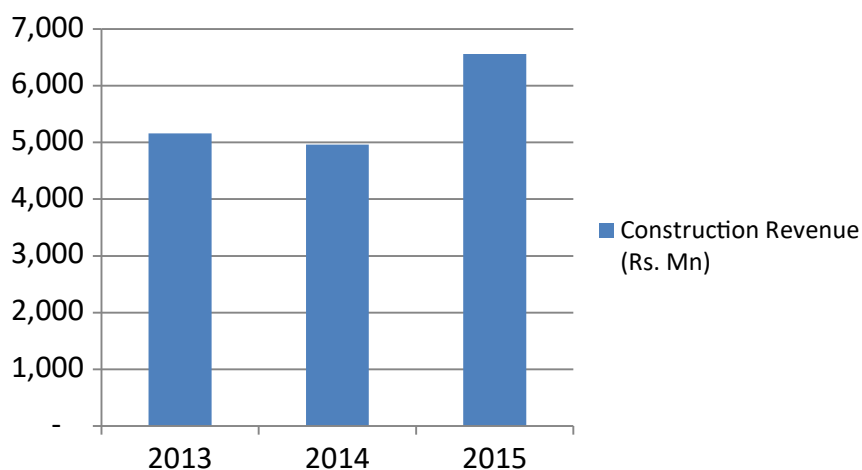
Key indicators

	US\$
Equity securities	1,20
Debt securities	2,91
Banking deposits	4,22
Equity securities	3,85
Total	12,205

9.9%

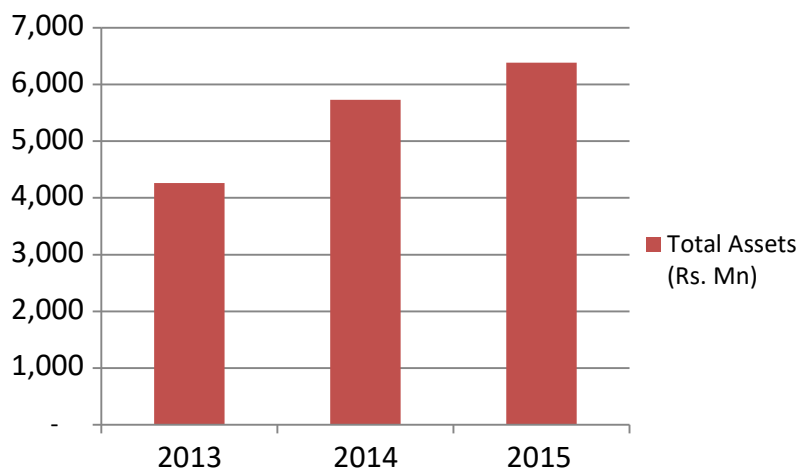
	2015 Rs. Mn	2014 Rs. Mn
Construction Revenue	6,561	4,960
Gross Profit	448	254
Net Profit Before Tax	118	132
Net Profit After Tax	81	103
Total Assets	6,385	5,729
Contributed Capital	10	10
Total Equity	218	137
Total Equity Equilibrium	6,385	5,729
Current Assets	5,978	5,288
Current Liabilities	5,001	4,307

### Construction Revenue (Rs. Mn)



Revenue (Rs. Mn)		
2013	2014	2015
5,157	4,960	6,560

### Total Assets (Rs. Mn)



Total Assets (Rs. Mn)		
2013	2014	2015
4,261	5,729	6,385





*"Since the company's establishment, it was furnished by a crew of innovative engineers who craved to introduce a vast range of construction services to serve the public with all surfaces of construction."*

It is with great pleasure and pride that I report to you that we can look back on another successful year for Central Engineering Services (Pvt) Ltd in 2015. It was yet another rewarding year for CESL denoted by healthy results in all aspects of operation of the company. We continually build up our core business of construction and looking forward to achieve steady growth of the business with the transfer of construction division of CECB to CESL from 2016 onwards.

*“CESL was able to register its highest revenue of LKR 6.5 Billion for the financial year under review, an impressive 33% year on year growth over the LKR 4.9 Billion recorded in the previous year.”*

Always, we have worked diligently to fulfill the needs of the stake holders of the company. As a reflection of our commitment, this integrated annual report has been prepared to tabulate our results for the year ended 31st December 2015.

I am deeply gratified to note that our foresight and coordinated planning have helped to yield positive results for the year 2015. CESL was able to register its highest revenue of LKR 6.5 Billion for the financial year under review, an impressive 33% year on year growth over the LKR 4.9 Billion recorded in the previous year. Moreover, CESL has further strengthened its financial position with total assets standing at LKR 6.3 Billion as at 31st December 2015.

I believe there is always a time lag between the new Government assuming office and the declaration of revised economic policies, which would have some impact on the CESL in the first few months of the forthcoming years. I am confident that infrastructure development of the country would increase rapidly by focusing on long term national development. This would lay the groundwork for CESL to lead the construction industry as a major constructor. Moreover, CESL has reached its growth phase and growth is expected to be accelerated by collaborating with its parent organization CECB from the year 2016.



On behalf of the Board of Directors, I would like to extend my appreciation to our stakeholders for their trust and confidence on CESL. I would also thank the Management team and staff for their commitment and dedication in ensuring the success of the CESL. In conclusion, I wish to thank the Directors for their unwavering support throughout the year.



**Eng. G. D. A. Piyathilake**  
Chairman







### **Eng. G. D. A. Piyathilake - Chairman**

*BSc.Eng (Hons)., PG.Dip (Const.Mgt), PG.Dip (Ports & Coastal) Norway, MIE(SL), C Eng, MASCE*

Eng. Piyathilake started his career in CECB as a Design Engineer in 1983. In 1985 he became a Resident Engineer of CECB. 1988 to 1990 he has worked as a Design Engineer. Following which he worked as the Senior Resident Engineer (Construction) from 1991 to 1995.

He worked in the Position of Project Manager / Consultant from 1995 to 2002 and became the Project Manager of EPC - Construction unit in 2005. He was appointed as a Deputy General Manager (WP - 1) in 2005 and became the Additional General Manager of (WP - 1) section in 2007.

In 2010 he was appointed as Corporate Additional General Manager of EPC Division of CECB. In 2015 he became the Chairman of CECB and CESL. In his long career he has excelled his duty both as a Civil Engineer and as a Manager.



### **Eng. N. Rupasinghe - Director**

*BSc.Eng (Hons)., PG.Dip (Hydropower) Norway., C Eng., MIE(SL)., MICE (UK)., Ltd Surveyor*

Soon after graduation Eng. Nihal Rupasinghe joined the Faculty of Engineering of University of Peradeniya as an Instructor. In 1981 he became a member of the CECB family. He worked as a Civil Engineer until 1987. He was promoted as chief Resident Engineer in 1989. He has worked as a Project Manager since 1997. He was instrumental in forming EPC Division of the CECB in 1996 and became Additional

General Manager (EPC) in 1999. He took over the Leadership of CECB as its chairman in 2005 and served in this capacity until 2015.

In 2015 he was appointed as the Secretary of the Ministry of Mahaweli Development and Environment. In the same year he was appointed as the Secretary of Ministry of Mega Police and Western Development. He has been a Director of CESL since its inception.



### **Mr. M. R. G. Ranathunga - Director**

*LL.B (Sri Lanka), Attorney-at-Law, Notary Public, Company Secretary ,  
Commissioner of oaths, Actg. Magistrate*

Appointed to the Board as Director in 2015.

He became an Attorney at Law in 1985 and took oaths as an Acting Magistrate in Polonnaruwa in 1990. In 1998, he was appointed as commissioner of oaths. He obtained the Notary license in the district of Polonnaruwa in year 1998.

Mr. M.R.G.Ranathunga also serves as a working Director of CECB from 2015. Further he was a working Director to CECB during the period of 2007 to 2010.

He was formerly a secretary to Rakna Lanka (Pvt) Ltd. Presently he is one of the director of “Api Wenuwen Api” programme under Ministry of Defense. He has held Director positions at Water Resource Board and Fertilizer Corporation.



### **Eng. K. L. S. Sahabandu - Director**

*Bsc.Eng (Hons)., PG.Dip (Hydro Eng)., MSC (Structural Eng)., C Eng,  
MIE(SL)., MICE (London), M Cons (SL)., MSSE(SL)*

Joined the Central Engineering Consultancy Bureau as a Site Engineer in 1980. In 1983 he was appointed as a Structural Design Engineer for the Randenigala & Rantambe Hydropower projects. He became the Senior Design Engineer of the Structural Design Division of CECB in 1988.

From 1994 to 2000 he served the CECB as Chief Design Engineer and he was appointed as Project Manager (EPC - Design Unit) in 2001.

In 2006 he became the Additional General Manager (Design , Research & Development). In addition he has served CECB as corporate Additional General Manger (Consultancy) form 2010 to 2013.

Since 2013 he has held the position of General Manager of CECB and he is a member of the Board of Directors of CESL.





### **Mr. S. M. N. L. Senanayake - Director**

*BSc. Dip Mgt, FCA*

Mr. Senanayake is a Chartered Accountant. In 1987 he became a partner of Tudor. V. Perera and Company Chartered Accountants and became precedent partner in 2005. He has functioned as Director of Corporate Vision (Pvt) Ltd, Allied service (Pvt) Ltd. He has been working as a Director of CECB since 2004. He was appointed to the Board of Directors of the state Pharmaceuticals Corporation and State Pharmaceuticals Manufacturing Corporation in 2010. He is a member of the Board of Directors of CESL.

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### **Eng. T. D. Wickramarathna - Director**

*BSc.Eng (Hons), M. Eng. PG. Dip. (Hydrology), MICE (UK), FIE (SL), C Eng*

Joined the Central Engineering Consultancy Bureau in 1981 as a Civil Engineer. He was assigned as a Design Engineer from 1983 to 1984. Then promoted as a Resident Engineer in Canyon Hydropower Project in 1986. Also functioned as a design engineer from 1988 to 1989 & Resident engineer from 1989 to 1991 in Walawe Irrigation improvement project. From 1991 he worked as a Senior Water Resources Planning Engineer / Hydrologist & in 1999 as a team leader, he involved with several projects.

From 2002 to date he has been a Senior Water Resources Planning Engineer. In addition he has been serving as the Corporate Additional General Manager (Consultancy) & a Board Director for CESL from 2015.

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### **Eng. A. Galketiya - Director**

*BSc.Eng, C Eng, MIE (SL)*

He started his career as a Trainee Engineer in CECB in 1986. In 1987 he was appointed as the Shift Engineer (Power House) at the Samanalawewa Hydropower Project. Later he was appointed as the Resident Engineer, Badulla and held this position until he became the Project Manager of Uva Province in the year 2000. He was promoted as Additional General Manger (EPC - North of Colombo) in 2005. Thereafter he became the Additional General Manager (EPC - Uva). Now he is the Corporate

Additional General of EPC - Division. He is a member of the Board of Directors of CESL.



### **Eng. S. P. P. Nanayakkara - Director / CEO**

*Bsc.Eng, C Eng, MICE (UK), MIE (SL)*

Started his career as a Civil Engineer in 1980 as a Shift Engineer of Maduru Oya Irrigation and Hydropower Project. From 1983 to 1984 he worked as a Design Engineer in the Canyon Hydropower Project. From 1984 to 1988 he worked as a Civil Engineer in the Randenigala Hydropower Project and from 1988 to 1991 worked as a Senior Engineer at Samanalawewa Hydropower Project.

In 1992 he was appointed as a Resident Engineer. In 2001 he started the EPC - Southern Province unit as a Project Manager and served there as Deputy General Manager (EPC - SP) from 2006 to 2007 and as Additional General Manager (EPC - SP) from 2007 to 2015.

He has served as Corporate Additional General Manager (EPC) and Chief Executive Officer of CESL since 2013. Now he is a Member of the Board of Directors of CESL.



### **Mr. U. N. B. Mawathgama - Director**

*CBA (ICASL), Dip in Acct, SAT*

Started his career in 1979 as a Payment Officer at Mahaweli Development Board. In 1988 he became a Project Accountant, Nuwaraeliya Special Area of Mahaweli Authority of Sri Lanka. From 1990 to 1993 he held the position of Accountant of Kothmale Project and MEA Head Office under Mahaweli. He was working as the Finance & Administrative Executive at Enterprise Promotion Centre under RRDP Kandy since 1999 until he joined CECB as a Senior Accountant in the year 2000.

He became the Finance Manager of CECB in 2011 and Deputy General Manager (Finance) in 2014. He is a Member of the Board of Directors of CESL.





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

The Directors of Central Engineering Services (Pvt) Ltd have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December 2015. This 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.

### **GENERAL**

Central Engineering Services (Pvt) Ltd was incorporated in terms of the Companies Act No. 17 of 1982 and was re-registered as per the Companies Act No. 07 of 2007 on 6th November 2009 with PV 16723 as the new number assigned to the Company.

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

The principal activities of the Company are referred to in Note 1.2 of the Notes to the Financial Statements. This Report together with the Financial Statements reflect the state of affairs of the Company.

### **FINANCIAL STATEMENTS**

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

### **INDEPENDENT AUDITORS' REPORT**

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 38 to 39.

## **ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (CONTINUED)**

### **ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of Financial Statements of the Company are given on pages 46 to 60 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 46 to 60.

### **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 the requirements of the Sri Lanka Accounting Standards (SLFRS/LKASs) and the Companies Act No. 07 of 2007.

### **AUDITORS**

The Department of Auditor General (AGDSL) served as the Auditors during the year under review on the basis of auditing the Government owned Public companies.

### **STATED CAPITAL**

The stated capital of the Company is Rs. 10,000,020/- representing 100,002 ordinary shares.

### **RESERVES**

The reserves of the Company with the movements during the year are given in the Statement of Changes in Equity on page 43.

## **ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (CONTINUED)**

### **CHANGES OF DIRECTORS DURING THE YEAR UNDER REVIEW**

Mr. S. P. P. Nanayakkara (Holder of NIC No. 562610391V) and Mr. M. R. G. Ranathunga (Holder of NIC No. 611413629V) appointed to the Board with effect from 17th February 2015 and Mr. A. Galketiya (Holder of NIC No. 602490696V) and Mr. H. M. U. N. B. Mawathagama (Holder of NIC No. 591650459V) appointed to the Board with effect from 07th May 2015. Mr. M. A. P. Hemachandra (Holder of NIC No. 450052035V) and Mr. S. S. Ediriweera (Holder of NIC No. 470782900V) resigned from the Board on 17th February 2015.

### **DIRECTORS INTEREST**

Mr. N. Rupasinghe, Mr. M. R. G. Ranathunge and Mr. S. M. N. L. Senanayake who are Directors of this company are also Directors of Central Engineering Consultancy Bureau.

Further Mr. G. D. A. Pitathilaka, Mr. K. L. S. Sahabandhu, Mr. T. D. Wickramarathna, Mr. S. P. P. Nanayakkara, Mr. A. Galketiya and Mr. H. M. U. N. B. Mawathagama who are Directors of this company, work as the Chairperson, General Manager, Corporate Additional General Manager Consultancy, Corporate Additional General Manager EPC, Corporate Additional General Manager International and Deputy General Manager Finance respectively, of Central Engineering Consultancy Bureau.

### **STATUTORY PAYMENTS**

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the Statement of Financial Position date have been paid or, where relevant provided.

### **EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

There are no material events as at the date of the Auditors' Report, which require adjustment to or disclosure in the Financial Statements.



## ROLE OF THE AUDIT COMMITTEE

The Audit Committee of CESL is appointed by the Board of Directors and present committee comprise of three non-Executive Board members of the CESL.

### MEMBERS OF THE COMMITTEE

Name	Designation
Mr. S. M. N. L. Senanayake Chairman of the Committee	Director
Mr. M. R. G. Ranathunga	Director
Eng. T. D. Wickramarathna	Director

### SCOPE OF THE AUDIT COMMITTEE

- Determination of the responsibilities of the Internal Audit Unit and review of the annual Audit Plan.
- Review and evaluate internal control systems for all activities of the entity.
- Review performance at regular intervals for cost effectiveness and eliminate wasteful expenditure etc.
- Liaise with external auditors and follow up on Auditor General's/external auditors Management letters.
- Ascertain whether statutes, regulations, rules, and circulars are complied with.
- Review financial statements to ensure compliance with Accounting Standards.
- Review internal audit/external audit reports, Management Letters for remedial action.
- Review implementation of recommendations/directives of the Committee on Public Enterprises.

### AUTHORITY

- The Committee is authorized by the Board to perform within its terms of reference. It is authorized to seek any information requires from any officer and all employees are directed to co-operate with any request made by the Committee.
- The Committee shall report to the Board any suspected frauds or failures of internal control or suspected infringements of laws, rules and regulations for attention.
- Obtain outside legal or independent professional advice and secure the services of outsiders with relevant experience and expertise if it considers this necessary.

## ROLE OF THE AUDIT COMMITTEE

The Audit Committee of CESL is appointed by the Board of Directors and present committee comprise of three non-Executive Board members of the CESL.

## MEMBERS OF THE COMMITTEE

Name	Designation
Mr. S. M. N. L. Senanayake Chairman of the Committee	Director
Mr. M. R. G. Ranathunga	Director
Eng. T. D. Wickramarathna	Director

## SCOPE OF THE AUDIT COMMITTEE

- a) Determination of the responsibilities of the Internal Audit Unit and review of the annual Audit Plan.
- b) Review and evaluate internal control systems for all activities of the entity.
- c) Review performance at regular intervals for cost effectiveness and to eliminate wasteful expenditure etc.
- d) Liaise with external auditors and follow up on Auditor General's/external auditors Management letters.
- e) Ascertain whether statutes, regulations, rules, and circulars are complied with.
- f) Review financial statements to ensure compliance with Accounting Standards.
- g) Review internal audit/external audit reports, Management Letters for remedial action.
- h) Review implementation of recommendations/directives of the Committee on Public Enterprises.

## AUTHORITY

- i. The Committee is authorized by the Board to perform activities within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- ii. The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.
- iii. Obtain outside legal or independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.









Direct Employees

282

Completed Projects

171

Assests

Rs. 6,385 Mn

Revenue

Rs. 6,585 Mn

*“CESL is benefitted from having a large volume of resources at its disposal, and is committed to nurture and cater all construction needs, acquiring excellence in construction technology and process innovation with a motivated & skilled workforce, rewarded appropriately for the invaluable contributions they make and provide a helping hand in driving the development of the country.”*

CESL has been handling large scale construction projects across the island, with a team of highly skilled, innovative and experienced engineers, who have been involved with a multitude of engineering projects. The staff strength of CESL is currently over 200 and this includes; Civil Engineers, Architects, Mechanical Engineers, Electrical Engineers, Quantity Surveyors, IT Staff, Engineering Assistants and Technical Assistants.

CESL also currently owns and operates four Asphalt Concrete Batching Plants, located at Monaragala, Kotmale, Badulla and Anuradhapura. Nearly two and a half billion rupees worth of heavy machinery is currently available within CESL.

In addition, CESL operates a fleet of construction vehicles and modern equipment. Due to the large number of resources inherited from CECB, the company's strength and stability has increased greatly. The firm also possesses valuable human capital that include Specialists in the industry, Consultants, experienced Engineers in each sector, Architects and in-house Designers.

A major strength of CESL is that it is in possession of a large number of in-house technical experts when compared to rival construction companies in the country.

The firm is also equipped with 2.5 billion rupees worth of heavy machinery including JCB's, Dozers, Caterpillars, Piling Machinery, tower Cranes etc.





## 8 | Review of Business Operations





## ➤ **Hambantota General Hospital**

This is a 14 storied state of art hospital incorporated with ultra modern medical equipment and facilities, which will be recognized as the largest medical institution in the region after completion.

**Client:** Ministry of Health

**Work:** Sub Structure & Super Structure,  
Mechanical & Electrical Work, Finishes

**Contract Sum:** LKR 1,654Mn









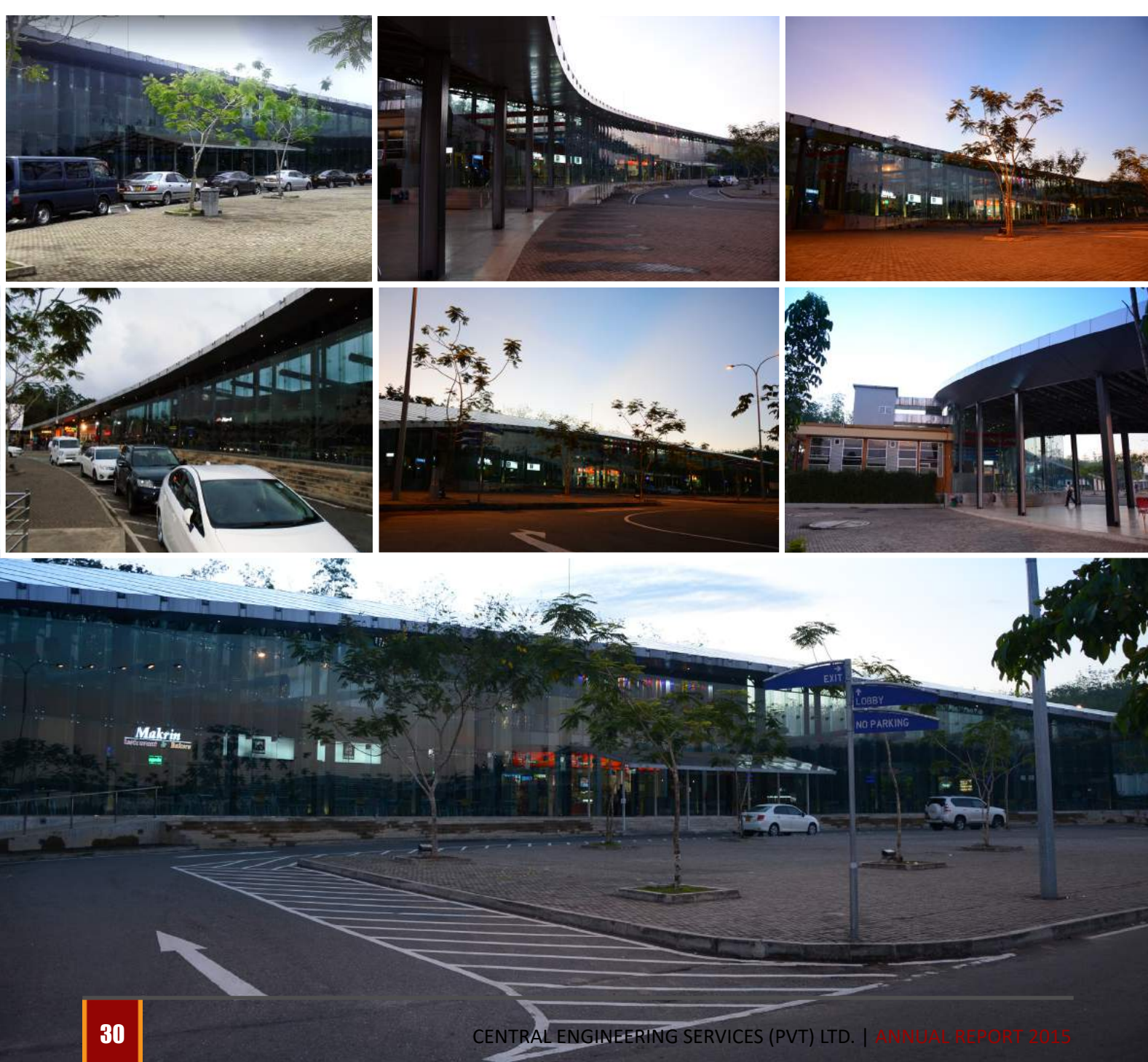
## ➤ **Southern Express Way Service Area at Welipenna**

The project consist construction of Two storied Rest area having a floor area of 4000 Sq.m. with associated necessary services such as plumbing works, electrical works and external works.

**Client:** Sri Lanka Insurance Corporation

**Work:** Construction of Two Storied Rest Area having a Floor Area, Plumbing Works, Electrical Works and External Works

**Contract Sum:** LKR 226.7Mn





## ➤ ***Ella Wellawaya - Kubalwela Road Kubalwela***

With the total length of 100 miles linking two cities of Mahiyanganaya and Badulla, this project is under taken with carpeting work using modern machinery and methodologies from the planning stage to the end.

**Client:** Road Development Authority

**Work:** Ground Improvements, Sub-base Construction, Base Construction, ABC & Asphalt Paving,  
Construction of Culverts, Curbs, Signage Boards

**Contract Sum:** LKR 87Mn

**Date of Commencement:** 01.04.2015

**Date of Completion:** 31.07.2015





## ➤ **Arawa Bridge Over Maha Oya Badulla**

With a length of 22m, a width of 6m and a height of 4m, this bridge is built over Maha Oya in Badulla. This is one of the longest and widest concrete bridges in the region.

**Client:** Road Development Authority

**Work:** Construction of Concrete Abutment and Wing Walls,  
Concrete Superstructure and Asphalt Paving

**Contract Sum:** LKR 58.5Mn

**Date of Commencement:** 15.05.2015

**Date of Completion:** 14.11.2015





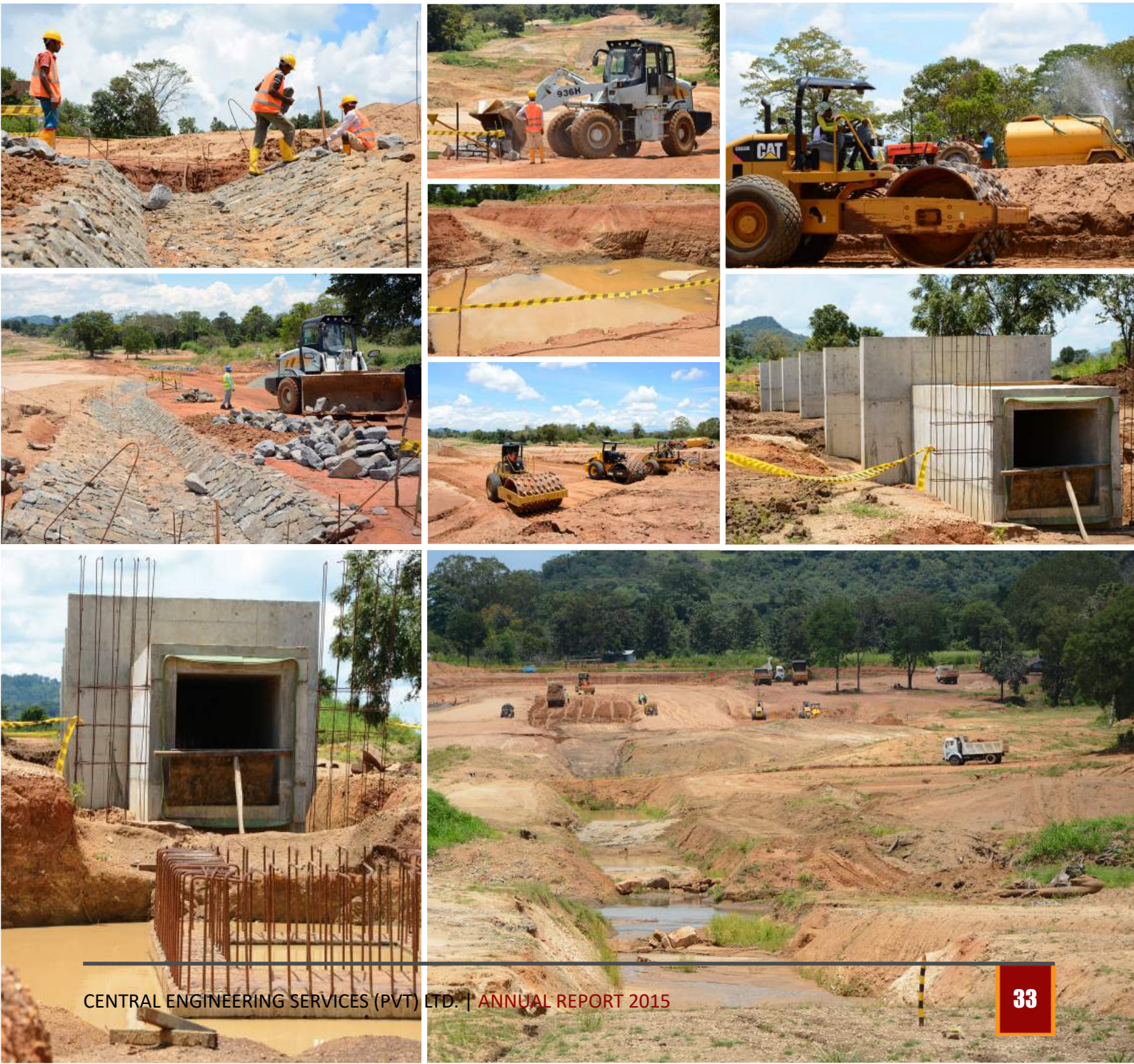
## ➤ *Morana Reservoir Redeemaliyedda*

This is a Dam of 1.2km being built to supply water to the sub regions of Monaragala. This is an irrigation related project which is estimated to finish by the end of 2016.

**Client:** Department of Irrigation

**Work:** Construction of Tank Bound, LB Sluice and Spill

**Contract Sum:** LKR 983 Mn







## ➤ **Mattala Airport Waste Water Treatment Plant**

This is a water drainage and water management plant, covering an area of 10,000 sqft. built with modern electro mechanical equipment and an advanced control room in order to support daily water drainage activity of the airport.

**Client:** Airports & Aviation Services (Private) Limited

**Work:** Construction of Concrete Aeration Tank, Equalization Tank, Settling Tank Oxidation Ditch, Drying Beds, Mechanical & Electrical Work

**Contract Sum:** LKR 107.8Mn

**Date of Commencement:** 01.09.2014

**Date of Completion:** 31.05.2015





## ➤ **Baddegana Bio Diversity Park**

This is an open bird sanctuary located in the heart of Colombo near to the Parliament complex abutting Diyawanna Oya. From this project it is hope to enhance the natural environment of the area and to protect wetland Bio - Diversity and to provide opportunities for student and naturalists to learn / explore Wetland Fauna & Flora.

This project consist construction of a Boardwalk & Open Deck, Nature Trail, Bird watching Towers, and Bird watching Hides.

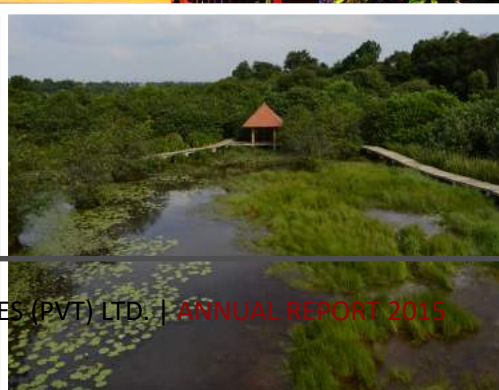
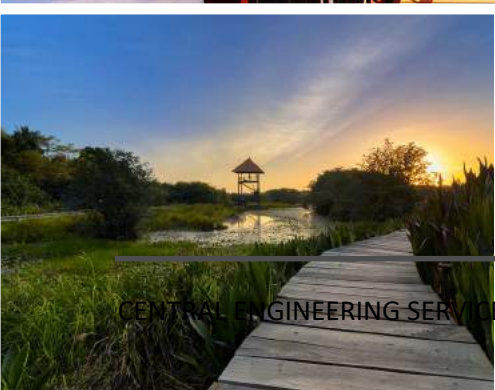
**Client:** Ministry of Urban Development

**Work:** Construction of Architectural Features, Access Roads, Landscaping

**Contract Sum:** LKR 155,436,408.56

**Date of Commencement:** 17.03.2014

**Date of Completion:** 20.12.2014





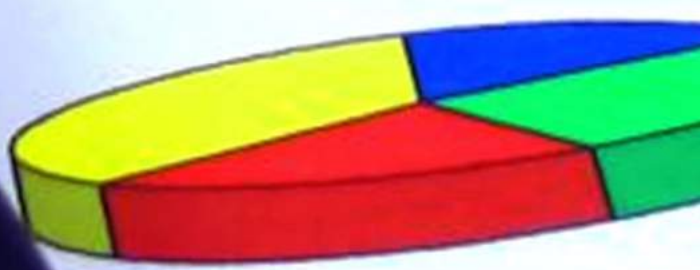
CURRENCY CONVERSION  
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- January
- February
- March
- April

# FINANCIAL STATEMENTS

- *Independent Auditors' Report*
- *Statement of Comprehensive Income*
- *Statement of Financial Position*
- *Statement of Changes In Equity*
- *Statement of Cash Flow*
- *Notes to the Financial Statements*



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය  
எனது இல.  
My No. }

CEN/B/CESL/FA/2015

ඔබේ අංකය  
உமது இல.  
Your No. }

දිනය  
திகதி  
Date }

15<sup>th</sup> February 2017

To the Shareholders of the  
Central Engineering Services (Pvt) Limited.

**Report of the Auditor General on the Financial Statements of the Central Engineering Services (Pvt) Limited for the year ended 31 December 2015**

The audit of the financial statements of the Central Engineering Services (Pvt) Limited ("The Company") for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

**Board's Responsibility for the Financial Statements**

The Board of Directors ("Board") is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, :- இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

+94-11-2887028-34



+94-11-2887223



oaggov@sltnet.lk



www.auditorgeneral.gov.lk



presentation of the financial statements 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's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **Report on Other Legal and Regulatory Requirements**

As required by Section 163 (2) of the Companies Act, No.07 of 2007, I state the followings:

- a. The basis of opinion and scope and limitations of the audit are as stated above.
- b. In my opinion :
  - I have obtained all the information and explanations that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company.
  - The financial statements of the Company comply with the requirements of Section 151 of the Companies Act, No.07 of 2007.

### **Report to Parliament**

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.



**H. M. Gamini Wijesinghe**  
**Auditor General**

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 <sup>ST</sup> DECEMBER	Note	CESL	
		2015 Rs.	2014 Rs.
Revenue	5	6,560,768,391	4,960,290,370
Cost of Sales	6	(6,112,658,003)	(4,705,348,201)
<b>Gross Profit</b>		<b>448,110,388</b>	<b>254,942,169</b>
Other Income	7	84,164,616	64,203,562
Administration Expenses		(424,256,493)	(186,271,328)
Selling and Distribution Expenses		(1,746,646)	-
<b>Results from Operating Activities</b>		<b>106,271,865</b>	<b>132,874,402</b>
Finance Income		18,758,514	9,216,337
Finance Cost		(7,417,830)	(10,300,953)
<b>Net Finance Income</b>	8	<b>11,340,685</b>	<b>(1,084,616)</b>
<b>Profit before income tax</b>		<b>117,612,550</b>	<b>131,789,786</b>
Income tax expense		(36,422,731)	(28,682,002)
<b>Profit/(Loss) for the Year</b>		<b>81,189,819</b>	<b>103,107,784</b>
<b>Total comprehensive income for the year</b>		<b>81,189,819</b>	<b>103,107,784</b>

*Figures in brackets indicates deductions.*

The Notes to the Financial Statements set out on Pages 46 to 60 form an integral part of these Financial Statements.

## STATEMENT OF FINANCIAL POSITION

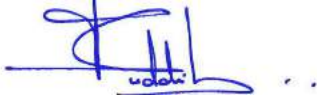
AS AT 31 <sup>ST</sup> DECEMBER	Note	CESL	
		2015 Rs.	2014 Rs.
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	9	401,848,514	402,225,731
Investments	10	5,224,296	38,690,981
<b>Total Non-Current Assets</b>		<b>407,072,810</b>	<b>440,916,712</b>
<b>Current Assets</b>			
Inventories	11	502,190,731	340,859,437
Trade and Other Receivables	12	4,526,395,716	4,518,927,996
Short term Investments	10	770,871,913	257,119,147
Cash and Cash Equivalents	13	178,965,136	171,584,436
<b>Total Current Assets</b>		<b>5,978,423,496</b>	<b>5,288,491,015</b>
<b>Total Assets</b>		<b>6,385,496,305</b>	<b>5,729,407,727</b>
<b>Equity and Liabilities</b>			
Contributed Capital		10,000,020	10,000,020
Retained Earnings		208,109,117	126,919,298
		<b>218,109,137</b>	<b>136,919,318</b>
<b>Non Current Liabilities</b>			
Lease Creditors	14	-	888,699
Differed Tax	16	17,617,814	6,477,006
Retirement Benefit Obligation	15	1,018,922	-
Amounts Due to Related Companies		1,147,466,027	1,278,026,973
<b>Total Non Current Liabilities</b>		<b>1,166,102,763</b>	<b>1,285,392,677</b>
<b>Current Liabilities</b>			
Trade and Other Payables	17	4,977,324,574	4,278,885,742
Income Tax Payables	18	23,076,004	20,858,347
Lease Creditors	14	883,827	7,351,643
Inter Base current accounts		-	-
<b>Total Current Liabilities</b>		<b>5,001,284,405</b>	<b>4,307,095,732</b>
<b>Total Equity and Liabilities</b>		<b>6,385,496,305</b>	<b>5,729,407,727</b>

Figures in brackets indicates deductions.



The Notes to the Financial Statements set out on Pages 46 to 60 form an integral part of these Financial Statements.

It is certified that the Financial Statements have been prepared in compliance with general accepted accounting policies.



J. M. B. Jayaweera  
Finance Manager

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:



Eng. G. D. A. Piyathilake  
Chairman



Eng. S. P. P. Nanayakkara  
Director

16th January 2017

## STATEMENT OF CHANGES IN EQUITY

	CESL		
	Contributed Capital Rs.	Capital Reserve Rs.	Retained Earnings Rs.
<b>Balance as at 01<sup>st</sup> January 2015</b>	20		23,811,514
Correction of an error related to previous years			
Issue of Shares	10,000,000		
Net Profit For the Year			103,107,784
Transfer of Retained Earnings			-
	<b>10,000,020</b>	-	<b>126,919,298</b>
<b>Balance as at 01<sup>st</sup> January 2015</b>	10,000,020		81,189,819
Profit For the Year			-
Correction of an error related to 2014			
<b>Balance as at 31<sup>st</sup> December 2015</b>	<b>10,000,020</b>	-	<b>208,109,117</b>

*Figures in brackets indicates deductions.*

The Notes to the Financial Statements set out on Pages 46 to 60 form an integral part of these Financial Statements.

## STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 <sup>ST</sup> DECEMBER	Company	
	2015 Rs.	2014 Rs.
<b>Cash Flows from Operating Activities</b>		
Profit Before Tax	<b>117,612,550</b>	136,080,269
<b>Adjustments for:</b>		
Depreciation on Property, Plant and Equipments	156,615,722	103,665,875
Provision for Bad and Doubtful Debts	-	-
Provision for Expected Losses	-	-
Stock Written Off	-	3,163,188
Provision for Gratuity	1,018,922	-
Lease Interest	507,698	-
Profit on disposal of Property, Plant and Equipments	80,455	(6,033)
Profit on disposal of Investment	-	-
Dividend Income	-	-
Net Finance Income	(11,340,685)	1,084,616
<b>Operating Profit before Working Capital Changes</b>	<b>264,494,662</b>	<b>243,987,915</b>
(Increase)/Decrease in Inventories	(161,331,294)	(11,531,817)
(Increase)/Decrease in Trade and Other Receivables	(7,467,721)	(953,453,630)
(Increase)/Decrease in Amounts Due from Related Companies	-	-
Increase/(Decrease) in Trade and Other Payables	698,438,832	1,159,545,693
Increase/(Decrease) in Amounts Due to Related Companies	(130,560,946)	194,991,672
Increase in Long Term Investment	33,466,685	-
Increase in Staff loans and Advances	-	-
Increase in General Suspense Account Credit Balance	-	-
<b>Cash Generated from Operating Activities</b>	<b>697,040,219</b>	<b>633,539,833</b>
Interest paid	(7,417,830)	(10,300,953)
Tax paid	(23,064,264)	(17,436,249)
Gratuity paid	-	-
<b>Net Cash Flows from Operating Activities</b>	<b>666,558,125</b>	<b>605,802,631</b>

## STATEMENT OF CASH FLOW (CONTINUED)

FOR THE YEAR ENDED 31 <sup>ST</sup> DECEMBER	Company	
	2015 Rs.	2014 Rs.
<b>Cash Flows from Investing Activities</b>		
Acquisition of Property, Plant and Equipment	(173,105,237)	(276,190,506)
Investment in Capital Work in Progress	(213,724)	(1,143,787)
Proceeds from sale of Property, Plant and Equipment	17,000,000	23,750
Acquisition of Subsidiary	-	-
Investment in Short Term Deposit	(513,752,766)	(255,132,605)
Dividend Income	-	-
Interest Income	18,758,514	9,216,337
<b>Net Cash Flows from Investing Activities</b>	<b>(651,313,213)</b>	<b>(523,226,810)</b>
<b>Cash Flows from Financing Activities</b>		
Proceed from Issue of Shares	-	10,000,000
Dividends paid	-	-
Repayment of Loan	-	-
Payment of Finance Lease Liabilities	(7,864,212)	(10,073,557)
<b>Net Cash from Financing Activities</b>	<b>(7,864,212)</b>	<b>(73,557)</b>
Net Increase/(Decrease) in Cash and Cash Equivalents	7,380,700	82,502,264
Cash and Cash Equivalent at the beginning	171,584,436	89,082,172
<b>Cash and Cash Equivalent at the end</b>	<b>178,965,136</b>	<b>171,584,436</b>

*Figures in brackets indicates deductions.*

The Notes to the Financial Statements set out on Pages 46 to 60 form an integral part of these Financial Statements.



## NOTES TO THE FINANCIAL STATEMENTS

### 1 CORPORATE INFORMATION

#### 1.1 General Information

Central Engineering Services (Private) Limited., is a private limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is situated at No.415, Bauddhaloka Mawatha, Colombo 7, Sri Lanka.

#### 1.2 Principal Activities and Nature of Operations

The Company is engaged in the business of undertaking, carrying out, executing and performing consultancy and turnkey construction projects connected with any type of engineering or any engineering related activity.

#### 1.3 Principal Office

No. 41 5, Bauddhaloka Mawatha  
Colombo 07

#### 1.4 Company Secretary

Financial Consultants and Allied Services (Private) Limited

#### 1.5 Significant Shareholdings

The significant shareholders of the Company at the end of the year were as follows:

Shareholders	No. of Shares	Percentage of Holding
Central Engineering Consultancy Bureau	100,002	100%

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of Preparation

The financial statements are prepared in accordance with and comply with Sri Lanka Financial Reporting Standards (SLFRSs). The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with SLFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Where necessary, the presentation and classification of figures for the corresponding period of the previous year have been amended to be comparable with those for the current year. Central Engineering Services (Pvt) Ltd., was incorporated on 16th December, 2003 under the Companies Act, No. 17 of 1982 and has been re-registered on 6th November, 2009 under the Companies Act, No. 7 of 2007. However, the Company has commenced its operations only in the year 2011 and had no operations before that year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.2 Foreign Currency Translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Sri Lanka Rupees, which is the Company’s presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in the statement of comprehensive income.

### 2.3 Property, Plant and Equipment

All property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes purchase price of the asset and all other costs directly attributable to bring the asset to the intended location and operating condition.

The cost of self-constructed assets include the cost of materials, direct labour and other directly attributable costs. Cost also includes site restoration costs.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Freehold Land is not depreciated. The estimated useful lives are as follows:

Building	13 1/3 years
Plant and Machinery	5 years
Computer, Welfare and Communication	5 years
Office Equipment and Furniture and Fittings	8 years
Tools and Implements	4 - 5 years
Motor Vehicle	4 - 5 years

The depreciation method and residual values of assets are reviewed when indications are present that the residual value or useful life of an asset has changed. If there has been a significant change in the current expectations, residual value, depreciation method or useful life is amended to reflect such changes.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.3 Property, Plant and Equipment (Cont'd)

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of comprehensive income in the year the asset is derecognised.

### 2.4 Financial Assets

#### Initial Recognition and Measurement

The Company classifies its financial assets in the following categories; at fair value through profit or loss, loans and other receivables, available for sale and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets at fair value through profit or loss.

The financial assets include cash and short term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

#### Subsequent Measurement

Subsequent measurement of financial assets depends on their category as follows;

#### Financial Assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes 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.

Financial Assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income.

#### 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 method (EIR), 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 in finance income in the statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.4 Financial Assets (Cont'd)

#### **Held to Maturity Investments**

Non derivate financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement, held to maturity investments are measured at using the 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 in finance income in the statement of comprehensive income.

#### **Available for Sale Financial Investments**

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

After initial measurement, available for sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the statement of comprehensive income in finance costs and removed from the available for sale reserve.

#### **Impairment of Financial Assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

### 2.5 Financial Liabilities

#### **Initial Recognition and Measurement**

The Company classifies its financial liabilities in the following categories; at fair value through profit or loss and loans and borrowings. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.5 Financial Liabilities (Cont'd)

#### Subsequent Measurement

Subsequent measurement of financial liabilities depends on their category as follows;

#### Financial Liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on financial liabilities held for trading are recognised in the statement of comprehensive income.

#### 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 statement of comprehensive income when 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 comprehensive income.

### 2.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The Cost of inventories include costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

### 2.7 Trade and Other Receivables

Trade receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. Most sales are made on the basis of normal credit terms, and the trade receivables do not bear interest. Where credit is extended beyond normal credit terms, trade receivables are measured at amortised cost using the effective interest rate method. Other receivables that are not financial assets measured at the cost.

At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, impairment loss is recognised immediately in the statement of comprehensive income.

### 2.8 Impairment of Assets

If there is an indication of possible impairment, the recoverable amount of any affected asset or group of related assets is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.8 Impairment of Assets (Cont'd)

If an impairment loss subsequently reverses, the carrying amount of the asset or group of related assets is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset or group of related assets in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

### 2.9 Cash and Cash Equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

### 2.10 Stated Capital

Ordinary shares are classified as equity.

### 2.11 Liabilities, Provisions and Contingencies

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and 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. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Neither contingent assets nor contingent liabilities are recognised by the Company and disclosures are made in the financial statements when it is required.

Other liabilities are recorded at the cash value to be realised when settled.

### 2.12 Employee Benefits

#### Defined Contribution Plans

Defined contribution plan is a plan under which the Company pays a fixed contribution into a separate entity. Employees of the Company are eligible for Employees' Provident Fund Contribution and Employees' Trust Fund Contributions in line with respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees Provident Fund and Employees Trust Fund respectively.

The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.12 Employee Benefits (Cont'd)

#### Defined Benefit Obligation

A defined benefit plan is a plan that is not a defined contribution plan. Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Company is liable to pay gratuity to its eligible staff in accordance with the Gratuity Act, No. 12 of 1983, which is a defined benefit plan. However, a provision has not been recognised in the financial statements in respect of gratuity payable by the Company.

### 2.13 Current and Deferred Tax

#### Current Tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and any amendments thereto.

#### Deferred Tax

Deferred tax is recognised using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 2.14 Leases

#### Finance Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

#### Initial Recognition and Subsequent Measurement

Initially, assets held under financial lease and financial lease liabilities are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased asset and present value of the minimum lease payments, determined at the inception of the lease.

Subsequent lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method.

### 2.15 Revenue Recognition

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.15 Revenue Recognition (Cont'd)

#### Construction Contracts

When the outcome of the Contract can be measured reliably, contract revenue is recognised by reference to stage of completion of the contract activity at the reporting date.

Any expected losses on specific contracts are recognised as an expense immediately.

#### Sale of Goods

Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer with the Company retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

#### Rendering of Services

Revenue associated with the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

#### Interest Income

Interest income is recognised on a time proportion basis using the effective interest method unless collectability is in doubt.

#### Dividend Income

Dividend income is recognised when the shareholder's right to receive payment is established.

#### Other Income

Other income is recognised on a cash basis.

### 2.16 Expenditure Recognition

#### Construction Contracts

Total cost incurred in respect of each contract during the year, which can be attributed has been included in construction costs.

#### Other Expenses

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 comprehensive income. For the purpose of presentation of the statement of comprehensive income the management is of the opinion that, the "function of expenses" method presents fairly the elements of the Company's performance, and hence this presentation method is adopted.

#### Interest Expense

Interest expense is recognised on a time proportion basis using the effective interest method.

#### Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.17 Events after the Reporting Date

All the material events after the date of the statement of financial position have been considered and appropriate adjustments / disclosures have been made in the financial statements.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial Risk Factors

The Company's activities expose it to three types of financial risks, namely market risk, credit risk and liquidity risk.

### 3.2 Market Risk

Market Risk faced by the Company include currency risk, interest rate risk and other price risks.

#### Interest Rate Risk

The Company has interest bearing bank deposits which may cause risks to it as a result of the adverse movements in interest rates.

### 3.3 Credit Risk

Credit Risk is the risk that the Company may incur losses due to the failure of its customers to discharge their obligations to the Company.

The maximum exposure to credit risk at the reporting date was;

	<b>Trade Debtors</b>
	<b>Rs.</b>
As at 31st December, 2014	3,178,156,445
As at 31st December, 2015	2,232,493,806

### 3.4 Liquidity Risk

The Company mitigates its liquidity risk through proper working capital management including cash management.

## 4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

In the process of applying the Company's accounting policies, management has exercised judgments and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgements and estimates are as follows:

#### Going Concern

The Company's 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, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

#### **Estimated Useful Lives of Property, Plant and Equipment (PPE)**

The Company reviews annually the estimated useful lives of PPE based on factors such as business plan and strategies, expected level of usage and future developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of PPE would increase the recorded depreciation charge and decrease the PPE balance.

#### **Allowance for Doubtful Debts**

The Company assesses at the reporting date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 <sup>ST</sup> DECEMBER	CESL	
	2015 Rs.	2014 Rs.
<b>5 Revenue</b>		
Construction Revenue	6,560,768,391	4,960,290,370
Consultancy Revenue		-
	<b>6,560,768,391</b>	<b>4,960,290,370</b>
<b>6 Cost of sales</b>		
Construction Cost	6,112,658,003	4,705,348,201
Consultancy Cost		-
	<b>6,112,658,003</b>	<b>4,705,348,201</b>
<b>7 Other Income</b>		
Miscellaneous Revenue	37,458,485	498,987
Hiring Income	45,105,409	35,289,753
Disposable loss		-
Reimbursable costs		-
Foreign gain or loss		-
Sundry Income	1,600,722	28,414,822
Bad Debt Provision Reversal		-
	<b>84,164,616</b>	<b>64,203,562</b>
<b>8 Net Finance Income</b>		
<b>Finance Income</b>		
Interest Income	18,758,514	9,216,337
	<b>18,758,514</b>	<b>9,216,337</b>
<b>Finance Cost</b>		
Interest Expenses	(7,417,830)	(10,300,953)
	<b>(7,417,830)</b>	<b>(10,300,953)</b>
<b>Net Finance Income</b>	<b>11,340,685</b>	<b>(1,084,615)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 <sup>ST</sup> DECEMBER	Land Rs.	Buildings Rs.	Furniture & Fittings Rs.	Construction & Instrument & Equipment Rs.	Office Equipment Rs.	Plant & Machinery Rs.	Containers Rs.	Computers Rs.	Motor Vehicles Rs.	Library Books Rs.	Capital Work In Progress Rs.	Total Rs.
<b>9 Property, Plant and Equipment</b>												
<b>Cost</b>												
Balance as at 1st January 2015	8,415,147	49,532,317	8,997,802	70,081,988	9,886,401	153,965,332	10,428,466	15,319,716	317,665,297	-	2,571,990	646,864,457
Additions during the year	-	2,839,187	4,180,611	31,344,315	4,855,228	51,399,451	-	8,357,402	70,047,089	81,950	1,000,000	174,105,233
Disposals during the year	-	-	-	-	-	(24,315,000)	-	-	-	-	(786,276)	(25,101,276)
Balance as at 31st December 2015	<b>8,415,147</b>	<b>52,371,505</b>	<b>12,543,728</b>	<b>101,426,307</b>	<b>15,376,314</b>	<b>181,049,785</b>	<b>10,428,466</b>	<b>23,677,118</b>	<b>387,712,386</b>	<b>81,950</b>	<b>2,785,714</b>	<b>795,868,414</b>
<b>Accumulated Depreciation</b>												
Balance as at 1st January 2015	-	8,791,404	1,677,177	15,419,415	2,554,239	27,014,548	2,209,424	4,407,490	182,565,028	-	-	244,638,724
Additions during the year	-	3,803,599	1,387,491	21,768,874	1,991,067	33,662,138	2,085,693	4,154,845	87,756,628	5,387	-	156,615,722
Disposals during the year	-	-	-	-	-	(7,234,545)	-	-	-	-	-	(7,234,545)
Balance as at 31st December 2015	-	<b>12,595,004</b>	<b>3,109,673</b>	<b>37,188,289</b>	<b>4,545,306</b>	<b>53,442,141</b>	<b>4,295,117</b>	<b>8,562,335</b>	<b>271,040,431</b>	<b>5,387</b>	-	<b>394,019,901</b>
<b>Net Book Value</b>												
Balance as at 1st January 2014	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2014	8,415,147	40,740,914	7,320,625	54,662,574	7,332,162	126,950,785	8,219,042	10,912,226	135,100,269	-	2,571,990	<b>402,225,731</b>
Balance as at 31st December 2015	<b>8,415,147</b>	<b>39,776,501</b>	<b>9,434,055</b>	<b>64,238,018</b>	<b>10,831,008</b>	<b>127,607,644</b>	<b>6,133,349</b>	<b>15,114,783</b>	<b>116,671,955</b>	<b>76,563</b>	<b>2,785,714</b>	<b>401,848,514</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 <sup>ST</sup> DECEMBER		CESL	
		2015 Rs.	2014 Rs.
<b>10</b>	<b>Investments</b>		
	Long term investment (Note 10.1)	5,224,296	38,690,981
	Short term investment (Note 10.2)	770,871,913	257,119,147
		<b>776,096,209</b>	<b>295,810,128</b>
<b>10.1</b>	<b>Long term investment</b>		
	<b>Loans and receivable financial assets</b>		
	Investment in Fixed Deposit	5,224,296	38,690,981
		<b>5,224,296</b>	<b>38,690,981</b>
<b>10.2</b>	<b>Short term investment</b>		
	Repo	-	-
	Short term investments	770,871,913	257,119,147
		<b>770,871,913</b>	<b>257,119,147</b>
<b>11</b>	<b>Inventories</b>		
	Inventories	502,190,731	340,859,437
		<b>502,190,731</b>	<b>340,859,437</b>
<b>12</b>	<b>Trade and Other Receivables</b>		
	Trade Receivables (Note 12.1)	4,466,045,387	4,467,658,869
	Other Receivables (Note 12.2)	7,103,796	-
	Deposits, Prepayments and Advances (Note 12.3)	53,246,533	51,269,128
		<b>4,526,395,716</b>	<b>4,518,927,996</b>
<b>12.1</b>	<b>Trade Receivables</b>		
	Debtors	2,240,537,858	3,182,446,927
	Due from customers	1,262,785,459	633,001,353
	Retention receivables	970,766,122	656,501,071
	Less - Provision for Impairment (Note 12.1.1)	(8,044,052)	(4,290,482)
		<b>4,466,045,387</b>	<b>4,467,658,869</b>
<b>12.1.1</b>	<b>Provision for Impairment</b>		
	Debtors	(3,753,570)	-
	Retention	-	-
	Provision for Expected Losses	(4,290,482)	(4,290,482)
		<b>(8,044,052)</b>	<b>(4,290,482)</b>
<b>12.2</b>	<b>Other Receivables</b>		
	Staff Loans	480,000	-
	Prepaid Staff Cost	-	-
	General Suspense	(18,750)	-
	Sundry Debtors	6,642,546	-
	WHT Receivable	-	-
		<b>7,103,796</b>	<b>-</b>
<b>12.3</b>	<b>Deposits, Prepayments and Advances</b>		
	Deposits	3,544,918	6,439,937
	Advances	43,771,870	23,372,364
	Prepayments	5,929,745	21,456,827
		<b>53,246,533</b>	<b>51,269,128</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 <sup>ST</sup> DECEMBER	CESL	
	2015 Rs.	2014 Rs.
<b>13 Cash and Cash Equivalents</b>		
<b>Favorable Balances</b>		
Cash in hand and at bank	159,145,097	143,359,041
Bank Impress		-
Cash in Transit	17,816,843	29,112,651
	<b>176,961,940</b>	<b>172,471,692</b>
<b>Unfavorable Balances</b>		
Bank Overdraft		-
Cash and Cash Equivalents for the Cash Flow Purpose	<b>178,965,136</b>	<b>172,471,692</b>
<b>14 Lease Creditors</b>		
Balance as at 1 <sup>st</sup> January	8,240,342	8,821,788
Repayments during the year	(7,356,514)	(7,864,212)
Gross Lease Obligation at the end of the year		957,576
Balance as at 31 <sup>st</sup> December	<b>883,827</b>	<b>957,576</b>
Amount payable within one year	<b>883,827</b>	7,351,643
Amount payable after one year		888,699
	<b>883,827</b>	<b>8,240,342</b>
<b>15 Retirement Benefit Obligation</b>		
Balance as at 1 <sup>st</sup> January		
Provision for the year	1,018,922	
Payment made during the year		
Balance as at 31 <sup>st</sup> December	<b>1,018,922</b>	

The Retirement Benefit Obligation of the company as at 31st March 2012 is based on the formula method as recommended by the Sri Lanka Accounting Standard No. 19 (Revised 2012) Employee Benefits.

Key assumptions used in the computation includes the following;

Rate of Discount	11%
Salary Incremental Rates	10%
Employee Turnover Factor	12%
Retirement Age	55 Years

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 <sup>ST</sup> DECEMBER	CESL	
	2015 Rs.	2014 Rs.
<b>16 Deffered Tax</b>		
Balance at the beginning of the year	6,477,006	228,141
Provision for the year	11,140,808	6,248,865
Balance at the end of the year	17,617,814	6,477,006
<b>17 Trade and Other Payables</b>		
Trade Payables (Note 17.1)	4,769,418,040	4,053,960,971
Other Payables (Note 17.2)	207,906,534	224,599,494
	4,977,324,574	4,278,560,465
<b>17.1 Trade Payables</b>		
Creditors	2,466,345,743	1,220,798,492
Due to Customers	138,327,921	1,076,476,375
Mobilization & Other Advances	2,039,280,194	1,756,686,103
Retention Payables to Contractors	125,464,181	-
	4,769,418,040	4,053,960,971
<b>17.2 Other Payables</b>		
Refundable Deposits	-	-
Sundry Creditors	10,226,404	179,495,142
Accrued Expenses	79,007,197	45,429,629
Unpaid Staff Cost	407,703	-
PAYE Tax	188,644	-
Withholding Tax Provisions		(26,071)
Other Taxes	118,076,586	(299,206)
	207,906,534	224,599,494
<b>18 Income Tax Payables</b>		
Balance at the beginning of the year	20,858,346	15,861,458
Income Tax for the year	25,281,923	22,433,137
Provision in respect of the last year		
Payments made during the year	(21,858,346)	(16,861,459)
Withholding Tax (WHT)	(1,224,949)	(574,790)
Balance at the end of the year	23,076,004	20,858,346

		2011	2012	2013	2014	2015
<b>Statement of Profit or Loss and Other Comprehensive Income</b>						
Revenue	Rs. Mn	2,308	3,936	5,157	4,960	6,585
Gross Profit	Rs. Mn	33.1	63.5	135	254	448
EBITDA	Rs. Mn	11.3	71.1	105.3	236	262.8
EBIT	Rs. Mn	4	13.7	25.9	132.8	108
Net Finance Income	Rs. Mn	0.80	2.4	(0.7)	(1.0)	11.6
Profit After Tax	Rs. Mn	1.90	7.8	13.9	103.0	81.7
Profit Attributable to Owners	Rs. Mn	1.90	7.8	13.9	103.0	81.7
<b>Statement of Financial Position Highlights</b>						
Property, Plant and Equipemnt	Rs. Mn	21	188	227	399	400
Total - Non Current Assets	Rs. Mn	21	188	228.5	402	406
Cash and Cash Equivalent	Rs. Mn	86	70	129.7	467	177
Shart Term Deposits	Rs. Mn	2	22	40.6	295.8	771
Total Assets	Rs. Mn	2,477	2,625	4,259	5,729	6,385
Stated Capital	Rs.	20	20	20	10,000,020	10,000,020
Retained Earnings	Rs. Mn	1.9	9.8	23.8	127	212.9
Equity Attributable to Owners	Rs. Mn	1.9	9.8	23.8	137	222.9
Total Non Current Liabilities	Rs. Mn	6	477	1090	1,285	1,166
<b>Statement of Cash Flow Highlights</b>						
Cash flow from Operating Activities	Rs. Mn	93.5	185	202	615	661
Cash Flow used in Investing Activities	Rs. Mn	(4.8)	(189.7)	(119.50)	(274)	(648)
Cash Flows from / (used in) Fianancing Activities	Rs. Mn	(2.2)	448.9	(23.40)	(3.1)	(7.8)
<b>Key Financial Ratios</b>						
EPS	Rs.	0.9	3.9	6,999,804	6,186	817
Net Assets per Share	Rs.	959,362	4,905,964	11,905,768	137	
ROE		100.00%	79.59%	58%	75%	37%
ROCE		50.63%	2.8%	2%	9%	8%
Gearing		315.79%	4867.35%	4580%	938%	523%
Current Ratio		1	0.11	1.3	1.2	1.2
Quick Ratio		0.99	1.05	1.18	1.16	1.1

Directors remuneration for the year ended 31st December 2015 is Rs. 1,439,821

Auditors fee for the year ended 31st December 2015 is Rs. 1,000,000





**NAME OF THE COMPANY**

Central Engineering Services (Pvt) Ltd.

**COMPANY REGISTRATION NO.**

PV 16723  
(Under the Companies Act No 7 of 2007)

**REGISTERED OFFICE**

No. 415, Bauddhaloka Mawatha,  
Colombo 7, Sri Lanka.  
Tel: (+94)11 2668800 Fax: (+94)11 2680879  
Email: info@cesl.lk Web: www.cesl.lk

**LEGAL FORM**

Private Company with Limited Liability

**BANKERS**

Bank of Ceylon Sri Lanka  
Peoples Bank Sri Lanka

**COMPANY SECRETARIES**

Financial Consultants and Allied  
Services (Private) Limited

**AUDITORS**

Auditor General's Department  
No. 306/72, Polduwa Road,  
Battaramulla, Sri Lanka.

**AUDIT COMMITTEE**

Mr. S. M. N. L. Senanayake - Director (Chairman  
of the Committee)  
Mr. M. R. G. Ranathunga - Director  
Eng. T. D. Wickramarathna - Director

**BOARD OF DIRECTORS**

Eng. G. D. A. Piyathilake - Chairman  
Eng. N. Rupasinghe - Director  
Mr. M. R. G. Ranathunga - Director  
Mr. S. M. N. L. Senanayake - Director  
Eng. K. L. S. Sahabandu - Director  
Eng. S. P. P. Nanayakkara - Director  
Eng. T. D. Wickramarathna - Director  
Eng. A. Galketiya - Director  
Mr. U. N. B. Mawathagama - Director

**PRINCIPAL ACTIVITIES**

Civil Construction work includes Buildings,  
Roads, Bridges.  
Mechanical & Electrical Work, Water Supply &  
Waste Water Treatment, Earth Moving Work,  
Irrigation and Drainage Work.

**CERTIFICATIONS**

ISO 9001:2008 for Quality Management System  
ISO 14001:2004 for Environment Management System

**PARENT COMPANY**

Central Engineering Consultancy Bureau

**CENTRAL ENGINEERING SERVICES (PVT) LTD.**

**No. 415,  
Buddhaloka Mawatha,  
Colombo 7, Sri Lanka.**

Tel : **(+94) 11 2668 800**  
Fax : **(+94) 11 2680 879**  
Email : ***info@cesl.lk***  
Web : ***www.cesl.lk***