



CENTRAL ENGINEERING SERVICES (PVT) LTD.

(We are ISO 9001, ISO 14001 & OHSAS 18001 Certified Company)



ANNUAL REPORT 2018

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01. ABOUT

Who We Are

“Central Engineering Services (Pvt) Ltd. (CESL) is a fully owned subsidiary of the Central Engineering Consultancy Bureau (CECB), incorporated as a Limited Liability Company in December 2003, under the Companies Act No. 17 of 1982 and re-registered in November 2009 under the Companies Act No. 7 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 construction 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 has earned the trust 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 the CECB umbrella, way back in 1973, has taught us many lessons that presently act as a source of motivation. Also the construction experience obtained under the EPC division 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.

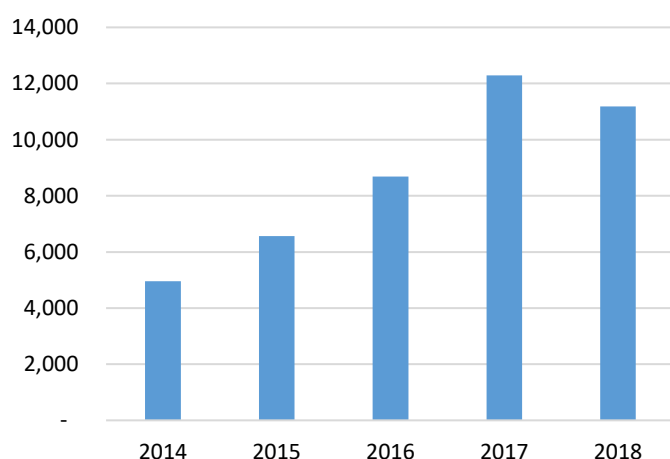
Corporate Goals

- ❖ 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.

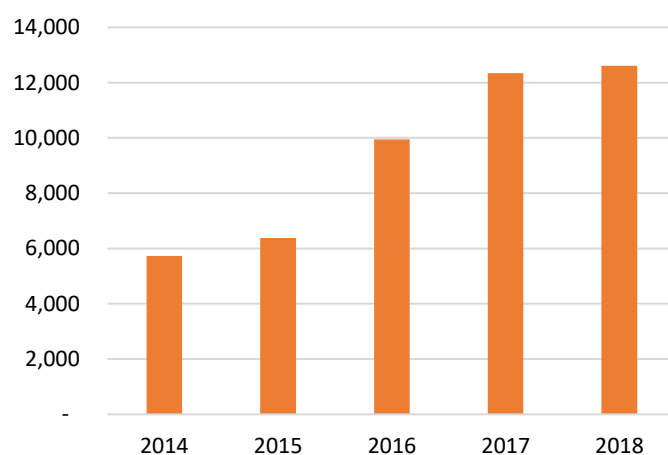
02. Financial Highlights

	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn
Construction Revenue	11,189	12,294	8691	6,560	4,960
Gross Profit	786	682	621	448	254
Net Profit Before Tax	173	158	110	117	131
Net Profit After Tax	121	120	84	81	103
Total Assets	12,616	12,345	9,942	6,385	5,729
Contributed Capital	10	10	10	10	10
Total Equity	421	422	302	218	136
Total Equity Equilibrium	12,616	12,345	9,942	6,385	5,729
Current Assets	12,181	11,865	9,544	5,978	5,327
Current Liabilities	10,565	10,329	8,245	5,001	4,307

Construction Revenue (Rs. Mn)



Total Assets (Rs. Mn)



Construction Revenue (Rs. Mn)

2014	2015	2016	2017	2018
4,960	6,560	8,691	12,294	11,189

Total Assets (Rs. Mn)

2014	2015	2016	2017	2018
5,729	6,385	9,942	12,345	12,616

03. Chairman's Message

“It is my pleasure and privilege to present the Annual Report of Central Engineering Services (Pvt) Ltd for the financial year 2018. It was another successful year for CESL with positive results in all the operational perspectives of the company.”



As a leading construction company in Sri Lanka highly dedicated, innovative, dynamic and futuristic team, we have created value to all the stakeholders of CESL, by achieving the quality expectations, innovative design and construction techniques and with the application of sustainable construction concepts and practices.

We strongly believe that CESL has a greater potential for a sustainable future in the market by satisfying the stakeholder expectations through its core business of value engineering. CESL has recorded its revenue of LKR 11.18 Billion for the financial year 2018. Moreover, the financial position of the Company has been strengthened with an asset base of LKR 12.61 Billion as at 31st December 2018.

As a leading construction company of Sri Lanka highly dedicated, innovative dynamic and futuristic team, we have created value to all the stakeholders of CESL, by achieving the quality expectations, innovative design and construction techniques and with the application of sustainable construction concepts and practices adhering to green building regulations.

I wish to appreciate the members of the Board for their invaluable guidance with the government support and the dedication for the success of the company.

Finally, on behalf of the Board, I would like to thank our stakeholders including the dedicated employees of CESL including ED, CEO and higher management for their continuous commitment, dedication and invaluable support for the company's success towards its goal.

A handwritten signature in blue ink, which appears to be 'G. D. A. Piyatilake', written over a horizontal line.

Eng. G. D. A. Piyatilake
Chairman

04. Board of Directors



Eng. G. D. A. Piyathilake - Chairman

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

Appointed to the Board as a Director in 2011 and serving as the Chairman of the Board from 2015 to date. Functions concurrently as Chairman of the Central Engineering Consultancy Bureau, parent organization of CESL.

He started his career in CECB as a Design Engineer in 1983. In 1985, he became Resident Engineer in Victoria Hydropower Project. He has worked as Project Manager / Consultant and Project Manager / Construction as well. He served as Deputy General Manager (WP 1) in 2005 and Additional General Manager (WP 1) in 2007. In 2010, he was appointed as the Corporate Additional General Manager of EPC division of CECB. He counts more than 33 years' experience in the field of Civil Engineering.



Eng. S. P. P. Nanayakkara - Executive Director/COM

BSc.Eng., C.Eng., MICE (UK), MIE (SL)

Appointed to the Board as a Director in 2015. Since 2016, serves as an Executive Director. Further, he currently serves as a Director of Central Engineering Consultancy Bureau, parent organization of CESL. He served as Chief Executive Officer from 2014 to 2016 to CESL.

He obtained his BSc in Civil Engineering and started his career as a shift Engineer of Maduru Oya Irrigation and Hydropower Project in 1980. He served as a Civil engineer in Randenigala Hydropower project in 1984 and Senior Engineer at Samanalawewa Hydropower project in 1988. In 2001 he started the EPC - Southern Province Section as a Project Manager and served there as a Deputy General Manager (EPC-SP) from 2006 to 2007 and as an Additional General Manager (EPC-SP) from 2007 to 2015 and as Corporate Additional General Manager (EPC) till September 2016. He counts over 36 years of extensive Engineering and Management experience in the Bureau and CESL as well.



Eng. N. Rupasinghe - Director

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

Appointed to the Board as a Director in 2011 and served as a Chairman of CESL from 2011 to 2014. He is concurrently serving as a Director of Central Engineering Consultancy Bureau (CECB) and served as a Chairman of a CECB from 2005 to 2014.

He holds nationally important development responsibilities as Secretary, Ministry of Megapolis and Western Development since 2015. He counts over 35 years of extensive Engineering and Management experience in the Bureau having joined CECB as Civil Engineer in 1981 and served as Civil Engineer, Resident Engineer, Chief Resident Engineer, Project Manager, Additional General Manager and General Manager. Pioneered the establishment of Engineering Procurement and Construction (EPC) Division starting as the Project Manager (Infrastructure Construction) and as Additional General Manager (EPC).



Mr. M. R. G. Ranathunga - Director

*LLB (Sri Lanka), Attorney-at-Law, Notary Public, Company
Secretary, Actg. Magistrate*

Appointed to the Board as a Director in 2015. Concurrently serves as Working Director, Central Engineering Consultancy Bureau, and parent organization of CESL. Further he was a working Director to CECB during the period of 2007 to 2010.

He is an Attorney-at-law of Supreme Court of Sri Lanka and he called to the Bar in year 1985.

He was formerly a secretary to Rakna Lanka (Pvt) Ltd. He has held Director Positions at Water Resource Board and Fertilizer Corporation and Department of Health. He was the former Zonal President of North Central Province Bar association of Sri Lanka. Presently he is one of the Directors of “Api Wenuwen Api” programme under Ministry of Defense.



Eng. K. L. S. Sahabandu - Director

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

Appointed to the Board as a Director in 2011. Since 2013 he holds the position of General Manager of Central Engineering Consultancy Bureau, parent organization of CESL. He obtained his BSc in Civil Engineering and also obtained MSC in Structural Engineering from the University of Newcastle upon Tyne, U.K.

He assumed duties as Site Engineer of Central Engineering Consultancy Bureau in 1980. In 1983 he was appointed as a Structural Design Engineer for Randenigala and Rantambe Hydropower projects. He became the Senior Design Engineer of the Structural Design Division of CECB in 1988. From 1994 to 2000 he served CECB as Chief Design Engineer of Central Bank, Head Office construction and subsequently was appointed as Project Manager (EPC Design Unit) in 2001. In 2006, he became the Additional General Manager (Design, Research & Development). He served as a Corporate Additional General Manager (Consultancy) of CECB from 2010 to 2013. He counts more than 33 years' experience in the field of Civil Engineering.

Eng. T. D. Wickramarathna - Director

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



Appointed to the Board in 2014. Currently serves as a Corporate Additional General Manager (Consultancy) in Central Engineering Consultancy Bureau, parent organization of CESL.

He obtained his BSc in Civil Engineering and joined Central Engineering Consultancy Bureau in 1981 as a Civil Engineer.

He worked as a Design Engineer, Resident Engineer, Project Manager, Deputy General Manager and appointed as Additional General Manager (Water Resources) in 2006. He was appointed as Corporate Additional General Manager of consultancy Bureau in year 2015. He counts more than 35 years' experience in the field of Civil Engineering.



Eng. A. Galketiya - Director
BSc.Eng., C.Eng., MIE (SL)

Appointed to the Board in 2015. Currently serves as a Corporate Additional General Manager (EPC - Division) in Central Engineering Consultancy Bureau, parent organization of CESL.

He obtained his BSc in Civil Engineering and started his career as a Trainee Engineer in CECB in 1986. In 1987, He was appointed as the Shift Engineer (Power House) at Samanalawewa Hydropower project. Subsequently he served as a Resident Engineer, Project Manager in Uva province. In 2005, he was promoted as Additional General Manger (EPC-North of Colombo).

Thereafter he became the Additional General Manger (EPC-Uva) and Sabaragamuwa. He counts more than 30 years' experience in the field of Civil Engineering.



Mr. H. M. U. N. B. Mawathgama - Director
CBA (ICASL), Dip in Acct, SAT

Appointed to the Board in 2015. Currently serves as Deputy General Manager- Finance, in Central Engineering Consultancy Bureau, parent organization of CESL.

He started his career in 1979, as a payment officer at Mahaweli Development Board. In 1988, he became a Project Accountant, Nuwara Eliya special area of Mahaweli Authority of Sri Lanka. From 1990 to 1993, he was the project Accountant of Kothmale Project and MEA head office under Mahaweli Programme.

He was working as a Finance & Administrative Executive at Enterprise Promotion Centre under RRRDP Kandy since 1999, until he joined CECB as an Accountant in year 2000.

05. Directors Report

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 2018. 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 reflects 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 page 22.

❖ ACCOUNTING POLICIES

The accounting policies adopted in the preparation of Financial Statements of the Company are given on pages 22 to 72 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 22 to 72.

❖ 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.

❖ MEETINGS & ATTENDANCE

The Board met in 08 Occasions during the Financial year 2018 and the attendance of the Board of Directors was as follows.

Name	Position	2018							
		26th Jan	28th Feb	29th Mar	10th May	14th July	28th Aug	26th Sep	07th Dec
Eng. G.D.A. Piyatilake	Chairman	√	√	√	√	√	√	√	√
Eng. S.P.P. Nanayakkara	Executive Director	√	√	√	√	√	√	√	√
Eng. N. Rupasinghe	Director	√	√	√	√	√	√	√	√
Mr. M.R.G. Ranathunga	Director	√	√	√	√	√	√	√	√
Eng. K.L.S. Sahabandu	Director	√	√	√	√	√	√	√	√
Eng. T.D. Wickramarathna	Director	√	√	√	√	√	√	√	√
Eng. A. Galketiya	Director	√	√	√	√	√	√	√	√
Mr. H.M.N.U.B. Mawathagama	Director	√	√	√	√	√	√	√	√

06. Audit Committee Report

❖ Role of the Audit Committee

The Audit Committee of CESL is appointed by the Board of Directors of the CESL.

❖ Meetings & Attendance

The Audit committee met in 4 occasions during the Financial year 2018 and the attendance are as follows.

Name	Position	2018			
		20th Feb	18th Sep	04th Dec	21st Dec
Mr. P.B.S.C. Nonis	Chairman of the Committee	√	N/A		
Eng. T.D. Wickramarathna	Director / Chairman of the Committee	N/A	√	√	√
	Director-member	√	N/A		
Mr. M.R.G. Ranathunga	Director-member	√	√	√	√
Eng. A. Galketiya	Director-member	N/A	√	Ab	√

❖ Scope of the 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 to 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 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.
- 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.
- Obtain outside legal or independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

07. Progress of Training

Training Programmes conducted for the year 2018						
Technical						
SL No	Date	Name of the Training Programme	Institute	Duration	No of Participants	Cost per Head
01	20.01.2018	CPD Course on "Designing of Fire Detection & Protection"	IESL	8 days	1	28,000.00
02	25.01.2018	Seminar on "Revised Fire Regulations for Construction Industry"	CIDA	day	2	4,000.00
03	25.01.2018	IQSSL Annual Technical session 2017/18	IQSL	day	6	1,500.00
04	01.02.2018	Training Programme on MEP Quantity Surveying	CHPB	4 days	3	15,000.00
05	09.02.2018	Seminar on "Establishment of Delay Claims in Construction Projects"	Institute of Project Managers, Sri Lanka	day	6	5,000.00
06	14.02.2018	Seminar on "Construction Claims and Dispute Resolutions"	CIDA	day	7	4,000.00
07	27.02.2018	One day workshop on Labour Management & Regulations	Construction Equipment Training Centre (CETRAC)	day	7	4,000.00
08	22 & 23.02.2018	Two day workshop on Operation & Maintenance of Generators	Construction Equipment Training Centre (CETRAC)	2 day	2	7,000.00
09	22 & 23.02.2018	Two day workshop on Supervisory Management	Professional Development Centre	2 days	10	11,000.00
10	08 & 09.03.2018	Two day workshop on Bid Evaluation and Reporting	Professional Development Centre	2 days	3	11,000.00
11	08 & 09.03.2018	Two day workshop on Electrical Hazard Related Precautions	NIOSH Auditorium	2 day	2	10,000.00
12	08.03.2018	Presentation on The Importance of a healthy lifestyle and engaging exercises with a scientific approach, in maintaining a proper health	CECB	day	50	

Training Programmes conducted for the year 2018						
Technical						
SL No	Date	Name of the Training Programme	Institute	Duration	No of Participants	Cost per Head
13	18.03.2018	One day Workshop on "Public Speaking"	Sri Lanka Foundation Institute (SLFI)	day	2	5,000.00
14	23.03.2018	Green Associate Professional Training Course next intake - BATCH 21 - (23,24 March & 06, 07 April, 2018) - Colombo	GBCSL	4 days	1	42,000.00
15	27.03.2018	Seminar on Advances in Reinforced Concrete Technology	SSESL	day	5	6,500.00
16	01.04.2018	CPD Course on "MS Projects"	IESL	4 days	1	20,500.00
17	05.04.2018	Seminar on How to Handle Termination of Contract under FIDIC 1999	OPA	1/2 day	5	7,500.00
18	26.04.2018	Workshop on OFFICE HEALTH AND WELLBEING - "Working for a Healthier Tomorrow: Enhancement of Productivity through Enrichment of Indoor Environmental Quality & Office Well-being"	GBCSL	day	2	6,500.00
19	06.05.2018	CPD Course on Energy Management	IESL	8 days	2	35,000.00
20	05.05.2018	FIDIC Workshop - Contract Administration Practice	Mr. Thilak Kolonne	8 days	3	24,000.00
21	05.05.2018	CPD Course on Project Management in PRIMAVERA P6	IESL	5 days	1	22,500.00
22	24.05.2018	SEMINAR ON "CONDITION OF CONTRACT (SBD/2")	CIDA	day	9	36,000.00
23	14.07.2018	Auto CAD Short Course 3D- Modelling	UOM	12 days	2	44,000.00
24	18.06.2018	Seminar on Design Aspects of High Rise Buildings & Modern Infrastructure	SSESL	day	2	8,000.00

Training Programmes conducted for the year 2018						
Technical						
SL No	Date	Name of the Training Programme	Institute	Duration	No of Participants	Cost per Head
25	18.03.2018	One day workshop on "Public Speaking"	SLF	day	2	10,000.00
26	07 & 08.07.2018	Plumbing Systems of High Rise Building	CETRAC	2 days	9	90,000.00
27	15.07.2018	Modern Practices in Ready Mix Concrete	IESL	4 days	5	70,000.00
28	29 & 30.08.2018	Workshop on Logistics, Supply Chain & Stores Management	CETRAC	2 days	1	7,000.00
29	14.08.2018	SSESL Annual Session - 2018	SSESL	day	2	8,000.00
30	05.08.2018	CPD Course on Basic Air Conditioning System Design	IESL	9 days	3	109,000.00
31	30.08.2018	Seminar/ Workshop on Horizontal and Vertical Transportation System in Buildings	CIDA	day	1	4,000.00
32	01.09.2018	Training Programme on Building Services	UOP	8 days	3	115,200.00
33	01.09.2018	CPD Course on Vertical Transportation in Buildings	IESL	7 days	1	27,500.00
34	20.01.2018	CPD Course on Designing Fire Detection & Protection	IESL	8 days	1	28,000.00
35	18.09.2018	SLGS Annual Conference	SLGS	day	3	24,000.00
36	04.09.2018	24th Speech Craft Programme	IESL	11 days	1	18,000.00
37		CPD Programme on "MS Project"	IESL	4 days	1	20,500.00
38	05-11.10.2018	APT Course - Batch 23	GBCSL	4 days	2	84,000.00
39	27.10.2018	Certificate Course on Import & Export Procedures	EDB	7 days	1	20,000.00
40	29.11.2018	Workshop on Sustainable Water ; - "Solutions to the Water Challenges in the 21st Century"	GBCSL	day	2	12,950.00
41	11.2018	CPD Course on ELV	IESL		1	29,000.00
42	27.11.2018	Seminar on Challenges in Designing of Modern Infrastructure	SSESL		5	34,500.00

Training Programmes conducted for the year 2018						
Technical						
SL No	Date	Name of the Training Programme	Institute	Duration	No of Participants	Cost per Head
43	13-15.12.2018	The 09th International Conference on Sustainable Built Environment (ICSBE) 2018	UOP	3 days	2	40,000.00
Sub Total					177	961,850.00
Non-Technical						
01	07-09.03.2018	Three Day Programme on the Inland Revenue Act	CA Sri Lanka	3 day	9	3,500.00
02	15-16.03.2018	Workshop on Practical Implications on SLFRS 15 Revenue from Contract with Customers	CA Sri Lanka	2 days	13	3,500.00
03	07.06.2018	Short Course in Company Law 2018	Institute for the Development of Commercial Law & Practice	4 days	1	26,500.00
04	21 & 22.06.2018	Training programme "How to Minimize Audit Queries"	Nipunatha Piyasa	2 days	4	8,500.00
05	29.08.2018	How to Conduct a Domestic Inquiry	McQuire	day	1	9,266.70
06	21.09.2018	Inland Revenue Act No 24 of 2017	Association of Kandy CA	day	2	6,000.00
07	8 & 10.10.2018	39th National Conference of Chartered Accountants	CA Sri Lanka	2 days	10	22,000.00
Sub Total					40	42,766.70
Related to System Development						
01	12.01.2018	Diploma in Construction Safety & Occupational Health (DCSOH) - P2	CETRAC	1 year	2	95,000.00
02	23.03.2018	Workshop on Internal Auditing for ISO 9001: 2015 quality management systems	Sri Lanka Standards Institution (SLSI)	day	5	12,000.00 +VAT
03	02.04.2018	Training Programme on Role of Junior Managers/ Supervisors in the Implementation of ISO 9001 : 2015 Standard	Sri Lanka Standards Institution (SLSI)	day	9	5,000.00 +VAT
04	27.04.2018	World Safety Day Awareness Programme	Labour Secretariat	day	4	free
Sub Total					20	112,000.00
Grand Total					237	1,116,616.70

08. Service Sectors

❖ BUILDINGS

CESL has been in the forefront of the Design and Construction of Buildings on Design and Build basis. Construction work undertaken so far, ranges from Buildings (multi-storied buildings, factory type, iconic, etc.) to entire township developments throughout the island.

Recently, CESL has also undertaken the rehabilitation and refurbishment of buildings of an archaeologically important nature.

CESL largely depends on its In-house expertise. However, in special cases CESL engages relevant personnel such as reputed Architects to strengthen its project teams, and to handle specific requirements of a project.

Building Types;

- ✚ Hospital Buildings
- ✚ Commercial Buildings
- ✚ Admin and Office Buildings
- ✚ Accommodation Buildings
- ✚ Recreational Buildings
- ✚ Terminal Buildings
- ✚ Public Buildings
- ✚ Court Complexes
- ✚ Sports Stadia
- ✚ Prison Complexes

❖ ROADS

CESL, has many years of experience in planning, designing and construction of Roads in Sri Lanka.

The firm's rich experiences include;

- ✚ Construction of Trunk Roads, Arterial Roads, Elevated Roads, etc., and widening, rehabilitation, upgrading and resurfacing of existing roads.
- ✚ Construction of Guard Rails, Road Furniture, etc.

❖ IRRIGATION STRUCTURES

The engineering expertise of the CESL in the field of Irrigation extends to the designing, planning, execution and commissioning of large scale Irrigation projects, including the following;

- ✚ Augmentation
- ✚ Rehabilitation & construction of reservoirs
- ✚ Canals
- ✚ Anicuts
- ✚ Earthen dams
- ✚ Regulation structures
- ✚ Weirs
- ✚ Hydraulic structures

❖ BRIDGES & CULVERTS

CESL has wide experience in the design and construction of bridges and culverts in the country.

Over the years CESL has gained a high reputation in the design, construction and installation 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 away drains

❖ OTHER SPECIAL FACILITIES

CESL has contributed to the planning, designing and construction of special facilities in other sectors, such as;

- ✚ Developing Zoological Gardens and Safari Parks
- ✚ Bio-Diversity Parks
- ✚ Play Grounds
- ✚ Sewerage and Water Treatment Plants

09. Review of Business Operations



❖ Public Service Commission Building

Client: Secretary Public Service Commission

Contract Sum: 461 Millions

Date of Commencement: 02/01/2015

Date of Completion: 04/01/2018

Duration: 03 Years

Location: Battaramulla

❖ OPD Clinic Building at Base Hospital Bakamoona

Client: Ministry of Health Nutrition

Contract Sum: 127 Millions

Date of Commencement: 22/11/2014

Date of Completion: 01/08/2018

Duration: 04 Years

Location: Bakamoona



❖ Cricket Ground for Royal Collage at Polonnaruwa

Client: Department of Sport Development

Contract Sum: 67 Millions

Date of Commencement: 20/10/2016

Date of Completion: 02/08/2018

Duration: 02 Years

Location: Polonnaruwa



❖ Accident and Emergency Treatment Unit at General Hospital, Kalutara

Client: Ministry of Health Nutrition

Contract Sum: 442 Millions

Date of Commencement: 12/2015

Date of Completion: 05/2018

Duration: 02 Years & 05 Months

Location: Kalutara, Nagoda

❖ Accident and Emergency Treatment Unit at Teaching Hospital Batticaloa

Client: Ministry of Health Nutrition

Contract Sum: 895 Millions

Date of Commencement: February 2016

Date of Completion: 17/06/2018

Duration: 02 Years

Location: Batticaloa



❖ Government Officers' Quarters Complex

Client: Urban Development Authority

Contract Sum: 1,544 Millions

Date of Commencement: 29/11/2016

Date of Completion: 09/02/2019

Duration: 02 Years

Location: Polonnaruwa

10. Financial Statements

Independent Auditors' Report



ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE




මගේ අංකය } CEN/B/CESL/09/FA/2018/45 }
எனது இல. } உமது இல. }
My No. } Your No. }

දිනය } // September 2019
திகதி }
Date }

Chairman
Central Engineering Services (Private) Limited

Report of the Auditor General on the Financial Statements of the Central Engineering Services (Private) Limited for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

The English version of the above mentioned report together with audited financial statements is sent herewith.


R.M.J. Rathnayaka
Auditor General (Acting)

- Copies to
1. Secretary, Ministry of Finance
 2. Secretary, Ministry of Mahaweli Development and Environment

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



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எனது இல. }
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CEN/B/CESL/09/FA/2018/45

ඔබේ අංකය
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Your No. }

දිනය
திகதி }
Date }

September 2019

Chairman
Central Engineering Services (Private) Limited

Report of the Auditor General on the Financial Statements of the Central Engineering Services (Private) Limited for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Central Engineering Services Limited (“Company”) for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and statement of 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, 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 read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards

1.2 Basis for Qualified Opinion

- (a) In contrary to the provision in the Sri Lanka Accounting Standard on Presentation of Financial Statements (LKAS 1), credit balances of debtors and advances aggregating Rs. 12,447,930 had been offset against the debit balances of such accounts and debit balances

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of sundry creditors, mobilization advances, retention payables and miscellaneous income aggregating Rs.29,645,212 had been offset against the credit balances of such accounts during the year under review. As a result, the current assets, current liabilities and miscellaneous income shown in the financial statements had been understated by Rs. 12,447,930, Rs.17,589,685 and Rs. 12,055,527 respectively.

- (b) A long outstanding balance which had been gradually increased during the past years amounting to Rs. 1,588,871,721 had been shown as due to related companies without been settled as at 31 December 2018. However, a detailed schedule and the reasons for non-settlement of such balance had not been presented for audit.
- (c) Nine Base Offices of the Company had not applied the applicable rate of depreciation which set out in Note 2.3.6 to the financial statements when computing the depreciation for tools & instruments. Hence, the depreciation for the year under review had been overstated by Rs. 24,555,621.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 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 determine 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the 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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the



audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

- Except for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163(1) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.
- The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.
- The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

Based on the procedures performed and evidence obtained which limited to matters that are material, nothing has come to my attention;

- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018.



- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018 except for;

Reference to Laws/Directions

Description

- | Reference to Laws/Directions | Description |
|--|--|
| (a) Financial Regulations (F.R) of the Government of the Democratic Socialist Republic of Sri Lanka | |
| (i) F.R 371 as amended by Public Finance Circular No. 03/2015 of 14 July 2015 and Delegation of Financial Authority of the Company | The advances (sub-imprests) obtained should be settled immediately after the completion of the purposes for which it was granted. However, purchase advances aggregating Rs. 129,754,256 granted to various parties by the Base Offices had not been settled even as at 31 December 2018 and out of that a sum of Rs. 43,027,772 relating 06 Base Offices had not been settled even though the outstanding periods ranging from 01 to 22 months. In the meantime, advances aggregating Rs.2,518,899 granted in 28 instances by the Base Office of North Central had been settled after delaying 01 to 23 months. |
| (ii) Financial Regulation 262 (2) | All vouchers paid and their supporting documents should be stamped with the "PAID" stamp which should bear the date of payment as recorded in the cash book. However, according to the audit test check it was revealed that the Base Office of North Central Province had not complied this requirement in respect of payments amounting to Rs. 2,831,053 made in 7 instances during the year under review. |



(b) Public Enterprises Circular No.
PED/12 of 02 June 2003.

(i) Paragraph 4.2.5

Age analysis of stocks and statements identifying slow moving and obsolete stocks had not been reviewed by the Board on a monthly basis.

(ii) Paragraph 9.3.1

Without an approved Scheme of Recruitments and Promotions, the Company had recruited 792 officers for several posts under fixed, fixed term contract, job contract and assignment basis to the Company.

(c) Guideline 4.2.1 of the Government
Procurement Guidelines

The Company had not prepared a Master Procurement Plan for the year under review.

- to state that the Company has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018.
- to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018 except for;
 - As a practice, the Base Offices of the Company had procured the construction materials, such as cement, sand, steel, bricks, paints etc. amounted to Rs. 4,203,562,421 at various rates from several suppliers in time to time without being procured on bulk basis by selecting proper suppliers after determining the entire requirement for the period in consultation with relevant authorities. If the Company could have purchased entire materials requirement for all construction projects from the proper suppliers after making a sound forecasting, the Company would have saved a large amount of public money.



3. Other Audit Observations

- (a) The Company had invested an amount aggregating Rs. 1,985,105,933 in short term investment sources such as Repo, savings account and fixed deposits etc. during the year under review and earned a net interest income of Rs.105,933,591 on such investments. Further, this net interest income is represent 61.2 per cent of the profit before tax of the year under review.
- (b) Temporary and permanent overdraft facility of Rs. 200 million had been obtained by three Base Offices during the year under review even though there were favourable cash balances amounting to Rs. 1,985,105,933 in other Base Offices of the Company throughout the year. However, the management of the Company had not paid their attention to utilized the excess cash by transferring required cash among the Bases in a proper way instead of allowing for obtain bank overdraft. As a result, the Company had incurred an overdraft interest amounting to Rs. 9,836,364 during the year under review.
- (c) Debtor aggregating Rs. 271,054,607 had been outstanding from 3 to 4 years as at 30 June 2019. Further, debtor balances of Rs.240,638,735 relating to completed projects had not been recovered for more than 02 years as at 30 June 2019.
- (d) Retention receivable as at 31 December 2018, was amounting to Rs.2,125,606,192. Out of that a sum of Rs.175,635,390 and Rs.1,737,437 relating to completed projects were outstanding from 3 to 5 years and over 5 years respectively without being taken proper recovery actions.
- (e) Creditors and retention payables as at 31 December 2018 were amounting to Rs.2,521,116,255 and Rs.494,475,831 respectively. According to the age analysis provided for audit, the creditors amounting to Rs.156,742,320 and retention payables amounting to Rs.21,621,871 had remained from 2 to 5 years without being settled.
- (f) Once the projects work undertaken by the Company is completed, there should not be a due from customers or due to customers. However, the balances of Rs.399,194,489 and Rs.13,331,669 relating to completed projects were shown as due from customers and due to customers respectively without making proper adjustments in the accounts.
- (g) Mobilization advances received amounting to Rs.229,710,197 with regard to fully completed construction projects of 07 Base Offices had remained in the accounts as at 31 December



2018 without being settled. However, the reasons for these unsettled balances had not been furnished to audit.

- (h) According to the information provided for audit, the Company has sustained a gross loss of Rs.724,162,239 from 154 completed construction projects during the year under review which implemented by nine Base Offices of the Company due to inefficiencies in bidding procedures and implementations, while a further loss of Rs.189,886,903 was reported from 22 on-going projects in the year under review. Details are shown below.
- (i) Projects completed with significant loss

Name of the Base Office	Number of Projects	Contract Amount	Cumulative Cost	Project Loss
		Rs.	Rs.	Rs.
East	04	171,002,475	207,001,842	(35,999,367)
WP2	08	1,295,477,436	1,383,670,968	(88,193,532)
WP1	04	45,523,278	52,533,792	(7,010,514)
Central	13	392,019,860	428,392,041	(36,372,181)
North	02	404,506,461	450,293,194	(45,786,733)
Sabaragamuwa	02	107,714,066	118,775,887	(11,061,821)
South	15	961,215,866	1,064,476,585	(103,260,719)
Uva	18	479,059,014	542,841,814	(63,782,800)
North Central	66	48,384,685	2,462,156,076	(255,004,638)
MKDP	22	1,267,959,427	1,345,649,361	(77,689,934)
	154	5,172,862,568	8,055,791,560	(724,162,239)

Out of the above projects, 43 per cent of the projects were belongs to the North Central (Anuradapura) Base of the Company and the net loss incurred by this Base up to 31 December 2018 was approximately Rs. 255 million.



(j) On-going Projects with Loss

Name of the Base Office	Number of Projects	Contract Amount	Cumulative Cost As at 31.12.2018	Project Loss	Stage of Completion
-----	-----	-----	-----	-----	-----
		Rs.	Rs.	Rs.	%
East	02	185,699,814	214,664,362	28,964,548	86-93
WP2	02	280,920,835	312,316,660	31,395,825	99
Central	04	317,531,413	348,239,725	30,708,312	81-95
South	05	385,620,996	420,144,801	34,523,805	99
Uva	03	60,215,515	71,367,740	11,152,225	86-99
North Central	06	298,616,120	351,758,308	53,142,188	85-99
Total	22	1,528,604,693	1,718,491,596	189,886,903	

Out of the above loss making projects, 06 projects with a loss of Rs.53 million are being carried out by the North Central (Anuradhapura) Base of the Company.

- (k) It was observed that the Company had computed its liability for Economic Service Charge (ESC) only by taking the turnover of Northern Base without being taken the entire turnover of the Company. As a result, ESC amounting to Rs. 53,712,647 had been underpaid to the Department of Inland Revenue during the period of 01 January to 31 December 2018.

R.M.J. Rathnayaka

Auditor General (Acting)

Statement of Comprehensive Income

FOR THE YEAR ENDED 31ST DECEMBER

	Note	CESL	
		2018 Rs.	2017 Rs.
Revenue	5	11,189,114,164	12,294,651,635
Cost of Sales	6	(10,402,779,545)	(11,612,393,023)
Gross Profit		786,334,619	682,258,611
Other Income	7	104,250,107	72,487,097
Administration Expenses		(820,866,054)	(700,744,729)
Selling and Distribution Expenses		(2,561,757)	(8,471,015)
Results from Operating Activities		67,156,916	45,529,964
Finance Income		150,173,742	129,450,403
Finance Cost		(44,240,151)	(16,589,596)
Net Finance Income	8	105,933,591	112,860,806
Profit Before Income Tax		173,090,507	158,390,770
Tax Expense	9	(51,637,703)	(37,512,852)
Profit/(Loss) for the Year		121,452,804	120,877,918
Other Comprehensive Income			
Actuarial Gain/(Loss) on Defined Benefit Plans	17.(d)	(683,106)	(610,476)
Other comprehensive income for the year		(683,106)	(610,476)
Total comprehensive income for the year		120,769,698	120,267,442

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 38 to 72 form an internal part of these Financial Statements.

Statement of Financial Position

AS AT 31ST DECEMBER

	Note	CESL	
		2018 Rs.	2017 Rs.
Assets			
Non-Current Assets			
Property, Plant and Equipment	10	408,908,598	454,718,380
Work In Progress - Capital Assets	11	26,306,616	25,273,376
Long Term Investments	12	-	-
Total Non-Current Assets		435,215,214	479,991,755
Current Assets			
Inventories	13	745,304,435	822,210,704
Working Progress	14	458,346,685	-
Trade and Other Receivables	15	8,664,563,679	9,702,071,926
Short Term Investments	12	1,985,105,933	1,111,071,025
Cash and Cash Equivalents	16	328,064,834	229,859,266
Total Current Assets		12,181,385,566	11,865,212,921
Total Assets		12,616,600,780	12,345,204,677
Equity and Liabilities			
Contributed Capital		10,000,020	10,000,020
Retained Earnings		411,113,142	412,949,013
		421,113,162	422,949,033
Non-Current Liabilities			
Retirement Benefit Obligation	17	8,527,850	4,578,004
Differed Tax	18	32,162,145	22,581,183
Amounts Due to Related Companies		1,588,871,721	1,565,621,739
Total Non-Current Liabilities		1,629,561,715	1,592,780,926
Current Liabilities			
Trade and Other Payables	19	10,487,491,867	10,291,972,361
Income Tax Payables	20	48,014,357	37,502,357
Inter Base current accounts		-	-
Bank Overdraft	16	30,419,679	-
Total Current Liabilities		10,565,925,902	10,329,474,717
Total Equity and Liabilities		12,616,600,780	12,345,204,677

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 38 to 72 form an internal part of these Financial Statements.

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



Mr. J. M. B. Jayaweera
Finance Manager

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board:



Eng. G. D. A. Piyatilake
Chairman



Eng. S. P. P. Nanayakkara
Executive Director

12th June 2019

 Statement of Changes In Equity

	CESL		
	Contributed Capital Rs.	Capital Reserve Rs.	Retained Earnings Rs.
Balance as at 01st January 2017	10,000,020	-	292,681,571
Profit For the Year	-	-	120,877,918
Other Comprehensive Income	-	-	(610,476)
	10,000,020	-	412,949,013
Balance as at 01st January 2018	10,000,020	-	412,949,013
Prior Year Adjustment SLFRS 15 - Note - I	-	-	(19,495,485)
Prior Year Adjustment SLFRS 09 - Note - I	-	-	(103,110,084)
Profit For the Year	-	-	121,452,804
Other Comprehensive Income	-	-	(683,106)
	10,000,020	-	411,113,142

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 38 to 72 form an integral part of these Financial Statements.

Note - I

The effect of the transition regarding SLFRS 15 and SLFRS 09 was adjusted retrospectively in accordance with LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Cumulative effect of initially applying these standards as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application.

Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER

Cash Flows from Operating Activities

Profit Before Tax

Adjustments for:

Depreciation on Property, Plant and Equipments

Prior Year Adjustment

Assets Written Off

Provision for Gratuity

Actuarial Gain/(Loss) on Defined Benefit Plans

Net Finance Income

Operating Profit before Working Capital Changes

(Increase)/Decrease in Inventories

(Increase)/Decrease in Trade and Other Receivables

Increase/(Decrease) in Trade and Other Payables

Increase/(Decrease) in Amounts Due to Related Companies

(Increase)/Decrease in Working In Process

Increase in General Suspense Account Credit Balance

Cash Generated from Operating Activities

Interest paid

Tax paid

Gratuity paid

Net Cash Flows from Operating Activities

Cash Flows from Investing Activities

Acquisition of Property, Plant and Equipment

Investment in Capital Work in Progress

Proceeds from sale of Property, Plant and Equipment

Acquisition of Subsidiary

Investment in Short Term Deposit

Investment Long Term Investment

Dividend Income

Interest Income

Net Cash Flows from Investing Activities

Cash Flows from Financing Activities

Proceed from Issue of Shares

Dividends paid

	CESL	
	2018	2017
	Rs.	Rs.
Cash Flows from Operating Activities		
Profit Before Tax	173,090,507	158,390,770
<i>Adjustments for:</i>		
Depreciation on Property, Plant and Equipments	165,689,241	153,038,109
Prior Year Adjustment	(122,605,569)	-
Assets Written Off	-	1,673,492
Provision for Gratuity	4,381,276	3,101,773
Actuarial Gain/(Loss) on Defined Benefit Plans	(683,106)	(610,476)
Net Finance Income	(105,933,591)	(112,860,806)
Operating Profit before Working Capital Changes	113,938,757	202,732,862
(Increase)/Decrease in Inventories	76,906,269	(54,011,483)
(Increase)/Decrease in Trade and Other Receivables	1,037,508,247	(2,179,387,531)
Increase/(Decrease) in Trade and Other Payables	195,519,506	2,069,505,252
Increase/(Decrease) in Amounts Due to Related Companies	23,249,981	194,551,835
(Increase)/Decrease in Working In Process	(458,346,685)	-
Increase in General Suspense Account Credit Balance	-	-
Cash Generated from Operating Activities	988,776,076	233,390,934
Interest paid	(44,240,151)	(16,589,596)
Tax paid	(31,544,740)	(22,464,264)
Gratuity paid	(431,430)	-
Net Cash Flows from Operating Activities	912,559,756	194,337,074
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(119,879,460)	(228,430,699)
Investment in Capital Work in Progress	(1,033,240)	(9,385,324)
Proceeds from sale of Property, Plant and Equipment	-	-
Acquisition of Subsidiary	-	-
Investment in Short Term Deposit	(874,034,908)	(65,353,533)
Investment Long Term Investment	-	1,532,442
Dividend Income	-	-
Interest Income	150,173,742	129,450,403
Net Cash Flows from Investing Activities	(844,773,866)	(172,186,711)
Cash Flows from Financing Activities		
Proceed from Issue of Shares	-	-
Dividends paid	-	-

Repayment of Loan	-	-
Payment of Finance Lease Liabilities	-	-
Net Cash from Financing Activities	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents	67,785,889	22,150,363
Cash and Cash Equivalent at the beginning	229,859,266	207,708,894
Cash and Cash Equivalent at the end	297,645,155	229,859,266

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 38 to 72 form an internal part of these Financial Statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2018

1. CORPORATE INFORMATION

1.1. General Information

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

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. 07 of 2007. However, the Company has commenced its operations only in the year 2011 and had no operations before that year.

1.2. Principal Activities and Nature of Operations

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

1.3. Principal Office

No. 415, Baudhaloka Mawatha,
Colombo 07.

1.4. Company Secretary

Mrs. P. I. Abeygunawardana.
No. 415, Baudhaloka Mawatha, Colombo 07.

1.5. List of Banks

Bank of Ceylon
People's Bank

1.6. Significant Shareholdings

The sole shareholder of the Company at the end of the year was as follows:

Shareholders	No. of Shares	Value per Share (Rs.)	Total Value (Rs.)	Percentage of Holding
Central Engineering Consultancy Bureau	100,000	100	10,000,000	100%
	2	10	20	

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

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

2.1.1 Statement of Compliance

The Financial Statements of the Company 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.

2.1.2 Components of the Financial Statements

Financial Statements include the following components:

- a) The Statement of Profit or Loss and Other Comprehensive Income: Providing information on the financial performance of the Company for the year.
- b) The Statement of Financial Position: providing information on the financial position of the Group and the Company as at the year-end.
- c) The Statement of Changes in Equity: Providing information on the movements of stated capital and reserves of the Group and the Company during the year under review.
- d) The Statement of Cash Flows: Providing information on the generating of cash and cash equivalents and utilization of the same.
- e) Notes to the Financial Statements: Comprising accounting policies and other explanatory notes.

The Financial Statements for the year ended 31st December 2018, were authorized for issue by the Board of Directors on 26th February 2019.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.1.3 Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company as per provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards (SLFRSs / LKASs).

2.1.4 Financial Period

The financial period of the Company represents a twelve months period from 1st January 2018 to 31st December 2018.

2.1.5 Functional and Presentation Currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates. The Company Financial Statements are presented in Sri Lankan Rupees (Rs.), which is the Company's functional currency.

2.1.6 Basis of Measurement

These Financial Statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

- a) Financial assets and financial liabilities that have been measured at fair value – LKAS 39
- b) Employee benefit liability recognized based on actuarial valuation – LKAS 19
- c) Inventories are carried at their present value – LKAS 2

2.1.7 Comparative information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements. The presentation and classification of the Financial Statement of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.1.8 Rounding

All financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee (Rs.), except when otherwise indicated.

2.1.9 Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

2.1.10 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately, unless they are immaterial.

2.1.11 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's Financial Statements requires management to make judgments, 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.

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 Company based its assumptions and estimates on parameters available when the Company 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 Company. Such changes are reflected in the assumptions when they occur.

Management considered the following items, where significant judgments, estimates and assumptions have been used in preparing these financial statements:

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

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 the event of conditions 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 a going concern basis.

Information about judgments, assumptions and estimation uncertainties that have an effect on the amount recognized and significant risk of resulting in a material adjustment to the Company Financial Statements is included in the following Notes:

- a) Measurement of defined benefit obligation: key actuarial assumptions
- b) Fair value measurement of financial instruments
- c) Impairment of financial assets: key assumption underlying recoverable amount
- d) Income Tax (current tax and deferred tax)
- e) Recognition and measurement of provisions and contingencies: key assumption about the likelihood and magnitude of an outflow of resources
- f) Estimating the useful lives of Property, Plant and Equipment (PPE)

2.1.12 Current versus Non-current Classification

The Company presents assets and liabilities in the Statement of Financial Position based on current/non-current classification.

An asset is classified as current, when it is:

- a) Expected to be realized or intended to sold or consumed in the normal operating cycle;
- b) Held primarily for the purpose of trading;
- c) Expected to be realized within twelve months after the Reporting Period; Or
- d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the Reporting Period.

The Company classifies all other assets as non-current.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.1.12 Current versus Non-current Classification (Cont.)

A liability is classified as current, when it is:

- a) It is expected to be settled in the normal operating cycle;
- b) It is held primarily for the purpose of trading;
- c) It is due to be settled within twelve months after the Reporting Period; Or
- d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the Reporting Period.

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

2.1.13 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 capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur using the EIR method.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.1.14 Statement of Cash Flows

The Statement Cash Flows has been prepared using the 'indirect method' in accordance with Sri Lanka Accounting Standard – LKAS - 7 on '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.

Bank overdrafts and Short Term borrowings that are re-payable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalent for the purpose of the Statement of Cash Flows.

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.1.15 Sri Lanka Accounting Standards (SLFRSs /LKASs) Issued But not Yet Effective

SLFRS 16 – Leases

SLFRS 16 replaces LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. 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 1st 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 Company has not reasonably estimated the financial impact as at the date of issuing of these Financial Statements.

2.2. Foreign Currency Translation

Transactions and Balances

All foreign exchange transactions are converted to functional currency. The Company determines the functional currency and items included in the Financial Statements of Company are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currency are retranslated to functional currencies equivalents at the spot rate of exchange at the Reporting Date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined.

Foreign currency differences are generally recognized in Statement of Profit or Loss.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.3. Property, Plant and Equipment

The Company applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services or for administration purpose and are expected to be used for more than one year.

2.3.1 Recognition and Measurement

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

All items of property, plant and equipment are initially recorded at cost. The Company applies cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses. The carrying values of property plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2.3.2 Freehold Assets

The cost of an item of property, plant and equipment comprise of 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 it intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs on qualifying assets.

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.

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 capitalized as part of equipment.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.3.3 Leasehold Assets

Leases in terms of which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured and capitalized 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.

Prepaid lease rentals paid to acquire land use rights are amortized over the lease term in accordance with the pattern of benefits provided. The impairment loss if any is recognized in the Statement of Profit or Loss.

2.3.4 Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized 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 derecognized. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

2.3.5 De-recognition

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

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.3.6 Depreciation

Depreciation is recognized in profit or loss on the 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 Company 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 Company that is classified as held for sale) and the date that the asset is de-recognized.

Depreciation is not charged on Freehold Land and Capital Work in Progress. The estimated useful lives are as follows:

Asset Category	Useful Lives (years)
Building	13 1/3 years
Plant and Machinery	5 years
Computer, Welfare and Communication Equipment	5 years
Office Equipment and Furniture and Fittings	8 years
Tools and Implements	5 years
Motor Vehicle	4 years
Container	5 years
Library Books	8 years

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.

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)

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.3.7. Capital Work in Progress – PPE

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.

2.3.8. Work in Progress – Computer software (Intangible asset)

An Intangible asset is recognized if it is probable that future economic benefit associated with the assets will flow to the Company and cost of the asset can be reliably measured. The ERP software is being developed. The development cost of ERP system 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 work-in-progress and carried at cost.

2.4. Financial Instruments

2.4.1 Financial Assets & Financial Liabilities

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 Company classifies its financial liabilities in the following categories; financial liabilities at fair value through profit or loss and loans and borrowings.

The classification depends on the purpose for which the financial assets / liabilities were acquired. Management determines the classification of its financial assets / liabilities at initial recognition and re-evaluates this designation at every reporting date.

2.4.2 Initial Recognition and Measurement

The Company recognizes a financial asset or a financial liability in its statement of financial position when the entity becomes party to the contractual provisions of the instrument.

Company initially measures its financial assets at fair value. In case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset, are added to the cost of financial asset.

Company initially measures its financial liabilities at fair value. In case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liabilities, are deducted from carrying value. Trade receivables are initially measured at transaction price as stated in SLFRS 15.

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.4.3 Classification of Financial Assets

(i) Financial assets are classified as subsequently measured at amortized cost, Fair Value through other comprehensive income or fair value through profit or loss based on

- a) The company's business model for managing the financial assets and;
- b) The contractual cash flow characteristics of the financial assets

(ii) Financial Assets Measured at Amortized Cost

A Financial asset is measured at amortized cost if both the following conditions are met:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and,
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Financial Assets Measured at Fair Value Through Other Comprehensive Income

A financial asset is measured at fair value through other comprehensive income, if both of following conditions are met.

- a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and,
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iv) Financial Assets Measured at Fair Value Through Profit or Loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or fair value through other comprehensive income in accordance with paragraph (ii) and (iii) above.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.4.4 Classification of Financial liabilities

Financial liabilities are subsequently measured at amortized cost, except for,

- a) Financial liabilities at fair value through profit or loss.
- b) Commitments to provide a loan at a below-market interest rate.

2.4.5 Reclassification

- (i) Financial assets are reclassified when and only when the company changes its business model for managing financial assets.

If the company reclassifies financial assets, such reclassification is applied prospectively from the reclassification date and previously recognized gains, losses (including impairment gains or losses) are not restated.

- (ii) Financial liabilities are not reclassified

2.4.6 Amortized cost Measurement

Interest revenue is calculated by using the effective interest method by applying effective interest rate to the gross carrying value of financial assets.

2.4.7 Impairment

The company recognizes a loss allowances for expected credit losses on a financial asset. Where on the reporting date the credit risk on the financial instrument has increased significantly since initial recognitions, loss allowances at an amount equal to the lifetime expected credit losses is made.

Where on the reporting date the credit risk on the financial instrument has not increased significantly since initial recognitions, loss allowances is measured for that financial instrument at an amount equivalent to 12 month expected credit losses.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.4.8 De-recognition of Financial Assets

The company de-recognizes financial assets when:

- a) The contractual rights to the cash flows from the financial asset expire, or
- b) It transfers the financial asset and the transfer qualifies for De-recognition.

2.4.9 De-recognition of Financial Liabilities

A financial liability is removed (or a part of a financial liability) from its statement the financial position when, and only when, it is extinguished - ie when the obligation specified in the contract is discharged or cancelled or expires.

2.5 Trade 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 amortized 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 recognized immediately in the statement of comprehensive income.

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 31ST DECEMBER 2018

2.6 Inventories

Inventories are measured at the lower of cost and net realizable 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.

Net realizable value is the estimated selling price in the normal course of business less estimated cost of realization and/or cost of conversion from their existing state to saleable condition. The Company follows the first in first out (FIFO) cost formula to issue and measure the inventories.

Inventory movement is reviewed at the end of the 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

Work in Progress represents the cost incurred in respect of unbilled work done as at the end of the year. It is measured at the amount of expenditure incurred from the last date of billing (or Valuation) up to the end of the financial year. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

2.7 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 recognized immediately in the statement of comprehensive income.

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 recognized for the asset or group of related assets in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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.

2.9 Stated Capital

Ordinary shares are classified under equity.

2.10 Liabilities, Provisions and Contingencies

Provisions are recognized 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. Other liabilities are recorded at the cash value to be realized when settled. Provisions are calculated based on the historical experience and the specific terms in the individual cases. The company 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. Further, contingent liabilities are not recognized in Statement of Financial Position but are disclosed unless its occurrence is remote.

Currently, the Company is involved in pending litigations and claims arising out of the normal conduct of the business. The Company does not expect the pending litigations and claims, individually and in aggregate, to have a material impact on Company's financial position, operating profit or cash flows.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.10.1 Legal Cases Filed Against the Company

Case No: - DMR/2964/17

The case of money recovery by Vincy Engineering (Pvt) Ltd Vs Central Engineering Services (Pvt) Ltd.

The claim is made against at the District Court of Colombo, for non-payment of money on the supply, delivery, installation, testing and commission of 600K VA Canopy type Generator make; Mega Power/ Model: MPG600PLS53. The Claim is made amounting to Rs. 3,318,971.66. Legal proceeding is going on.

Case No: - Adjudication between K. S. Trading (Pvt) Ltd and Central Engineering Services (Pvt) Ltd.

Dispute has arisen between K. S. Trading (Pvt) Ltd Vs Central Engineering Services (Pvt) Ltd for delay payment, termination of the contract, wrongful encashment of Performance bond.

The claim is made amounting to Rs. 117,864,148.65. Legal proceeding is going on.

2.11 Employee Benefits

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which contributions are made into a separate fund and the entity will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plan are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined Contribution Plans - Employees Provident Fund and Employees Trust Fund

All employees who are eligible for Employees Provident Fund contribution and Employees Trust Fund contribution are covered by relevant contribution funds 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.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

Defined Contribution Plans (Cont.)

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 liability recognized 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’. Actuarial gains and losses for the defined benefit plans are recognized in full in the period in which they occur in Other Comprehensive Income. The liability is not externally funded.

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.

2.12 Current and Deferred Tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss account.

2.12.1 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. It is measured using tax rates enacted or substantively enacted at the Reporting Date. Current tax also includes any tax arising from dividends.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.12 Current and Deferred Tax (Cont.)

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 new Inland Revenue Act No. 24 of 2017 and any amendments thereto. Applicable income tax rate is 28% for the Company. Current tax assets and liabilities are offset only if certain criteria are met.

Current tax relating to items recognized directly in equity is recognized 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.

2.12.2 Deferred Taxation

Deferred tax is recognized 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 assets are recognized 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. 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 realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each Reporting Date and recognized 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 Company expects, at the Reporting Date, to recover or settle the carrying amount of its assets and liabilities.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

Deferred Tax (Cont.)

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Significant Judgments Relating to Deferred Taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

2.13 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.

Operating leases

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.14 Revenue Recognition

Revenue is the income arising in the course of an entity's ordinary activities. According to SLFRS 15, revenue is recognized when a customer obtains control of the goods or services and at the amount of consideration to which the company expects to be entitled (when the Company satisfies a performance obligation). The goods or a service is transferred when the customer obtains control of that asset at a point in time or over time which requires judgements. SLFRS 15 introduces a five-step model for recognizing revenue from contracts with customers.

The Company account for a contract with a customer only when all of the following criteria are met:

- a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- b) The Company can identify each party's rights regarding the goods or services to be transferred;
- c) The Company can identify the payment terms for the goods or services to be transferred;
- d) The contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract); and
- e) It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Construction Contracts

Construction Revenue

Construction revenue is recognized in the statement of profit or loss in proportion to the stage of completion of the contract (based on input method) in accordance with SLFRS 15- Revenue from contracts with customers.

Under input method, revenue is recognized on the basis of the Company's input to the satisfaction of performance obligation relative to the total expected inputs (Estimated Cost) to the satisfaction of that performance obligation.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.14 Revenue Recognition (Cont.)

For projects pending STC approval, the contract revenue is recognized only to the extent of 90% of initial amount of revenue agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that the company expects to be entitled.

Contract revenue is revised to the STC approved contract revenue approval, once is received from STC (actual entitled amount). For other contracts the contract price includes initial amount agreed in the contract plus any variations in the contract work.

2.15 Net Finance Income/(Cost)

2.15.1 Finance Income

Finance income comprises interest income on fund invested. Interest income is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in net finance income in the Statement of Profit or Loss.

2.15.2 Finance Cost

Finance cost comprises interest expenses on borrowings. Interest expense is recorded as it accrues using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

Borrowing costs are recognized as an expense in the period in which they are incurred except those that are directly attributable to the construction or development of Property, Plant and Equipment which are capitalized as part of the cost of those assets during the period of construction or development.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

2.16 Expenditure Recognition

Expenses are recognized in the profit or loss on the basis of a direct association between the costs incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. Repairs and renewals are charged to profit or loss in the year in which the expenditure is incurred. Expenditure is recognized on accrual basis.

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.

Dividend Distribution

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

2.17 Events after the Reporting Date

Events after the reporting period are those events favorable and unfavorable that occurs between the end of the reporting period and the date when the Financial Statements are authorized for issue.

The materiality of the events occurring after the reporting period is considered and appropriate adjustments to or disclosures are made in the Financial Statements, where necessary.

2.18 Earnings per Share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

3. RELATED PARTY DISCLOSURE

3.1 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.

3.2 Transactions, Arrangements and Agreements Involving Key Management Personal (KMP) and Their Close Family Members (CFM)

According to LKAS 24 – 'Related Party Disclosures', Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, Board of Directors (including Executive and Non-Executive Directors) has been classified as Key Management Personnel of the Company.

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 is related parties to the entity. There were no transactions with CFM during the year.

3.3 Directors' Loan

No loans have been given to the Directors of the Company.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risk Management is the practice of economic value in a firm by using financial instrument, manage exposure to risk face by the Company. The Company'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 the Company are trade and other payables. The main purpose of these financial investments is to finance the Company's operations and to provide guarantees to support its operations.

The Board of Directors has established Company's risk management policies to identify analyze the risk face by the Company and set appropriate risk limits and controls. 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 Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the risk management framework in relation to the risk face by the Company. The Company 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 Company is exposed to key financial risks include Market Risk, Credit Risk, Liquidity Risk.

The Board of Directors revives, verifies, agree the policies for managing each type of risk which are summarized below;

4.1 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 optimizing the return. All such transactions are carried out within the guidelines set by the Risk Management Committee.

FOR THE YEAR ENDED 31ST DECEMBER 2018

4.1 Market Risk (Cont.)

Market risk comprises of the following types of risk:

- a) Interest rate risk
- b) Currency risk
- c) Commodity price risk
- d) Equity price risk

Financial instruments affected by market risk mainly include deposits.

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

4.1.1 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 rate relates primarily to the Company's deposits with floating rate. The Company has interest earning bank deposits which may cause risks to it as a result of the adverse movements in interest rates.

4.2 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 Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Trade Receivables

Customer credit risk is managed by each base office subject to Company's established polices procedures and controls relating to customer credit risk management.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Each Base Office monitors the customers' financial standing. An impairment analysis is performed at each Reporting Date on an individual basis for major clients. The calculation is based on actual incurred historical data.

The Company evaluates the concentration of risk with respect to trade receivables as low, as its most of customers are represent government departments and material payments being backed by guarantees and enters contractual agreements with clients before starting the operations (Constructions).

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

4.2 Credit Risk (Cont.)

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

As at	Trade Debtors Rs.
at 31 st December, 2017	5,148,573,297
at 31 st December, 2018	4,059,164,389

4.3 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company monitors its risk of a shortage of funds using a liquidity planning tools.

The Company's approach to 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 Company's reputation.

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

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER

	CESL	
	2018 Rs.	2017 Rs.
5 Revenue		
Construction Revenue	11,162,314,163	12,294,651,635
Consultancy Revenue	26,800,001	-
	11,189,114,164	12,294,651,635
6 Cost of sales		
Materials	4,203,562,421	4,838,718,956
Labour	3,498,167,680	3,200,962,306
Transport Charges	744,866,676	1,127,007,877
Tools	17,567,443	39,725,314
Overhead & Miscellaneous Expenses	1,136,923,456	88,059,450
Construction Services	801,691,870	2,317,919,120
	10,402,779,545	11,612,393,023
7 Other Income		
Hiring Income	58,207,817	16,375,557
Commission Income	973,412	70,931
Fees Income	340,150	-
Miscellaneous Revenue	27,401,200	63,995,420
Tender Fees Income	1,471,770	-
Bad Debt Provision Reversal	7,350,768	-
Assets Disposal Profit / (Loss)	(1,680,257)	-
Asphalt/Crusher Plant Gain/ (Loss)	10,185,248	(7,954,812)
	104,250,107	72,487,097
Operating Profit		
The following items have been charged / (credited) in arriving at the Operating Profit		
Director's Emoluments	1,255,700	848,500
Auditor's Remuneration	4,111,985	590,000
Depreciation on Property, Plant & Equipment	165,689,241	153,038,109
Charity and Donations	1,541,813	1,564,866
Allowance for Bad and Doubtful Debts	-	6,216,707
Employee Benefit Costs	289,433,660	140,282,747
Employee Benefit Costs		
Salaries & Wages	211,520,789	27,141,892.00
Contribution to Defined Contribution Plans	18,466,993	52,021,960.16
Over Time, Incentive and Other Allowances	59,445,878	61,118,895.00
8 Net Finance Income		
Finance Income		
Interest Income	150,173,742	129,450,403
	150,173,742	129,450,403
Finance Cost		
Interest Expenses	(44,240,151)	(16,589,596)
	(44,240,151)	(16,589,596)
Net Finance Income	105,933,591	112,860,806
9 Tax Expenditures		
Deferred Tax for the Year	9,580,963	760,227
Income Tax for the Year	42,056,740	36,752,625
	51,637,703	37,512,852

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER

10 Property, Plant and Equipment

10.1 CESL

	Land	Buildings	Furniture & Fittings	Construction Instrument & Equipment	Office Equipment	Plant & Machinery	Containers	Computers	Motor Vehicles	Library Books	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost											
Balance as at 1st January 2018	8,415,147	47,990,154	23,525,114	250,986,282	36,992,263	288,061,012	41,661,885	48,358,969	391,307,386	169,717	1,137,467,929
Additions during the year	-	-	4,195,280	69,959,288	4,685,059	25,640,570	5,524,000	7,584,905	2,058,000	232,360	119,879,460
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2018	8,415,147	47,990,154	27,720,393	320,945,570	41,677,322	313,701,582	47,185,885	55,943,874	393,365,386	402,076	1,257,347,389
Accumulated Depreciation											
Balance as at 1st January 2018	-	19,281,946	7,564,359	113,473,133	12,067,786	137,554,132	15,895,157	21,370,338	355,512,025	30,673	682,749,549
Additions during the year	-	8,554,429	3,142,468	60,894,094	5,343,816	53,851,575	1,366,046	9,168,667	23,332,431	35,715	165,689,241
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2018	-	27,836,375	10,706,827	174,367,228	17,411,602	191,405,707	17,261,204	30,539,005	378,844,456	66,388	848,438,791
Net Book Value											
Balance as at 31st December 2017	-	28,708,208	15,960,755	137,513,149	24,924,477	149,533,097	25,766,728	26,988,631	35,795,361	1,112,827	454,718,380
Balance as at 31st December 2018	8,415,147	20,153,779	17,013,566	146,578,342	24,265,720	122,295,875	29,924,681	25,404,869	14,520,930	335,688	408,908,598
Cost											
Balance as at 1st January 2017	8,415,147	46,645,564	17,811,835	156,485,780	24,513,744	211,000,218	25,888,335	35,075,771	387,712,386	101,727	913,022,167
Additions during the year	-	1,344,590	5,766,169	95,306,249	12,635,625	78,775,188	15,773,550	14,537,998	3,595,000	67,990	228,430,699
Disposals during the year	-	-	(52,890)	(805,747)	(157,106)	(1,714,394)	-	(1,254,800)	-	-	(3,984,937)
Balance as at 31st December 2017	8,415,147	47,990,154	23,525,114	250,986,282	36,992,263	288,061,012	41,661,885	48,358,969	391,307,386	169,717	1,137,467,929
Accumulated Depreciation											
Balance as at 1st January 2017	-	15,766,952	4,993,249	65,674,416	7,441,615	92,016,430	8,708,657	13,884,091	323,521,088	16,387	532,022,885
Additions during the year	-	3,514,995	2,593,387	48,321,576	4,709,253	46,205,740	7,186,500	8,501,436	31,990,937	14,286	153,038,109
Disposals during the year	-	-	(22,277)	(522,858)	(83,081)	(668,038)	-	(1,015,190)	-	-	(2,311,445)
Adjustment	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2017	-	19,281,946	7,564,359	113,473,133	12,067,786	137,554,132	15,895,157	21,370,338	355,512,025	30,673	682,749,549

Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER

		CESL	
		2018	2017
		Rs.	Rs.
10.2 Fully Depreciated Property Plant & Equipments			
The cost of fully depreciated Property, Plant & Equipment of the company which are still in use as at the date of Statement of Financial Position as follows.			
Free Hold PPE	Fully Depreciated	Depreciating	Total
Land	8,415,147	-	8,415,147
Buildings	3,800,000	44,190,154	47,990,154
Motor Vehicles	272,299,768	121,065,617	393,365,386
Office Equipment	8,797,678	32,879,644	41,677,322
Furniture & Fittings	528,900	27,191,494	27,720,393
Construction Instrument	56,833,795	264,111,775	320,945,570
Library Books	-	402,076	402,076
Plant & Machinery	25,999,581	287,702,000	313,701,582
Computer	5,963,762	49,980,112	55,943,874
Containers	4,233,466	42,952,419	47,185,885
	386,872,097	870,475,292	1,257,347,389
11 Capital Work In Progress			
<u>Internal Develop Software</u>			
Balance B/F -		9,365,714	4,785,714
Cost Incurred During the Year		1,010,000	4,580,000
		10,375,714	9,365,714
<u>Building Construction</u>			
		15,907,662	11,102,338
Cost Incurred During the Year		23,240	4,805,324
Transferred		-	-
		26,306,616	25,273,376
12 Investments			
Long term investment (Note 12.1)		-	-
Short term investment (Note 12.2)		1,985,105,933	1,111,071,025
		1,985,105,933	1,111,071,025
12.1 Long term investment			
Loans and receivable financial assets			
Investment in Fixed Deposit		-	-
		-	-
12.2 Short term investment			
Repo		8,100,000	
Short term investments		1,977,005,933	1,111,071,025
		1,985,105,933	1,111,071,025
13 Inventories			
Inventories - Construction Materials		744,403,110	822,210,704
Disposal Of Material		901,326	-
		745,304,436	822,210,704
14 Work In Progress			
Opening Balance		-	-
Prior Year Adjustment		367,313,852	-
Reversal Of Prior Year Adjustment		(367,313,852)	-
WIP for the Current Year		458,346,685	-
Closing Balance		458,346,684	-

Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER

		CESL	
		2018	2017
		Rs.	Rs.
15	Trade and Other Receivables		
	Trade Receivables (Note 15.1)	8,423,304,087	9,404,371,008
	Other Receivables (Note 15.2)	60,673,853	42,348,529
	Deposits, Prepayments and Advances (Note 15.3)	180,585,739	255,352,389
		8,664,563,679	9,702,071,926
15.1	Trade Receivables		
	Debtors	4,059,164,389	5,148,573,297
	Due From Customers	2,349,667,271	2,280,063,760
	Retention Receivables	2,125,606,192	1,991,794,038
	Less - Provision for Impairment (Note 15.1.1)	(111,133,765)	(16,060,086)
		8,423,304,087	9,404,371,008
15.1.1	Provision for Impairment		
	Debtors	8,023,681	16,060,086
	Provision for Expected Losses	-	-
	Prior Year Adjustment (Provision)	103,110,084	-
		111,133,765	16,060,086
15.2	Other Receivables		
	WHT Deduction - From Payments	1,042,612	-
	Staff Loans	4,651,621	466,141
	Prepaid Staff Cost	679,678	101,594
	Refundable Deposits	8,472,550	591,735
	Sundry Debtors	45,827,392	41,189,059
		60,673,853	42,348,529
15.3	Deposits, Prepayments and Advances		
	Mobilization Advance Paid	33,195,856	38,190,892.00
	Deposits	-	5,236,499
	Advances	135,956,505	202,020,670
	Prepayments	11,433,378	9,904,328
		180,585,739	255,352,389

Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER

		CESL	
		2018	2017
		Rs.	Rs.
16	Cash and Cash Equivalents		
	Favorable Balances		
	Cash in Hand and at Bank	246,154,904	229,518,496
	Cash in Transit	81,909,930	340,770
		328,064,834	229,859,266
	Unfavorable Balances		
	Bank Overdraft	(30,419,679)	-
	Cash and Cash Equivalents for the Cash Flow Purpose	297,645,155	229,859,266
17	Defined Benefit Obligations		
(a)	The amounts recognised in the Financial Position are determined as follows:		
	Balance at the beginning of the year	4,578,004	1,476,231
	Current service cost	3,217,479	2,343,674
	Interest cost	480,690	147,623
	Actuarial (gain)/Loss during the year	683,106	610,476
		8,959,280	4,578,004
	Benefits paid	(431,430)	-
	Balance at the end of the year	8,527,850	4,578,004
(b)	Liability Recognized in the Financial Position		
	Present Value of Obligation as at 31 December 2018	8,527,850	4,578,004
	Un Recognised Actuarial Gains / (Losses)	-	-
	Net Liability in Financial Position	8,527,850	4,578,004
(c)	The amounts recognised in the Statement of Comprehensive Income are as follows:		
	Interest Cost	480,690	147,623
	Current Service Cost	3,217,479	2,343,674
		3,698,169	2,491,297
(d)	The amounts recognised in the Statement of Other Comprehensive Income are as follows:		
	Actuarial (Gain) / Loss recognized	683,106	610,476
		683,106	610,476

The Retirement Benefit Obligation of the company as at 31st December 2018 is based on the formula method as recommended by the Sri Lanka Accounting Standard No. 19 (Revised 2012) Employee Benefits.

Assets value of Rs. 8,878,456 (Fixed Deposits & Saving Accounts) had been built up against the relevant obligation.

Key assumptions used in the computation includes the following;

Rate of Discount	11.50% p.a.
Salary Incremental Rates	2%
Staff Turnover Rates: 9 % for age up to 54 and thereafter 0%	
Retirement Age	60 Years
Mortality: A 1967/70 Mortality Table	

Notes to the Financial Statements (Continued)

AS AT 31 ST DECEMBER		CESL	
		2018	2017
		Rs.	Rs.
18	Deferred Tax		
	Balance at the beginning of the year	22,581,183	21,820,956
	Provision for the year	9,580,962	760,227
	Balance at the end of the year	32,162,145	22,581,183
19	Trade and Other Payables		
	Trade Payables (Note 19.1)	10,255,474,444	10,071,462,202
	Other Payables (Note 19.2)	232,017,423	220,510,159
		10,487,491,867	10,291,972,361
19.1	Trade Payables		
	Creditors	2,521,116,255	2,378,526,793
	Due to Customers	2,828,360,228	3,326,454,352
	Mobilization & Other Advances	4,411,522,130	4,032,030,310
	Retention Payables to Contractors	494,475,831	334,450,747
		10,255,474,444	10,071,462,202
19.2	Other Payables		
	EPF Payable	1,642,055	-
	ETF Payable	905,491	-
	Yasasa Loan Payable	457,306	-
	WHT Deductions From Payments	31,705,626	-
	Medical Insurance Deduction	119,850	-
	Death Grant Deduction	152,000	-
	Sundry Creditors	102,319,705	12,808,387
	Accrued Expenses	47,546,485	73,609,534
	Unpaid Staff Cost	8,006,890	492,764
	PAYE tax	4,876,749	2,011,509
	Other Taxes	34,285,266	131,587,965
		232,017,423	220,510,159
20	Income Tax Payables		
	Balance at the beginning of the year	37,502,357	23,213,996
	Income tax for the year	42,056,740	36,752,625
	Provision in respect of the last year	-	-
	Payments made during the year	(24,196,297)	(18,185,164)
	Withholding Tax (WHT)	(7,348,443)	(4,279,100)
	Balance at the end of the year	48,014,357	37,502,357

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

21. RELATED PARTY TRANSACTIONS

21.1 Transaction with Parent

- a) Eng. G. D. A. Piyatilake is the chairman of CESL and Eng. N. Rupasinghe, Eng. S. P. P. Nanayakkara, Mr. M. R. G. Ranathunaga, Eng. K. L. S. Sahabandu, Eng. T. D. Wickramarathna, Eng. A. Galketiya, and Mr. H. M. N. U. B. Mawathagama who were Directors of CESL as at 31st December 2018.

Further key management personal of CESL are as follows;

Name	Designation	Base Office
Eng. E.P.U.S. Karunaratne	Chief Executive Officer	
Eng. P.M.P.C. Gunathilake	Chief Operation Engineer	East & South East
Eng. L.W.J.N. Alwis	Chief Operation Engineer	South
Eng. H.R.W.K. Heendeniya	Chief Operation Engineer	WP1
Eng. H.M.T.N. Dhanawardana	Chief Operation Engineer	WP2
Eng. A. Pushparajah	Chief Operation Engineer	North
Eng. W.E.P. Ranjan Kumara	Chief Operation Engineer	Sabaragamuwa
Eng. M.N. Gunasena	Chief Operation Engineer	Uva
Eng. H.M. Nandasena	Chief Operation Engineer	Central Province
Eng. S.B.A.D. Semasinghe	Chief Operation Engineer	MKDP
Eng. J.A.D.R. Sujith Kumara	Chief Operation Engineer	Anuradhapura
Mr. J.M.B. Jayaweera	Finance Manager	

b) Nature of the Transactions	Amount 2018 Rs.
Construction Revenue	6,983,172,227
Vehicle Hiring Income	12,135,004

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2018

21.2 Terms and conditions of transactions with related parties

The Income from related party and expenditure incurred or purchases from related parties are made at 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. This note should be read in conjunction with Note No. 19 to these Financial Statements.

Transactions with Key Management Personnel

LKAS 26 'Related Party Disclosures', Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive Directors) as key management personnel of the CECB/Group have been classified as Key Management Personnel.

Compensation paid to Key Management Personnel

	2017	2018
	Rs.	Rs.
Salaries and other Employment Benefits	1,448,500	1,541,813

22. COMMITMENTS AND CONTINGENCIES

There were no material Commitments and Contingent liabilities in CESL as at the reporting date.

11. Six Year Summery

Statement of Profit or Loss and Other Comprehensive Income Highlights		2013	2014	2015	2016	2017	2018
Revenue	Rs. Mn	5,157	4,960	6,560	8,691	12,294	11,189
Gross Profit	Rs. Mn	135	254	448	621	682	786
EBITDA	Rs. Mn	105.3	236	255	192	196	232
EBIT	Rs. Mn	25.9	132.8	106	54	45	67
Net Finance Income	Rs. Mn	(0.7)	(1.0)	11.3	56	112	105
Profit After Tax	Rs. Mn	13.9	103	81.1	84.5	120.8	121.4
Profit Attributable to Owners	Rs. Mn	13.9	103	81.1	84.5	120.8	121.4

Statement of Financial Position Highlights

Property, Plant and Equipemnt	Rs. Mn	227	402	401	396	479	435
Total - Non Current Assets	Rs. Mn	228.5	440	407	398	479	435
Cash and Cash Equivalent	Rs. Mn	129.7	171	178	207	229	328
Short Term Deposits	Rs. Mn	40.6	257.0	771	1,046	1,111	1,985
Total Assets	Rs. Mn	4,259	5,729	6,385	9,942	12,345	12,616
Stated Capital	Rs.	20	10,000,020	10,000,020	10,000,020	10,000,020	10,000,020
Retained Earnings	Rs. Mn	23.8	127	208	292	412	411
Equity Attributable to Owners	Rs. Mn	23.8	137	218	303	422	421
Total Non Current Liabilities	Rs. Mn	1090	1,285	1,166	1,394	1,592	1,629

Statement of Cash Flow Highlights

Cash flow from Operating Activities	Rs. Mn	202	605	666	368	194	912
Cash Flow used in Investing Activities	Rs. Mn	(119.50)	(523)	(651)	(338)	(172.0)	(844.70)
Cash Flows from / (used in) Fianancing Activities	Rs. Mn	(23.40)	(0.07)	(7.8)	(0.88)	-	-

Key Financial Ratios

EPS	Rs.	6,999,804	6,186	812	845	1,203	1,208
Net Assets per Share	Rs.	11,905,768	1,369	2,181	3,026	4,229	4,211
ROE		58%	75%	37%	28%	28%	29%
Current Ratio		1.3	1.2	1.2	1.2	1.1	1.2
Quick Ratio		1.18	1.16	1.1	1.06	1.07	1.08

Director's remuneration for the year ended 31st December 2018 is **Rs. 1,255,700**

Auditor's fee for the year ended 31st December 2018 is **Rs. 4,111,985**

Corporate Information...

✚ NAME OF THE COMPANY

Central Engineering Services (Pvt) Ltd.

✚ PARENT COMPANY

Central Engineering Consultancy Bureau

✚ 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 2668972
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

Mrs. S. H. H. C. U. Senanayake
No. 415, Bauddhaloka Mawatha,
Colombo 7, Sri Lanka.

✚ AUDITORS

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

✚ AUDIT COMMITTEE

Mr. P. A. B. S. Nonis - Director (CECB) - Chairman of
the Committee
Mr. M. R. G. Ranathunga - Director (CESL)
Eng. T. D. Wickramarathna - Director (CESL)

✚ BOARD OF DIRECTORS

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

✚ PRINCIPLE ACTIVITIES

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

✚ CERTIFICATIONS

ISO 9001:2015 for Quality Management System
ISO 14001:2015 for Environment Management System
ISO 18001:2007 for Occupational Health & Safety
System



CENTRAL ENGINEERING SERVICES (PVT) LTD.

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

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