



CENTRAL ENGINEERING SERVICES (PVT) LTD.



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පුරාණ தொழில்நுட்ப நூதனகாரை - பொலன்னறுவை
ANCIENT TECHNOLOGY MUSEUM - POLONNARUWA
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ANNUAL REPORT 2019



A Fully Owned Subsidiary of CECB
Ministry of Mahaweli, Agriculture, Irrigation and Rural Development
(We are ISO 9001, ISO 14001 and ISO 45001 Certified, CIDA CS1 Registered Company)



ANNUAL REPORT 2019

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Inner Back Cover Corporate Information

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 has created 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.

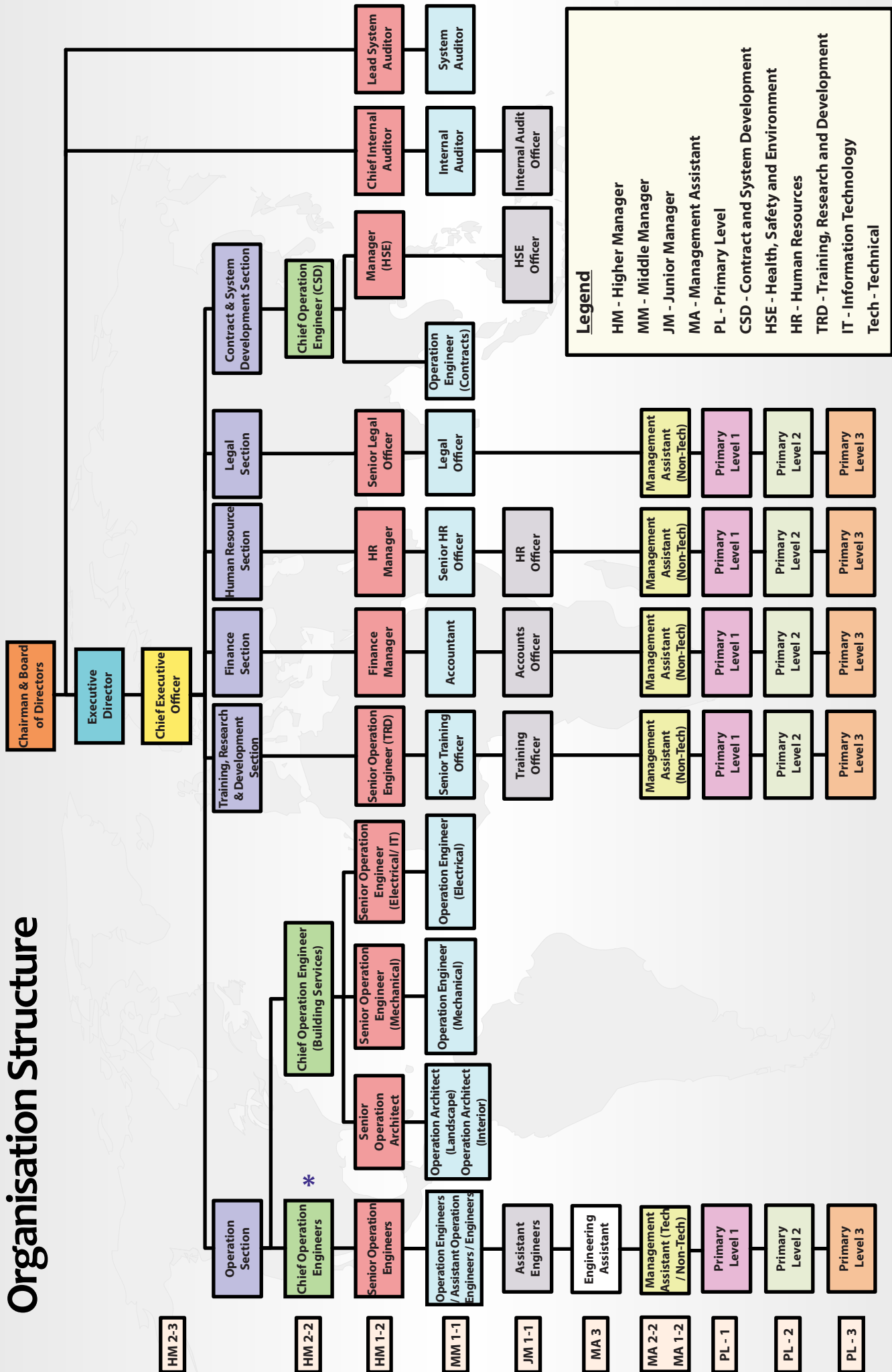


Corporate Goals

- ✦ *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.*



Organisation Structure

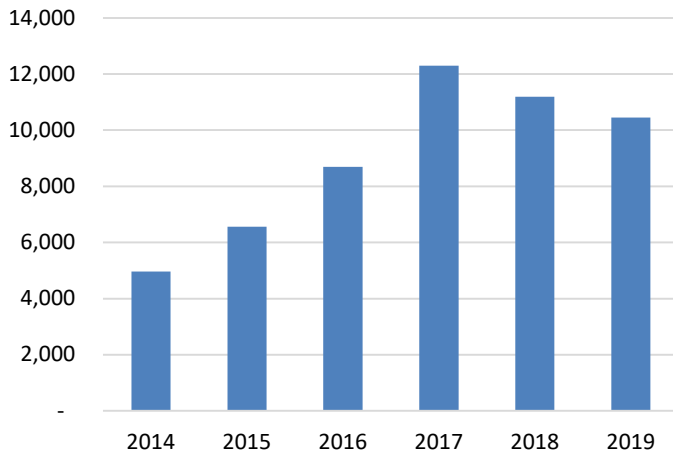


* Chief Operation Engineer Sections in CESL : Western Province - 1, North Western Province, Western Province - 2, Central Province, Southern Province, Uva Province, Eastern Province, Sabaragamuwa Province, Anuradhapura, MKDP & Polonnaruwa, Northern Province

Financial Highlights

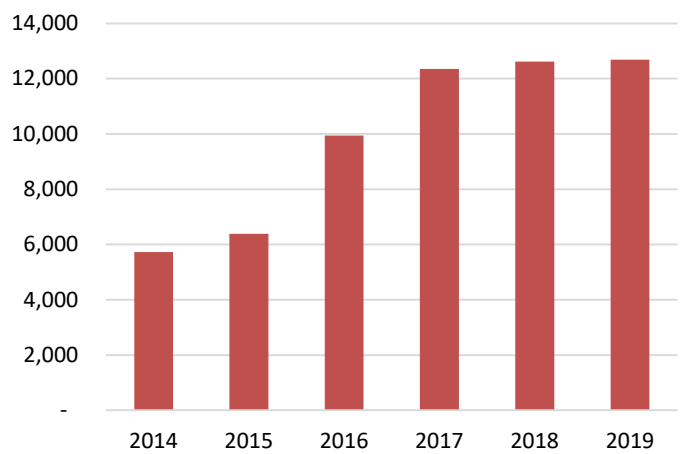
	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn
Construction Revenue	10,447	11,189	12,294	8691	6,560	4,960
Gross Profit	781	786	682	621	448	254
Net Profit Before Tax	206	173	158	110	118	131
Net Profit After Tax	141	121	120	84	81	103
Total Assets	12,681	12,616	12,345	9,942	6,385	5,729
Contributed Capital	10	10	10	10	10	10
Total Equity	604	421	422	302	218	136
Total Equity Equilibrium	12,681	12,616	12,345	9,942	6,385	5,729
Current Assets	12,207	12,181	11,865	9,544	5,978	5,327
Current Laibilities	10,421	10,565	10,329	8,245	5,001	4,307

Construction Revenue (Rs. Mn)



■ Construction Revenue (Rs. Mn)

Total Assets (Rs. Mn)



■ Total Assets (Rs. Mn)

Construction Revenue (Rs. Mn)

2014	2015	2016	2017	2018	2019
4,960	6,560	8,691	12,294	11,189	10,447

Total Assets (Rs. Mn)

2014	2015	2016	2017	2018	2019
5,729	6,385	9,942	12,345	12,616	12,681



Eng. G. D. A. Piyatilake - Chairman

BSc.Eng. (Hons), PG.Dip. (Const.Mgt), PG.Dip. (Port & 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. 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).



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

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. 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 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 CentralEngineering 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.



Eng. G. R. A. S. Gunathilake - Director

BSc.Eng. (Hons) Sri Lanka, MSc (Hydropower) Norway, MSc.(Struct) Sri Lanka, MIE(SL), C.Eng., MSSE (SL).

Appointed to the Board as a Director in 2019. Extensive contributions to CECB, CESL and Civil Engineering discipline for 35 years, rising from Site Engineer, Design Engineer, Resident Engineer, Chief Resident Engineer, Senior Design Engineer, Project Manager, Deputy General Manager, Additional General Manager, Corporate Additional General Manager (Consultancy) and as General Manager.

Recognized expertise in Structural Designs, Engineering Procurement & Construction (EPC) and Water Resources Development. Charter Training of hundreds of young engineers. Visiting Academic and Post-Graduate Research Supervisor, University of Peradeniya.

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 2019. 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 pages 20 to 31.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of Financial Statements of the Company are given on pages 32 to 66 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 32 to 66.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

AUDITORS

The Department of Auditor General (AGDSL) served as the Auditors during the year under review.

STATED CAPITAL

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

RESERVES

The reserves of the Company with the movements during the year are given in the Statement of Changes in Equity on page 35.

STATUTORY PAYMENTS

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

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

MEETINGS & ATTENDANCE

The Board met in 09 Occasions during the Financial year 2019 and the attendance of the Board of Directors was as follows.

Name	Position	2019								
		29th Jan	26th Feb	03rd April	28th May	25th June	30th July	04th Sep	26th Sep	06th Nov
Eng. G. D. A. Piyatilake	Chairman	√	√	√	√	√	√	√	√	√
Eng. S. P. P. Nanayakkara	Executive Director	√	√	√	√	√	√	√	√	√
Eng. N. Rupasinghe	Director	√	√	√	√	√	√	√	√	√
Mr. M. R. G. Ranathunga	Director	√	√	√	√	√	√	√	N/A	
Eng. K. L. S. Sahabandu	Director	√	√	√	√	N/A				
Eng. T. D. Wickramarathna	Director	√	√	√	√	√	√	√	√	√
Eng. A. Galketiya	Director	√	√	√	√	√	√	√	√	√
Mr. H. M. N. U. B. Mawathagama	Director	√	√	√	√	N/A				
Eng. G. R. A. S. Gunathilake	Director	N/A						√	√	√

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 03 Occasions during the Financial year 2019 and the attendance are as follows.

Name	Position	2019		
		21st Mar	06th Aug	28th Oct
Eng. T. D. Wickramarathna	Chairman of the Committee	√	√	√
Mr. M. R. G. Ranathunga	Director	√	√	N/A
Eng. A. Galketiya	Director	√	√	√

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.

Training Programmes Conducted for the year 2019

Technical

SL No.	Date	Name of the Training Programme	Institute	Duration	No of Participants	Cost per Head
1	04.01.2019	Diploma in Construction Adjudication - 2019	CIDA	6 months	2	120,000.00
2	05.01.2019	CPD Course on PRIMAVERA P6 (Project Management Programme)	IESL	5 Days	1	22,500.00
3	25.01.2019	TRAINING PROGRAMME ON MEP QUANTITY SURVEYING	CHPB	4 days	3	15,000.00
4	25.01.2019	APT Course - 24th Batch	GBCSL	4 days	1	35,700.00
5	14.02.2019	SEMINAR ON STRUCTURAL REINFORCED CONCRETE	CIDA	1 Day	10	4,000.00
6	15.02.2019	Diploma course in Contract Management & Procurement Management	CIDA	40 Days	1	100,000.00
7	28.02.2019	Two day workshop on Transport Management	CETRAC	2 Days	1	7,000.00
8	03.03.2019	Sound contract Administration	Prf. Indrawansa Samarathunga	3 Days	3	6,500.00
9	07.03.2019	Seminar on Experience in Adjudication - case studies	CIDA	1 Day	13	4,000.00
10	09.03.2019	CPD course on Testing of Lifting Machines under the factories ordinance	IESL	1 Day	4 (M)	7,500.00
					1 (NM)	10,500.00
12	19.03.2019	One day Seminar on Essentials for Effective Contract Administration and Supervision of Infrastructure Projects	CHPB	1 Day	3	3,500.00
13	23.03.2019	Training Programme on Euro Codes for Design, Construction & Quality Assurance of Buildings & Highway Structures	UOM	8 Days	1	50,000.00
14	25.03.2019	Huawei Lanka ICT Congress 2019	Huawei Sri Lanka	2.5 hrs	2	free
15	27.03.2019	One day workshop on QA & QC	CECB	1 Day	32	free
16	27.03.2019	Public Consultation on Standards and regulatory measures for water fittings	Public utilities commission	1 Day	1	free
17	28.03.2019	Master Course in Lightning Protection Technology	D&R Professional Development	3 Days	1	39,000.00
18	28.03.2019	One day Seminar on Pre-Contract Management	CHPB	1 Day	21	3,500.00
19	29.03.2019	Workshop on Solid waste Management	UOP	2 Days	1	13,000.00
20	01.04.2019	Seminar on Design & Construction of Deep Basements (SSESL)	SSESL	1 Day	1	6,000.00
21	07.04.2019	CPD Course on "Plumbing Engineering-2019"	IESL	11 Days	2	38,500.00
22	28.04.2019	CPD Course on "Business Analytics via Data science principles"	IESL	8 Days	1	25,000.00
23	03.05.2019	APT course - 25th Batch	GBCSL	4 days	3	42,000.00
24	08.06.2019	Variations & delay claims under FIDIC	SLQS	1 Day	21	5,000.00
25	19.06.2019	Seminar on "Vision for high rise buildings 4"	SSESL	1 Day	2	6,000.00
26	21.06.2019	CPD Course on "Project Management in PRIMAVERA P6"	IESL	5 Days	1	22,500.00
27	21.06.2019	Workshop on Solid waste Management	UOP	2 Days	1	13,000.00

Training Programmes Conducted for the year 2019

Technical

SL No.	Date	Name of the Training Programme	Institute	Duration	No of Participants	Cost per Head
28	27.06.2019	LPG system installation in residential & commercial buildings	CIDA	1 Day	5	4,000.00
29	09.07.2019	CPD Course on Project Management Professional (PMP)	IESL	2.5 hrs x 20	1	22,000.00
30	12.07.2019	Technical Session in IIESL	IIESL	1 Day	3	1,000.00
31	19.07.2019	Workshop on Organizational Procurement & Supply Chain Management	CETRAC	1 Day	9	4,000.00
32	20.07.2019	Two day workshop on plumbing for high-rise buildings	CETRAC	2 Days	1	12,000.00
33	23.07.2019	Workshop on Maintenance of Electrical Systems of Construction Equipment	CETRAC	4 Days	2	13,860.00
34	24.07.2019	Introduction to Lean Practices in Construction Industry	CIOB	1 Day	22	10,000.00
35	25.07.2019	International Conference on Civil Engineering & Applications 2019	UOM	2 Days	3	free
36	25.07.2019	Seminar on power protection & Energy Management options	CIDA	1 Day		4,000.00
37	28.07.2019	CPD Course on Microsoft Project	IESL	4 days	1	18,000.00
38	31.07.2019	Workshop on Rooftop Solar PV Systems	CETRAC	2 Days	6	12,000.00
39	01.08.2019	Seminar on Salient Features in contract Administration in construction	CIDA	1 Day		4,000.00
40	04.08.2019	Two day workshop on Energy Efficiency in HVAC Systems & reducing carbon foot print	CETRAC	1 Day		12,000.00
41	18.08.2019	CPD course on Air Conditioning System Design	IESL	10 Days	2	32,000.00
42	20.08.2019	Annual Session 2019	SSESL	1 Day	2	5,000.00
43	21.08.2019	Seminar on "Future of condominium living in SL	CCI	5 hrs	4	2,000.00
44	22.08.2019	Workshop on operation & maintenance Generators	CETRAC	2 Days	3	8,000.00
45	26.08.2019	CPD course on Applied Finite Element Analysis to Beginners	IESL	2 Days	5	20,000.00
46	31.08.2019	CPD course on Mechanical Engineering Design	IESL	13 Days	1	39,000.00
47	03.09.2019	One day seminar on Managing, reducing....	CIDA	1 Day	4	3,000.00
48	06.09.2019	Workshop on practical implication on SLFRS - 15 & 16 Revenue from contracts with customers		1 Day	3	3,000.00
49	19.09.2019	Workshop on sound Management & Public Address	CETRAC	2 Days	5	12,000.00
50	19.09.2019	SLGS Annual conference 2019	SLGS	1 Day	1	10,000.00
51	20.09.2019	Training Programme on use of CESMM - SL for Civil Engineering Projects	CHPB	6 days	5	20,000.00
52	21.09.2019	One day training programme on dispute resolution in construction contracts	UOP	1 Day	1	10,000.00
53	05.10.2019	Tailor - mad programme - Electrical Installation for Technical Officers	UOP	2 Days	1	11,000.00
54	09.10.2019	International Conference on best practices in solid waste management	IET	1 Day	1	8,000.00
55	10.10.2019	Two day workshop on Public Procurement Procedure	PDC	2 Days	13	12,500.00
56	11.10.2019	APT Course - Batch 27	GBCSL	4 days	2	42,000.00

Training Programmes Conducted for the year 2019

Technical

SL No.	Date	Name of the Training Programme	Institute	Duration	No of Participants	Cost per Head
57	12.10.2019	Advanced Professional Course for Green Accreditation	GBCSL	2 Days	4	24,000.00
58	15.10.2019	One day seminar on Plumbing System of High rise building	CHPB	1 Day	1	4,000.00
59	17.10.2019	Workshop on supervisory Management	PDC	1 Day	13	8,900.00
60	18.10.2019	Short course on Elements of Construction Law & Dispute Resolution Practise in Sri Lanka	CHPB	4 days	1	20,000.00
61	22.10.2019	Contract Management Activities Related Payment, variation & Termination Based on SBD's	CHPB	1 Day	10	4,000.00
62	24.10.2019	Best Practise on steel roof design, specification & Installations	IESL	1 Day	1	Free
63	29.10.2019	Seminar on advance in Concrete & steel Structure	SSESL	2 Days	1 (M)	6,000.00
					1 (NM)	7,000.00
64	29.10.2019	Consultant Development Training Programme on water auditing & water footprint Assessment	National Cleaner Production Center	3 Days	1	24,500.00
65	29.10.2019	Workshop on How to lead Employee for a Productive Process	CETRAC	1 day	4	5,000.00
66	05.11.2019	Seminar on for construction in Sri Lanka, what next?	CCI	5 hrs	1	4,000.00
67	07.11.2019	Two Day Workshop on Procurement Procedures	SDFL	2 Days	1	8,500.00
68	19.11.2019	File Management, General Office Administration & Ecode	AFS	3Days		18,000.00
69	25.11.2019	Four Day Workshop on Secretarial Practices	SDFL	4Days		20,000.00
70	27.11.2019	CECB Symposium 2019	CECB	1 Day		Free
Sub Total					279	1,107,960.00

Non Technical

1	04.04.2019	One day workshop on Safe, Scientific & economical driving	CETRAC	1 Day	10	3,250.00
2	17.06.2019	Duties & Responsibilities of Administrative Officers	SDFL	3 Days	4	15,000.00
3	31.08.2019	One day workshop on use of vehicle safety	CETRAC	1 day	4	5,000.00
4	01.10.2019	Seminar on Disciplinary Procedure & conducting Inquiries	CNCI	1 day	2	9,000.00
5	10.10.2019	Ethics & Disceplines for Driver & Minor staff	SDFL	2 day	2	8,500.00
6	14.10.2019	National Conference of Chartered Accountants (Live)	CA	2 day	9	20,000.00
7	14.10.2020	National Conference of Chartered Accountants (Webcast)	CA	2 day	1	15,000.00
8	28.10.2019	Duties & Responsibilities of office Aides	SDPL	2 days	1	8,500.00
9	30.10.2019	Two day workshop Transport Management	SDFL	2 Days	1	8,500.00
Sub Total					34	92,750.00

Training Programmes Conducted for the year 2019

Related to System Development

SL No.	Date	Name of the Training Programme	Institute	Duration	No of Participants	Cost per Head
1	10.05.2019	Diploma in Construction Safety & Occupational Health (DCSOH)	CIDA	52 days	1	100,000.00
2	17.10.2019	34 Sessions on OHS (OHS Technical Congress)	NIOSH	2 days	2	Free
3	21.10.2019	Awareness programme on occupational Safety & Health for Safety officers / Engineers	Labour Department	1 day		Free
Sub Total					3	100,000.00

In House

1	27.06.2019	Presentation on Road Safety Education	CECB-CESL	3 hrs		
2	15.05.2019	Presentation on Sustainable Performing Concrete	CECB	2.5 hrs		
3	14.05.2019	Presentation on PVC sheets to replace plywood as formwork	CESL	2.5 hrs		
4	21.08.2019	Usage of Fiber cement materials for the construction industry	CECB			
5	27.08.2019	To aware CESL QHSE systems & It's implementation system	CESL	3 days	2	Free
6	24.09.2019	To aware CESL QHSE systems & It's implementation system	CESL	2 days	3	Free
Sub Total					5	

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

Museum and Resource Center at Polonnaruwa

- ✦ Client :- District Secretariat Polonnaruwa
- ✦ Contract Sum :- LKR 597 Mn
- ✦ Date of Commencement :- 04.08.2016
- ✦ Date of Completion :- 30.06.2019



Public Market at Kalutara

- ✦ Client :- Ministry of Megapolis and Western Development
- ✦ Contract Sum :- LKR 225 Mn
- ✦ Date of Commencement :-
- ✦ Date of Completion :- 01.2019



Railway Quarters at Kaduruwela Town

- Client :- Urban Development Authority
- Contract Sum :- LKR 270 Mn
- Date of Commencement :- 02.01.2017
- Date of Completion :- 04.2019



Swimming Pool & Pavilion for Ananda Balika School at Higurakgoda

- Client :- District Secretariat, Polonnaruwa
- Contract Sum :- LKR 48.4 Mn
- Date of Commencement :- 12.12.2016
- Date of Completion :- 25.03.2019



Municipal Council Building at New Town, Polonnaruwa

- Client :- Urban Development Authority
- Contract Sum :- LKR 147 Mn
- Date of Commencement :- 22.02.2017
- Date of Completion :- 10.04.2019



Independent Auditors' Report



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

CEN/B/CESL/09/FA/2019/04

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

31 August 2020

1164

The Chairman
Central Engineering Services (Private) Limited

Report of the Auditor General on the Financial Statements and Other Legal Regulatory Requirements of the Central Engineering Services (Private) Limited for the year ended 31 December 2019 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 for the year ended 31 December 2019 is sent herewith.

W.P.C. Wickramaratne

Auditor General

- Copies to:
1. The Secretary, Ministry of Finance
 2. The Secretary, Ministry of Irrigation



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தேசிய கணக்காய்வு அலுவலகம்

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දිනය
திகதி }
Date }

31 August 2020

The Chairman
Central Engineering Services (Private) Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Central Engineering Services (Private) Limited for the year ended 31 December 2019 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 (Private) Limited (“Company”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

අංක 306/72, පොල්දූව පාර, මිත්තරමුල්ල, ශ්‍රී ලංකාව

இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.



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1.2 Basis for Qualified Opinion

- (a) **LKAS 2 - Inventory:** It was not possible to observe the physical inventories counting at the end of the year and even not satisfied alternative methods to verify the availability of inventory held as at 31 December 2019 valued at Rs. 727,114,715 due to absence of proper stock verification reports or any independent confirmations.
- (b) **LKAS 16 – Property, Plant and Equipment:** Fully depreciated assets approximately costing Rs. 639,329,113 are being continuously used by the Company without reassessing the useful economic lifetime of those assets and accounted them as per the provisions in paragraph 51 of the Standard.
- (c) The value of Rs. 110,084,729 shown under trade debtors consists of an amount receivable from the Central Engineering Consultancy Bureau with regard to the construction of contracts received from them. However, it had not been shown as payable to the Company in the financial statements of the Bureau.

In addition to that, as per the financial statements Company debtor balance amounting to Rs. 513,455,828 are shown as receivables from the Bureau. However, as per the financial statements of the bureau it was shown as Rs. 382,181,782 as at the end of the reporting period. Hence, there was a different of Rs. 131,274,046 between two balances.

- (d) Lease agreement entered between the Company and Urban Development Authority with regard to the value of leasehold property amounting to Rs. 15,175,926 shown in the financial statements for the year under review had not been presented for audit. Hence, it was unable to ascertain the accuracy of the lease property in audit.

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

The 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(2) (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
(a) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka.	
Financial Regulation 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 to Rs. 93,263,606 given to various parties by the Base Offices of the Company during year under review and in previous years had not been settled even as at 15 August 2020. Meanwhile advances aggregating to Rs.1,847,631 and Rs.1,266,401 had remained without been settled over 03 years and 05 years respectively as at the end of the year under review.
(b) Public Enterprises Circular No. PED/12 of 02 June 2003 on Public Enterprises Guidelines for Good Governance.	
(i) Paragraph 4.2.5	Age analysis of stocks by identifying slow moving and obsolete stocks had not been reviewed by the Board on a monthly basis.
(ii) Paragraph 8.8	Approval of the Board should be obtained for the delegation of authority, including limits of expenditure and no expenditure should be authorized, incurred or paid



outside of the limits of such delegation of authority. Further, such delegation of authority should be updated and approved by the Board at the beginning of each year. However, such practices have not been implemented by the Company for the year under review.

(iii) Paragraph 9.3.1

Without an approved Scheme of Recruitments and Promotions, 792 officers had recruited for various posts under fixed, fixed term contract, job contract and assignment basis by the Company as at 30 June 2020.

(c) Guideline 4.2 of the Government Procurement Guidelines 2006

The Company had failed to prepare a Master Procurement Plan and Procurement Time Schedule for the procurement activities by envisaging at least for a period of three years by including the procurement activities for the year under review in detail.

(d) Section 03 of the Public Administration Circular No.30/2016 of 29 December 2016.

The consumption of fuel must be re-tested after a period of 12 months from each fuel test or after running a distance of 25,000 Km or after carrying out a major repaired to the engine whichever occurs first. However, this procedure had not been carried out in respect of 89 vehicles of the Company.



- 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;
 - In the absence of a centralized procurement method, the Base Offices of the Company had procured the construction materials, such as cement, sand, steel, bricks, paints etc. during the year under review aggregating to Rs. 4,306,101,476 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 in an economical and efficient manner.

3. Other Significant Audit Observations

- (a) According to the statement of financial position of the Company, an amount of Rs.1,600,196,675 had been shown as due to related companies under non-current liabilities as at 31 December 2019 while an amount of Rs.1,588,871,721 had been shown as at 31 December 2019, and this balance had gradually increased from year to year without being settled. Further, out of that a sum of Rs. 722,491,190 or 45 per cent was remained unchanged for over 05 years.
- (b) Out of debtor balances aggregating to Rs.4,151,195,129 as at 31 December 2019, debtors amounting to Rs.363,966,179 were outstanding over 03 years and out of that debtors aggregating to Rs. 110,359,922 had remained outstanding over 05 years without being recovered. In the meantime, debtor aggregating to Rs. 405,740,472 which relates to completed projects had not been recovered even up to 31 December 2019.
- (c) Once the projects works undertaken by the Company are completed, there should not be a due from customers or due to customers. However, the balances of Rs.106,719,232

and Rs.65,850,320 relating to 39 completed projects were shown as due from customers and due to customers respectively without take proper actions to clear these account balances.

- (d) Mobilization advances received amounting to Rs.22,183,953 and Rs.77,147,582 with regard to fully completed projects and more than 90 per cent completed projects respectively of the 07 Base offices had remained in the accounts as at 31 December 2019 without being settled. Further, no fruitful actions had been taken in this regard to settle or treat as income of the Company.
- (e) As per the age analysis furnished to audit, receivables such as retention receivable, mobilisation advances paid, refundable deposits, advances and prepayments etc. aggregating to Rs. 296,863,647 and Rs.154,860,693 are outstanding over 03 years and 05 years respectively as at 31 December 2019. Nevertheless, the responsible officers of the Company had not taken actions to recover these long outstanding balances. Further, no provision for impairment had also been made on these long outstanding balances for the year under review.
- (f) Creditors and retention payables as at 31 December 2019 were amounting to Rs.2,591,988,113 and Rs.569,162,641 respectively. Out of those balances, sums aggregating Rs.185,990,335 and Rs.40,617,741 had remained unsettled over 03 years and 05 years respectively. Details are shown below.

Item	Amount included in the	Over 3years	Over 5 years
	financial statements		
	Rs.	Rs.	Rs.
Creditors	2,591,988,113	143,461,829	38,038,182
Retention payables	569,162,641	42,528,506	2,579,559
Total		185,990,335	40,617,741

- (g) Projects completed with significant Loss

According to the information provided for audit, the Company has sustained a gross loss of Rs.722,817,538 from 152 completed construction projects during the year under



review as compared with the previous year loss amounting to Rs. 724,162,239 , due to inefficiencies in bidding procedures and implementation of those project works by ten Base Offices of the Company. In addition to that, a further loss of Rs.196,680,925 was reported from 21 ongoing projects in the year under review. Details are shown below.

Name of the Base Office	Number of Projects	Contract Amount	Cumulative Cost	Project Loss
		Rs.	Rs.	Rs.
South East	06	414,638,838	460,514,494	45,875,657
WP2	08	125,047,417	138,748,465	13,701,048
WP1	04	85,894,631	92,022,191	6,127,560
Central	06	388,298,914	418,047,309	22,132,736
North	01	367,447,715	397,143,964	29,696,248
Sabaragamuwa	01	26,760,099	28,593,109	1,833,010
South	15	1,466,063,097	1,635,353,884	169,290,788
Uva	2	46,894,391	55,403,473	8,509,082
North Central	72	2,524,795,872	2,840,067,371	315,271,499
MKDP	35	1,344,450,964	1,454,830,873	110,379,909
	152	6,790,291,938	7,520,725,133	722,817,538

Out of the above 152 complete projects, 43 per cent of the completed projects were belonged to the North Central (Anuradapura) Base of the Company and those projects represent a total loss of Rs.315 million as at the end of the year under review when compared with the previous year loss amounting to Rs.255 million.

(h) Ongoing Projects with Loss


Name of the Base Office	Number of Projects	Contract Amount	Cumulative Cost	Project Loss	Stage of Completion
		Rs.	Rs.	Rs.	%
South East	03	201,342,919	214,728,226	13,385,307	94-97



WP2	04	1,366,914,754	1,465,868,668	98,653,914	99
Central	09	239,816,673	286,651,820	46,835,147	97-99
Sabaragamuwa	02	423,798,796	458,864,427	35,065,631	97-98
Uva	01	36,756,820	36,874,916	118,096	89
North Central	02	10,601,020	12,923,850	2,322,830	99
	-----	-----	-----	-----	
Total	<u>21</u>	<u>2,279,230,982</u>	<u>2,475,911,907</u>	<u>196,680,925</u>	

Out of the above loss making ongoing projects, 04 projects are being carried out by the Western Province Base 2 (WP2) of the Company with a total loss of Rs.98 million as at 31 December 2019.

- (i) The Company had earned an interest income of Rs.191,743,215 during the year under review from its short term investments and this represent 93 per cent of the pre-tax net profit of the year under review.
- (j) A loss of Rs. 11,443,725 was sustained by the Badulla Base Office of the Company under manufacturing and sales of Asphalt during the year under review.
- (k) Staff allowances such as retaining allowance and medical allowance aggregating to Rs.100.43 million had been paid to the staff of the Company during the year under review on the approval of the Board of Directors contrary to Section 9.7 of the Department of Public Enterprises Circular No. PED/12 of 02 June 2003.
- (l) An attendance base incentive at a rate of 25 per cent on the basic salary had been paid to the staff of the Company since year 2014 without an approved scheme of recruitment and promotion. Further, a sum of Rs. 83.68 million had been paid as incentive in the year under review.


W.P.C. Wickramaratne
Auditor General

Statement of Comprehensive Income

FOR THE YEAR ENDED 31ST DECEMBER

	Note	CESL	
		2019 Rs.	2018 Rs.
Revenue	5	10,474,714,291	11,189,114,164
Cost of Sales	6	(9,693,387,587)	(10,402,779,545)
Gross Profit		781,326,705	786,334,619
Other Income	7	106,030,139	104,250,107
Administration Expenses		(827,817,283)	(820,866,054)
Selling and Distribution Expenses		(3,990,666)	(2,561,757)
Results from Operating Activities		55,548,895	67,156,915
Finance Income		191,743,215	150,173,742
Finance Cost		(40,440,063)	(44,240,151)
Net Finance Income	8	151,303,152	105,933,591
Profit Before Income Tax		206,852,047	173,090,507
Tax Expense	9	(65,386,381)	(51,637,703)
Profit/(Loss) for the Year		141,465,667	121,452,804
Other Comprehensive Income			
Actuarial Gain/(Loss) on Defined Benefit Plans	17.(d)	(359,907)	(683,106)
Other comprehensive income for the year		(359,907)	(683,106)
Total comprehensive income for the year		141,105,760	120,769,698

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 38 to 66 form an integral part of these Financial Statements.

Statement of Financial Position

AS AT 31ST DECEMBER

	Note	CESL	
		2019 Rs.	2018 Rs.
Assets			
Non-Current Assets			
Property, Plant and Equipment	10	426,357,095	408,908,598
Lease Hold Property	11	15,175,926	-
Work In Progress - Capital Assets	12	31,636,836	26,306,616
Long Term Investments	13	-	-
Total Non-Current Assets		473,169,857	435,215,214
Current Assets			
Inventories	14	727,114,716	745,304,435
Working Progress	15	79,938,521	458,346,685
Trade and Other Receivables	16	9,329,578,897	8,664,563,679
Short Term Investments	13	1,759,981,590	1,985,105,933
Cash and Cash Equivalents	17	311,248,129	328,064,834
Total Current Assets		12,207,861,853	12,181,385,566
Total Assets		12,681,031,711	12,616,600,780
Equity and Liabilities			
Contributed Capital		10,000,020	10,000,020
Retained Earnings		594,865,473	411,113,142
		604,865,493	421,113,162
Non Current Liabilities			
Retirement Benefit Obligation	18	13,071,063	8,527,850
Differed Tax	19	41,765,625	32,162,145
Amounts Due to Related Companies		1,600,196,675	1,588,871,721
Total Non Current Liabilities		1,655,033,363	1,629,561,715
Current Liabilities			
Trade and Other Payables	20	10,411,524,816	10,487,491,867
Income Tax Payables	21	9,608,038	48,014,357
Inter Base current accounts		-	-
Bank Overdraft	17	-	30,419,679
Total Current Liabilities		10,421,132,854	10,565,925,903
Total Equity and Liabilities		12,681,031,711	12,616,600,780

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 38 to 66 form an intergral part of these Financial Statements.

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



Mr. J. M. B. Jayaweera

Chief Financial Officer

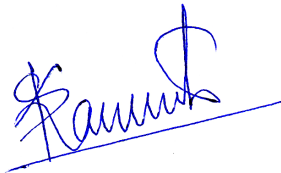


Eng. L. W. J. N. De. Alwis

Chief Executive Officer

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. U. S. Karunaratne

Chairman



Eng. G. R. A. S. Gunathilaka

Director

28th February 2020

Statement of Changes In Equity

	CESL		
	Contributed Capital	Capital Reserve	Retained Earnings
	Rs.	Rs.	Rs.
Balance as at 01st January 2018	-	-	290,343,444
Prior Year Adjustments	10,000,020		121,452,804
Profit For the Year	-	-	
Other Comprehensive Income	-	-	(683,106)
	10,000,020	-	411,113,142
Balance as at 01st January 2019	10,000,020	-	411,113,142
Prior Year Adjustment - Note - I			20,191,994
Prior Year Adjustment - Note - II			22,454,577
Profit For the Year	-	-	141,465,667
Other Comprehensive Income	-	-	(359,907)
	10,000,020	-	594,865,473

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 38 to 66 form an integral part of these Financial Statements.

Note - I

The error in depreciation rates were adjusted according to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Note - II

Previous year income tax liability changes were adjusted to retained earnings.

Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER

	CESL	
	2019 Rs.	2018 Rs.
Cash Flows from Operating Activities		
Profit Before Tax	206,852,047	173,090,507.00
Adjustments for:		
Depreciation on Property, Plant and Equipments	157,733,292	165,689,241.00
Prior Year Adjustment		(122,605,569.00)
Assets Written Off	-	-
Provision for Gratuity	5,309,189	4,381,276.00
Bad Debt Provision		-
Profit on disposal of Property, Plant and Equipments	(152,886)	-
Actuarial Gain/(Loss) on Defined Benefit Plans	(359,907)	(683,106.00)
Net Finance Income	(151,303,152)	(105,933,591.00)
Operating Profit before Working Capital Changes	218,078,583	113,938,758
(Increase)/Decrease in Inventories	18,189,719	76,906,269
(Increase)/Decrease in Trade and Other Receivables	(665,015,219)	1,037,508,247
Increase/(Decrease) in Trade and Other Payables	(75,967,051)	195,519,506
Increase/(Decrease) in Amounts Due to Related Companies	11,324,955	23,249,981
(Increase)/Decrease in Working In Process	378,408,164	(458,346,685)
Increase in General Suspense Account Credit Balance	-	-
Cash Generated from Operating Activities	(114,980,849)	988,776,076
Interest paid	(40,440,063)	(44,240,151)
Tax paid	(71,734,642)	(31,544,740)
Gratuity paid	(765,976)	(431,430)
Net Cash Flows from Operating Activities	(227,921,530)	912,559,755

Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(140,475,237)	(119,879,460)
Investment in Capital Work in Progress	(5,330,220)	(1,033,240)
Proceeds from sale of Property, Plant and Equipment	814,256	
Acquisition of Subsidiary	-	
Investment in Short Term Deposit	225,124,344	(874,034,908)
Investment Long Term Investment	-	-
Dividend Income	-	-
Interest Income	191,743,215	150,173,742
Net Cash Flows from Investing Activities	271,876,358	(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	43,954,828	67,785,889
Cash and Cash Equivalent at the beginning	297,645,155	229,859,266
Cash and Cash Equivalent at the end	311,248,129	297,645,155

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 38 to 66 form an intergral part of these Financial Statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2019

1. CORPORATE INFORMATION

1.1. General Information

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

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, Bauddhaloka Mawatha, Colombo 07.

1.4. Company Secretary

Mrs. P. I. Abeygunawardana.

No. 415, Bauddhaloka 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 2019

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 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 2019, were authorized for issue by the Board of Directors on 28th February 2020.

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).

✚ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

2.1.4 Financial Period

The financial period of the Company represents a twelve months period from 1st January 2019 to 31st December 2019.

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.

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.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

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:

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)

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

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.

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.

+ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

2.1.14 Statement of Cash Flows (Cont.)

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.

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.

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.

✚ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

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 its 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.

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 2019

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.

2.3.7 Capital Work 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.

+ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

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.

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

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

2.4.3 Classification of Financial Assets (Cont.)

(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.

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

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

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.

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 2019

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.

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.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

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.

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 2019

2.11 Employee Benefits (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.

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.

✚ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

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.

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.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

2.13 Leases (Cont.)

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.

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 2019

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.

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.

+ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

2.16 Expenditure Recognition (Cont.)

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.

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.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

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

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.

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.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)

The Board of Directors reviews, verifies, and agrees 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.

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 policies procedures and controls relating to customer credit risk management.

✚ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

4.2 Credit Risk (Cont.)

Trade Receivables (Cont.)

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).

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

As at	Trade Debtors Rs.
at 31 st December, 2018	4,059,164,389
at 31 st December, 2019	4,151,195,129

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 2019

		CESL	
		2019	2018
		Rs.	Rs.
5 Revenue			
	Construction Revenue	10,447,426,924	11,162,314,163
	Consultancy Revenue	27,287,368	26,800,001
		10,474,714,291	11,189,114,164
6 Cost of sales			
	Materials	4,306,101,476	4,203,562,421
	Labour	3,227,488,798	3,498,167,680
	Transport Charges	351,999,809	744,866,676
	Tools	24,194,109	17,567,443
	Overhead & Miscellaneous Expenses	1,240,966,659	1,136,923,456
	Construction Services	542,636,736	801,691,870
		9,693,387,587	10,402,779,545
7 Other Income			
	Miscellaneous Revenue	-	-
	Hiring Income	38,277,443	58,207,817
	Machinery Hiring	-	-
	Commission Income	1,935,949	973,412
	Fees Income	-	340,150
	Miscellaneous Revenue	60,209,517	27,401,200
	Tender Fees Income	1,273,890	1,471,770
	Asphalt Concreate, ABC & Rubbel Sales Income	-	-
	Bad Debt Provision Reversal	-	7,350,768
	Assets Disposal Profit / (Loss)	152,886	(1,680,257)
	Asphalt/ Crusher Plant Gain/ (Loss)	4,180,454	10,185,248
		106,030,139	104,250,107
	Operating Profit		
	The following items have been charged / (credited) in arriving at the Operating Profit		
	Director's Emoluments	1,252,250	1,255,700
	Auditor's Remuneration	1,971,880	4,111,985
	Depreciation on Property, Plant & Equipment	157,733,292	165,689,241
	Charity and Donations	1,743,436	1,541,813
	Allowance for Bad and Doubtful Debts	-	-
	Employee Benefit Costs	341,903,431	289,433,660
	Employee Benefit Costs		
	Salaries & Wages	240,715,884	211,520,788.85
	Contribution to Defined Contribution Plans	20,070,045	18,466,992.87
	Over Time, Incentive and Other Allowances	81,117,502	59,445,878.07
8 Net Finance Income			
	Finance Income		
	Interest Income	191,743,215	150,173,742
		191,743,215	150,173,742
	Finance Cost		
	Interest Expenses	(40,440,063)	(44,240,151)
		(40,440,063)	(44,240,151)
	Net Finance Income	151,303,152	105,933,591
9 Tax Expenditures			
	Deferred Tax for the Year	9,603,481	9,580,963
	Income Tax for the Year	55,782,900	42,056,740
		65,386,381	51,637,703

FOR THE YEAR ENDED 31ST DECEMBER 2019

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 1 st January 2019	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
Additions during the year	(15,175,928)	0	8,626,081	106,438,673	8,458,933	14,368,867	5,071,492	12,492,405	126,400	68,313	140,475,237
Disposals during the year		(74,736)	(1,839,430)	(267,739)	(951,592)		(531,925)		(67,537,010)		(71,202,433)
Balance as at 31st December 2019	8,415,147	47,990,154	36,271,738	425,544,813	49,868,515	327,118,857	52,257,377	67,904,354	325,954,776	470,389	1,341,796,121
Accumulated Depreciation											
Balance as at 1 st January 2019		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
Adjustment to opening Balance			6,493	(20,161,976)	(16,700)			(19,814)			(20,191,997)
Adjusted opening balance as at 1st January 2019	-	27,836,375	10,713,320	154,205,252	17,394,902	191,405,707	17,261,204	30,519,191	378,844,456	66,388	828,246,794
Additions during the year		4,607,149	3,977,719	67,235,767	6,139,665	48,847,210	6,039,981	10,372,389	10,460,394	53,019	157,733,292
Disposals during the year		(44,986)	(1,500,297)	(211,861)	(762,114)			(484,792)	(67,537,010)		(70,541,060)
Balance as at 31st December 2019	32,443,524	14,646,053	219,940,721	23,322,706	239,490,803	23,301,184	40,406,787	321,767,840	119,407	915,439,026	
Net Book Value											
Balance as at 31 st 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	408,908,599
Balance as at 31 st December 2019	8,415,147	15,546,630	21,625,685	205,604,092	26,545,810	87,628,055	28,956,192	27,497,567	4,186,936	350,982	426,357,095
Cost											
Balance as at 1 st 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 1 st 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											
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

Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER

CESL	
2019	2018
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		-	-
Buildings		47,990,154	47,990,154
Motor Vehicles	314,742,952	11,211,824	325,954,776
Office Equipment	7,975,263	41,893,253	49,868,515
Furniture & Fittings	3,884,760	32,386,978	36,271,738
Construction Instrument	90,655,124	334,889,689	425,544,813
Library Books	65,650	404,739	470,389
Plant & Machinery	176,806,262	150,312,596	327,118,857
Computer	20,455,101	47,449,253	67,904,354
Containers	24,744,001	27,513,375	52,257,377
	639,329,113	694,051,861	1,333,380,974

11 Lease hold land

Prepaid Lease rental paid to acquire land use right are amortised over the lease term in accordance with pattern benefits provided.

At beginning of the year	-	-
Acquisition of during the year	15,425,266	-
Amortisation	(249,340)	-
At end of the year	15,175,926	-

11.1 Details of Leasehold Property

Lease hold property is the land which use to construct Sabaragamuwa base office. The Lease hold land on a 30 years long term lease agreement entered with the Urban Development Authority (UDA) Sri Lanka. Which Commenced from 08th July 2019 and is being amortised on a straight line basis over a period of 30 year which commence from 08th July 2019.

Property	Land Extent (in areas)	Lease Period
Plan No 582 (Lot nos 7,8 & 9) New Town Rathnapura	Plan.582 60P	30Years From 08.07.2019.

12 Capital Work In Progress

Internal Develop Software

Balance B/F -	26,306,616	9,365,714
Cost Incurred During the Year	1,520,000	1,010,000
	27,826,616	10,375,714

Building Construction

Cost Incurred During the Year	3,810,220	15,907,662
Transferred	-	23,240
	31,636,836	26,306,616

13 Investments

Long term investment (Note 13.1)	-	-
Short term investment (Note 13.2)	1,759,981,590	1,111,071,025
	1,759,981,590	1,111,071,025

13.1 Long term investment

Loans and receivable financial assets

Investment in Fixed Deposit	-	-
	-	-

13.2 Short term investment

Repo	-	8,100,000
Short term investments	1,759,981,590	1,977,005,933
	1,759,981,590	1,985,105,933

✚ Notes to the Financial Statements (Continued)

AS AT 31 ST DECEMBER	CESL	
	2019 Rs.	2018 Rs.
14 Inventories		
Inventories - Construction Materials	726,553,318	744,403,110
Disposal Of Material	561,397	901,326
	727,114,715	745,304,436
15 Work In Progress		
Opening Balance	458,346,684	-
Prior Year Adjustment		367,313,852
Reversal Of Prior Year Adjustment	(458,346,684)	(367,313,852)
WIP for the Current Year	79,938,521	458,346,685
Closing Balance	79,938,521	458,346,684
16 Trade and Other Receivables		
Trade Receivables (Note 16.1)	9,030,258,468	8,423,304,087
Other Receivables (Note 16.2)	137,859,654	60,673,853
Deposits, Prepayments and Advances (Note 16.3)	161,460,776	180,585,739
	9,329,578,897	8,664,563,679
16.1 Trade Receivables		
Debtors	4,151,195,129	4,059,164,389
Due From Customers	2,508,618,546	2,349,667,271
Retention Receivables	2,481,578,557	2,125,606,192
Less - Provision for Impairment (Note 16.1.1)	(111,133,765)	(111,133,765)
	9,030,258,468	8,423,304,087
16.1.1 Provision for Impairment		
Debtors	111,133,765	8,023,681
Provision for Expected Losses		
Prior Year Adjustment (Provision)	-	103,110,084
	111,133,765	111,133,765
16.2 Other Receivables		
WHT Deduction - From Payments	1,096,623	1,042,612.21
Staff Loans	7,006,284	4,651,621
Prepaid Staff Cost	853,565	679,678
Refundable Deposits	13,217,874	8,472,550
Other Taxes	82,308,986	
Sundry Debtors	33,376,321	45,827,392
	137,859,654	60,673,853
16.3 Deposits, Prepayments and Advances		
Mobilization Advance Paid	47,897,966	33,195,856.20
Deposits	-	-
Advances	99,483,920	135,956,505
Prepayments	14,078,889	11,433,378
	161,460,776	180,585,739

Notes to the Financial Statements (Continued)

AS AT 31 ST DECEMBER		CESL	
		2019 Rs.	2018 Rs.
17	Cash and Cash Equivalents		
	Favorable Balances		
	Cash in Hand and at Bank	310,618,571	246,154,904
	Cash in Transit	629,558	81,909,930
		311,248,129	328,064,834
	Unfavorable Balances		
	Bank Overdraft	-	(30,419,679)
	Cash and Cash Equivalents for the Cash Flow Purpose	311,248,129	297,645,155
18	Defined Benefit Obligations		
	(a) The amounts recognised in the Financial Position are determined as follows:		
	Balance at the beginning of the year	8,527,850	4,578,004
	Current service cost	3,968,579	3,217,479
	Interest cost	980,703	480,690
	Actuarial (gain)/ Loss during the year	359,907	683,106
		13,837,039	8,959,280
	Benefits paid	(765,976)	(431,430)
	Balance at the end of the year	13,071,063	8,527,850
	(b) Liability Recognized in the Financial Position		
	Present Value of Obligation as at 31 st December 2019	13,071,063	8,527,850
	Un Recognised Actuarial Gains / (Losses)	-	-
	Net Liability in Financial Position	13,071,063	4,578,004
	(c) The amounts recognised in the Statement of Comprehensive Income are as follows:		
	Interest Cost	980,703	480,690
	Current Service Cost	3,968,579	3,217,479
		4,949,282	3,698,169
	(d) The amounts recognised in the Statement of Other Comprehensive Income are as follows:		
	Actuarial (Gain) / Loss recognized	359,907	683,106
		359,907	683,106

The Retirement Benefit Obligation of the company as at 31st December 2019 is based on the formula method as recommended by the Sri Lanka Accounting Standard No. 19 (Revised 2012) Employee Benefits.

Assets value of Rs.13,927,821.80 (Fixed Deposits) 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 upto 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.
19	Deferred Tax		
	Balance at the beginning of the year	32,162,145	22,581,183
	Provision for the year	9,603,481	9,580,962
	Balance at the end of the year	41,765,625	32,162,145
20	Trade and Other Payables		
	Trade Payables (Note 20.1)	10,314,890,536	10,255,474,444
	Other Payables (Note 20.2)	96,634,281	232,017,423
		10,411,524,817	10,487,491,867
20.1	Trade Payables		
	Creditors	2,591,988,115	2,521,116,255
	Due to Customers	2,289,741,596	2,828,360,228
	Mobilization & Other Advances	4,863,998,184	4,411,522,130
	Retention Payables to Contractors	569,162,640	494,475,831
		10,314,890,536	10,255,474,444
20.2	Other Payables		
	EPF Payable	3,994,276	1,642,055
	ETF Payable	590,968	905,491
	Yasasa Loan Payable	126,774	457,306
	WHT Deductions From Payments	7,175,720	31,705,626
	Medical Insurance Deduction	675,732	119,850
	Death Grant Deduction	-	152,000
	Sundry Creditors	20,574,712	102,319,705
	Accrued Expenses	40,138,607	47,546,485
	Unpaid Staff Cost	19,007,642	8,006,890
	PAYE tax	4,349,850	4,876,749
	Other Taxes	-	34,285,266
		96,634,281	232,017,423
21	Income Tax Payables		
	Balance at the beginning of the year	48,014,357	37,502,357
	Income tax for the year	55,782,900	42,056,740
	Provision in respect of the last year	(22,454,577)	-
	Payments made during the year	(62,617,873)	(24,196,297)
	Withholding Tax (WHT)	(9,116,769)	(7,348,443)
	Balance at the end of the year	9,608,038	48,014,357

✚ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

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, Eng. T. D. Wickramarathna, Eng. A. Galketiya, Eng. G. R. A. S. Gunathilake, who were Directors of CESL as at 31st December 2019.

Further key management personal of CESL are as follows;

Name	Designation	Base Office
Eng. L. W. J. N. Alwis	Chief Executive Officer	
Eng. P. M. P. C. Gunathilake	Chief Operation Engineer	East & South East
Eng. J. D. Sunil	Chief Operation Engineer	South
Eng. H. R. W. K. Heendeniya	Chief Operation Engineer	WP1 & NW
Eng. H. M. T. N. Dhanwardana	Chief Operation Engineer	WP2
Eng. A. Pushparajah	Chief Operation Engineer	North
Eng. W. E. P. Ranjan Kumara	Chief Operation Engineer	Sabaragamuwa
Eng. D. M. C. K. Dasanayake	Chief Operation Engineer	Uva
Eng. M. N. Gunasena	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	Chief Financial Officer	

b) Nature of the Transactions

	Amount 2019 Rs.
Construction Revenue	3,379,209,336
Hiring Income	19,868,125

✚ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

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

	2018 Rs.	2019 Rs.
Salaries and other Employment Benefits	1,541,813	1,252,250

22. COMMITMENTS AND CONTINGENCIES

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

Statement of Profit or Loss and Other Comprehensive Income Highlights		2014	2015	2016	2017	2018	2019
Revenue	Rs. Mn	4,960	6,560	8,691	12,294	11,189	10,474
Gross Profit	Rs. Mn	254	448	621	682	786	781
EBITDA	Rs. Mn	236	255	192	196	232	212
EBIT	Rs. Mn	132.8	106	54	45	67	55
Net Finance Income	Rs. Mn	(1.0)	11.3	56	112	105	151
Profit After Tax	Rs. Mn	103	81.1	84.5	120.8	121.4	141.4
Profit Attributable to Owners	Rs. Mn	103	81.1	84.5	120.8	121.4	141.4

Statement of Financial Position Highlights

Property, Plant and Equipemnt	Rs. Mn	402	401	396	479	435	473
Total - Non Current Assets	Rs. Mn	440	407	398	479	435	473
Cash and Cash Equivalent	Rs. Mn	171	178	207	229	328	311
Short Term Deposits	Rs. Mn	257.0	771	1,046	1,111	1,985	1,759
Total Assets	Rs. Mn	5,729	6,385	9,942	12,345	12,616	12,681
Stated Capital	Rs.	10,000,020	10,000,020	10,000,020	10,000,020	10,000,020	10,000,020
Retained Earnings	Rs. Mn	127	208	292	412	411	594
Equity Attributable to Owners	Rs. Mn	137	218	303	422	421	604
Total Non Current Liabilities	Rs. Mn	1,285	1,166	1,394	1,592	1,629	1,655

Statement of Cash Flow Highlights

Cash flow from Operating Activities	Rs. Mn	605	666	368	194	912	(227)
Cash Flow used in Investing Activities	Rs. Mn	(523)	(651)	(338)	(172.0)	(844.7)	241.5
Cash Flows from / (used in) Financing Activities	Rs. Mn	(0.07)	(7.8)	(0.88)	-	-	-

Key Financial Ratios

EPS	Rs.	6,186	812	845	1,202.6	1,208	1,410.7
Net Assets per Share	Rs.	1,369	2,181	3,026	4,229	4,211	6,049
ROE		75%	37%	28%	28%	29%	23%
Current Ratio		1.2	1.2	1.2	1.1	1.2	1.2
Quick Ratio		1.16	1.1	1.06	1.07	1.08	1.10

Directors remuneration for the year ended 31st December 2019 is Rs. 1,252,250

Auditors fee for the year ended 31st December 2019 is Rs. 1,971,880

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. P. I. Abeygunawardana

No. 415, Bauddhaloka Mawatha,

Colombo 7, Sri Lanka.

AUDITORS

Auditor General's Department

No. 306/72, Polduwa Road,

Battaramulla, Sri Lanka.

AUDIT COMMITTEE

Eng. T. D. Wickramaratna - Chairman of the Committee

Mr. M. R. G. Ranathunga - Director (CESL)

Eng. A. Galketiya - Director (CESL)

BOARD OF DIRECTORS

Eng. G. D. A. Piyathilake - Chairman

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

Eng. N. Rupasinghe - Director

Eng. T. D. Wickramaratna - Director

Eng. A. Galketiya - Director

Eng. G. R. A. S. Gunathilake - Director

PRINCIPAL 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 45001:2018 for Occupational Health & Safety System



2019 ANNUAL REPORT

CENTRAL ENGINEERING SERVICES (PVT) LTD.

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