



CENTRAL ENGINEERING SERVICES (PVT) LTD.

(We are ISO 9001, ISO 14001 & ISO 45001 Certified, CIDA CS2 Registered Company)



ANNUAL REPORT

2020



A Fully Owned Subsidiary of CECB
MINISTRY OF IRRIGATION

ANNUAL REPORT

-2020-

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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.”

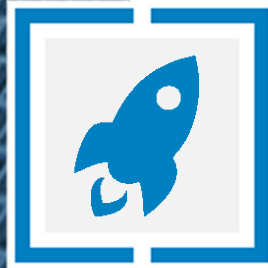
CESL became actively operational at the beginning of 2011, to make use of the opportunity created by the high demand for construction services, as a result of the construction boom during this period. CESL took up the challenges which the industry offered, gaining construction management and technical 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.



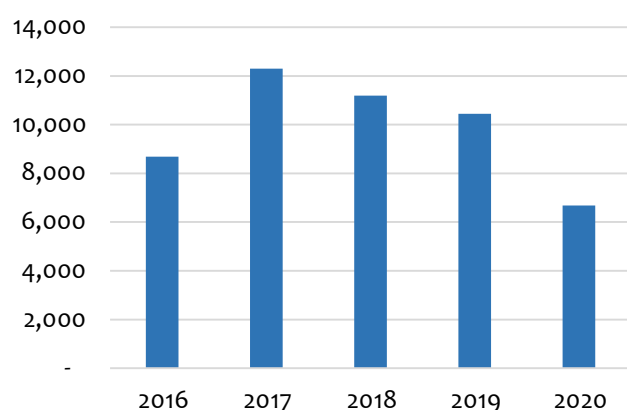
Corporate Goals

- ❖ 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.

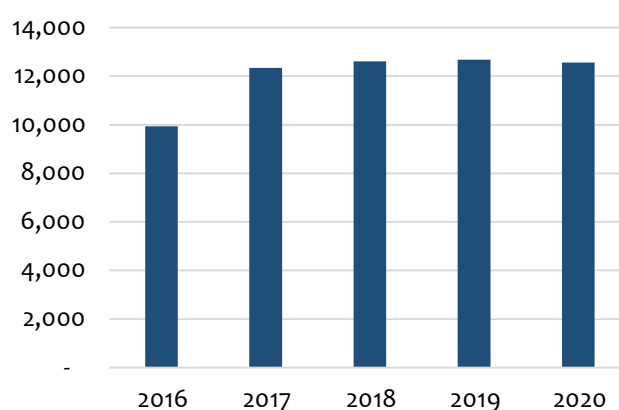


	2020 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn
Construction Revenue	6,694	10,474	11,189	12,294	8,691
Gross Profit	622	781	786	682	621
Net Profit Before Tax	70	206	173	158	110
Net Profit After Tax	59	141	121	120	84
Total Assets	12,558	12,681	12,616	12,345	9,942
Contributed Capital	10	10	10	10	10
Total Equity	856	604	421	422	302
Total Equity Equilibrium	12,558	12,681	12,616	12,345	9,942
Current Assets	11,947	12,207	12,181	11,865	9,544
Current Liabilities	10,011	10,421	10,565	10,329	8,245

Construction Revenue (Rs. Mn)



Total Assets (Rs. Mn)



Construction Revenue (Rs. Mn)

2016	2017	2018	2019	2020
8,691	12,294	11,189	10,474	6,694

Total Assets (Rs. Mn)

2016	2017	2018	2019	2020
9,942	12,345	12,616	12,681	12,558



Eng. U. S. Karunaratne - Chairman

BSc.Eng. (Hons), C.Eng., FIE (SL), MConsE (SL), MSSE (SL), IntPE (SL)

Eng. T. D. Wickramaratna - Director

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



Eng. A. Galketiya - Director

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

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

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



Eng. K. H. Nalin Sanjaya De Silva - Director

BSc.Eng. (Hons), C.Eng., MIE (SL), PMP, MIEEE (PES), MLABSE

Eng. S. A. U. D. C. Siriwardhana - Director

BSc.Eng. (Hons), MSc. (Hydraulic Eng.), C.Eng., MIE (SL), M Cons.E (SL), M SLNCOLD (SL), Registered Structural Engineer (SL)



Mr. D. Mabopitiya - Director

ACA (SL) Chartered Accountant

**Eng. U. S. Karunaratne - Chairman**

BSc.Eng. (Hons), C.Eng., FIE (SL), MConsE (SL), MSSE (SL), IntPE (SL)

Appointed as the Chairman of the Board in 2020. Functions concurrently as Chairman of the Central Engineering Consultancy Bureau, parent organization of CESL.

U.S. Karunaratne graduated in the field of Civil Engineering from the University of Moratuwa, in 1991. He is a fellow of the Institution of Engineers, Sri Lanka and a member of the Society of Structural Engineers, Sri Lanka and a member of the Association of Consulting Engineers Sri Lanka. He is also an International Professional Engineer (Sri Lanka). In addition he is the Manager (Training, Research & Development) in CESL.

Further, he works as Additional General Manager for (EPC Works - Western Province) in CECB. Started his carrier as a Site Engineer working for Quay project at Trincomalee Naval Base, which was under direct supervision of Dr. Kulasinghe. He has gained experience in many infrastructure projects, working in various capacities, over the last 25 years.

**Eng. T. D. Wickramaratna - Director**

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

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

He obtained his BSc in Civil Engineering and joined Central Engineering Consultancy Bureau in 1981 as a Civil Engineer. He worked as a Design Engineer, Resident Engineer, Project Manager, Deputy General Manager and appointed as Additional General Manager (Water Resources) in 2006. He was appointed as Corporate Additional General Manager of consultancy Bureau in year 2015. He counts more than 35 years' experience in the field of Civil Engineering.

**Eng. A. Galketiya - Director**

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

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

He obtained his BSc in Civil Engineering and started his career as a Trainee Engineer in CECB in 1986. In 1987, He was appointed as the Shift Engineer (Power House) at Samanalawewa Hydropower project. Subsequently he served as a Resident Engineer, Project Manager in Uva province. In 2005, he was promoted as Additional General Manger (EPC-North of Colombo). Thereafter he became the Additional General Manger (EPC-Uva) and Sabaragamuwa. He counts more than 30 years' experience in the field of Civil Engineering.

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

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

Appointed to the Board as Director from 2019. Concurrently holds the position of General Manager of Central Engineering Consultancy Bureau, the parent organization of CESL. Eng. G. R. A. S. Gunathilake, Director, Central Engineering Services (Pvt) Ltd, is a distinguished civil engineering alumnus and Visiting Academic, University of Peradeniya, and concurrently leads Central Engineering Consultancy Bureau (CECB) as the General Manager.

Eng. Gunathilake began his career as a Civil Engineer with CECB in year 1986 and continually serving the Bureau in various capacities, gaining wide experiences, and rising through the hierarchy to lead CECB. He is well recognized for his outstanding leadership given over the last 35 years in engineering the development of several nationally important socio-economic infrastructures in the country, especially his pioneering contributions towards the challenging post-tsunami and post-conflict reconstruction of the North-East provinces undertaken by GOSL.

Eng. Gunathilake serves in various committees appointed by several state regulatory and other organizations contributing to the development of engineering industry standards relevant to Sri Lanka. He continues to impart his valuable knowledge gained over the years in training and mentoring of several junior engineers in their charter training and professional development. Eng. Gunathilake holds active membership with several prestigious professional institutions. He was admitted to MIE (SL), in 1991 as Corporate Member receiving his Chartered Engineer credentials. He is a member of the Society of Structural Engineers, Sri Lanka, and the Sri Lanka Geotechnical Society. Despite his heavy work schedule, he finds time to engage in several social and religious activities.

**Eng. K. H. Nalin Sanjaya De Silva - Director**

BSc.Eng. (Hons), C.Eng., MIE (SL), PMP, MIEEE (PES), MLABSE

Appointed to the Board as Director from 2020. Concurrently serves as - Director of Central Engineering Consultancy Bureau, the parent organization of CESL.

Eng. Nalin S. De Silva completed his Bachelor's degree from Faculty of Engineering, University of Peradeniya under Electrical and Electronics Engineering in 2005 and followed MSc in Electrical Installation from University of Moratuwa in 2013. He is a PMP (USA) Qualified Project Manager and a Chartered Engineer of Institution of Engineers, Sri Lanka.

He started his career as an Electrical Project Engineer in Shin Nippon Air Technologies, a Japanese based Electro-Mechanical Contractor to the Bandaranaike International Airport in 2006 and until now, he has served

many positions including Project Manager, General Manager, Contracts Manager and Project Management Strategist for MEP (Mechanical, Electrical and Plumbing) Works in several Local and Foreign Projects including Siemens AG, Burj Dubai, Dubai Mall, New Doha International Airport, Marriott Renaissance in Qatar and Colombo City Center.



Eng. S. A. U. D. C. Siriwardhana - Director

*BSc.Eng. (Hons), MSc. (Hydraulic Eng.), C.Eng., MIE (SL), M Cons.E (SL), M SLNCOLD (SL),
Registered Structural Engineer (SL)*

Appointed to the Board as Director from 2020. Concurrently serves as Additional General Manager (Water Resources Planning) in Central Engineering Consultancy Bureau, the parent organization of CESL.

Eng. Siriwardhana is a hydraulic and structural engineer who received his MSc in Hydraulic Engineering and River Basin Development from IHE-Delft, Netherlands.

He has obtained his first degree, BSc. Engineering in Civil from the Faculty of Engineering, University of Peradeniya - Sri Lanka. Immediate after his first degree he was attached to the Faculty as an Instructor. Later in 1997 he joined the current organization; CECB as a Design Engineer and subsequently he served as a Resident Engineer, a Senior Design Engineer, a Specialist Engineer and a Project Manager in the field of structural Designs, Construction Supervision and Project Management. He was appointed as a Deputy General Manager (Water Resources) from year 2009 and involved with different-scaled water resources development projects in the country and as well as in overseas. In year 2015, he was promoted as the Additional General Manger (Water Resources and Planning) in the Organization.

He specializes in the fields of Hydraulic and Hydropower engineering, Structural Engineering and Water Resources Engineering. He also a certified/registered structural engineer in Sri-Lanka for all categories of buildings and structures. He counts over 25 years of experience in the field of Civil Engineering.



Mr. D. Mabopitiya - Director

ACA (SL) Chartered Accountant

Appointed to the Board as a Director from 2020. Concurrently serves as - Deputy General Manager (Finance) Central Engineering Consultancy Bureau, the parent organization of CESL.

MR. Mabopitiya possess over 15 years post qualifying experiences in managing Accounting, Finance, and Auditing functions in the Multinational Corporate and Banking sectors. Has wide experiences in Audit Assurance and Risk Management practices with the major international audit firms of KPMG and PWC for 8 years. Prior to joining CECB, he served in the DFCC Bank PLC at managerial level.

04 Directors Report



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

The Directors of Central Engineering Services (Pvt) Ltd have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December 2020. 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 19 to 33.

❖ ACCOUNTING POLICIES

The accounting policies adopted in the preparation of Financial Statements of the Company are given on pages 19 to 70 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 19 to 70.

❖ 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.

❖ DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING (CONTINUED)

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 37.

❖ 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 08 Occasions during the Financial year 2020 and the attendance of the Board of Directors was as follows.

Name	Position	2020							
		28 th Jan	07 th Feb	28 th Feb	19 th May	24 th June	22 nd July	30 th Sep	03 th Dec
Eng. U.S. Kaunurathna	Chairman	N/A	√	√	√	√	√	√	√
Eng. T.D. Wickramarathna	Director	√	√	√	√	N/A	N/A	N/A	N/A
Eng. A. Galketiya	Director	√	√	√	√	N/A	N/A	N/A	N/A
Eng. G.R.A.S. Gunathilake	Director	√	√	√	√	√	√	√	√
Eng. K.H.N.S. De Silva	Director	N/A	√	√	√	√	√	√	√
Eng. S.A.D.U.C. Siriwardhana	Director	N/A	N/A	N/A	N/A	√	√	√	√
Mr. D. Mabopitiya	Director	N/A	N/A	N/A	N/A	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 2020 and the attendance are as follows.

Name	Position	2020		
		28 th February	28 th August	30 th November
Eng. T.D. Wickramarathna	Chairman of the Committee	√	N/A	N/A
Eng. S.A.U.D.C. Siriwardhana	Chairman of the Committee	N/A	√	√
Eng. A. Galketiya	Director	√	N/A	N/A
Eng. K.H.N.S. De Silva	Director	√	√	√
Eng. G.R.A.S. Gunathilake	Director	N/A	√	√

❖ 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.



❖ 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



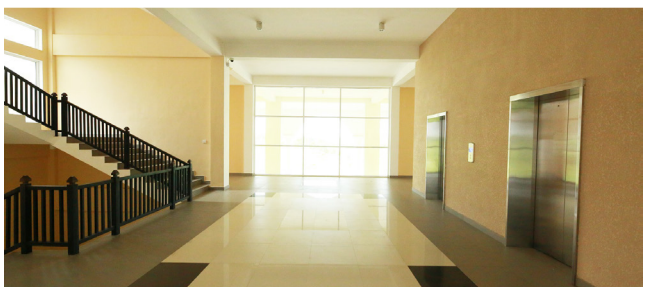
❖ Specialized Pediatric Ward Complex at District General Hospital, Ampara

- ◆ Client :- Ministry of Health Nutrition & Indigenous Medicine
- ◆ Contract Sum :- LKR 1263 Mn
- ◆ Date of Commencement :- 25/12/2017
- ◆ Date of Completion :- 30/10/2020



❖ Court Complex at Matara

- ◆ Client :- Ministry of Justice
- ◆ Contract Sum :- LKR 1097 Mn
- ◆ Date of Commencement :- 13/10/2014
- ◆ Date of Completion :- 04/06/2020



❖ District/ Magistrates Court at Mullaitivu

- ◆ Client :- Ministry of Justice
- ◆ Contract Sum :- LKR 391 Mn
- ◆ Date of Commencement :- 19/03/2017
- ◆ Date of Completion :- 11/06/2020



❖ Court Complex at Polonnaruwa

- ◆ Client :- Ministry of Justice
- ◆ Contract Sum :- LKR 314 Mn
- ◆ Date of Commencement :- 14/02/2017
- ◆ Date of Completion :- 31/03/2020



❖ New Bus Station at Piliyandala

- ◆ Client :- Urban Development Authority
- ◆ Contract Sum :- LKR 184 Mn
- ◆ Date of Commencement :- 28/11/2018
- ◆ Date of Completion :- 05/02/2020



❖ Accident and Emergency Treatment Unit at District General Hospital Polonnaruwa

- ◆ Client :- Ministry of Health
- ◆ Contract Sum :- LKR 400 Mn
- ◆ Date of Commencement :- 03/12/2015
- ◆ Date of Completion :- 31/05/2019



❖ Accident and Emergency Treatment Unit, General Hospital, Kalutara Stage (I & II)

- ◆ Client :- Ministry of Health, Nutrition and Indigenous Medicine
- ◆ Contract Sum :- LKR 647 Mn
- ◆ Date of Commencement :-
- ◆ Date of Completion :- 22/04/2019



❖ Accident Service, Theatre Complex, ICU and Wards at North Colombo Teaching Hospital - Ragama (Stage III)

- ◆ Client :- Ministry of Health Nutrition and Indigenous Medicine
- ◆ Contract Sum :- LKR 1004 Mn
- ◆ Date of Commencement :- 02/03/2015
- ◆ Date of Completion :- 23/10/2018





❖ Independent Auditors' Report



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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எனது இல. }
My No. }

CEN/B/CESL/04/FA/2020/01

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உமது இல. }
Your No. }

දිනය
திகதி }
Date }

03 November 2021

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 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

The above mentioned report together with audited financial statements is sent herewith.

W.P.C. Wickramaratne

Auditor General

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



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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எனது இல.
My No.

CEN/B/CESL/04/FA/2020/01

මගේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

03 November 2021

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 2020 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 2020 comprising the statement of financial position at 31 December 2020 and the statement of comprehensive income, statement of changes in equity and cash flow statement 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 2020, 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, බත්තරමුල්ල, ශ්‍රී ලංකාව

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

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

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www.naosl.gov.lk



1.2 Basis for Opinion

- (a) Credit balances of debtors and debit balances of mobilization advances aggregating Rs.44.46 million and Rs. 34.69 million respectively had been offset against the debit and credit balances of such accounts in 30 instances in contrary to paragraph 32 of Sri Lanka Accounting Standard (LKAS) 1 - Presentation of Financial Statements. As a result, the current assets and current liabilities had been understated by similar amounts.

In the meantime, Credit balances aggregating Rs. 1.64 million included to the unsettled advance payment schedule of Anuradhapura Base Office of the Company had been offset against the debit balances of that account due to incorrect entries made when purchase of goods by exceeding the advances obtained. As a result, the current assets and liabilities in the financial statements had been understated by same amount.

- (b) The Company has pledged most of its short term investments against the bank guarantees obtained by way of bid bonds, advance bonds, and performance bonds etc. when undertake the construction works from the clients. However, the Company had failed to valued and disclose such pledged amount at the reporting date in the financial statements as per the provisions in paragraph 14 of SLFRS 07 – Financial Instruments: Disclosure and paragraph 37(a) of LKAS 39- Financial Instruments: Recognition and Measurement. According to the information made available for audit, the values of said bank guarantees obtained as at 08 September 2021 was Rs. 954.85 million.
- (c) An accurate and timely coding system is essential for property, plant and equipment (PPE) in order to ensure that entire PPE have been accounted, adequately safeguarded and to detect missing items. However, the Company had not properly coded its fixed assets and those codes were not included to the fixed asset register as enable to identify the value of the PPE costing Rs. 1,298.18 million shown in the Financial Statements are corrected and carry out the annual asset verification accordingly.
- (d) According to the note No. 2.3.6 of the financial statements, it was stated that the Company reviews annually the estimated useful lives of PPE based on the factors such as business plan and strategies, expected level of usage and future development. However, fully depreciated assets approximately costing Rs.301.68 million are being



continuously used by the Company without reassessing the useful economical lifetime of those assets as per the provisions in paragraph 51 of LKAS 16 – Property, Plant and Equipment and rectifying the estimation error and showing the accurate carrying value in the financial statements as per the LKAS 8.

- (e) According to the available information, it was revealed that the Company has entered into a long-term lease agreement with the Urban Development Authority (UDA) during the previous year in order to obtain a land located in Rathnapura District for an amount of Rs.15.42 million. Although the Company has shown this amount as leasehold land, the Company had not completed signing process of the lease agreement even up to the date of this report.
- (f) It was revealed that the Polonnaruwa Base of the Company had computed their depreciation by overstating Rs. 1.01 million. Hence, the profit for the year under review had been understated by that amount.
- (g) A sum of Rs. 3.74 million was shown as accrual since 2017 as per the schedule prepared by the Central Base of the Company and this amount to be paid to a third party with regard to change of filters in vehicles used for road projects. However, supporting documents for the above payable were not made available for audit. Therefore, it could not be ensure the accuracy and reliability of this payable.
- (h) A difference of Rs. 161.38 million was observed between the amounts payable (retention and trade payables) shown by the mother company i.e. Central Engineering Consultancy Bureau (CECB) and the corresponding amount shown by the Company as receivable from the CECB in their financial statements for the year under review.
- (i) The Company has recognized NBT amounting to Rs.1.12 million relating to the previous period as expenditure of the year 2020. Hence, the profit for the year had been understated while overstating the retained earnings by said amount.

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 Other information included in the Company's 2020 Annual Report.

The other information comprises the information included in the Company's 2020 Annual Report but does not include in the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report, Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company's 2020 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 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.

1.5 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

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

2.1.1 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 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

2.1.3 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.

2.1.4 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.

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



2.2.1 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.

2.2.2 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/Direction	Description
(a) Public Enterprises Circular No. 02/2018 of 14 November 2018.	A sum of Rs. 2,291.21 million had been invested in short term investment sources such as call deposits and fixed deposits etc. without obtaining the required approvals.
(b) Public Enterprises Circular No. PED/12 of 02 June 2003 on Public Enterprises Guidelines for Good Governance.	
(i) Paragraph 9.3.1	Although there should have an approved Scheme of Recruitments and Promotions in the Company before recruitment of staff for the various posts to the Company, such scheme had not prepared and approved even up to 30 June 2021. It was further revealed that the Company has recruited 20 employees for the posts which are not in the approved Cadre and further 32 employees had recruited exceeding the approved cadre.
(ii) Paragraph 4.2.5	Although it is required to present the inventory age analysis to the Board meeting on monthly basis for their review and discussions, the Company is not



in a position to generate an inventory aging report from their ERP system. Therefore, this Company is facing difficulties in identifying slow moving, non- moving and obsolete items based on the inventory aging.

- (c) 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, the Company had conducted this test during the period from 2016 to 2020 only for 12 vehicles out of 82 vehicles of the Company.

2.2.3 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.

2.2.4 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.

2.5 Other Matters

- (a) The Company had earned a net interest income of Rs.132.85 million on short-term investment of Rs. 2,291.21 million invested in Repo, savings account and fixed deposits etc. as at the end of the year under review. If the Company is not earned this much of interest income during the year under review, the profit before tax of Rs. 70.40 million shown in the financial statements would have been an operating loss of Rs.62.45 million and this net interest income is represent 188.7 per cent of the profit before tax of the year under review.



- (b) The balances of due from customers and due to customers as at 31 December 2020 were amounting to Rs. 1,599.05 million and 1,929.33 million respectively. However, once the projects works undertaken by the Company are completed, there should not have due from customers or due to customers. Beside that fact, the balances of Rs. 325.05 million relating to 50 completed projects were shown as due from customers and due to customers without take proper actions to clear these account balances. It was further observed that this issue has been arisen mainly due to not having a proper and timely billing system.
- (c) All payments on Value Added Tax (VAT) are made by the Head Office on cash basis based on the schedules submitted by relevant Base Offices of the Company as at the end of each month. However, accrual concept is being used for accounting those VAT payments. As a result, a difference of Rs. 26.49 million was observed between the transactions recorded on cash basis and accrual basis. Further, the Company had not maintained a monthly reconciliation process to reconcile this discrepancy. Not and this may lead to over/under VAT payments to the Department of Inland Revenue.
- (d) According to the information provided for audit, the Company has sustained a gross loss of Rs.973.3 million, Rs. 722.8 million and Rs. 724.2 million by the end of the years 2020, 2019 and 2018 respectively from its completed construction projects. Further, a loss of Rs.43.03 million was reported from 04 ongoing projects of the year under review. Details are shown below.

(i) Projects completed with significant loss

Name of the Base Office	Number of Projects			Project Loss		
	2020	2019	2018	2020	2019	2018
				Rs.	Rs.	Rs.
				Mn.	Mn.	Mn.
South East	-	6	-	-	45.9	-
WP2	5	8	8	7.6	13.6	88.1
WP1	-	4	4	-	6.2	7
Central	14	6	13	41.1	22.2	36.3
North	1	1	2	32.8	29.7	45.7



Sabaragamuwa	-	1	2	-	1.8	11
South	21	15	15	176	169.2	103.2
Uva	5	2	18	30.8	8.6	63.8
North Central	84	72	66	406	315.3	255.5
MKDP	54	35	22	279	110.3	77.6
Eastern	-	-	4	-	-	36
	-----	-----	-----	-----	-----	-----
	<u>184</u>	<u>150</u>	<u>154</u>	<u>973.3</u>	<u>722.8</u>	<u>724.2</u>

(ii) Loss incurred by Ongoing Projects

Name of the Base	Project	Stage of Completion	Loss Incurred
-----	-----	-----	-----
			Rs. Mn.
	Construction Of Hegoda Bridge	99.71%	9.90
UVA	Construction Of Divisional Secretary Quarters Building At Mahiyanganaya	83.16%	1.21
	Completion of Balance Works of SM Barracks Building at Maradana Police Premises	99.99%	20.60
Jawatta- 2	Design and Construction of Animal Hospital at National Zoological Gardens at Dehiwala	99.99%	11.32

			43.03
			=====

The following observations are also made in this regard.

- (i) The management should take effective actions in order to minimize and mitigate these type of heavy losses by identifying the reasons and the persons who directly or indirectly responsible for these losses, hence, this may directly affect to the going concern of this Company.
 - (ii) Out of the above 184 fully completed projects, 84 projects, 54 projects and 21 projects were completed with the total operational loss of Rs. 406.0 million, Rs. 279.0 million and Rs. 176.0 million by the Anuradhapura, Polannaruwa (NKDP) and South Base Offices respectively. These represent 40 per cent, 29 per cent and 18 per cent of the total loss respectively.
 - (iii) If the Company could have able to mitigate the project's loss of Rs.973.3 million incurred during the year under review, the operating loss of Rs. 62.4 million reported as at the end of the year would have been an operating profit of Rs.910.9 million.
 - (iv) The Company is unable to complete most of the projects on the agreed contract period. At the test audit check it was revealed that there was a considerable delay in completing the project works by the North Base of the Company ranging between 100 days to 280 days. This will also lead to increase the cost of construction and loss of the projects.
- (e) It was observed that 04 Base Offices i.e. Polonnaruwa, Uva, COE South and Anuradapura of the Company were running at a total net loss of Rs.490.77 million during the year under review. Meanwhile, the Anuradhapura and UVA Base Office has sustained a gross loss of Rs. 163.87 million and Rs. 196.88 million respectively as at 31 December 2020. The following observations are also made in this regard.
- (i) If these losses not reported in the year under review, the operating loss of the Company amounting to Rs. 62.45 million would have been an operating profit of Rs. 428.32 million.



- (ii) Revenue of the Polonnaruwa Base had decreased by Rs. 532.51 million or 45% while the Administration Expenses had increased by Rs. 8.55 million or 30% as compared to 2019.
 - (iii) Revenue of Anuradhapura Base has decreased by Rs. 658.31 million or 66% in this year as compared to the previous year.
- (f) A loss of Rs. 24.18 million was reported under the operation of Asphalt/Crusher Plant during the year under review by 02 Bases (Polonnaruwa and Uva) of the Company.
- (g) The Company shown a balance of Rs. 1,652.54 million as payable to the parent Company i.e. Central Engineering Consultancy Bureau (CECB) as at 31 December 2020 and this amount included vehicle hiring charge, value of fixed assets and stock transferred and temporary loans etc. However, there is no proper and updated agreements between the parties with regard to these transactions and it was further noticed that this balance continuously increased since year 2017 onwards without being taken any effective action to clear this balance. Further, the Company had not calculated any interest on this Payable balance even up to the date of this report.
- In the meantime, there was a difference of Rs.2.67 million were observed between this payable balance shown in the movement schedules and the financial statements and a reconciliation had not submitted for the balance of Rs.85.01 million.
- (h) Out of debtor balances aggregating to Rs. 4,175.71 million as at 31 December 2020, debtors amounting to Rs. 375.42 million were outstanding for over 3 years and out of that debtor, amounts aggregating to Rs. 116.82 had remained outstanding for over 5 years without being recovered. In the meantime, debtor aggregating to Rs.397.88 million which relates to completed projects had not been recovered even up to 31 December 2020.
- (i) Retention receivable as at 31 December 2020 was amounting to Rs. 2,672.63 million. Out of that a sum of Rs. 358.81 and Rs. 293.24 million relating to completed projects were outstanding from 3 to 5 years and over 5 years respectively had remained without being taken proper recovery actions by the responsible officers.



- (j) Creditors and retention payables as at 31 December 2020 were amounting to Rs.2,439.05 million and Rs. 693.30 million respectively. According to the age analysis provided for audit, the creditors amounting to Rs. 261.98 million and retention payables amounting to Rs. 230.52 million shown under current liabilities had remained in the accounts from 2 to 5 years without being settled.
- (k) According to Guideline 5.4.4 (iii) of the Procurement Guidelines, the mobilization advances received shall be fully settled before the project works reached to 90 per cent complete level. Nevertheless, such advances received amounting to Rs.222.95 million with regard to fully completed and 90 per cent completed construction projects of 05 Base Offices of the Company had remained in the accounts as at 31 December 2020 without being settled. These balances had remained in the accounts even up to the date of this report. Further, the reasons for these unsettled balances had not been provided to audit.
- (l) According to the information provided for audit most of the vehicles had met with accidents in 60 instances during the period from 01 January 2019 to 31 July 2021 and insurance claims with regard to only 57 vehicle accidents have been forwarded to the respective insurance company. However, the details such as number of vehicles met with accidents, value of insurance claims recovered, cost of repairs etc. had not been provided for audit, while no inquiries had been instituted to ascertain causes for losses and against the persons responsible for these losses. Further, preliminary reports and final reports with regard to investigation of vehicle accidents had not been submitted to Auditor General.
- (m) A sum of Rs. 6.37 million was spent for the construction of a Technology Park at the Sri Lanka Planetarium premises for the celebration of Dr. A.N.S. Kulasinghe's 100th birthday ceremony. The Company had made payments for supply, construction and instalments of equipment for this park (excluding procurement) directly to the officers of the Company on the basis of the certification of the bills by the officers concern without obtaining work completion certificates from a suitable independent party to ensure that the equipment which supply and installed in the above park was properly installed in line with the required standard. Further, cost of procurement and instalments incurred for some of the items in the above park were very high and remained impractical as compared to the current market prices. Therefore, there was a serious



problem in the audit of the accuracy and transparency of the expenditure incurred for the construction of this park.

In the meantime, our physical inspection revealed that the park had been constructed and declared opened without any formal agreement with the relevant party and since there was no preparation for the maintenance of the park and as a result some equipment in the park had become unusable and perishable condition within less than a year period. Due to the above reasons, none of the objectives of constructing this park had been achieved and the cost of Rs. 6.37 million incurred for the above park had become fruitless.

W.P.C. Wickramaratne

Auditor General

❖ Statement of Comprehensive Income

FOR THE YEAR ENDED 31 ST DECEMBER		CESL	
		2020 Rs.	2019 Rs.
	Note		
Revenue	5	6,694,097,650	10,474,714,291
Cost of Sales	6	(6,071,858,186)	(9,693,387,587)
Gross Profit		622,239,464	781,326,705
Other Income	7	71,240,454	106,030,139
Administration Expenses		(755,799,295)	(827,817,283)
Selling and Distribution Expenses		(131,726)	(3,990,666)
Results from Operating Activities		(62,451,102)	55,548,895
Finance Income		148,042,802	191,743,215
Finance Cost		(15,192,456)	(40,440,063)
Net Finance Income	8	132,850,346	151,303,152
Profit Before Income Tax		70,399,244	206,852,047
Tax Expense	9	(11,252,105)	(65,386,381)
Profit/(Loss) for the Year		59,147,138	141,465,667
Other Comprehensive Income			
Revaluation of Motor Vehicles		194,550,564	
Actuarial Gain/(Loss) on Defined Benefit Plans 18.(d)		(1,668,920)	(359,907)
Other comprehensive income for the year		192,881,644	(359,907)
Total comprehensive income for the year		252,028,783	141,105,760

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 40 to 70 form an intergral part of these Financial Statements.

❖ Statement of Financial Position

AS AT 31ST DECEMBER

		CESL	
		2020	2019
Assets	Note	Rs.	Rs.
Non-Current Assets			
Property, Plant and Equipment	10	567,675,122	426,357,095
Lease Hold Property	11	14,661,752	15,175,926
Work In Progress - Capital Assets	12	27,826,616	31,636,836
Long Term Investments	13	-	-
Total Non-Current Assets		610,163,490	473,169,857
Current Assets			
Inventories	14	723,214,220	727,114,716
Working Progress	15	105,091,340	79,938,521
Trade and Other Receivables	16	8,519,898,117	9,329,578,897
Short Term Investments	13	2,291,209,712	1,759,981,590
Cash and Cash Equivalents	17	308,434,117	311,248,129
Total Current Assets		11,947,847,506	12,207,861,853
Total Assets		12,558,010,997	12,681,031,711
Equity and Liabilities			
Contributed Capital		10,000,020	10,000,020
Revaluation Reserve		194,550,564	
Retained Earnings		652,343,692	594,865,473
		856,894,276	604,865,493
Non Current Liabilities			
Retirement Benefit Obligation	18	19,175,983	13,071,063
Differed Tax	19	17,487,459	41,765,625
Amounts Due to Related Companies		1,652,545,483	1,600,196,675
Total Non Current Liabilities		1,689,208,925	1,655,033,363
Current Liabilities			
Trade and Other Payables	20	9,991,798,500	10,411,524,816
Income Tax Payables	21	20,109,297	9,608,038
Inter Base current accounts		-	-
Bank Overdraft	17	-	-
Total Current Liabilities		10,011,907,796	10,421,132,854
Total Equity and Liabilities		12,558,010,997	12,681,031,711

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 40 to 70 form an intergral part of these Financial Statements.

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



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. K. W. Ivan De Silva
Chairman



Mr. D. Mabopitiya
Director

05th March 2021

❖ Statement of Changes In Equity

	CESL			Retained Earnings Rs.
	Contributed Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	
Balance as at 01st January 2019	-	-	-	411,113,142
Prior Year Adjustments	10,000,020	-	-	42,646,571
Profit For the Year	-	-	-	141,465,667
Other Comprehensive Income	-	-	-	(359,907)
	10,000,020	-	-	594,865,473
Balance as at 01st January 2020	10,000,020	-	-	594,865,473
Profit For the Year	-	-	-	59,147,138
Other Comprehensive Income (Note 01)	-	-	194,550,564	(1,668,920)
Balance as at 31st December 2020	10,000,020	-	194,550,564	652,343,692

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 40 to 70 form an integral part of these Financial Statements.

Note 01

Motor Vehicles were revalued by a professional independent valuer as at 31.12.2020 and the book value were written up to correspondant with the valuation.

❖ Cash Flow Statement

FOR THE YEAR ENDED 31 ST DECEMBER	CESL	
	2020 Rs.	2019 Rs.
Cash Flows from Operating Activities		
Profit Before Tax	70,399,244	206,852,047
Adjustments for:		
Depreciation on Property, Plant and Equipments	148,191,948	157,733,292
Provision for Bad and Doubtful Debts		
Prior Year Adjustment		-
Assets Written Off	-	-
Provision for Gratuity	7,418,761	5,309,189
Bad Debt Provision		-
Profit on disposal of Property, Plant and Equipments	803,773	(152,886)
Amotization of land lease	514,174	-
Actuarial Gain/(Loss) on Defined Benefit Plans	(1,668,920)	(359,907)
Net Finance Income	(132,850,346)	(151,303,152)
Operating Profit before Working Capital Changes	92,808,635	218,078,583
(Increase)/Decrease in Inventories	3,900,496	18,189,719
(Increase)/Decrease in Trade and Other Receivables	809,813,785	(665,015,219)
Increase/(Decrease) in Trade and Other Payables	(419,726,316)	(75,967,051)
Increase/(Decrease) in Amounts Due to Related Companies	52,348,808	11,324,955
(Increase)/Decrease in Working In Process	(25,152,819)	378,408,164
Increase in General Suspense Account Credit Balance	-	-
Cash Generated from Operating Activities	513,992,588	(114,980,849)
Interest paid	(15,192,456)	(40,440,063)
Tax paid	(25,162,019)	(71,734,642)
Gratuity paid	(1,313,841)	(765,976)
Net Cash Flows from Operating Activities	472,324,272	(227,921,530)

Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(92,870,667)	(155,651,165)
Acquisition of Leasehold property	-	(15,175,928)
Investment in Capital Work in Progress	-	(5,330,220)
Proceeds from sale of Property, Plant and Equipment	917,700	814,256
Acquisition of Subsidiary	-	-
Investment in Short Term Deposit	(531,228,122)	225,124,344
Investment Long Term Investment	-	-
Dividend Income	-	-
Interest Income	148,042,802	191,743,215
Net Cash Flows from Investing Activities	(475,138,287)	241,524,502
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	(2,814,015)	13,602,972
Cash and Cash Equivalent at the beginning	311,248,129	297,645,155
Cash and Cash Equivalent at the end	308,434,117	311,248,129

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 40 to 70 form an intergral part of these Financial Statements.

❖ Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2020

1. Corporate Information

1.1. General Information

Central Engineering Services (Pvt) Ltd. ('Company'), is a private limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is situated at No. 415, 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	100,000	100	10,000,000	100%
Consultancy Bureau	2	10	20	

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

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 2020, were authorized for issue by the Board of Directors on 24th February 2021.

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 2020

2.1.4 Financial Period

The financial period of the Company represents a twelve months period from 1st January 2020 to 31st December 2020.

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 2020

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 2020

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.

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

2.1.14 Statement of Cash Flows (Cont.)

Interest received and dividends received are classified as investing cash flows, while dividend paid is classified as financing cash flow and interest paid is classified under the operating cash flows for the purpose of presentation of Statement of Cash Flows.

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

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.

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

2.3.1 Recognition and Measurement (Cont.)

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.

When an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earning when the asset is de-recognised.

2.3.2 Freehold Assets

The cost of an item of property, plant and equipment comprise of its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of Self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for it intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted as separate items (major component) of property, plant and equipment.

Property, plant and equipment transferred from customers are initially measured at fair value at the date on which control is obtained. Purchased software that is integrated to the functionality of the related equipment is capitalized as part of equipment.

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

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 parties 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.

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.

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

2.3.6 Depreciation (Cont.)

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 year
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.

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.

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

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

(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 as stated 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.

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

2.4.3 Classification of Financial Assets (Cont.)

(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

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.

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

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 2020

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 2020

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 does not have 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.

2.10.1 Legal Cases Filed Against the Company

At labor Tribunal

Case No - 27/Anu/2583/2020

K. M. Chintha Priyadarshani Vs . Central Engineering Services (Pvt) Ltd Labor dispute has been arisen due to termination of service of the Employee and claims for reinstate with salary arrears and compensation. Legal proceeding is going on.

Case No - Case 27 /Anu /2584/2020

A. A. C. S. Wijewardana Vs. Central Engineering Services (Pvt) Ltd Labor dispute has been arisen due to termination of service of the Employee and claims for reinstate with salary arrears and compensation. Legal proceeding is going on.

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

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.

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.

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

2.12 Current and Deferred Tax

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 14% for the Company. Current tax assets and liabilities are offset only if certain criteria are met.

Current tax relating to items recognized directly in equity is recognized in equity and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2.12.2 Deferred Taxation

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each Reporting Date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each Reporting Date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the Reporting Date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the Reporting Date, to recover or settle the carrying amount of its assets and liabilities. 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.

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

2.12.2 Deferred Taxation (Cont.)

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

Significant Judgments Relating to Deferred Taxes

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

2.13 Leases

Finance Leases

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

Initial Recognition and Subsequent Measurement

Initially, assets held under financial lease and financial lease liabilities are recognized 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 overtime which requires judgments. SLFRS 15 introduces a five-step model for recognizing revenue from contracts with customers.

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

2.14 Revenue Recognition (Cont.)

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.

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.

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

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.

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.

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

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.

Close Family Members (CFM) of the KMP are those family members who may be expected to influence or be influenced, by that KMPs in their dealing with the entity. They may include:

- (a) The individual's domestic partner and children;
- (b) Children of the individual's domestic partner; and
- (c) Dependents of the individual or the individual's domestic partner.

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

3.3 Directors' Loan

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

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

4. Financial Risk Management Objectives and Policies

Financial Risk Management is the practice of economic value in a firm by using financial instrument, manage exposure to risk face by the Company. The Company's principal financial assets include trade and other receivables and cash and short term deposits that derive directly from its operations.

The major financial liabilities used by the Company are trade and other payables. The main purpose of these financial investments is to finance the Company's operations and to provide guarantees to support its operations.

The Board of Directors has established Company's risk management policies to identify analyze the risk face by the Company and set appropriate risk limits and controls. Risk management policies and systems are reviewed regularly and aim to develop a disciplinary constructive control environment, in which all employees understand their roles and obligations through training, management standards and procedures.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the risk management framework in relation to the risk face by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee. The Committee reports regularly to the Board of Directors on its activities.

The Company is exposed to key financial risks include Market Risk, Credit Risk, Liquidity Risk.

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

4.1 Market Risk

Market risk is the risk that fair value of future cash flows of financial instruments will fluctuate because of changes in market price. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. All such transactions are carried out within the guidelines set by the Risk Management Committee.

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.

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

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.

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, 2019	4,151,195,129
at 31 st December, 2020	4,175,713,609

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

4.3 Liquidity Risk

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

The Company's approach to managing liquidity risk is to ensure as far as possible that it will always have sufficient liquidity meets its liability when due and maintaining the balance between financial assets and liabilities and forecasting cash flows from operating activities, without incurring unacceptable losses or risking damages to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt instruments at an amount in excess of expected cash flows on financial liabilities. To measure and mitigate liquidity risk, the Company closely monitors its net operating cash flow, forecasting and maintaining a level of cash and cash equivalents and secured committed funding facilities from financial institutions.

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

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER

		CESL	
		2020	2019
		Rs.	Rs.
5	Revenue		
	Construction Revenue	6,682,116,589	10,447,426,924
	Consultancy Revenue	11,981,061	27,287,368
		6,694,097,650	10,474,714,291
6	Cost of sales		
	Materials	2,908,236,724	4,306,101,476
	Labour	1,697,569,096	3,227,488,798
	Transport Charges	205,407,727	351,999,809
	Tools	15,522,027	24,194,109
	Overhead & Miscellaneous Expenses	818,118,732	1,240,966,659
	Construction Services	427,003,880	542,636,736
		6,071,858,186	9,693,387,587
7	Other Income		
	Miscellaneous Revenue	-	-
	Hiring Income	20,169,863	38,277,443
	ERP Revenue	2,772,415	-
	Machinery Hiring	-	-
	Commission Income	1,389,966	1,935,949
	Fees Income	0	-
	Miscellaneous Revenue	64,312,907	60,209,517
	Tender Fees Income	204,500	1,273,890
	Asphalt Concrete, ABC & Rubbel Sales Income	-	-
	Bad Debt Provision Reversal	-	-
	Assets Disposal Profit / (Loss)	(803,773)	152,886
	Asphalt/ Crusher Plant Gain/ (Loss)	(16,805,424)	4,180,454
		71,240,454	106,030,139
	Operating Profit		
	The following items have been charged / (credited) in arriving at the Operating Profit		
	Director's Emoluments	1,007,500	1,252,250
	Auditor's Remuneration	1,556,247	1,971,880
	Depreciation on Property, Plant & Equipment	148,191,948	157,733,292
	Charity and Donations	89,750	1,743,436
	Allowance for Bad and Doubtful Debts	-	-
	Employee Benefit Costs	322,742,837	341,903,431
	Employee Benefit Costs		
	Salaries & Wages	230,628,941	240,715,864.00
	Contribution to Defined Contribution Plans	22,597,005	20,070,045.00
	Over Time, Incentive and Other Allowances	69,516,891	81,117,502.00
8	Net Finance Income		
	Finance Income		
	Interest Income	148,042,802	191,743,215
		148,042,802	191,743,215
	Finance Cost		
	Interest Expenses	(15,192,456)	(40,440,063)
		(15,192,456)	(40,440,063)
	Net Finance Income	132,850,346	151,303,152
9	Tax Expenditures		
	Deferred Tax for the Year	(24,278,167)	9,603,481
	Income Tax for the Year	35,530,272	55,782,600
		11,252,105	65,386,081

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER

10 Property, Plant and Equipment

10.1 CESL

	Land		Buildings		Furniture & Fittings		Construction Instrument & Equipment		Office Equipment		Plant & Machinery		Containers		Computers		Motor Vehicles		Library Books		Total			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Cost																								
Balance as at 1 st January 2020	8,415,147	47,990,154	36,271,738	425,544,813	49,868,515	327,118,857	53,257,377	67,904,354	335,954,776	470,389	1,341,796,120													
Additions during the year	0	16,327,604	3,491,835	37,228,942	5,243,642	25,682,861	1,235,500	7,452,487	(0)	18,016	96,680,887													
Disposals during the year			(280,325)	(3,635,875)	(446,337)	(2,561,389)		(1,322,025)	(38,586,286)		(46,832,237)													
Derecognition						(4,375,000)					(288,159,323)													
Revaluation Adjustment						4,350,000					190,350,000													
Balance as at 31st December 2020	8,415,147	64,317,758	39,483,248	459,137,879	54,665,820	350,215,330	53,492,877	74,034,816	193,934,167	488,405	1,298,185,447													
Accumulated Depreciation																								
Balance as at 1 st January 2020		32,443,524	14,646,053	219,940,722	23,322,706	239,490,803	23,301,185	40,406,787	321,767,840	119,407	915,439,028													
Additions during the year		4,684,313	4,790,125	71,871,530	6,853,781	39,555,042	6,677,292	10,671,093	3,028,334	60,441	148,191,948													
Disposals during the year			(142,767)	(2,822,868)	(266,010)	(2,108,096)		(1,272,326)	(38,498,697)		(45,110,764)													
Derecognition						(4,375,000)					(288,009,887)													
Balance as at 31st December 2020	37,127,837	19,293,410	19,293,410	288,989,384	29,910,477	272,562,749	29,978,477	49,805,554	2,662,590	179,848	730,510,325													
Net Book Value																								
Balance as at 31 st December 2019	8,415,147	15,546,630	21,625,685	205,604,091	26,545,810	87,628,054	28,956,192	27,497,567	4,186,936	350,982	426,357,993													
Balance as at 31 st December 2020	8,415,147	27,189,922	20,189,838	170,148,495	24,755,343	77,652,581	23,514,400	24,229,261	191,271,577	308,557	567,675,122													
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	-	-	8,626,081	106,438,673	8,458,933	14,368,867	5,071,492	12,492,405	126,400	68,313	155,651,164													
Disposals during the year			(74,736)	(1,839,430)	(267,739)	(951,592)		(531,925)	(67,537,010)		(71,202,432)													
Balance as at 31st December 2019	8,415,147	47,990,154	36,271,738	425,544,813	49,868,516	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	848,438,792													
Adjustment to opening balance			6,493	(20,161,976)	(16,700)	(19,814)					(20,191,997)													
Adjusted opening balance as at 01st 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	828,246,795													
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	157,733,293													
Disposals during the year			(44,986)	(1,500,297)	(211,861)	(762,114)		(484,792)	(67,537,010)		(70,541,060)													
Adjustment																								
Balance as at 31st December 2019	-	32,443,524	14,646,053	219,940,722	23,322,706	239,490,803	23,301,185	40,406,787	321,767,840	119,407	915,439,028													

❖ Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER

CESL	
2020 Rs.	2019 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		64,317,758	64,317,758
Motor Vehicles	301,853	193,632,314	193,934,167
Office Equipment	8,356,339	46,309,481	54,665,820
Furniture & Fittings	3,814,859	35,668,389	39,483,248
Construction Instrument	98,037,255	361,100,624	459,137,879
Library Books	65,650	422,755	488,405
Plant & Machinery	160,182,595	190,032,735	350,215,330
Computer	20,296,992	53,737,823	74,034,816
Containers	10,620,863	42,872,013	53,492,877
	301,676,407	988,093,893	1,289,770,300

11 Lease hold land

Prepaid Lease rental paid to acquire land use right are ammortised over the lease term in accordance with pattern benefits provided. Lease Hold Property Comprising of land use rights and stated at valuation are ammortised on a Straight line basis over the remaining lease term. The impairment losse if any is recognised in the statement of Profit or Loss.

At beginning of the year	15,175,926	-
Acquisition of during the year	-	15,425,266
Amortisation	(514,174)	(249,340)
At end of the year	14,661,752	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 commense from 08th Julv 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 -	31,636,836	26,306,616
Cost Incurred During the Year		1,520,000
	31,636,836	27,826,616

Building Construction

Cost Incurred During the Year		3,810,220
Transferred	(3,810,220)	-
	27,826,616	31,636,836

13 Investments

Long term investment (Note 13.1)	-	-
Short term investment (Note 13.2)	2,291,209,712	1,759,981,590
	2,291,209,712	1,759,981,590

13.1 Long term investment

Loans and receivable financial assets

Investment in Fixed Deposit	-	-
	-	-

13.2 Short term investment

Repo	-	-
Short term investments	2,291,209,712	1,759,981,590
	2,291,209,712	1,759,981,590

❖ Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER

		CESL	
		2020 Rs.	2019 Rs.
14	Inventories		
	Inventories - Construction Materials	722,716,203	726,553,318
	Disposal Of Material	498,018	561,397
		723,214,220	727,114,715
15	Work In Progress		
	Opening Balance	79,938,521	458,346,684
	Prior Year Adjustment		
	Reversal Of Prior Year Adjustment	(79,938,521)	(458,346,684)
	WIP for the Current Year	105,091,340	79,938,521
	Closing Balance	105,091,340	79,938,521
16	Trade and Other Receivables		
	Trade Receivables (Note 16.1)	8,336,260,968	9,030,258,468
	Other Receivables (Note 16.2)	48,484,919	137,859,654
	Deposits, Prepayments and Advances (Note 15.3)	135,152,230	161,460,776
		8,519,898,117	9,329,578,898
16.1	Trade Receivables		
	Debtors	4,175,713,609	4,151,195,129
	Due From Customers	1,599,052,429	2,508,618,546
	Retention Receivables	2,672,628,695	2,481,578,557
	Less - Provision for Impairment (Note 16.1.1)	(111,133,765)	(111,133,765)
		8,336,260,968	9,030,258,467
16.1.1	Provision for Impairment		
	Debtors	111,133,765	111,133,765
	Provision for Expected Losses		
	Prior Year Adjustment (Provision)	-	-
		111,133,765	111,133,765
16.2	Other Receivables		
	WHT Deduction - From Payments	1,141,859	1,096,623.00
	Staff Loans	4,438,928	7,006,284
	Prepaid Staff Cost	938,835	853,565
	Refundable Deposits	14,428,505	13,217,874
	Other Taxes	-	82,308,986
	Sundry Debtors	27,536,792	33,376,321
		48,484,919	137,859,653
16.3	Deposits, Prepayments and Advances		
	Mobilization Advance Paid	55,523,838	47,897,966.00
	Deposits	-	-
	Advances	69,772,237	99,483,920
	Prepayments	9,856,155	14,078,889
		135,152,230	161,460,775

❖ Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER

		CESL	
		2020 Rs.	2019 Rs.
17	Cash and Cash Equivalents		
	Favorable Balances		
	Cash in Hand and at Bank	307,437,100	310,618,571
	Cash in Transit	997,017	629,558
		308,434,117	311,248,129
	Unfavorable Balances		
	Bank Overdraft	-	-
	Cash and Cash Equivalents for the Cash Flow Purpose	308,434,117	311,248,129
18	Defined Benefit Obligations		
	(a) The amounts recognised in the Financial Position are determined as follows:		
	Balance at the beginning of the year	13,071,063	8,527,850
	Current service cost	4,246,669	3,968,579
	Interest cost	1,503,172	980,703
	Actuarial (gain)/Loss during the year	1,668,920	359,907
		20,489,824	13,837,039
	Benefits paid	(1,313,841)	(765,976)
	Balance at the end of the year	19,175,983	13,071,063
	(b) Liability Recognized in the Financial Position		
	Present Value of Obligation as at 31 st December 2019	19,175,983	13,071,063
	Un Recognised Actuarial Gains / (Losses)	-	-
	Net Liability in Financial Position	19,175,983	13,071,063
	(c) The amounts recognised in the Statement of Comprehensive Income are as follows:		
	Interest Cost	1,503,172	980,703
	Current Service Cost	4,246,669	3,968,579
		5,749,841	4,949,282
	(d) The amounts recognised in the Statement of Other Comprehensive Income are as follows:		
	Actuarial (Gain) / Loss recognized	1,668,920	359,907
		1,668,920	359,907

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.

Following fixed deposits had been built up against the relevant obligation.

Fixed Deposit Number	Amount (Rs.)
343-60-01-0003452-9	1,178,066.94
343-60-01-0003484-1	1,171,642.81
343-60-01-0003481-4	1,171,642.81
343-60-01-0003482-2	1,239,389.27
343-60-01-0003482-3	1,239,389.27
343-60-01-00006331-9	2,500,000.00
343-60-01-00006330-0	5,000,000.00
343-60-01-00005578-3	5,220,145.00
343-60-01-00005617-6	2,212,543.39
Total as at 31.12.2020	20,932,819

❖ Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER

		CESL	
		2020	2019
		Rs.	Rs.
18	Defined Benefit Obligations (Cont.)		
	Key assumptions used in the computation includes the following;		
	Rate of Discount	8.50% p.a.	
	Salary Incremental Rates	1%	
	Staff Turnover Rates:	5 % upto 49 and thereafter 0%	
	Retirement Age	60 Years	
	Mortality:	A 1967/70 Mortality Table	
19	Deferred Tax		
	Balance at the beginning of the year	41,765,626	32,162,145
	Provision for the year	(24,278,167)	9,603,481
	Balance at the end of the year	17,487,459	41,765,626
20	Trade and Other Payables		
	Trade Payables (Note 20.1)	9,876,935,092	10,314,890,536
	Other Payables (Note 20.2)	114,863,412	96,634,281
		9,991,798,504	10,411,524,817
20.1	Trade Payables		
	Creditors	2,439,046,565	2,591,988,115
	Due to Customers	1,929,331,619	2,289,741,596
	Mobilization & Other Advances	4,815,251,368	4,863,998,184
	Retention Payables to Contractors	693,305,539	569,162,640
		9,876,935,092	10,314,890,536
20.2	Other Payables		
	EPF Payable	4,477,267	3,994,276
	ETF Payable	671,589	590,968
	Yasasa Loan Payable	138,896	126,774
	WHT Deductions From Payments	(1,518,449)	7,175,720
	Medical Insurance Deduction	1,107,817	675,732
	Death Grant Deduction	69,100	-
	Sundry Creditors	27,198,408	20,574,712
	Accrued Expenses	27,039,461	40,138,607
	Unpaid Staff Cost	32,960,699	19,007,642
	PAYE tax	4,046,264	4,349,850
	Other Taxes	18,672,360	-
		114,863,412	96,634,281
21	Income Tax Payables		
	Balance at the beginning of the year	9,608,038	48,014,357
	Income tax for the year	35,530,272	55,782,900
	Provision in respect of the last year	133,005	(22,454,577)
	Payments made during the year	(25,162,019)	(62,617,873)
	Withholding Tax (WHT)	(0)	(9,116,769)
	Balance at the end of the year	20,109,297	9,608,038

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

22 Related Party Transactions

22.1 Transaction with Parent

- a) Eng. E. P. U. S. Karunarathna was the chairman of CESL and Eng. G. R. A. S. Gunathilake, Eng. Nalin S. De Silva, Eng. S. A. U. D. C. Siriwardhana, Mr. D. Mabopitiya who were Directors of CESL as a 31st December 2020.

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 & Uwa
Eng. J.D. Sunil	Chief Operation Engineer	South
Eng. H.W.R.K. Heendeniya	Chief Operation Engineer	WP1
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	North central
Mr. J.M.B. Jayaweera	Chief Financial Officer	

b) Nature of the Transactions	Amount 2019 Rs.
Construction Revenue	3,223,376,499
Hiring Income	744,835

❖ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2020

22.2 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

	2019 Rs.	2020 Rs.
Salaries and other Employment Benefits	1,252,250	1,007,500

23 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**

		2015	2016	2017	2018	2019	2020
Revenue	Rs. Mn	6,560	8,691	12,294	11,189	10,474	6,694
Gross Profit	Rs. Mn	448	621	682	786	781	622
EBITDA	Rs. Mn	255	192	196	232	212	86
EBIT	Rs. Mn	106	54	45	67	55	(62)
Net Finance Income	Rs. Mn	11.3	56	112	105	151	132
Profit After Tax	Rs. Mn	81.1	84.5	120.8	121.4	141.4	59.1
Profit Attributable to Owners	Rs. Mn	81.1	84.5	120.8	121.4	141.4	59.1

Statement of Financial Position Highlights

Property, Plant and Equipment	Rs. Mn	401	396	479	435	473	610
Total - Non Current Assets	Rs. Mn	407	398	479	435	473	610
Cash and Cash Equivalent	Rs. Mn	178	207	229	328	311	308
Short Term Deposits	Rs. Mn	771	1,046	1,111	1,985	1,759	2,291
Total Assets	Rs. Mn	6,385	9,942	12,345	12,616	12,681	12,558
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	208	292	412	411	594	652
Equity Attributable to Owners	Rs. Mn	218	303	422	421	604	856
Total Non-Current Liabilities	Rs. Mn	1,166	1,394	1,592	1,629	1,655	1,689

Statement of Cash Flow Highlights

Cashflow from Operating Activities	Rs. Mn	666	368	194	912	(227)	472
Cash Flow used in Investing Activities	Rs. Mn	(651)	(338)	(172.0)	(844.7)	241.5	(475.1)
Cash Flows from / (used in) Financing Activities	Rs. Mn	(7.8)	(0.88)	-	-	-	-

Key Financial Ratios

EPS	Rs.	812	845	1,202.6	1,208	1,410.7	574.7
Net Assets per Share	Rs.	2,181	3,026	4,229	4,211	6,049	8,569
ROE		37%	28%	28%	29%	23%	7%
Current Ratio		1.2	1.2	1.1	1.2	1.2	1.2
Quick Ratio		1.1	1.06	1.07	1.08	1.10	1.12

Directors remuneration for the year ended 31st December 2020 is **Rs. 1,007,500**

Auditors fee for the year ended 31st December 2020 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. Wickramarathna - Chairman of the
Committee
Eng. S.A.U.D.C. Siriwardhana - Chairman of
the Committee
Eng. A. Galketiya - Director (CESL)
Eng. K.H. Nalin Sanjaya De Silva - Director (CESL)
Eng. G.R.A.S. Gunathilake - Director (CESL)

❖ BOARD OF DIRECTORS

Eng. U. S. Karunaratne - Chairman
Eng. T. D. Wickramarathna - Director
Eng. A. Galketiya - Director
Eng. G. R. A. S. Gunathilake - Director
Eng. K. H. Nalin Sanjaya De Silva - Director
Eng. S. A. U. D. C. Siriwardhana - Director
Mr. D. Mabopitiya - 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 and Safety
Management System





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

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