



CENTRAL ENGINEERING SERVICES (PVT) LTD.



ANNUAL REPORT

2021



A Fully Owned Subsidiary of CECB
MINISTRY OF IRRIGATION
(We are ISO 9001, ISO 14001 & ISO 45001 Certified, CIDA CS2 Registered Company)



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01. ABOUT US

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.





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

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

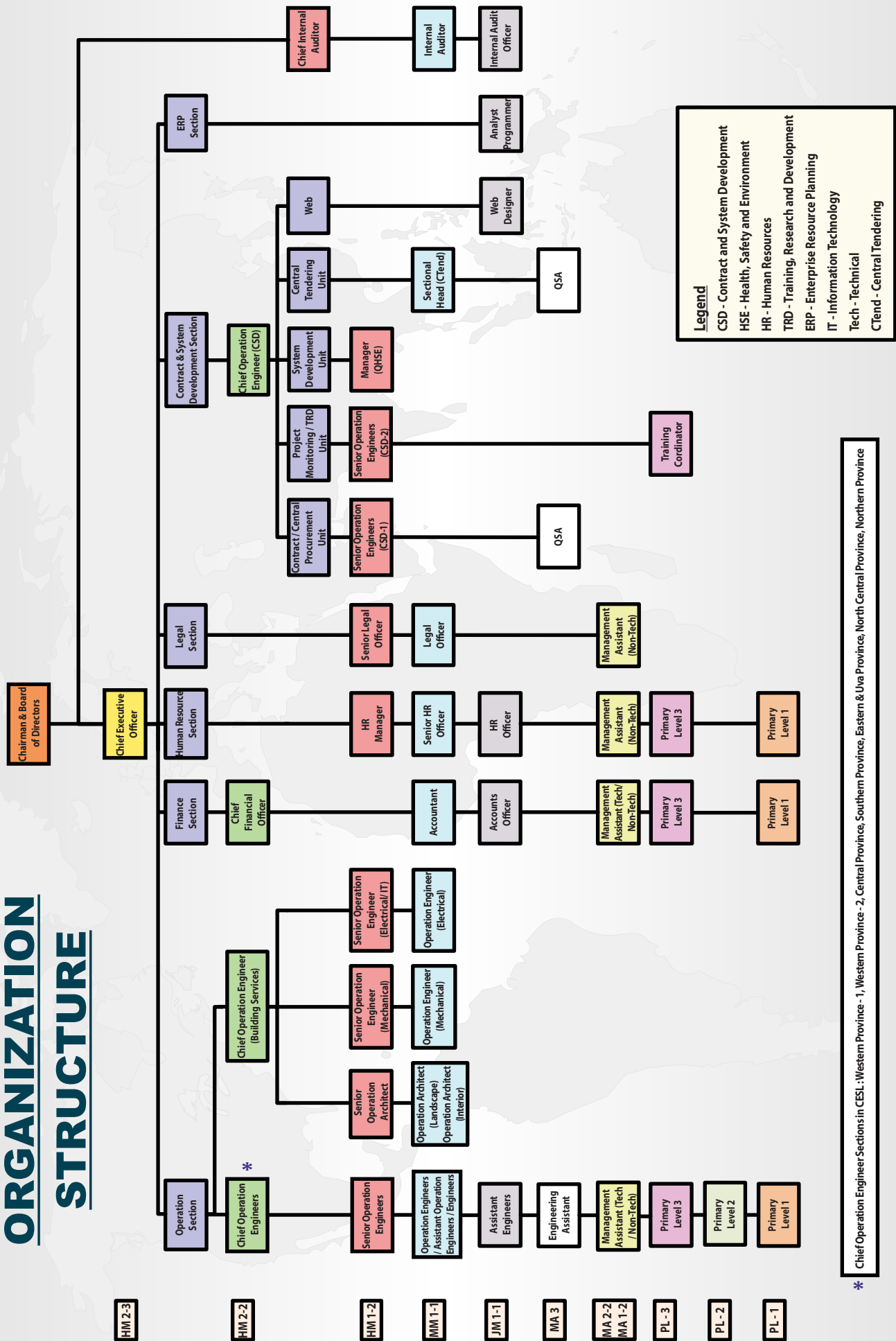


CORPORATE GOALS



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

ORGANIZATION STRUCTURE



Legend

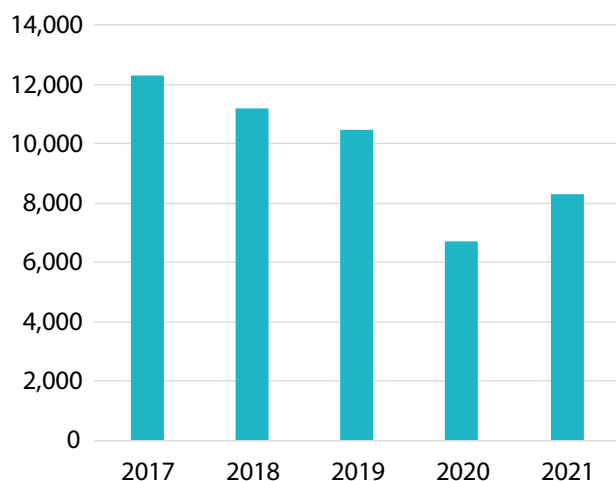
- CSD - Contract and System Development
- HSE - Health, Safety and Environment
- HR - Human Resources
- TRD - Training, Research and Development
- ERP - Enterprise Resource Planning
- IT - Information Technology
- Tech - Technical
- CTend - Central Tendering

* Chief Operation Engineers in CESL : Western Province - 1, Western Province - 2, Central Province, Southern Province, Eastern & Uva Provinces, North Central Province, Northern Province

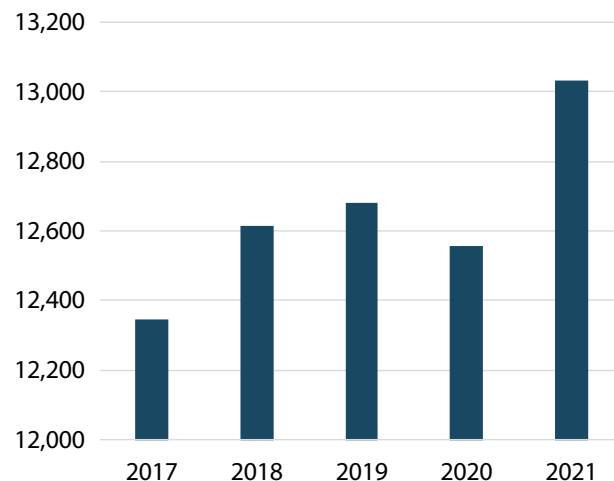
02. FINANCIAL HIGHLIGHTS

	2021 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn
Construction Revenue	8,298	6,694	10,474	11,189	12,294
Gross Profit	840	622	781	786	682
Net Profit Before Tax	254	70	206	173	158
Net Profit After Tax	210	59	141	121	120
Total Assets	13,033	12,558	12,681	12,616	12,345
Contributed Capital	10	10	10	10	10
Total Equity	1,063	856	604	421	422
Total Equity Equilibrium	13,033	12,558	12,681	12,616	12,345
Current Assets	12,442	11,947	12,207	12,181	11,865
Current Laibilities	10,493	10,011	10,421	10,565	10,329

Construction Revenue (Rs. Mn)



Total Assets (Rs. Mn)



Construction Revenue (Rs. Mn)

2017	2018	2019	2020	2021
12,294	11,189	10,474	6,694	8,298

Total Assets (Rs. Mn)

2017	2018	2019	2020	2021
12,345	12,616	12,681	12,558	13,033

03. BOARD OF DIRECTORS



Eng. K. W. Ivan De Silva - Chairman

B. Sc. (Eng.), M. Eng. Sc. (Const. Mgt), C. Eng.

Mr. Anura Dissanayake - Director

B. Sc. (Business Administration), MPA (Public Policy)



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

*B. Sc. Eng. (Hons) Sri Lanka, M. Sc. (Hydropower) Norway,
M. Sc. (Struct.) Sri Lanka, MIE (SL), C. Eng., MSSE (SL)*

Mr. B. K. R. Balasooriya - Director

*B. Com (Special) (Hons) University of Sri Jayawardenepura, MA
(Economics) University of Kelaniya, Member of CIPFA Sri Lanka*



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

*B. Sc. Eng. (Hons) Sri Lanka, C. Eng., MIE (SL), PMP,
MIEEE (PES), MLABSE*

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

*B. Sc. Eng. (Hons) Sri Lanka, M. Sc. (Hydraulic Eng.) Netherlands, C. Eng.,
MIE (SL), M Cons. E (SL), M SLNCOLD (SL), Registered Structural Engineer (SL)*



Mr. D. Mabopitiya - Director

ACA (SL) Chartered Accountant

Eng. K. W. Ivan De Silva - Chairman

B. Sc. (Eng.), M. Eng. Sc. (Const. Mgt), C. Eng.

Appointed as Chairman of the Board from 2021. Functions concurrently as the Chairman of the Central Engineering Consultancy Bureau, the parent organization of CESL.

Eng. Ivan De Silva has obtained BSc degree from University of Peradeniya in 1979, and M. Eng. Sc degree from the University of New South Wales, Australia in 1993. He has started his career in Irrigation Department as an Irrigation Engineer in 1976, and he has worked in various parts of the country in different positions until he left Sri Lanka at the end of 1997, after serving as the Deputy Director of Irrigation, Polonnaruwa Range from 1993-1997.

He has worked in New Zealand from 1998 until 2005. In mid 2006, he has appointed as Director General, Mahaweli Authority of Sri Lanka and served in this position until he appointed to the post of Secretary to the Ministry of Irrigation and Water Resources Management. He worked in the position of Secretary until end 2014. Eng. Ivan De Silva has again joined Auckland Transport in New Zealand in 2016 as an investigation and Design Engineer and worked in this institution until end of 2019. Presently he is working as the Secretary to the State Ministry of Tank, Reservoirs and Irrigation Development Related to Rural Paddy Fields.

Mr. Anura Dissanayake - Director

B. Sc. (Business Administration), MPA (Public Policy)

Appointed to the Board as Director from 2021. Concurrently serves as Director, Central Engineering Consultancy Bureau, the parent organization of CESL.

Mr. Anura Dissanayake, Secretary, Ministry of Irrigation, Sri Lanka commenced his Sri Lanka Administrative Service career in 1990. During his illustrious administrative service career of over 30 years, he has held many responsible positions including Secretary, Ministry of Education, Ministry of Higher Education Technology and Innovation.

As Secretary, Ministry of Irrigation, Mr. Dissanayake is charged with the responsibility of optimal management of the water resources in the country. In this endeavor, he coordinates with all relevant public institutions, international agencies, NGO's and Community based organization to ensure integrated water resource management practices are implemented at all levels.

Mr. Anura Dissanayake is a distinguished alumnus of the University of Sri Jayawardanapura, Sri Lanka and has obtained his Post Graduate Qualifications from University of Washington, U.S.A. He is recipient of many prestigious awards including Fulbright/Hubert H. Humphrey Fellowship in 2001/2002, Most Outstanding Young Persons of Sri Lanka Award in 2000, Presidential Citation for Efficient Commitment in 1999, National Award for Best Public Sector Performance Improvement Plan in 1995, Asian Youth Federation Annual Travel Award in 1985 and American Field Service Youth Exchange Fellowship in 1981/82.

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

B. Sc. Eng. (Hons) Sri Lanka, M. Sc. (Hydropower) Norway, M. Sc. (Struct.) Sri Lanka, MIE (SL), C. Eng., 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.

Mr. B. K. R. Balasooriya - Director

*B. Com (Special) (Hons) University of Sri Jayawardenepura, MA (Economics) University of Kelaniya,
Member of CIPFA Sri Lanka*

Appointed to the Board as Director from 2021. Concurrently serves as Director, Central Engineering Consultancy Bureau, the parent organization of CESL.

Mr. B. K. R. Balasuriya is a Class I Officer of Sri Lanka Accountants' Service (SLAcS). He has over 30 years of work experience in the public sector having joined the Sri Lanka Accountants' Service in 1992. During his tenure, he has served in various capacities in Divisional Secretariats and as Chief Accountant of the Postal Department. Prior to assuming the duties of his current position as the Chief Financial Officer of the Ministry of Finance, he held responsibilities as the as the Director, Department of Treasury Operations, General Treasury.

He also serves as member of the Board of Directors of the State Engineering Corporation (SEC), Sri Lanka Broadcasting Corporation (SLBC), Sri Lanka Standards Institute (SLSI) and the Paddy Marketing Board.

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

B. Sc. Eng. (Hons) Sri Lanka, C. Eng., MIESL, 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 & Colombo City Center.

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

B. Sc. Eng. (Hons) Sri Lanka, M. Sc. (Hydraulic Eng.) Netherlands, 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 differentscaled 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 & Planning) in the Organization.

He specializes in the fields of Hydraulic & 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 2021. 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 22 to 36.

➤ ACCOUNTING POLICIES

The accounting policies adopted in the preparation of Financial Statements of the Company are given on pages 43 to 71 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 43 to 71.

➤ 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 National Audit Office 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 40.

➤ 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 AND ATTENDANCE

The Board met in 08 Occasions during the Financial year 2021 and the attendance of the Board of Directors was as follows.

Name	Position	2021							
		27 th Jan	24 th Feb	30 th March	01 st June	29 th July	06 th Oct	30 th Nov	30 th Dec
Eng. U.S. Kaunaratna	Chairman	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Eng. K.W. Ivan De Silva	Chairman	N/A	√	√	√	√	√	√	√
Eng. G.R.A.S. Gunathilake	Director	√	√	√	√	√	√	√	√
Eng. K.H.N.S. De Silva	Director	√	√	√	√	√	√	√	√
Eng. S.A.D.U.C. Siriwardhana	Director	√	√	√	√	√	√	√	√
Mr. D. Mabopitiya	Director	√	√	√	√	√	√	√	√
Mr. Anura Dissanayake	Director	N/A	N/A	N/A	√	√	√	√	√
Mr. B.K.R. Balasooriya	Director	N/A	N/A	N/A	√	√	√	√	√

05. AUDIT COMMITTEE REPORT

➤ Role of the Audit Committee

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

➤ Meetings and Attendance

The Audit committee met in 02 Occasions during the Financial year 2021 and the attendance are as follows.

Name	Position	2021	
		25th March	22nd October
Eng. S.A.U.D.C. Siriwardhana	Chairman of the Committee	√	√
Eng. K.H.N.S. De Silva	Director	√	√
Eng. G.R.A.S. Gunathilake	Director	√	√

➤ Scope of the Committee

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

➤ Authority

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

06. SERVICE SECTORS

BUILDINGS

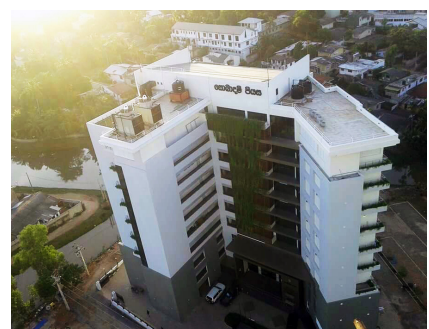
CESL has been in the forefront of the Design and Construction of Buildings on Design and Buildbasis. Construction work undertaken so far, ranges from Buildings (multi-storied buildings, factory type, iconic, etc.) to entire township developments throughout the island.

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;

- ▶ Hospitals
- ▶ Commercial Buildings
- ▶ Admin and Office Buildings
- ▶ Hostels
- ▶ Recreational Buildings
- ▶ Apartments
- ▶ Public Buildings
- ▶ Prison Complexes
- ▶ Court Complexes
- ▶ Sports Complexes



ROADS

CESL has many years of experience in planning, designing and construction of Roads in Sri Lanka. The firm's rich experience includes;

- 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.



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 way drains.



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



OTHER SPECIAL PROJECTS

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

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



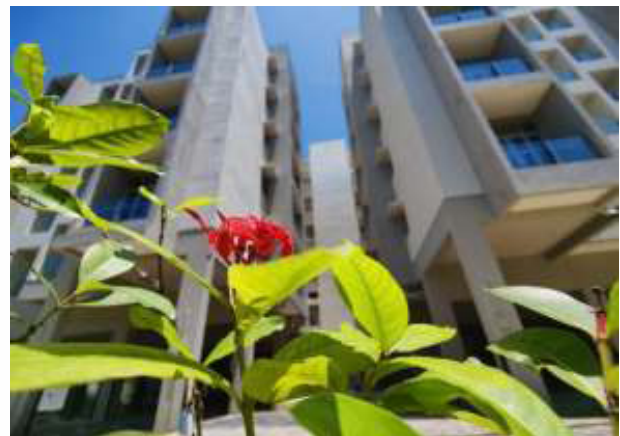


07.
**REVIEW OF
BUSINESS
OPERATIONS**



CONSTRUCTION OF “NILA PIYASA” OFFICIAL QUARTERS FOR PUBLIC SECTOR STAFF IN COLOMBO DISTRICT

- **Name of the Client:**
Minister of Public Services, Provincial Councils and Local Government
- **Contract Sum:** Rs. 921 Mn.
- **Date of Completion:** 2021.10.15



CONSTRUCTION OF COURTS COMPLEX AT GAMPOLA

- **Name of the Client:**
Ministry of Justice
- **Contract Sum:** Rs. 347 Mn.
- **Date of Completion:** 2021



CONSTRUCTION OF CANCER TREATMENT CENTER - PHASE I AT GENERAL HOSPITAL, KANDY

- **Name of the Client:** Ministry of Health, Nutrition and Indigenous Medicine
- **Contract Sum:** Rs. 345 Mn.
- **Date of Completion:** 2021.10.31



CONSTRUCTION OF COURTS COMPLEX AT KILINOCHCHI

- **Name of the Client:** Ministry of Justice
- **Contract Sum:** Rs. 330 Mn.
- **Date of Completion:** 2021.03.23



CONSTRUCTION OF BUILDING TO PROVIDE ACCOMMODATION FACILITIES FOR PUBLIC OFFICERS AT MONARAGALA DISTRICT

- **Name of the Client:**
Ministry of Public Services,
Provincial Council and Local Government
- **Contract Sum:** Rs. 289 Mn.
- **Date of Completion:** 2021.12.02



CONSTRUCTION OF DISTRICT MAGISTRATE COURT AT KAHATAGASDIGILIYA

- **Name of the Client:**
Ministry of Justice
- **Contract Sum:** Rs. 84 Mn.
- **Date of Completion:** 2021.07.09



08. FINANCIAL STATEMENTS

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





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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

CAE/B/CESL/09/FA/2021/09

මමේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

27 August 2022

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 2021 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



මගේ අංකය
எனது இல.
My No.

CAE/B/CESL/09/FA/2021/09

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

27 August 2022

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 2021 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 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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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+94 11 2 88 72 23



ag@auditorgeneral.gov.lk



www.naosl.gov.lk



1.2 Basis for Qualified Opinion

- (a) Credit balances of debtors and debit balances of mobilization advances aggregating Rs.183.04 million and Rs. 38.04 million respectively had been offset against the debit and credit balances of such accounts in 36 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.
- (b) Although the confirmations were called from the debtors worth Rs. 3,553.87 million as at 31 December 2021, no confirmation was received to audit even up to the reporting date of this report. Further, according to the information made available for audit it was confirmed that the certified bills for the debtors approximately amounting to Rs. 1,200 million only available as at the reporting period. In the meantime, the Chief Operating Engineer of the Anuradapura Base Office of the Company had reported that the no records had been maintained at the Anuradapura Base Office in respect of debtors balances of Rs. 550 million. However, it was also included in the financial statements of the Company as at the reporting date. In view of the above, the audit was unable to ascertain the existence and the accuracy of the debtor balances of Rs. 3,553.87 million shown in the statement of financial position as at 31 December 2021.
- (c) According to Note. 2.3.6 to the financial statements, it was stated that the Company reviews the estimated useful lives of Property, Plant and Equipment (PPE) annually. However, fully depreciated assets approximately costing Rs.429.78 million representing 30 per cent of the total assets 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 – Accounting Policies, Changes in Accounting Estimates and Errors.
- (d) Differences aggregating Rs. 20.65 million was observed between the balances shown in the financial statements and the corresponding schedules in respect of written down value of Property, Plant and Equipment (PPE) and Amount due to Related Company.



- (ඒ) The opening Works-in-Progress (WIP) amounting to Rs. 105,091,340 shown under the inventory of the Company had been reversed during the year under review as completed and billed amount in the year 2021. However, it was observed that an amount of Rs.24,833,281 included thereof had not been completed and billed even up to the end of the year under review, and as such the disclosure made in Note 2.6 to the financial statements is totally incorrect.
- (ඈ) A detailed schedule or any acceptable supporting documents for the amount payable to the parent company aggregating Rs.21.97 million with regard to two Base Offices (Anuradhapura and Polonnaruwa) of the Company had not been provided for audit.
- (ඉ) During the test audit inspection carried out with regard to physical inventory verification conducted in 03 project sites and Battaramulla (WP-1 Base) main stores, it was revealed that there were stock shortages of Rs.11.77 million and stock excess of Rs.1.5 million as at 31 December 2021. Meanwhile, the fixed assets items costing to Rs. 1,042,413 was also included to the inventories of WP-1 Base of the Company. However, the Company had not made adjustments to the inventory to rectify the above matters including other material shortcomings reported by the stock verification committees. Further, the Company had not properly coded its inventory items and those codes were not included to the ERP system as enable to identify and carry out the annual inventory verification accordingly.

In view of the above, the accuracy of the inventory amounting to Rs. 1,027.02 million shown as at 31 December 2021 could not be ascertained in audit.

- (හ) The Company had recognized sums aggregating Rs.1,653,804,990 and Rs.2,078,338,828 as trade receivable and retention receivable respectively from its parent company and recognized sums aggregating to Rs. 3,345,272,654 as mobilization advance payable to the parent company as at 31 December 2021. However, the parent company had shown those corresponding amounts as Rs.1,643,727,470, Rs.2,010,467,225 and Rs.3,320,415,563 respectively in its financial statements for the year ended 31 December 2021. Hence, the differences of Rs.10,077,520, Rs.67,872,603 and Rs. 24,857,091 were observed with regards to above 03 balances. Nevertheless, no reason for the above differences had been submitted to audit.



- (k) Internal transactions between the sub-units of the Bases should be eliminated when preparing the Company's financial statements. However, the balances of Rs.116,860,830 and Rs. 2,596,405 had been included in the Company's creditors and debtors schedules as payable and receivable respectively from the Company itself without being so eliminated.
- (j) According to the statements of financial position, the cash in transit as at 31 December 2021 was Rs. 186,124,863 and the Company has informed to audit that this amount consists 06 cheques issued by the parent Company (i.e Central Engineering Consultancy Bureau) on 31 December 2021 in order to settle the outstanding debtor balances as at 31 December 2021. However, the actual value of those 06 cheques issued was Rs.197,852,894. Hence, a difference of Rs. 11,748,930 was observed between the value of the cheques issued by the parent company and the amount recognized in the accounts. Further, these cheques were deposited during the month of January 2021.

Meanwhile, a further difference of Rs. 20,900 was observed between the amounts shown in the detailed schedule and in the financial statements with regard to above cash in transit balance as at the reporting date.

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 audit opinion.

1.3 Other information included in the Company's 2021 Annual Report.

The other information comprises the information included in the Company's 2021 Annual Report but does not include 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 specific provisions for following requirements.

2.1.1 Except for the effects of the matters described in the Basis for Qualified Opinion section of my report, 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) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 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.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.2 (a) and (c) described in the Basis for Qualified Opinion section of my report, 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 evidences obtained were 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 cause 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. PED/12 of 02 June 2003.	
(i) Paragraph 6.5.3	Annual report of the Company for the year 2020 had not been tabled in Parliament even up to the date of this report.
(i) Paragraph 9.3.1	No Scheme of Recruitments and Promotions had been prepared and approved by the Company even up to 31 May 2022.
(ii) Paragraph 4.2.5	It is required to present the inventory age analysis to the Board meeting on monthly basis for their review and discussions. However, the Company ERP system is not facilitate to generate an inventory aging reports. As a result, the Company is facing difficulties in identifying slow moving, non- moving and obsolete stock items based on the inventory aging.

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 except for;



- (a) According to the available information, the Company has obtained a land belongs to the Urban Development Authority (UDA) located in Rathnapura District for a 30 years lease period during the year 2019 by paying Rs.15,425,266 million. Although the Company has shown this land as Right-of-use Assets, the Company had not completed signing process of the lease agreement even up to the date of this report. Further, this property had not been utilized for any economic purpose even after lapsed of 03 years.
- (b) At the test audit check carried out on the procurement activities of the WP-2 Base of the Company, it was revealed that the Company had not procured the goods and services in financially and qualitatively viable manner to obtain most advantageous and better services to the Company due to the following reasons.
- Failure to grant the minimum required bidding time period to the bidders in 4 instances for the procurements worth Rs. 15,542,729 as per the Guideline 6.2.2 of Government Procurement Guidelines.
 - Considerable variations were observed between the engineer's estimates and the prices quoted by suppliers in 3 instances where Rs.3,263,270 worth of procurements.
 - Purchase orders have been issued by giving open status for longer period and no agreements have been signed with the supplier.
 - Considerable amount of cement bags had been procured by the individual Bases of the Company without adhered with the centralized procurement system. As a result, a loss of Rs. 2,400,894 had been sustained by the Company only in 04 instances.
- (c) 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. However, advances so received amounting to Rs.104.55 million on fully completed and 90 per cent completed



construction projects of 04 Base Offices of the Company had remained in the accounts as at 31 December 2021 without being settled.

It was further observed that the total mobilization advances payable as at 31 December 2021 was Rs. 5,205.81 million and out of that, a sum of Rs.3,345.2 million had been received from Government and Semi Government organization during the previous years for various construction works and a sum of Rs. 1,049.038 million so received is being continuously utilized by the Company for over 03 years without being settled to the respective Government Agencies even as at 31 May 2022.

2.5 Other Matters

- (a) The balances due from customers and due to customers as at 31 December 2021 were amounting to Rs. 1,496.22 million and 2,506.08 million respectively. However, once the projects works undertaken by the Company are completed there should not be the due from customers or due to customers. However, such balances aggregating to Rs.267.75 million with regard to 63 completed projects were still in the accounts without being cleared from the books of accounts as at the reporting period.
- (b) Although, all the Value Added Tax (VAT) payments are made by the Head Office of the Company on cash basis, the accrual concept is being used for accounting of those VAT payments. As a result, a difference of Rs. 330.83 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.



- (c) According to the information provided for audit, the Company has sustained a gross loss of Rs.888.15 million, Rs. 973.3 million and Rs. 722.8 million by the end of the years 2021, 2020 and 2019 respectively from its completed construction projects. Further, a loss of Rs.327.52 million was reported from 45 ongoing projects of the year under review. Details are shown below

(i) Projects completed with significant losses

Name of the Base Office	Number of Projects			Project Loss		
	2021	2020	2019	2021 Rs. Mn.	2020 Rs. Mn.	2019 Rs. Mn.
South East	13	-	6	267.19	-	45.9
WP2	5	5	8	11.97	7.6	13.6
WP1	-	-	4	-	-	6.2
Central	6	14	6	9.18	41.1	22.2
North	2	1	1	34.14	32.8	29.7
Sabaragamuwa	1	-	1	13.36	-	1.8
South	21	21	15	170.79	176	169.2
Uva	11	5	2	128.24	30.8	8.6
North Central – Anuradapura	30	84	72	185.91	406	315.3
MKDP - Polannaruwa	11	54	35	47.7	279	110.3
Eastern	-	-	-	-	-	-
North west	3	-	-	19.67	-	-
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	<u>103</u>	<u>184</u>	<u>150</u>	<u>888.15</u>	<u>973.3</u>	<u>722.8</u>



(ii) Losses incurred by Ongoing Projects

Name of the Base Office	Number of Projects	Reported Loss as at 31 December 2021 Rs. Mn.
Central	13	36.93
East	6	80.58
Sabaragamuwa	1	6.15
South	1	7.86
WP-1	1	10.25
North-West	1	5.7
WP-2	9	95.03
UVA	13	85.02
	-----	-----
	<u>45</u>	<u>327.52</u>

The following observations are also made in this regard.

- (i) The management should take effective measures to mitigate these losses by identifying the reasons and the persons who are responsible for these losses, as this may directly affect to the going concern of the Company.
- (ii) Out of the above 103 fully completed projects, 86 projects or 83 per cent were completed with the total operational loss of Rs.799.83 million in 05 Bases of the Company namely the North-central (Anuradhapura), NKDP (Polannaruwa), South, South-east and Uva Base Offices.
- (iii) 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 in Sabaragamuwa Base of the Company ranging between 69 days to 436 days. This will also lead to increase the cost of construction and loss of the projects.
- (d) It was further observed that the Base Offices namely Polonnaruwa, COE- North West, Head Office and Anuradhapura of the Company were running at a total net loss of



Rs.41.65 million as at the end of the year under review. Meanwhile, the Anuradhapura and Polonnaruwa Base Offices have sustained a gross loss of Rs. 12.13 million and Rs.12.64 million respectively as at 31 December 2021.

- (e) The Company has operated 05 Asphalt/Crusher Plant in its 05 Base offices located in Ampara, Anuradapura, Polonnaruwa, Badulla, and Kothmale. However, only one plant of Ampara (Eastern) Base amounting to Rs.20.08 million had been included in the fixed assets as of 31 December 2021 and it was reported to audit that the value of the remaining 04 plants were included in the fixed assets of its parent company. But, only 03 plants amounting to Rs. 83.95 million were included in the fixed assets of the parent company. Hence, the value of one plant belonging to Badulla Base had not been brought to the accounts. In the meantime, the plant in Polonnaruwa only had performed business operations during the year under review and reported a total loss of Rs.60,753,937 as at the end of the reporting period. It was further observed that 04 Asphalt/Crusher Plant out of above 05 plants had remained in idled without being utilised throughout the year under review.
- (f) The Company was shown a balance of Rs. 1,431.24 million as payable to the parent Company i.e. Central Engineering Consultancy Bureau (CECB) as at 31 December 2021 and this amount included vehicle hiring charges, temporary loans, value of fixed assets and stock etc. which obtained from parent company in time to time. It was noted that this balance continuously increased year by year without being taken fruitful action to clear this balance. In addition to that a capital contribution of Rs. 10 million was received from the parent company during the year 2011 in order to commence the business operation of this Company. Nevertheless, no return on these investments had been computed and paid to the parent company since the inception of the Company.
- (g) As per the statements of financial position as at 31 December 2021, the total debtor balance is Rs. 3,553.87 million and out of which Rs. 506.14 million and Rs. 10.85 million had remained outstanding for more than 03 years and 05 years respectively. Meanwhile, the Company had failed to provide the information regarding the subsequent recovery of the above outstanding debtor balances. It was further observed that debtors aggregating Rs.220.39 million relating to completed projects was also unrecovered for a longer period as at the reporting date.



- (h) Retention receivable as at 31 December 2021 was amounting to Rs. 3,062.45 million. Out of that a sum of Rs. 101.47 and Rs. 132.71 million relating to completed projects were remained outstanding from 3 to 5 years and over 5 years respectively without being taken proper recovery actions by the responsible officers.
- (i) Creditors and retention payables as at 31 December 2021 were amounting to Rs.1,913.82 million and Rs. 717.58 million respectively. According to the age analysis provided for audit, the creditors amounting to Rs. 526.47 million and retention payables amounting to Rs. 308.88 million shown under current liabilities had remained in the accounts from 2 to 5 years without being settled.
- (j) The Company had not properly coded its fixed assets and those codes were not included in the fixed asset register in order to identify and carry out the annual asset verification of the PPE costing Rs. 1,429.56 million shown in the financial statements as at 31 December 2021.

It was further noted that the prevailing ERP system does not have the facility to correctly trace the movement of assets. As a result, when Base Offices move their assets on the requests of the work sites it could not be traced and generate internal cost bill for the asset usage.

- (k) The Company has recruited 23 employees for the posts which are not in the approved Cadre while 26 employees had recruited exceeding the approved cadre. It was further observed, there is a difference of 11 employees between the number of employees released to the Company by the parent Company and the number of employees shown in the schedules submitted to the audit by the Company. However, reasons for the difference had not explained to the audit.

W.P.C. Wickramaratne

Auditor General

► Statement of Comprehensive Income

FOR THE YEAR ENDED 31ST DECEMBER

	Note	CESL	
		2021 Rs.	2020 Rs.
Revenue	5	8,298,388,145	6,694,097,650
Cost of Sales	6	(7,457,567,346)	(6,071,858,186)
Gross Profit		840,820,799	622,239,464
Other Income	7	34,927,013	71,240,454
Administration Expenses		(726,509,060)	(755,799,295)
Selling and Distribution Expenses		(10,324,540)	(131,726)
Results from Operating Activities		138,914,212	(62,451,102)
Finance Income		128,725,118	148,042,802
Finance Cost		(12,717,367)	(15,192,456)
Net Finance Income	8	116,007,751	132,850,346
Profit Before Income Tax		254,921,963	70,399,244
Tax Expense	9	(44,305,160)	(11,252,105)
Profit/(Loss) for the Year		210,616,804	59,147,138
Other Comprehensive Income			
Revaluation of Motor Vehicles		-	194,550,564
Actuarial Gain/(Loss) on Defined Benefit Plans	18.(d)	(5,034,772)	(1,668,920)
Other comprehensive income for the year		(5,034,772)	192,881,644
Total comprehensive income for the year		205,582,032	252,028,783

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 43 to 71 form an intergral part of these Financial Statements.

➤ Statement of Financial Position

AS AT 31ST DECEMBER

	Note	CESL	
		2021 Rs.	2020 Rs.
Assets			
Non-Current Assets			
Property, Plant and Equipment	10	549,037,611	567,675,122
Right-of-Use Assets	11	14,147,577	14,661,752
Work In Progress - Capital Assets	12	28,101,690	27,826,616
Long Term Investments	13	-	-
Total Non-Current Assets		591,286,878	610,163,490
Current Assets			
Inventories	14	1,027,024,303	723,214,220
Working Progress	15	35,198,733	105,091,340
Trade and Other Receivables	16	8,392,861,091	8,519,898,117
Short Term Investments	13	2,336,348,436	2,291,209,712
Cash and Cash Equivalents	17	651,195,770	308,434,117
Total Current Assets		12,442,628,333	11,947,847,506
Total Assets		13,033,915,212	12,558,010,997
Equity and Liabilities			
Contributed Capital		10,000,020	10,000,020
Revaluation Reserve		194,550,564	194,550,564
Retained Earnings		859,431,598	652,343,692
		1,063,982,183	856,894,276
Non Current Liabilities			
Retirement Benefit Obligation	18	29,209,476	19,175,983
Differed Tax	19	16,405,331	17,487,459
Amounts Due to Related Companies		1,431,239,453	1,652,545,483
Total Non Current Liabilities		1,476,854,261	1,689,208,925
Current Liabilities			
Trade and Other Payables	20	10,476,146,824	9,991,798,500
Income Tax Payables	21	16,931,945	20,109,297
Inter Base current accounts		-	-
Bank Overdraft	17	-	-
Total Current Liabilities		10,493,078,769	10,011,907,796
Total Equity and Liabilities		13,033,915,212	12,558,010,997

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 43 to 71 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.



Eng. K. W. Ivan De Silva
Chairman



Mr. D. Mabopitiya
Director

31st March 2022

Statement of Changes Equity

	CESL			Retained Earnings Rs.
	Contributed Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	
Balance as at 01st January 2020	10,000,020	-	-	594,865,473
Prior Year Adjustments	-	-	-	-
Profit For the Year	-	-	-	59,147,138
Other Comprehensive Income	-	-	194,550,564	(1,668,920)
	10,000,020	-	194,550,564	652,343,691
Balance as at 01st January 2021	10,000,020	-	194,550,564	652,343,691
Prior Year Adjustment (Note 01)	-	-	-	1,505,876
Profit For the Year	-	-	-	210,616,804
Other Comprehensive Income	-	-	-	(5,034,772)
	10,000,020	-	194,550,564	859,431,598

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 43 to 71 form an integral part of these Financial Statements.

Note 01

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

➤ Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER

	CESL	
	2021 Rs.	2020 Rs.
Cash Flows from Operating Activities		
Profit Before Tax	254,921,963	70,399,244
Adjustments for:		
Depreciation on Property, Plant and Equipments	164,658,587	148,191,948
Provision for Bad and Doubtful Debts		
Prior Year Adjustment	1,505,876	
Assets Written Off	-	-
Provision for Gratuity	12,122,613	7,418,761
Bad Debt Provision		
Profit on disposal of Property, Plant and Equipments	1,794,654	803,773
Amotization of land lease	514,175	514,174
Actuarial Gain/(Loss) on Defined Benefit Plans	(5,034,772)	(1,668,920)
Net Finance Income	(116,007,751)	(132,850,346)
Operating Profit before Working Capital Changes	314,475,345	92,808,635
(Increase)/Decrease in Inventories	(303,810,083)	3,900,496
(Increase)/Decrease in Trade and Other Receivables	125,531,150	809,813,785
Increase/(Decrease) in Trade and Other Payables	484,348,325	(419,726,316)
Increase/(Decrease) in Amounts Due to Related Companies	(221,306,030)	52,348,808
(Increase)/Decrease in Working In Process	69,892,608	(25,152,819)
Increase in General Suspense Account Credit Balance	-	-
Cash Generated from Operating Activities	469,131,314	513,992,589
Interest paid	(12,717,367)	(15,192,456)
Tax paid	(47,058,763)	(25,162,019)
Gratuity paid	(2,089,120)	(1,313,841)
Net Cash Flows from Operating Activities	407,266,064	472,324,273
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(149,671,632)	(92,870,667)
Acquisition of Leasehold property	-	-
Investment in Capital Work in Progress	(275,074)	-
Proceeds from sale of Property, Plant and Equipment	1,855,901	917,700
Acquisition of Subsidiary	-	-
Investment in Short Term Deposit	(45,138,724)	(531,228,122)
Investment Long Term Investment	-	-
Dividend Income	-	-
Interest Income	128,725,118	148,042,802
Net Cash Flows from Investing Activities	(64,504,411)	(475,138,288)

➤ Cash Flow Statement (Continued)

FOR THE YEAR ENDED 31ST DECEMBER

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

Cash and Cash Equivalent at the beginning

Cash and Cash Equivalent at the end

	CESL	
	2021 Rs.	2020 Rs.
	-	-
	-	-
	-	-
	-	-
	-	-
	342,761,653	(2,814,015)
	308,434,116	311,248,129
	651,195,770	308,434,116

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 43 to 71 form an intergral part of these Financial Statements.

► Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2021

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. E. S. P. Gunathunga

No. 415, Bauddhaloka Mawatha, Colombo 07.

1.5. List of Banks

Bank of Ceylon

People’s Bank

1.6. Significant Shareholdings

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

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

▶ Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

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 2021, were authorized for issue by the Board of Directors on 31st March 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 2021

2.1.4 Financial Period

The financial period of the Company represents a twelve months period from 1st January 2021 to 31st December 2021.

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 2021

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 2021

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 2021

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 2021

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 recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

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

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.

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

2.3.3 Leasehold Assets (Cont.)

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

2.3.4 Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied. Within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

2.3.5 De-recognition

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

2.3.6 Depreciation

Depreciation is recognized in profit or loss on the straight-line basis over the estimated useful lives of each part of item of Property, Plant and Equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal Company that is classified as held for sale) and the date that the asset is de-recognized.

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

Asset Category	Useful Lives (years)
Building	13 1/3 years
Motor Vehicle	10 years
Plant and Machinery	5 years
Computer, Welfare and Communication Equipment	5 years
Office Equipment and Furniture and Fittings	8 years
Tools and Implements	5 years
Container	5 years
Library Books	8 years

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

2.3.6 Depreciation (Cont.)

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 in Progress - PPE

Capital expenses incurred during the year which are not completed as at the Reporting Date are shown as capital work in progress, whilst the capital assets which have been completed during the year and available to use have been transferred to Property, Plant and Equipment.

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

An Intangible asset is recognized if it is probable that future economic benefit associated with the assets will flow to the Company and cost of the asset can be reliably measured. The ERP software is being developed. The development cost of ERP system can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets work-in-progress and carried at cost.

2.3.9 Motor vehicles

Motor vehicles to be depreciated on a straight line method on revalued /written down amounts appearing in the accounts after leaving out 20% residual value on all classes of motor vehicles. Estimated useful life of all the motor vehicles should be considered as 10 years since 01.01.2021.

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.

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

2.4.1 Financial Assets & Financial Liabilities (Cont.)

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 to collect contractual cash flows and,
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

2.4.3 Classification of Financial Assets (Cont.)

(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.

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.

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

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.

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.

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

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.

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.

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

2.10 Liabilities, Provisions and Contingencies (Cont.)

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 /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.

Case No - 23/Ku/26/2020

K.M.C.P. Karunaratne 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 - LT/03/92/2021

R.M.R.Sadamali 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

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.

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

2.11 Employee Benefits (Cont.)

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.

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.

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

2.12.1 Current Tax (Cont.)

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.

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.

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

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 over time which requires judgments. SLFRS 15 introduces a five-step model for recognizing revenue from contracts with customers.

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

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

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

2.14 Revenue Recognition (Cont.)

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.

2.15.2 Finance Cost

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

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

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

2.16 Expenditure Recognition

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

Construction Contracts

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

Other Expenses

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement of comprehensive income.

Dividend Distribution

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

2.17 Events after the Reporting Date

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

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

2.18 Earnings per Share

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

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

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.

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.

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

4. Financial Risk Management Objectives and Policies (Cont.)

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.

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.

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

4.2 Credit Risk (Cont.)

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, 2020	4,175,713,609
at 31 st December, 2021	3,553,874,957

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	
		2021 Rs.	2020 Rs.
5	Revenue		
	Construction Revenue	8,296,964,466	6,682,116,589
	Consultancy Revenue	1,423,679	11,981,061
		8,298,388,145	6,694,097,649
6	Cost of sales		
	Materials	3,197,016,669	2,908,236,724
	Labour	2,512,428,464	1,697,569,096
	Transport Charges	355,853,877	205,407,727
	Tools	62,634,991	15,522,027
	Overhead & Miscellaneous Expenses	983,453,976	818,118,732
	Construction Services	346,179,370	427,003,880
		7,457,567,346	6,071,858,186
7	Other Income		
	Hiring Income	45,431,944	20,169,863
	ERP Revenue	2,270,610	2,772,415
	Machinery/ Asset Hiring	13,465,303	
	Commission Income	205,364	1,389,966
	Fees Income	(0)	0
	Miscellaneous Revenue	34,319,498	64,312,907
	Tender Fees Income	1,288,000	204,500
	Asphalt Concreate, ABC & Rubbel Sales Income		
	Bad Debt Provision Reversal	-	-
	Assets Disposal Profit / (Loss)	(1,794,654)	(803,773)
	Asphalt/Crusher Plant Gain/ (Loss)	(60,753,937)	(16,805,424)
	Production & Supplying pre-paint material	-	
	Landscaping Work	494,886	
		34,927,013	71,240,454
	Operating Profit		
	The following items have been charged / (credited) in arriving at the Operating Profit		
	Director's Emoluments	776,070	1,007,500
	Auditor's Remuneration	1,454,126	1,556,247
	Depreciation on Property, Plant & Equipment	164,658,587	148,191,948
	Charity and Donations	1,367,778	89,750
	Allowance for Bad and Doubtful Debts	-	-
	Employee Benefit Costs	297,988,615	322,742,837
	Employee Benefit Costs		
	Salaries & Wages	212,325,007	230,628,941
	Contribution to Defined Contribution Plans	19,965,032	22,597,005
	Over Time, Incentive and Other Allowances	65,698,575	69,516,891
8	Net Finance Income		
	Finance Income		
	Interest Income	128,725,118	148,042,802
		128,725,118	148,042,802
	Finance Cost		
	Interest Expenses	(12,717,367)	(15,192,456)
		(12,717,367)	(15,192,456)
	Net Finance Income	116,007,751	132,850,346
9	Tax Expenditures		
	Deferred Tax for the Year	(1,082,127)	(24,278,167)
	Income Tax for the Year	45,387,287	35,530,272
		44,305,160	11,252,105

FOR THE YEAR ENDED 31ST DECEMBER

10 Property, Plant and Equipment 10.1 CESL

	Land Rs.	Buildings Rs.	Furniture & Fittings Rs.	Construction & Instrument & Equipment Rs.	Office Equipment Rs.	Plant & Machinery Rs.	Containers Rs.	Computers Rs.	Motor Vehicles Rs.	Library Books Rs.	Total Rs.
Cost											
Balance as at 1st January 2021	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
Additions during the year	(0)	-	1,578,731	117,216,541	4,153,882	15,483,643	1,492,000	9,711,734	-	35,100	149,671,632
Disposals during the year			(1,136,971)	(8,161,986)	(2,158,617)	(4,993,339)		(1,500,215)	(341,000)	-	(18,292,127)
Balance as at 31st December 2021	8,415,147	64,317,758	39,925,009	568,192,435	56,661,086	360,705,634	54,984,877	82,246,335	193,593,167	523,505	1,429,564,952
Accumulated Depreciation											
Balance as at 1st January 2021		37,127,837	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
Additions during the year		4,823,832	4,370,667	83,231,658	6,675,127	33,105,881	6,475,895	10,816,081	15,098,227	61,219	164,658,587
Disposals during the year			(588,453)	(6,571,465)	(1,575,870)	(4,506,509)		(1,358,674)	(40,601)		(14,641,572)
Balance as at 31st December 2021		41,951,669	23,075,625	365,649,577	35,009,733	301,162,121	36,454,372	59,262,960	17,720,217	241,067	880,527,340
Net Book Value											
Balance as at 31st 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	567,675,120
Balance as at 31st December 2021	8,415,147	22,366,090	16,849,384	202,542,858	21,651,352	59,543,513	18,530,505	22,983,375	175,872,951	282,438	549,037,611
Cost											
Balance as at 1st January 2020	8,415,147	47,990,154	36,271,738	425,544,813	49,868,515	327,118,857	52,257,377	67,904,354	325,954,776	470,389	1,341,796,120
Additions during the year	-	16,327,604	3,491,835	37,228,942	5,243,642	25,682,861	1,235,500	7,452,487	-	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)	(4,375,000)			(283,784,323)		(288,159,323)
Revaluation Adjustment					4,350,000	4,350,000			190,350,000		194,700,000
Balance as at 31st December 2020	8,415,147	64,317,758	39,483,248	459,137,880	54,665,820	350,215,329	53,492,877	74,034,816	193,934,167	488,405	1,298,185,447
Balance as at 1st 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	915,439,027
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	148,191,951
Disposals during the year			(142,767)	(2,822,868)	(266,010)	(2,108,096)		(1,272,326)	(38,498,697)		(45,110,764)
Adjustment					(4,375,000)	(4,375,000)			(283,634,887)		(288,009,887)
Balance as at 31st December 2020	-	37,127,837	19,293,411	288,989,384	29,910,477	272,562,749	29,978,477	49,805,554	2,662,590	179,848	730,510,327

► Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER

		CESL	
		2021	2020
		Rs.	Rs.

10.2 Fully Depreciated Property Plant & Equipments

The cost of fully depreciated Property, Plant & Equipment of the company which are still in use as at the date of Statement of Financial Position as follows.

Free Hold PPE	Fully Depreciated	Depreciating	Total
Land			
Buildings	-	64,317,758	64,317,758
Motor Vehicles	17,820,717	175,772,450	193,593,167
Office Equipment	10,554,877	46,106,209	56,661,086
Furniture & Fittings	4,447,068	35,477,941	39,925,009
Construction Instrument	138,995,680	429,196,754	568,192,435
Library Books	-	523,505	523,505
Plant & Machinery	203,789,935	156,915,699	360,705,634
Computer	31,256,490	50,989,845	82,246,335
Containers	22,914,335	32,070,541	54,984,877
	429,779,103	991,370,702	1,421,149,805

11 Right-of-use Assets

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	14,661,752	15,175,926
Acquisition of during the year	-	
Amortisation	(514,175)	(514,174)
At end of the year	14,147,577	14,661,752

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 July 2019.

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

12 Capital Work In Progress

<u>Internal Develop Software</u>		
Balance B/F -	17,716,616	17,716,616
Cost Incurred During the Year		
	17,716,616	17,716,616
<u>Building Construction</u>		
Balance B/F -	10,110,000	10,110,000
Cost Incurred During the Year	275,074	
Transferred		-
	28,101,690	27,826,616

13 Investments

Long term investment (Note 13.1)	-	-
Short term investment (Note 13.2)	2,336,348,436	2,291,209,712
	2,336,348,436	2,291,209,712

► Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER

		CESL	
		2021 Rs.	2020 Rs.
13.1	Long term investment		
	Loans and receivable financial assets		
	Investment in Fixed Deposit	-	-
		-	-
13.2	Short term investment		
	Repo	-	-
	Short term investments	2,336,348,436	2,291,209,712
		2,336,348,436	2,291,209,712
	Fixed Deposits amounting Rs.1,039,612,478 have been pledged against bank Guarantees as at 31.12.2021		
14	Inventories		
	Inventories - Construction Materials	1,027,024,303	722,716,203
	Disposal Of Material	-	498,018
		1,027,024,303	723,214,220
15	Work In Progress		
	Opening Balance	105,091,340	79,938,521
	Prior Year Adjustment		
	Reversal Of Prior Year Adjustment	(105,091,340)	(79,938,521)
	WIP for the Current Year	35,198,733	105,091,340
	Closing Balance	35,198,733	105,091,340
16	Trade and Other Receivables		
	Trade Receivables (Note 16.1)	7,993,796,898	8,336,260,968
	Other Receivables (Note 16.2)	52,241,974	48,484,919
	Deposits, Prepayments and Advances (Note 15.3)	346,822,220	135,152,230
		8,392,861,091	8,519,898,117
16.1	Trade Receivables		
	Debtors	3,553,874,957	4,175,713,609
	Due From Customers	1,496,220,146	1,599,052,429
	Retention Receivables	3,062,453,159	2,672,628,695
	Less - Provision for Impairment (Note 16.1.1)	(118,751,365)	(111,133,765)
		7,993,796,898	8,336,260,968
16.1.1	Provision for Impairment		
	Debtors	118,751,365	111,133,765
	Provision for Expected Losses		
	Prior Year Adjustment (Provision)	-	-
		118,751,365	111,133,765
16.2	Other Receivables		
	Economic Service Charge Receivable (ESC)	-	-
	WHT Deduction - From Payments	1,141,859	1,141,859.29
	Staff Loans	4,040,748	4,438,928
	Prepaid Staff Cost	267,699	938,835
	Refundable Deposits	14,976,800	14,428,505
	Other Taxes	-	-
	Sundry Debtors	31,814,867	27,536,792
		52,241,974	48,484,919
16.3	Deposits, Prepayments and Advances		
	Mobilization Advance Paid	165,982,022	55,523,838
	Deposits	-	-
	Advances	170,277,681	69,772,237
	Prepayments	10,562,517	9,856,155
		346,822,220	135,152,230

► Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER

	CESL	
	2021 Rs.	2020 Rs.
17 Cash and Cash Equivalents		
Favorable Balances		
Cash in Hand and at Bank	465,070,907	307,437,100
Cash in Transit	186,124,863	997,017
	651,195,770	308,434,117
Unfavorable Balances		
Bank Overdraft	-	-
Cash and Cash Equivalents for the Cash Flow Purpose	651,195,770	308,434,117
18 Defined Benefit Obligations		
(a) The amounts recognised in the Financial Position are determined as follows:		
Balance at the beginning of the year	19,175,983	13,071,063
Current service cost	5,457,882	4,246,669
Interest cost	1,629,959	1,503,172
Actuarial (gain)/Loss during the year	5,034,772	1,668,920
	31,298,596	20,489,824
Benefits paid	(2,089,120)	(1,313,841)
Balance at the end of the year	29,209,476	19,175,983
(b) Liability Recognized in the Financial Position		
Present Value of Obligation as at 31 st December 2021	29,209,476	19,175,983
Un Recognised Actuarial Gains / (Losses)	-	-
Net Liability in Financial Position	29,209,476	19,175,983
(c) The amounts recognised in the Statement of Comprehensive Income are as follows:		
Interest Cost	1,629,959	1,503,172
Current Service Cost	5,457,882	4,246,669
	7,087,841	5,749,841
(d) The amounts recognised in the Statement of Other Comprehensive Income are as follows:		
Actuarial (Gain) / Loss recognized	5,034,772	1,668,920
	5,034,772	1,668,920

The Retirement Benefit Obligation of the company as at 31st December 2021 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.)
88066973	2,000,000
88104318	2,007,397
88104357	3,011,096
343-60-01-00003452-9	1,297,572
343-60-01-00003484-1	1,291,008
343-60-01-00003481-4	1,291,008
343-60-01-00003483-2	1,399,468
343-60-01-00003482-3	1,399,468
343-60-01-00006331-9	2,617,671
343-60-01-00006330-0	5,235,341
343-60-01-00005578-3	5,497,899
343-60-01-00005617-6	2,318,081
Total as at 31.12.2021	29,366,008

► Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER

	CESL	
	2021 Rs.	2020 Rs.
18 Defined Benefit Obligations (Cont.)		
Key assumptions used in the computation includes the following;		
Rate of Discount	11.0%	
Salary Incremental Rates	2%	
Staff Turnover Rates: 10 % upto 54 and thereafter 0%		
Retirement Age	60	
Mortality: A 1967/70 Mortality Table		
19 Deferred Tax		
Balance at the beginning of the year	17,487,459	41,765,626
Provision for the year	(1,082,127)	(24,278,167)
Balance at the end of the year	16,405,331	17,487,459
20 Trade and Other Payables		
Trade Payables (Note 20.1)	10,343,307,682	9,876,935,092
Other Payables (Note 20.2)	132,839,142	114,863,412
	10,476,146,824	9,991,798,504
20.1 Trade Payables		
Creditors	1,913,823,053	2,439,046,565
Due to Customers	2,506,084,765	1,929,331,619
Mobilization & Other Advances	5,205,815,970	4,815,251,368
Retention Payables to Contractors	717,583,894	693,305,539
	10,343,307,682	9,876,935,093
20.2 Other Payables		
EPF Payable	4,117,411	4,477,267
ETF Payable	617,612	671,589
Yasasa Loan Payable	105,304	138,896
WHT Deductions From Payments	(1,554,495)	(1,518,449)
Medical Insurance Deduction	1,392,432	1,107,817
Death Grant Deduction	67,200	69,100
Sundry Creditors	28,155,038	27,198,408
Accrued Expenses	30,838,303	27,039,461
Unpaid Staff Cost	23,870,788	32,960,699
PAYE tax	4,048,324	4,046,264
Other Taxes	41,181,226	18,672,360
	132,839,142	114,863,412
21 Income Tax Payables		
Balance at the beginning of the year	20,109,297	9,608,038
Income tax for the year	45,387,287	35,530,272
Provision in respect of the last year	(1,505,876)	133,005
Payments made during the year	(47,058,763)	(25,162,019)
Withholding Tax (WHT)	-	-
Balance at the end of the year	16,931,945	20,109,297

► Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2021

22 Related Party Transactions

22.1 Transaction with Parent

a) Eng. K.W. Ivan De Silva was the chairman of CESL and Eng. G.R.A.S. Gunathilake, Eng. K.H.N.S. De Silva, Eng. S.A.U.D.C. Siriwardhana, Mr. D. Mabopitiya, Mr. D.M.A.R.B. Dissanayaka, Mr. B.K.R. Balasooriya who were Directors of CESL as at 31st December 2021.

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. A. Pushparajah	Chief Operation Engineer	North
Eng. W.E.P. Ranjan Kumara	Chief Operation Engineer	WP2
Eng. M.N. Gunasena	Chief Operation Engineer	Central Province
Eng. S.B.A.D. Semasinghe	Chief Operation Engineer	North Central
Eng. H.M.T.N. Dhanawardhana	Chief Operation Engineer	C&SD
Mr. J.M.B. Jayaweera	Chief Financial Officer	

b) Nature of the Transactions

Amount 2021 Rs.

Construction Revenue	3,580,440,857
Hiring Income	2,273,200

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

	2020 Rs.	2021 Rs.
Salaries and other Employment Benefits	1,007,500	776,070

23 Commitments and contingencies

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

09. SIX YEAR SUMMARY

Statement of Profit or Loss and Other Comprehensive Income Highlights

		2016	2017	2018	2019	2020	2021
Revenue	Rs. Mn	8,691	12,294	11,189	10,474	6,694	8,298
Gross Profit	Rs. Mn	621	682	786	781	622	840
EBITDA	Rs. Mn	192	196	232	212	86	266
EBIT	Rs. Mn	54	45	67	55	(62)	138
Net Finance Income	Rs. Mn	56	112	105	151	132	116
Profit After Tax	Rs. Mn	84.5	120.8	121.4	141.4	59.1	210.6
Profit Attributable to Owners	Rs. Mn	84.5	120.8	121.4	141.4	59.1	210.6

Statement of Financial Position Highlights

Property, Plant and Equipemnt	Rs. Mn	396	479	435	473	610	591
Total - Non Current Assets	Rs. Mn	398	479	435	473	610	591
Cash and Cash Equivalent	Rs. Mn	207	229	328	311	308	651
Short Term Deposits	Rs. Mn	1,046	1,111	1,985	1,759	2,291	2,336
Total Assets	Rs. Mn	9,942	12,345	12,616	12,681	12,558	13,033
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	292	412	411	594	652	859
Equity Attributable to Owners	Rs. Mn	303	422	421	604	856	1,063
Total Non Current Liabilities	Rs. Mn	1,394	1,592	1,629	1,655	1,689	1,476

Statement of Cash Flow Highlights

Cash flow from Operating Activities	Rs. Mn	368	194	912	(227)	472	407
Cash Flow used in Investing Activities	Rs. Mn	(338)	(172.0)	(844.7)	241.5	(475.1)	(64.5)
Cash Flows from / (used in) Fianancing Activities	Rs. Mn	(0.88)	-	-	-	-	-

Key Financial Ratios

EPS	Rs.	845	1,202.6	1,208	1,410.7	574.7	2,055.4
Net Assets per Share	Rs.	3,026	4,229	4,211	6,049	8,569	10,640
ROE		28%	28%	29%	23%	7%	20%
Current Ratio		1.2	1.1	1.2	1.2	1.2	1.2
Quick Ratio		1.06	1.07	1.08	1.10	1.12	1.09

Directors remuneration for the year ended 31st December 2021 is **Rs. 776,070**

Auditors fee for the year ended 31st December 2021 is **Rs. 1,473,600**

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. E. S. P. Gunathunga
No. 415, Bauddhaloka Mawatha,
Colombo 7, Sri Lanka.

▶ AUDITORS

National Audit Office
No. 306/72, Polduwa Road,
Battaramulla, Sri Lanka.

▶ AUDIT COMMITTEE

Eng. S.A.U.D.C. Siriwardhana - Chairman of the
Committee
Eng. K.H.N.S. De Silva - Director (CESL)
Eng. G.R.A.S. Gunathilake - Director (CESL)

▶ BOARD OF DIRECTORS

Eng. K.W. Ivan De Silva - Chairman
Mr. Anura Dissanayake - Director
Eng. G.R.A.S. Gunathilake - Director
Mr. B. K. R. Balasooriya - 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





CESL

ANNUAL REPORT - 2021

CENTRAL ENGINEERING SERVICES (PVT) LTD.

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