



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

# ANNUAL REPORT

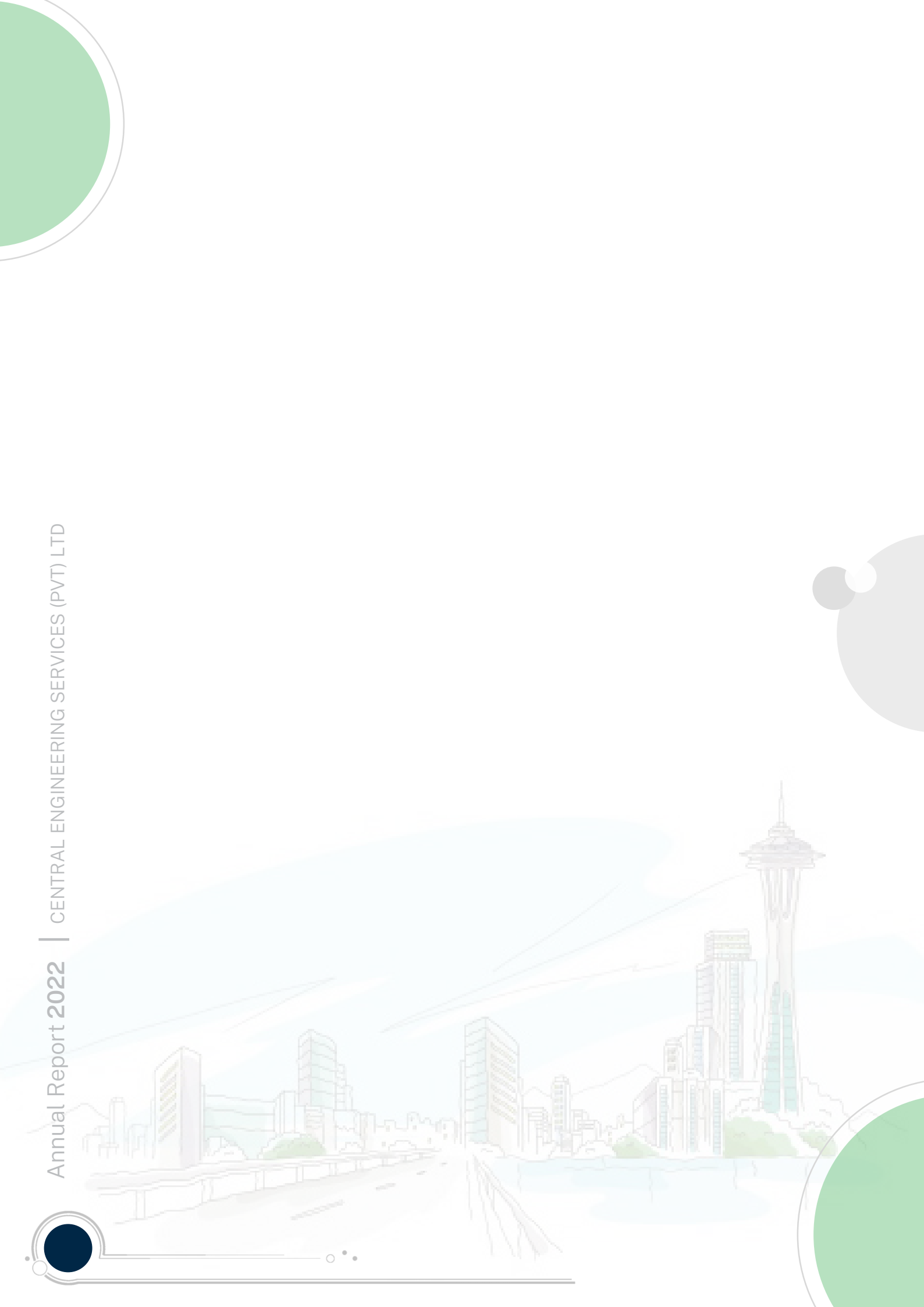
**2022**



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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## Who We Are....?

**C**entral Engineering Services (Pvt) Ltd. (CESL) is a fully owned subsidiary of the Central Engineering Consultancy Bureau (CECB), incorporated as a Limited Liability Company in December 2003, under the Companies Act No. 17 of 1982 and re-registered in November 2009 under the Companies Act No. 7 of 2007.

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

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

## Vision...

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

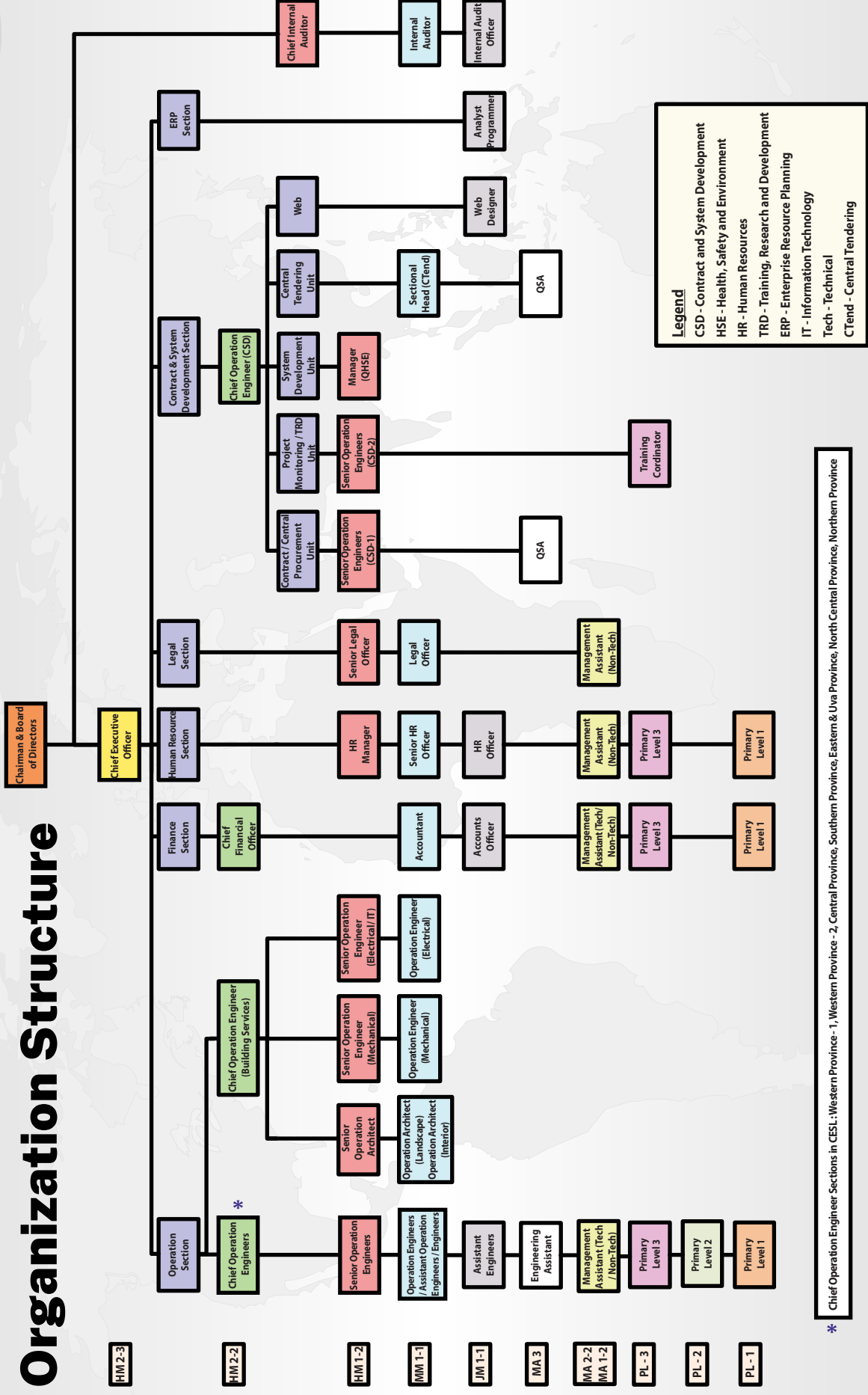
## Mission...

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

## Goals...

01. To achieve modern, effective and efficient management culture across the company to cope up with globalized construction industry.
02. Improvement of productivity and efficiency of all process to be a competitive player of the industry.
03. Increasing CESL market share of the construction industry annually by 5%.
04. Ensure stability and feasible growth of the company through business innovation and business diversification.
05. Ensure financial stability of bases and investment capabilities of the company for sustainability in current economical context of the country.
06. To be a leader in sustainable construction practice and improve brand image of the company among government officers and the general public.

# 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 Engineer Sections in CESL: Western Province - 1, Western Province - 2, Central Province, Southern Province, Eastern & Uva Province, North Central Province, Northern Province

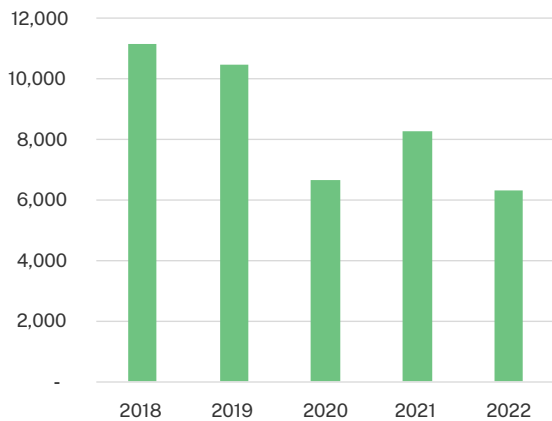
- HM 2-3
- HM 2-2
- HM 1-2
- MM 1-1
- JM 1-1
- MA 3
- MA 2-2
- MA 1-2
- PL-3
- PL-2
- PL-1

## 02

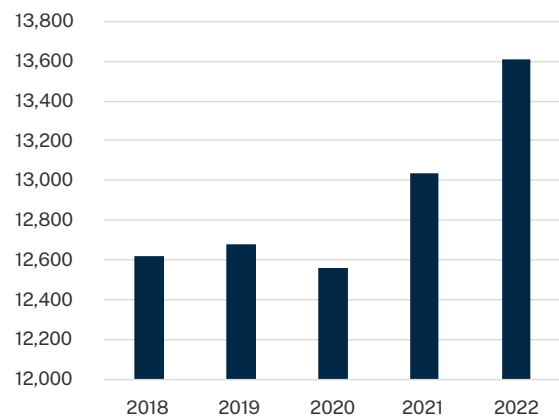
## FINANCIAL HIGHLIGHTS

	2022 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Construction Revenue	6,332	8,298	6,694	10,474	11,189
Gross Profit	636	840	622	781	786
Net Profit Before Tax	254	254	70	206	173
Net Profit After Tax	160	210	59	141	121
Total Assets	13,609	13,033	12,558	12,681	12,616
Contributed Capital	10	10	10	10	10
Total Equity	1,226	1,063	856	604	421
Total Equity Equilibrium	13,609	13,033	12,558	12,681	12,616
Current Assets	12,983	12,442	11,947	12,207	12,181
Current Laibilities	10,802	10,493	10,011	10,421	10,565

Construction Revenue (Rs. Mn)



Total Assets (Rs. Mn)



Construction Revenue (Rs. Mn)				
2018	2019	2020	2021	2022
11,189	10,474	6,694	8,298	6,332

Total Assets (Rs. Mn)				
2018	2019	2020	2021	2022
12,616	12,681	12,558	13,033	13,609



### Eng. A. Galketiya - Chairman

*B. Sc. (Eng.), C. Eng., MIE (SL)*

Appointed as Chairman of the Board from 2022. Functions concurrently as the Chairman of the Central Engineering Consultancy Bureau, the parent organization of CESL.

He was also appointed as a Director of CESL in 2015 and also served as the Corporate Additional General Manager (EPC-Division) of CECB in 2015. He obtained his BSc in Civil Engineering and started his career as a

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

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

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

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

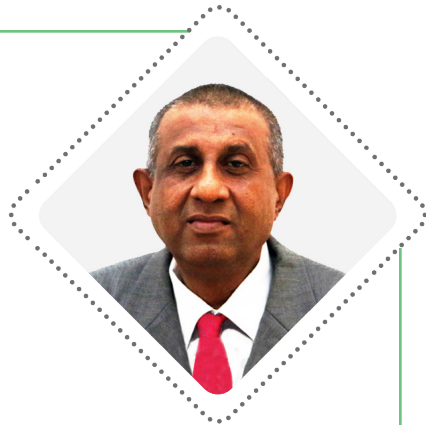
Appointed to the Board as Director from 2019. Concurrently holds the position of General Manager of Central Engineering Consultancy Bureau, the parent organization of CESL.

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. He 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.







### **Mrs. P. K. A. D. De Silva - Director**

*MA (International Development), PGDip (Population Studies), B.Sc (Hons.)*

Ayanthi De Silva is the Director General of the Department of Project Management and Monitoring of Ministry of Finance, responsible for reporting of result achievement from government's investments to the cabinet of ministry for making informed policy decisions.

Ms. De Silva leads the team operative for monitoring, evaluation and advocating for implementing agencies to deliver the intended benefits for general public from public investments.

Ms. De Silva joined the public service in 1994 as an Assistant Director and delivered her notable service to various departments in the Treasury in the areas of macro policy formulation, national planning, national budgeting and results monitoring. During the 27 years of her career, she held ex-officio membership of Board of Directors of 15 State Own Enterprises including National Water Board, Lanka Electricity Company, National Education Commission, University of vocational Technology etc. She is a live member of 03 Professional Associations in Sri Lanka; Economists, Evaluators and Demographers:

She received Honours in both Bachelor and Master Degree from University of Peradeniya in Commerce and Flinders University in Australia in International Development as well as Post Graduate Diploma from University of Colombo in Demography. Currently, she reads for the PhD in the area of Reaping the Demographic Dividend through shaping labour market policies.

### **Eng. W. B. Palugaswewa - Director**

*BSc. (C.Eng.), MSc. (Groundwater Hydrology), MSc. (Geotechnical Eng.) MIE (SL)*



Appointed to the Board of Directors on September 30th, 2022. Holds a BSc. (Eng.) degree in Civil Engineering from the Faculty of Engineering, University of Peradeniya (1985), as well as postgraduate degrees including Master of Science (Ground Water Hydrology) from Flinders University of Australia (2007), and reading Master of Science (Geotechnical Engineering) from University of Peradeniya (2005).

A Chartered Engineer since 1991, he possesses over 36 years of experience in engineering and management, gained nationally in various roles including Site Engineer, Design Engineer, and Resident Engineer at Central Engineering Consultancy Bureau from 1986 to 1989. He has also held several positions in the Irrigation sector, starting as an Additional Irrigation Engineer and later serving as Planning and Design Engineer (MNIRP), Monitoring and Design Engineer, Divisional Irrigation Engineer, Chief Irrigation Engineer, Addition Regional Director of Irrigation, Director of Irrigation, and Director of Irrigation (Water Management and Training) from 1989 to 2019.

He has worked in several positions in the Ministry of Megapolis & Western Development, Ministry of Irrigation and the Ministry of Mahaweli, Agriculture, Irrigation and Rural Development, holding positions as Additional Secretary (Urban Development) and Additional Secretary (Irrigation Development) in 2019, and as Secretary, State Ministry of Canals and Common Infrastructure Developments in Settlements in Mahaweli Zone from 2020 to 2021. He served as Additional Secretary (Engineering) in the Ministry of Highways from 2021 to 2022, and as Additional Secretary (Irrigation & Water Resources Management).



### **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. Eng. Siriwardhana 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.

### **Eng. G. D. A. Piyatilake - Director**

*B. Sc. Eng. (Hons), PG. Dip. (Const.Mgt), PG. Dip. (Port & Coastal Eng.) Norway, MIE(SL) C. Eng., MASCE*

Appointed to the Board as Director from 2022. Concurrently serves as Director of Central Engineering Consultancy Bureau, the parent organization of CESL.

He was also appointed as a Director of CESL in 2011 and also served as the Chairman of the Board from 2015 to 2019. He started his career in CECB as a Design Engineer in 1983. In 1985, he became Resident Engineer in Victoria Hydropower Project. He has worked as Project Manager/ Consultant and Project Manager/ Construction as well.

He served as Deputy General Manager (WP-1) in 2005 and Additional General Manager (WP-1) in 2007. In 2010, he was appointed as the Corporate Additional General Manager of EPC division of CECB. He counts more than 33 years' experience in the field of Civil Engineering.



### **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.



### 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 31<sup>st</sup> December 2022. 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 21 to 31.

#### ● ACCOUNTING POLICIES

The accounting policies adopted in the preparation of Financial Statements of the Company are given on pages 38 to 66 of the Annual Report. The Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) and the policies adopted thereof are given on pages 38 to 66.

#### ● DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs.

## ● DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING (CONT.)

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 pages 35.

## ● STATUTORY PAYMENTS

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

## ● EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

## ● MEETINGS AND ATTENDANCE

The Board met in 10 Occasions during the Financial year 2022 and the attendance of the Board of Directors was as follows.

Name	Position	2022										
		13 <sup>th</sup> January	24 <sup>th</sup> February	31 <sup>st</sup> March	24 <sup>th</sup> May	29 <sup>th</sup> June	29 <sup>th</sup> August	30 <sup>th</sup> September	26 <sup>th</sup> October	05 <sup>th</sup> December	22 <sup>nd</sup> December	
Eng. Ivan De Silva	Chairman	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	
Eng. A.Galketiya	Chairman	N/A	N/A	N/A	N/A	N/A	√	√	√	√	√	
Eng. G.R.A.S.Guanathilake	Director	√	√	√	√	√	√	√	√	√	√	
Eng. K.H.N.S. De Silva	Director	√	√	√	√	√	√	N/A	N/A	N/A	N/A	
Eng. S.A.U.D.C.Siriwardhana	Director	√	√	√	√	√	√	√	√	√	√	
Mr. D.Mabopitiya	Director	√	√	√	√	√	√	√	√	√	√	
Mr. Anura Dissanayake	Director	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	
Mr. B.K.R.Balasooriya	Director	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Ms. P.K.Ayanthi De Silva	Director	N/A	N/A	√	√	√	√	√	√	√	√	
Eng. G.D.A.Piyatilake	Director	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	
Eng. W.B.Palugaswewa	Director	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	

### ● Role of the Audit Committee

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

### ● Meetings and Attendance

The Audit committee meeting 03 Occasions during the Financial year 2022 and the attendance are as follows.

Name	Position	2022		
		03 <sup>rd</sup> March	25 <sup>th</sup> August	23 <sup>rd</sup> November
Eng. Ivan De Silva	Chairman of the CESL	Ab	N/A	N/A
Eng. A. Galketiya	Chairman of the CESL	N/A	√	√
Eng. S.A.U.D.C. Siriwardhana	Chairman of the Committee / Director	√	√	√
Ms. P.K. Ayanthi De Silva	Chairman of the Committee/ Director	N/A	√	√
Eng. Nalin S. De Silva	Director	√	√	N/A
Eng. G.R.A.S. Gunathilake	Director	Ab	√	N/A
Mr. D. Mabopitiya	Director	N/A	N/A	√

### ● Scope of the Committee

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

### ● Authority

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

## BUILDINGS

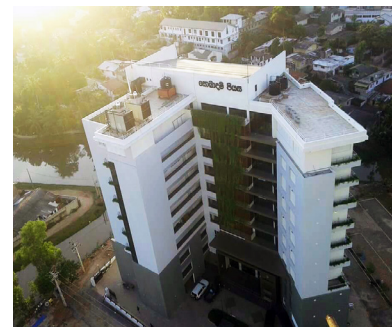
CESL has been in the forefront of the Design and Construction of Buildings on Design and Build basis. Construction work undertaken so far, ranges from Buildings (multi-storied buildings, factory type, iconic, etc.) to entire township developments throughout the island.

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
- Animal Hospitals
- Bio Diversity Parks
- Play Grounds
- Sewerage and Water Treatment Plants
- Tele Cinema Parks

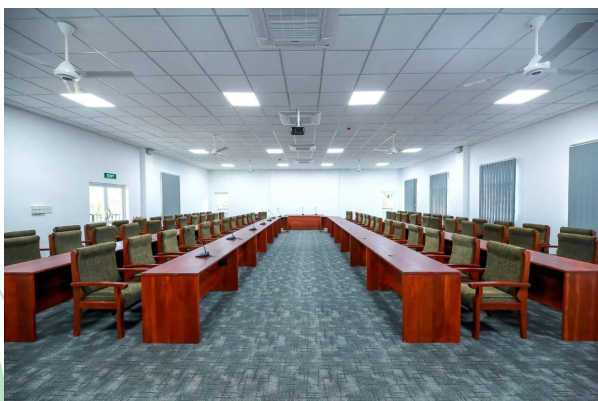




# REVIEW OF BUSINESS OPERATIONS

## Three-Storeied Lecture Hall Building for the Faculty of Technology, University of Ruhuna, Karagoda Uyangoda, Kamburupitiya

- **Name of the Client:** Ministry of Higher Education & University of Ruhuna
- **Current Status:** Completed
- **Date of Completion:** 2022.02.15
- **Contract Sum:** LKR 341 Mn.



# Township Development Project of Wayamba University of Sri Lanka Kuliyapitiya Premises

- **Name of the Client:** Ministry of Higher Education
- **Current Status:** Ongoing
- **Contract Sum:** LKR 2500 Mn.



# National Collage of Education and Teachers Training Center for Teaching Stream at Narangolla - Korea International Cooperation Agency (KOICA) Scope

- Name of the Client: Ministry of Higher Education
- Current Status: Ongoing
- Contract Sum: USD \$ 15.4 Mn.



## Head Office Building for Ministry of Health at Colombo

- **Name of the Client:** Ministry of Health
- **Current Status:** Ongoing
- **Contract Sum:** LKR 5199 Mn.



# 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

# Independent Auditors' Report



## ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

CAE/B/CESL/09/FA/2022/05

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

2023 ජූලි 13 දින

සභාපති,

මධ්‍යම ඉංජිනේරු සේවා (පුද්ගලික) සමාගම

මධ්‍යම ඉංජිනේරු සේවා (පුද්ගලික) සමාගමේ 2022 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශන සහ වෙනත් තොරතුරු හා නියාමන අවශ්‍යතා පිළිබඳව 2018 අංක 19 දරන ජාතික විගණන පනතේ 12 වන වගන්තිය ප්‍රකාරව විගණකාධිපති වාර්තාව

යටපත් කරන වාර්තාව සහ සහතික කරන ලද මූල්‍ය ප්‍රකාශනවල පිටපතක් මේ සමඟ එවා ඇත.

*A. Thevagan*

ටී. ජී. අයි. පද්මසේන

නියෝජ්‍ය විගණකාධිපති

විගණකාධිපති වෙනුවට

- පිටපත් :
01. ලේකම් - මුදල්, ආර්ථික ස්ථායීකරණ හා ජාතික ප්‍රතිපත්ති අමාත්‍යාංශය
  02. ලේකම් - වාරිමාර්ග දෙපාර්තමේන්තුව
  03. සභාපති - ඉංජිනේරුමය කාර්යයන් පිළිබඳ මධ්‍යම උපදේශක කාර්යාංශය





# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No

CAE/B/CESL/09/FA/2022/05

දිනය  
திகதி  
Date

2023 ජූலை 13

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 2022 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 2022 comprising the statement of financial position as at 31 December 2022 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 2022, 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, මන්නාරම, ශ්‍රී ලංකාව.

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

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



+94 11 2 88 70 78 - 34



+94 11 2 99 71 13



ag@auditorgeneral.gov.lk



www.naosl.gov.lk



## 1.2 Basis for Qualified Opinion

- (a) In terms of Section 51 of Sri Lanka Accounting Standards 16 and in accordance with Note No. 2.3.6 of the Company's financial statements for the year under review, the Company shall annually review the estimated useful lives of property, plant and equipment. However, the cost of property, plant and equipment which was fully depreciated as on 31 December 2022 but continued to be used by the Company was Rs. 523.57 million. Nevertheless, the useful economic life of those assets was not reassessed as per the provisions of the Standard, and the correct carrying amount was not presented in the financial statements by correcting the estimation errors in accordance with the provisions in Sri Lanka Accounting Standard No. 08.
- (b) According to the asset verification conducted at the Gampaha Base Office, the value of the assets as at 31 December 2022 was Rs. 20.18 million, but according to the ERP computer system, the value of those assets was Rs. 19.13 million and the written-down value was Rs. 3.38 million. It was observed during the audit that the detail of items, number of items and value entered in the asset register maintained by the store keeper could not be reconciled with the ERP system. Therefore, the accuracy of fixed assets costing Rs. 19.13 million existing at the Gampaha Base Office and included in the financial statements could not be confirmed during the audit.
- (c) Internal transactions between Base Offices should be eliminated when preparing the Company's annual financial statements. However, the total balances due between the sub-units of the Bases and between the Bases was shown as Rs. 16.46 million in the statement of financial position. Further, an income Rs. 113.49 million earned internally by each Base Offices of the Company through providing assets such as vehicles and construction equipment on rental basis was also included in the annual income of the Company.
- (d) According to the financial statements, the retentions to be recovered from the parent organization i.e. the Central Engineering Consultants Bureau as on 31 December 2022 was identified as Rs. 2,009.06 million, but according to the financial statements of the Bureau, the corresponding amount to be paid to the Company as of 31 December 2022, was only Rs.2,005.14 million. Accordingly, a difference of 3.92 million was observed between the retention balances to be recovered, but the reasons for it were not identified.

Further, out of the retention to be recovered from the parent organization i.e. the Bureau, an amount of Rs. 6.63 million had been written off during the year under review, but the Company had not identified and made necessary adjustments or disclosures with regard to the retentions related to the Company.





- (e) In the age analysis of the accrued expenses of the Northern Base Office of the Company, a sum of Rs. 11.77 million was shown as payable to a sub-contractor for supply and installation of wooden doors and windows in project BD – 624. Nevertheless, acceptable evidence for the said expenditure was not submitted to the audit and this amount was not paid until 01 June 2023.

Further, although an amount of Rs. 3.04 million had been brought forward for a long period in the accrued expenses register of the Anuradhapura Base Office, no acceptable evidence was submitted to the audit to verify the said expenses and balances.

- (f) A sum of Rs. 23.96 million was shown in the statement of financial as payable to the parent organization by two Base Offices of the Company i.e. Anuradhapura and Polonnaruwa, and it was observed that these balances are to be paid for the period from 2013 to 2017. Further, no detailed schedule or acceptable documents for this amount was submitted for audit.

- (g) The Internal Audit was revealed that a welfare society has been formed at the Eastern Base Office by the staff members of the Company and the Parent Organization and they have been paid an amount of Rs. 152.16 million for the supply of labour and materials on sub-contract basis for the operations of the Company during the period of 4 years between 2019-2022. However, according to Sri Lanka Accounting Standard 24, no disclosure was made in the financial statements on all transactions and outstanding balances which are necessary to understand the related party nature of the transactions between the Company and the Welfare Society as well as the possible impact on the financial statements thereof. Therefore, the audit could not be ruled out the risk as to whether these transactions were transparently incurred in the ordinary course of business.

- (h) As per the financial statements as on 31 December 2022, the balance of trade receivables was Rs. 3,778.89 million. Out of those balances, the debtors valued at Rs. 2,236.52 million were only certified by the clients. However, in the year under review, the parent organization i.e. the Central Engineering Consultancy Bureau had made a provision of Rs. 959.08 million for the impairment with effecting for the previous years. Along with that, although the Company should identify the impairment related to the Company and make an appropriate provision thereof, the Company has allocated and adjusted only Rs. 25.51 million related to the projects belonging to the Anuradhapura Base Office.

It was revealed in an audit sample test that, in relation to the projects executed by the Company's North and Central Base Offices, a sum Rs. 98.42 million had been allocated for bad-debts in the Financial statements of the parent organization, but no adjustment or disclosure had been made in the financial statements of the Company in this regard. Therefore, the risk of recoverability of the balances shown in the Company's financial statements as receivables from the parent company cannot be excluded during the audit. Therefore, the risk of un-recoverability of the balances shown in the Company's financial statements as receivables from the Parent Organization cannot be ruled-out in the audit.



- (i) Out of the balance of trade receivables amounting to Rs. 2,395.66 million due to the Company from other external parties, the confirmation letters received during the year under review for only Rs. 24.59 million or 01 percent of the total outstanding.
- (j) 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, mobilization advances so received amounting to Rs.211.13 million on fully completed and 90 per cent completed construction projects of 06 Base Offices of the Company had remained in the accounts as at 31 December 2022 without being settled. Further, the reasons for non-settlement of these balances were not presented to the audit.
- (k) The balances due from customers and due to customers as at 31 December 2022 were amounting to Rs. 1,621.08 million and 3,244.41 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. But, due to not taking proper action for settlement of these balances, sums of Rs.143.31 million and Rs.20.6 million were shown in the financial statements as due from customers and due to customers respectively in respect of 62 completed projects. It was further observed that the main reason for these discrepancies was not submitting bills correctly.
- (l) The Company was shown a balance of Rs. 1,538.07 million as payable to the parent Company i.e. Central Engineering Consultancy Bureau (CECB) as at 31 December 2022 and this amount included vehicle hiring charges, rent for obtaining fixed assets and charges for exchanging stock etc.. However, proper and up-to-date agreements were not maintained between the parties regarding these transactions. It was further observed that no effective action was taken to settle this balance and this balance has continuously increased since 2017. Further, the Company has not computed any interest on this outstanding balance till 30 June 2023.
- (m) 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.12.74 million was observed between the VAT payable and receivable shown in the document submitted by the Base Offices for the month of December 2022 and those amount shown in their financial statements. The Company had not maintained a monthly reconciliation process to reconcile this discrepancy.

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 2022 Annual Report.

The other information comprises the information included in the Company's 2022 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 2022 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), (c), (d) and (f) 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;

<u>Reference to Laws/Direction</u>	<u>Description</u>
(a) Public Enterprises Circular No. 01/2021 dated 16 November 2021 on Operational Manual for Good Governance for State-Owned Enterprises	
(i) Paragraph 4.3 (iii)	Although the Company should maintain a formal inventory management system to manage all stock receipts and issues, the ERP system used by the Company at present is not capable of generating formal inventory age analysis reports. As such, it was observed that, it could not identify obsolete, slow-moving and non-moving items separately.
(ii) Paragraph 9.3 (i)	Although there should be an approved recruitment and promotion scheme in the Company before recruiting staff for various posts, such a scheme had not been prepared and approved even by 30 April 2023.



Reference to Laws/Direction	Description
(b) Public Finance Circular No. 08/2019 of 17 December 2029	The Company had not registered with the Electronic Government Procurement (e-GP) System in Sri Lanka in order to carryout procurements of goods, works, consultancy services or non-consultancy services.
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) The Company had paid a lump sum lease amount of Rs. 15.43 million to the Urban Development Authority in 2019 for acquiring 60 perches of land in the Ratnapura district belonging to the Urban Development Authority on a 30 years lease basis. However, the Company had not entered into a formal agreement with the Authority regarding this leasehold property even as at 01 June 2023. Furthermore, the Company had constructed the building for establishing the Sabaragamuwa Base Office on this land and it was observed that the payment of leases and construction without entering into a formal agreement may lead to controversial situations in the future.	
(b) Although the Company presently follows a centralized procurement system for cement procurement, other large-scale purchases such as reinforcement steel, ready mix concrete etc. are made at the Base Office level. It was observed in the sample audit conducted on the procurement activities of the Company's WP-2 Base Office that the material requirements of the projects were procured in stage level so as not to exceed the procurement limits given to the Base Office.	
(c) During the sample audit examination of the procurements which were carried-out in 2021 at Battaramulla and Digana Base Offices, it was observed in the audit that there is a trend of suppliers not being interested in responding to the quotations made by the Company due to payment delays and long outstanding balances. Therefore, it was observed that the Company should pay more attention to get more number of quotations in order to improve the transparency, economy, timeliness and quality of procurement activities.	
2.3 Other Matters	
(a) The company had not properly coded its fixed assets and entered those codes in the existing fixed assets register in the ERP system so as to be able to annually verify the assets costing Rs 1,591.43 million as on 31 December 2022.	



- (b) According to the information provided for audit, the Company has sustained a operating loss of Rs. 667.42 million, Rs. 888.15 million and Rs. 973.3 million by the end of the years 2022, 2021 and 2020 respectively from its completed construction projects. Further, a loss of Rs.433.93 million was reported from 47 ongoing projects of the year under review. As these losses directly affect the going concern of the Company, the management had not taken effective measures to identify the persons and reasons directly or indirectly responsible for these losses and to reduce such heavy losses.
- (c) The company had incurred an operating loss of Rs.58.39 million in the year under review, and the loss of Rs. 91.90 million reported by the Anuradhapura Base Office, the loss of Rs. 18.75 million reported by the Uva Bead Office, the loss of Rs 10.26 million reported by the Head Office and the loss of Rs 10.26 million reported by the WP-2 Base Office was the main reason attributed to this loss.
- (d) The Company has sustained a loss of Rs. 36.59 million in the year 2022 due to the functioning of asphalt/crusher machines. The Company had operated these 5 machines at 5 locations namely Kotmale, Alikandura, Kalagala, Talawa and Buttala Mahagoddayaya. However, the value of these five machines was not included in the Company's financial statements and only the loss earned from its operation is reported. Also Talawa Asphalt Plant belonging to Polonnaruwa (MKDP) Base Office was operated only in the first two months of 2022 and all the other four machines remained inactive during 2022.
- (e) A sum of Rs. 68.5 million had been deducted from the bills by the employers as liquidated damages related to 59 projects due to weaknesses in project management etc. Out of those projects, the approvals for time extension in respect of 47 projects had not been received even by 30 June 2023 and it was observed during the audit that the deducted liquidated damages amounting to Rs. 2.1 million related to 07 projects were found to be in irrecoverable condition.

The Company had recruited 17 employees as on 31 December 2022 for posts which are not included in the approved cadre.

- (f) As per the statements of financial position as at 31 December 2022, the total debtor balance is Rs. 3,778.89 million and out of which Rs. 417.55 million and Rs. 53.33 million had remained outstanding for more than 03 years and 05 years respectively. It was further observed that debtors aggregating Rs.273.51 million relating to completed projects was also unrecovered for a longer period as at the reporting date.
- (g) Retention receivable as at 31 December 2022 was amounting to Rs. 3,077.62 million. Out of these, the details of the dates of completion in relation to the completed projects were not submitted to the audit for the calculation of overdue retentions. As revealed by the audit during sample examination, out of retention amounting to Rs. 244.83 million related to completed projects, sums of Rs. 47.00 million and Rs. 31.04 million were remained outstanding from 3 to 5 years and over 5 years respectively due not taken proper recovery actions by the responsible officers.



- (i) Creditors and Retention Payable as on 31 December 2022 were Rs 1,534.27 million and Rs 729.57 million respectively. As details of project completion dates were not provided, an age analysis of outstanding retention payable could not be obtained. According to the age analysis provided for audit, the creditors amounting to Rs. 620.63 million shown under current liabilities had remained in the accounts from 2 to 5 years without being settled.
- (j) The official duty of the former Chief Operating Engineer was suspended with effect from 11 January 2021 in view of the alleged misconduct in the Anuradhapura Base Office during the period of 01 January 2016 to 22 June 2020, and the severe financial crisis faced by that office and the financial losses incurred in the projects. However, without any investigation, the suspended officer was re-employed in the parent organization from that date. But, none of the investigations initiated into the financial irregularities at the Anuradhapura Bead Office had been completed even by 30 June 2023.

W.P.C. Wickramaratne  
Auditor General



## ● Statement of Comprehensive Income

For the year Ended 31<sup>st</sup> December

		CESL	
	Note	2022 Rs	2021 Rs
Revenue	5	6,332,576,904	8,298,388,145
Cost of Sales	6	(5,695,757,326)	(7,457,567,346)
<b>Gross Profit</b>		<b>636,819,578</b>	<b>840,820,799</b>
Other Income	7	154,899,278	34,927,013
Administration Expenses		(806,680,609)	(726,509,060)
Selling and Distribution Expenses		(43,434,846)	(10,324,540)
<b>Results from Operating Activities</b>		<b>(58,396,599)</b>	<b>138,914,212</b>
Finance Income		320,916,319	128,725,118
Finance Cost		(7,981,996)	(12,717,367)
<b>Net Finance Income</b>	8	<b>312,934,323</b>	<b>116,007,751</b>
<b>Profit Before Income Tax</b>		<b>254,537,724</b>	<b>254,921,963</b>
Tax Expense	9	(93,904,346)	(44,305,160)
<b>Profit/(Loss) for the Year</b>		<b>160,633,378</b>	<b>210,616,804</b>
<b>Other Comprehensive Income</b>			
Revaluation of Motor Vehicles		-	
Actuarial Gain/(Loss) on Defined Benefit Plans	18.(d)	1,580,199	(5,034,772)
<b>Other comprehensive income for the year</b>		<b>1,580,199</b>	<b>(5,034,772)</b>
<b>Total comprehensive income for the year</b>		<b>162,213,577</b>	<b>205,582,032</b>

Figures in brackets indicates deductions.

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

## ● Statement of Financial Position

For the year Ended 31<sup>st</sup> December

		CESL	
		2022	2021
		Rs	Rs
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	10	567,394,011	549,037,611
Right-of-Use Assets	11	13,633,401	14,147,577
Work In Progress - Capital Assets	12	44,254,371	28,101,690
Long Term Investments	13	-	-
<b>Total Non-Current Assets</b>		<b>625,281,783</b>	<b>591,286,878</b>
<b>Current Assets</b>			
Inventories	14	981,563,528	1,027,024,303
Working Progress	15	64,675,522	35,198,733
Trade and Other Receivables	16	8,538,110,120	8,392,861,091
Short Term Investments	13	2,746,184,766	2,336,348,436
Cash and Cash Equivalents	17	653,206,026	651,195,770
<b>Total Current Assets</b>		<b>12,983,739,962</b>	<b>12,442,628,333</b>
<b>Total Assets</b>		<b>13,609,021,745</b>	<b>13,033,915,212</b>
<b>Equity and Liabilities</b>			
Contributed Capital		10,000,020	10,000,020
Revaluation Reserve		194,550,564	194,550,564
Retained Earnings		1,021,645,176	859,431,598
		<b>1,226,195,760</b>	<b>1,063,982,183</b>
<b>Non Current Liabilities</b>			
Retirement Benefit Obligation	18	28,136,483	29,209,476
Differed Tax	19	14,265,531	16,405,331
Amounts Due to Related Companies		1,538,066,678	1,431,239,453
<b>Total Non Current Liabilities</b>		<b>1,580,468,692</b>	<b>1,476,854,261</b>
<b>Current Liabilities</b>			
Trade and Other Payables	20	10,750,943,624	10,476,146,824
Income Tax Payables	21	51,413,668	16,931,945
Inter Base current accounts		-	-
Bank Overdraft	17	-	-
<b>Total Current Liabilities</b>		<b>10,802,357,293</b>	<b>10,493,078,769</b>
<b>Total Equity and Liabilities</b>		<b>13,609,021,745</b>	<b>13,033,915,212</b>

Figures in brackets indicates deductions.

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

It is certified that the Financial Statements have been prepared in compliance with 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. A. Galkatiye**  
Chairman



**Mr. D. Mabopitiya**  
Director

14<sup>th</sup> March 2023

## ● Statement of Changes Equity

	CESL			
	Contributed Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.
<b>Balance as at 01st January 2021</b>	10,000,020	-	-	652,343,691
Prior Year Adjustments	-	-	-	1,505,876
Profit For the Year	-	-	-	210,616,804
Other Comprehensive Income	-	-	194,550,564	(5,034,772)
	<b>10,000,020</b>	<b>-</b>	<b>194,550,564</b>	<b>859,431,598</b>
<b>Balance as at 01st January 2022</b>	10,000,020	-	194,550,564	859,431,598
Profit For the Year	-	-	-	160,633,378
Other Comprehensive Income	-	-	-	1,580,199
	<b>10,000,020</b>	<b>-</b>	<b>194,550,564</b>	<b>1,021,645,176</b>

Figures in brackets indicates deductions.

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

## ● Cash Flow Statement

For the year Ended 31<sup>st</sup> December

	CESL	
	2022 Rs.	2021 Rs.
<b>Cash Flows from Operating Activities</b>		
Profit Before Tax	<b>254,537,724</b>	<b>254,921,963</b>
<b>Adjustments for:</b>		
Depreciation on Property, Plant and Equipments	169,851,763	164,658,587
Provision for Bad and Doubtful Debts	25,513,422	
Prior Year Adjustment	-	1,505,876
Assets Written Off	-	
Provision for Gratuity	6,605,150	12,122,613
Bad Debt Provision		
Profit on disposal of Property, Plant and Equipments	148,192	1,794,654
Amotization of land lease	514,176	514,175
Actuarial Gain/(Loss) on Defined Benefit Plans	1,580,199	(5,034,772)
Net Finance Income	(312,934,323)	(116,007,751)
<b>Operating Profit before Working Capital Changes</b>	<b>145,816,303</b>	<b>314,475,345</b>
(Increase)/Decrease in Inventories	45,460,775	(303,810,083)
(Increase)/Decrease in Trade and Other Receivables	(170,762,451)	125,531,150
Increase/(Decrease) in Trade and Other Payables	274,796,800	484,348,325
Increase/(Decrease) in Amounts Due to Related Companies	106,827,225	(221,306,030)
(Increase)/Decrease in Working In Process	(29,476,789)	69,892,608
Increase in General Suspense Account Credit Balance	-	-
<b>Cash Generated from Operating Activities</b>	<b>372,661,862</b>	<b>469,131,314</b>
Interest paid	(7,981,996)	(12,717,367)
Tax paid	(61,562,422)	(47,058,763)
Gratuity paid	(7,678,143)	(2,089,120)
<b>Net Cash Flows from Operating Activities</b>	<b>295,439,301</b>	<b>407,266,064</b>
<b>Cash Flows from Investing Activities</b>		
Acquisition of Property, Plant and Equipment	(195,750,904)	(149,671,632)
Acquisition of Leasehold property	-	-
Investment in Capital Work in Progress	(16,152,680)	(275,074)
Proceeds from sale of Property, Plant and Equipment	7,394,550	1,855,901
Acquisition of Subsidiary	-	-
Investment in Short Term Deposit	(409,836,330)	(45,138,724)
Investment Long Term Investment	-	-
Dividend Income	-	-
Interest Income	320,916,319	128,725,118
<b>Net Cash Flows from Investing Activities</b>	<b>(293,429,044)</b>	<b>(64,504,411)</b>

## ● Cash Flow Statement (Continued)

For the year Ended 31<sup>st</sup> 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	
	2022 Rs.	2021 Rs.
	-	-
	-	-
	-	-
	-	-
	-	-
	2,010,256	342,761,653
	651,195,770	308,434,116
	<b>653,206,026</b>	<b>651,195,770</b>

*Figures in brackets indicates deductions.*

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

## ● Notes to the Financial Statements

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022

### 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 16<sup>th</sup> December, 2003 under the Companies Act, No. 17 of 1982 and has been re-registered on 6<sup>th</sup> 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 31<sup>ST</sup> DECEMBER 2022

### 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 31<sup>st</sup> December 2022, were authorized for issue by the Board of Directors on 31<sup>st</sup> March 2023.

##### 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 31<sup>ST</sup> DECEMBER 2022

#### 2.1.4 Financial Period

The financial period of the Company represents a twelve months period from 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2022.

#### 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 31<sup>ST</sup> DECEMBER 2022

### 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 31<sup>ST</sup> DECEMBER 2022

#### 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 31<sup>ST</sup> DECEMBER 2022

### 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 31<sup>ST</sup> DECEMBER 2022

### 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 31<sup>ST</sup> DECEMBER 2022

### 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:

<b>Asset Category</b>	<b>Useful Lives (years)</b>
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 31<sup>ST</sup> DECEMBER 2022

#### 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 31<sup>ST</sup> DECEMBER 2022

### 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 31<sup>ST</sup> DECEMBER 2022

### 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 31<sup>ST</sup> DECEMBER 2022

### 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 31<sup>ST</sup> DECEMBER 2022**

### **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 31<sup>ST</sup> DECEMBER 2022

#### 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 31<sup>ST</sup> DECEMBER 2022

### 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 31<sup>ST</sup> DECEMBER 2022

### 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 31<sup>ST</sup> DECEMBER 2022

### 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 31<sup>ST</sup> DECEMBER 2022

### 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 31<sup>ST</sup> DECEMBER 2022

### 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 31<sup>ST</sup> DECEMBER 2022

### 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 31<sup>ST</sup> DECEMBER 2022

### 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 31<sup>ST</sup> DECEMBER 2022

### 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 <sup>st</sup> December, 2021	3,553,874,957
at 31 <sup>st</sup> December, 2022	3,778,887,567

### 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 31<sup>ST</sup> DECEMBER 2022

		CESL	
		2022 Rs.	2021 Rs.¹
<b>5</b>	<b>Revenue</b>		
	Construction Revenue	6,332,245,024	8,296,964,466
	Consultancy Revenue	331,880	1,423,679
		<b>6,332,576,904</b>	<b>8,298,388,145</b>
<b>6</b>	<b>Cost of sales</b>		
	Materials	2,512,302,365	3,197,016,669
	Labour	1,996,840,679	2,512,428,464
	Transport Charges	183,888,402	355,853,877
	Tools	121,953,780	62,634,991
	Overhead & Miscellaneous Expenses	669,874,853	983,453,976
	Construction Services	210,897,247	346,179,370
		<b>5,695,757,326</b>	<b>7,457,567,346</b>
<b>7</b>	<b>Other Income</b>		
	Hiring Income	101,078,43	45,431,944
	ERP Revenue	3,427,720	2,270,610
	Machinery/ Asset Hiring	11,140,066	13,465,303
	Commission Income	84,093	205,364
	Fees Income	0	(0)
	Miscellaneous Revenue	75,113,619	34,319,498
	Tender Fees Income	785,000	1,288,000
	Asphalt Concreate, ABC & Rubbel Sales Income	-	-
	Bad Debt Provision Reversal	-	-
	Assets Disposal Profit / (Loss)	(148,192)	(1,794,654)
	Asphalt/Crusher Plant Gain / (Loss)	(36,595,421)	(60,753,937)
	Production & Supplying pre-paint material	13,928	-
	Landscaping Work	-	494,886
		<b>154,899,278</b>	<b>34,927,013</b>
	<b>Operating Profit</b>		
	The following items have been charged / (credited) in arriving at the Operating Profit		
	Director's Emoluments	1,157,988	776,070
	Auditor's Remuneration	1,476,600	1,454,126
	Depreciation on Property, Plant & Equipment	169,851,763	164,658,587
	Charity and Donations	323,000	1,367,778
	Allowance for Bad and Doubtful Debts	-	-
	Employee Benefit Costs	384,007,054	297,988,615
	<b>Employee Benefit Costs</b>		
	Salaries & Wages	279,456,540	212,325,007
	Contribution to Defined Contribution Plans	27,069,255	19,965,032
	Over Time, Incentive and Other Allowances	77,481,259	65,698,575
<b>8</b>	<b>Net Finance Income</b>		
	Finance Income		
	Interest Income	320,916,319	128,725,118
		<b>320,916,319</b>	<b>128,725,118</b>
	<b>Finance Cost</b>		
	Interest Expenses	(7,981,996)	(12,717,367)
		<b>(7,981,996)</b>	<b>(12,717,367)</b>
	<b>Net Finance Income</b>	<b>312,934,323</b>	<b>116,007,751</b>
<b>9</b>	<b>Tax Expenditures</b>		
	Prior Year Income Tax Adjustment	9,396,740	
	Deferred Tax for the Year	(2,139,801)	(1,082,127)
	Income Tax for the Year	86,647,406	45,387,287
		<b>93,904,346</b>	<b>44,305,160</b>

## Notes to the Financial Statements (Continued)

### FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022

#### 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.
<b>Cost</b>											
<b>Balance as at 1st January 2022</b>	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	1,429,564,953
Additions during the year	(0)	32,703,295	881,109	110,145,915	4,369,141	42,628,702	(0)	4,862,432	0	160,310	195,750,904
Disposals during the year		(10,069,269)	(1,117,246)	(8,307,048)	(2,097,394)	(10,660,468)		(1,621,685)		(11,671)	(33,884,781)
<b>Balance as at 31st December 2022</b>	<b>8,415,147</b>	<b>86,951,785</b>	<b>39,688,872</b>	<b>670,031,302</b>	<b>58,932,833</b>	<b>392,673,868</b>	<b>54,984,877</b>	<b>85,487,082</b>	<b>193,593,167</b>	<b>672,144</b>	<b>1,591,431,076</b>
<b>Accumulated Depreciation</b>											
<b>Balance as at 1st January 2022</b>		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	880,527,341
Charge for the year		13,385,463	4,243,261	86,637,131	6,421,552	29,570,805	4,166,004	8,776,034	16,568,792	82,723	169,851,763
Disposals during the year		(8,307,147)	(484,641)	(4,270,508)	(1,570,787)	(10,250,766)		(1,441,990)		(16,199)	(26,342,039)
<b>Balance as at 31st December 2022</b>		<b>47,029,985</b>	<b>26,834,245</b>	<b>448,016,200</b>	<b>39,860,497</b>	<b>320,482,160</b>	<b>40,620,376</b>	<b>66,597,004</b>	<b>34,289,009</b>	<b>307,591</b>	<b>1,024,037,065</b>
<b>Net Book Value</b>											
<b>Balance as at 31st December 2021</b>	<b>8,415,147</b>	<b>22,366,090</b>	<b>16,849,384</b>	<b>202,542,858</b>	<b>21,651,352</b>	<b>59,543,513</b>	<b>18,530,505</b>	<b>22,983,375</b>	<b>175,872,951</b>	<b>282,438</b>	<b>549,037,611</b>
<b>Balance as at 31st December 2022</b>	<b>8,415,147</b>	<b>39,921,800</b>	<b>12,854,627</b>	<b>222,015,102</b>	<b>19,072,336</b>	<b>72,191,709</b>	<b>14,364,501</b>	<b>18,890,078</b>	<b>159,304,158</b>	<b>364,553</b>	<b>567,394,011</b>
<b>Cost</b>											
<b>Balance as at 1st January 2021</b>	8,415,147	64,317,758	39,483,248	459,137,880	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	-	-	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)	(8,161,989)	(2,158,617)	(4,993,339)		(1,500,215)	(341,000)	-	(18,292,127)
Derecognition											-
Revaluation Adjustment											-
<b>Balance as at 31st December 2021</b>	<b>8,415,147</b>	<b>64,317,758</b>	<b>39,925,009</b>	<b>568,192,435</b>	<b>56,661,086</b>	<b>360,705,634</b>	<b>54,984,877</b>	<b>82,246,335</b>	<b>193,593,167</b>	<b>523,505</b>	<b>1,429,564,952</b>
<b>Balance as at 1st January 2021</b>	-	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	730,510,325
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)
<b>Balance as at 31st December 2021</b>	<b>-</b>	<b>41,951,669</b>	<b>23,075,625</b>	<b>365,649,577</b>	<b>35,009,733</b>	<b>301,162,121</b>	<b>36,454,372</b>	<b>59,262,960</b>	<b>17,720,217</b>	<b>241,067</b>	<b>880,527,340</b>

## ● Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022

CESL	
2022 Rs.	2021 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	-	86,951,785	<b>86,951,785</b>
Motor Vehicles	2,584,530	191,008,637	<b>193,593,167</b>
Office Equipment	14,991,817	43,941,016	<b>58,932,833</b>
Furniture & Fittings	8,031,253	31,657,619	<b>39,688,872</b>
Construction Instrument	200,481,772	469,549,530	<b>670,031,302</b>
Library Books	2,410	669,734	<b>672,144</b>
Plant & Machinery	234,976,557	157,697,311	<b>392,673,868</b>
Computer	37,603,778	47,883,303	<b>85,487,082</b>
Containers	24,898,116	30,086,761	<b>54,984,877</b>
	<b>523,570,233</b>	<b>1,059,445,696</b>	<b>1,583,015,929</b>

### 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	14,147,577	14,661,752
Acquisition of during the year	-	-
Amortisation	(514,176)	(514,175)
At end of the year	<b>13,633,401</b>	<b>14,147,577</b>

#### 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

#### Internal Develop Software

Balance B/F -	17,716,616	17,716,616
Cost Incurred During the Year		
	<b>17,716,616</b>	<b>17,716,616</b>

#### Building Construction

Balance B/F -	<b>10,385,074</b>	10,110,000
Cost Incurred During the Year	<b>16,152,680</b>	275,074
Transferred		-
	<b>44,254,371</b>	<b>28,101,690</b>

### 13 Investments

Long term investment (Note 13.1)	-	-
Short term investment (Note 13.2)	2,746,184,766	2,336,348,436
	<b>2,746,184,766</b>	<b>2,336,348,436</b>

## ● Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022

		CESL	
		2022 Rs.	2021 Rs.
<b>13.1</b>	<b>Long term investment</b>		
	<b>Loans and receivable financial assets</b>		
	Investment in Fixed Deposit	-	-
		-	-
<b>13.2</b>	<b>Short term investment</b>		
	Repo	-	-
	Short term investments	2,746,184,766	2,336,348,436
		<b>2,746,184,766</b>	<b>2,336,348,436</b>
	Fixed Deposits amounting Rs.1,024,353,409 have been pledged against bank Guarantees as at 31.12.2022		
<b>14</b>	<b>Inventories</b>		
	Inventories - Construction Materials	981,563,528	1,027,024,303
	Disposal Of Material	-	-
		<b>981,563,528</b>	<b>1,027,024,303</b>
<b>15</b>	<b>Work In Progress</b>		
	Opening Balance	35,198,733	105,091,340
	Prior Year Adjustment		
	Reversal Of Prior Year Adjustment	(10,365,451)	(105,091,340)
	WIP for the Current Year	39,842,240	35,198,733
	Closing Balance	<b>64,675,522</b>	<b>35,198,733</b>
<b>16</b>	<b>Trade and Other Receivables</b>		
	Trade Receivables (Note 16.1)	8,263,328,619	7,993,796,898
	Other Receivables (Note 16.2)	32,293,478	52,241,974
	Deposits, Prepayments and Advances (Note 15.3)	242,488,023	346,822,220
		<b>8,538,110,120</b>	<b>8,392,861,091</b>
<b>16.1</b>	<b>Trade Receivables</b>		
	Debtors	3,778,887,567	3,553,874,957
	Due From Customers	1,621,087,675	1,496,220,146
	Retention Receivables	3,007,618,163	3,062,453,159
	Less - Provision for Impairment (Note 16.1.1)	(144,264,787)	(118,751,365)
		<b>8,263,328,619</b>	<b>7,993,796,898</b>
<b>16.1.1</b>	<b>Provision for Impairment</b>		
	Debtors	141,858,063	118,751,365
	Retention	2,406,723	-
	Prior Year Adjustment (Provision )	-	-
		<b>144,264,787</b>	<b>118,751,365</b>
<b>16.2</b>	<b>Other Receivables</b>		
	Economic Service Charge Receivable (ESC)	-	-
	WHT Deduction - From Payments	1,141,859	1,141,859
	Staff Loans	5,185,000	4,040,748
	Prepaid Staff Cost	1,214,590	267,699
	Refundable Deposits	15,683,577	14,976,800
	Other Taxes	-	-
	Sundry Debtors	9,068,452	31,814,867
		<b>32,293,478</b>	<b>52,241,974</b>
<b>16.3</b>	<b>Deposits, Prepayments and Advances</b>		
	Mobilization Advance Paid	157,594,584	165,982,022
	Deposits	-	-
	Advances	83,579,727	170,277,681
	Prepayments	1,313,713	10,562,517
		<b>242,488,023</b>	<b>346,822,220</b>



## ● Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022

		CESL	
		2022 Rs.	2021 Rs.
<b>17</b>	<b>Cash and Cash Equivalents</b>		
	<b>Favorable Balances</b>		
	Cash in Hand and at Bank	564,637,680	465,070,907
	Cash in Transit	88,568,346	186,124,863
		<b>653,206,026</b>	<b>651,195,770</b>
	<b>Unfavorable Balances</b>		
	Bank Overdraft	-	-
	<b>Cash and Cash Equivalents for the Cash Flow Purpose</b>	<b>653,206,026</b>	<b>651,195,770</b>
<b>18</b>	<b>Defined Benefit Obligations</b>		
(a)	<b>The amounts recognised in the Financial Position are determined as follows:</b>		
	Balance at the beginning of the year	29,209,476	19,175,983
	Current service cost	4,972,307	5,457,882
	Interest cost	3,213,042	1,629,959
	Actuarial (gain)/Loss during the year	(1,580,199)	5,034,772
		35,814,626	31,298,596
	Benefits paid	(7,678,143)	(2,089,120)
	Balance at the end of the year	<b>28,136,483</b>	<b>29,209,476</b>
(b)	<b>Liability Recognized in the Financial Position</b>		
	Present Value of Obligation as at 31 December 2022	28,136,483	29,209,476
	Un Recognised Actuarial Gains / (Losses)	-	-
	<b>Net Liability in Financial Position</b>	<b>28,136,483</b>	<b>29,209,476</b>
(c)	<b>The amounts recognised in the Statement of Comprehensive Income are as follows:</b>		
	Interest Cost	3,213,042	1,629,959
	Current Service Cost	4,972,307	5,457,882
		<b>8,185,349</b>	<b>7,087,841</b>
(d)	<b>The amounts recognised in the Statement of Other Comprehensive Income are as follows:</b>		
	Actuarial (Gain) / Loss recognized	(1,580,199)	5,034,772
		<b>(1,580,199)</b>	<b>5,034,772</b>

The Retirement Benefit Obligation of the company as at 31st December 2022 is based on the Projected Unit Credit (PUC) Method as recommended by the LKAS 19 Employee Benefits.

Fixed Deposit Number	Amount (Rs.)
89324242	500,000
89324231	1,000,000
89324208	500,000
89576384	5,339,692
89576375	5,339,692
89576371	1,067,938
89576362	4,271,753
89919887	1,500,000
89919883	3,500,000
89961553	3,000,000
89961590	1,500,000
89961607	1,500,000
Total as at 31.12.2022	<b>29,019,075</b>

## Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022

CESL	
2022 Rs.	2021 Rs.

### 18 Defined Benefit Obligations (Cont.)

Key assumptions used in the computation includes the following;

Rate of Discount	18.0%
Salary Incremental Rates	2%
Staff Turnover Rates:	10 % upto 54 and thereafter 0%
Retirement Age	60
Mortality:	A 67/70 Mortality Table

### 19 Deferred Tax

Balance at the beginning of the year	<b>16,405,331</b>	<b>17,487,459</b>
Provision for the year	(2,139,801)	(1,082,127)
Balance at the end of the year	<b>14,265,531</b>	<b>16,405,331</b>

### 20 Trade and Other Payables

Trade Payables (Note 20.1)	10,540,072,450	10,343,307,682
Other Payables (Note 20.2)	210,871,174	132,839,142
	<b>10,750,943,624</b>	<b>10,476,146,824</b>

#### 20.1 Trade Payables

Creditors	1,534,271,522	1,913,823,053
Due to Customers	3,244,409,080	2,506,084,765
Mobilization & Other Advances	5,031,816,813	5,205,815,970
Retention Payables to Contractors	729,575,035	717,583,894
	<b>10,540,072,450</b>	<b>10,343,307,682</b>

#### 20.2 Other Payables

EPF Payable	3,604,405	4,117,411
ETF Payable	540,661	617,612
Yasasa Loan Payable	-	105,304
WHT Deductions From Payments	1,300,443	(1,554,495)
Medical Insurance Deduction	1,886,332	1,392,432
Death Grant Deduction	-	67,200
Sundry Creditors	28,151,523	28,155,038
Accrued Expenses	25,519,710	30,838,303
Unpaid Staff Cost	28,696,377	23,870,788
PAYE tax	4,049,524	4,048,324
SSCL	3,624,882	
Other Taxes	113,497,317	41,181,226
	<b>210,871,174</b>	<b>132,839,142</b>

### 21 Income Tax Payables

<b>Balance at the beginning of the year</b>	<b>16,931,945</b>	<b>20,109,297</b>
Income tax for the year	86,647,406	45,387,287
Provision in respect of the last year	9,396,740	(1,505,876)
Payments made during the year	(61,562,422)	(47,058,763)
Withholding Tax (WHT)	(0)	
Balance at the end of the year	<b>51,413,668</b>	<b>16,931,945</b>

## ● Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2021

### 22 Related Party Transactions

#### 22.1 Transaction with Parent

- a) Eng. A. Galketiya was the chairman of CESL and Eng. G.R.A.S. Gunathilake, Mrs. P. K. A. D. De Silva, Eng. W. B. Palugaswewa, Eng. S. A. U. D. C. Siriwardhana, Eng. G. D. A. Piyatilake, Mr. D. Mabopitiya who were Directors of CESL as at 31<sup>st</sup> December 2022.

Further key management personal of CESL are as follows;

<b>Name</b>	<b>Designation</b>	<b>Base Office</b>
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

	<b>Amount</b>
	<b>2022</b>
	<b>Rs.</b>
Construction Revenue	2,195,754,877
Hiring Income	540,000

#### 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

	<b>2021</b>	<b>2022</b>
	<b>Rs.</b>	<b>Rs.</b>
Salaries and other Employment Benefits	776,070	1,157,988

### 23 Commitments and contingencies

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

## Statement of Profit or Loss and Other

2017	2018	2019	2020	2021	2022
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## Comprehensive Income Highlights

	Rs. Mn	2017	2018	2019	2020	2021	2022
Revenue		12,294	11,189	10,474	6,694	8,298	6,332
Gross Profit		682	786	781	622	840	636
EBITDA		196	232	212	86	266	262
EBIT		45	67	55	(62)	138	(58)
Net Finance Income		112	105	151	132	116	312
Profit After Tax		120.8	121.4	141.4	59.1	210.6	160.6
Profit Attributable to Owners		120.8	121.4	141.4	59.1	210.6	160.6

## Statement of Financial Position Highlights

	Rs. Mn	2017	2018	2019	2020	2021	2022
Property, Plant and Equipemnt		479	435	473	610	591	625
Total - Non Current Assets		479	435	473	610	591	625
Cash and Cash Equivalent		229	328	311	308	651	653
Short Term Deposits		1,111	1,985	1,759	2,291	2,336	2,746
Total Assets		12,345	12,616	12,681	12,558	13,033	13,609
Stated Capital	Rs.	10,000,020	10,000,020	10,000,020	10,000,020	10,000,020	10,000,020
Retained Earnings		412	411	594	652	859	1,021
Equity Attributable to Owners		422	421	604	856	1,063	1,226
Total Non Current Liabilities		1,592	1,629	1,655	1,689	1,476	1,580

## Statement of Cash Flow Highlights

	Rs. Mn	2017	2018	2019	2020	2021	2022
Cash flow from Operating Activities		194	912	(227)	472	407	295
Cash Flow used in Investing Activities		(172.0)	(844.7)	241.5	(475.1)	(64.5)	(293.4)
Cash Flows from / (used in ) Financing Activities		-	-	-	-	-	-

## Key Financial Ratios

	Rs.	2017	2018	2019	2020	2021	2022
EPS		1,202.6	1,208	1,410.7	574.7	2,055.4	1,621.8
Net Assets per Share		4,229	4,211	6,049	8,569	10,640	12,262
ROE		28%	29%	23%	7%	20%	13%
Current Ratio		1.1	1.2	1.2	1.2	1.2	1.2
Quick Ratio		1.07	1.08	1.10	1.12	1.09	1.11

Directors remuneration for the year ended 31<sup>st</sup> December 2022 is Rs. 1,157,988

Auditors fee for the year ended 31<sup>st</sup> December 2022 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

Mrs. P. K. A. D. De Silva - Chairman of the  
Committee

Eng. K.H.N.S. De Silva - Director (CESL)

Eng. G.R.A.S. Gunathilake - Director (CESL)

Mr. D. Mabopitiya - Director (CESL)

## ● BOARD OF DIRECTORS

Eng. A. Galketiya - Chairman

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

Mrs. P. K. A. D. De Silva - Director

Eng. W. B. Palugaswewa - Director

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

Eng. G. D. A. Piyatilake - 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





# **ANNUAL REPORT - 2022**

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

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

Tel : (+94)11 2668 800

Fax : (+94)11 2668 972

Email : [info@cesl.lk](mailto:info@cesl.lk)

Web : [www.cesl.lk](http://www.cesl.lk)