



CESL
POWERING TECHNOLOGY

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

ANNUAL REPORT

2023

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



MINISTRY OF IRRIGATION
A Fully Owned Subsidiary of CECB







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ABOUT US

Who We Are....?

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

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

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



Vision...

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



Mission...

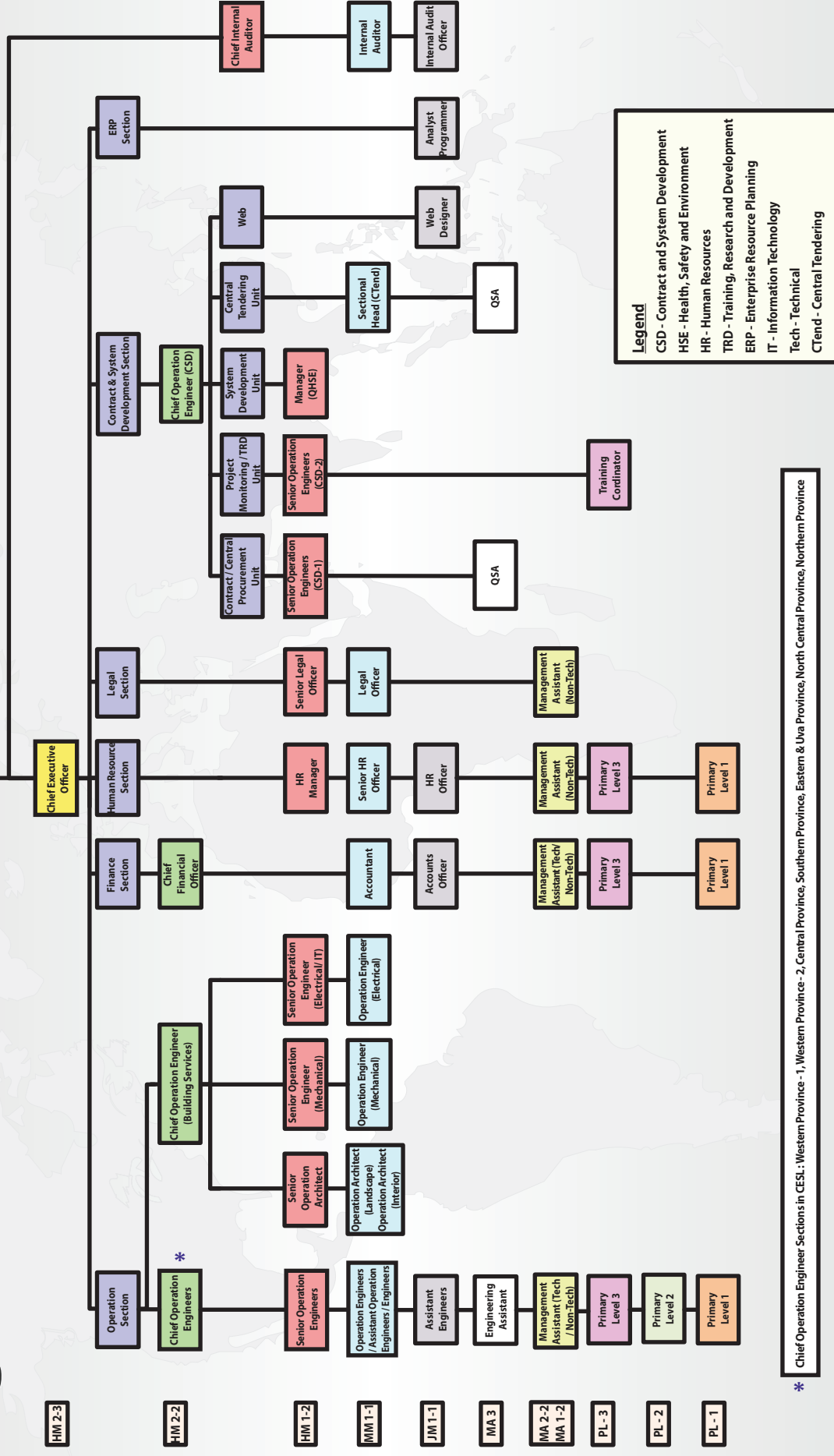
“Acquiring excellence in construction technology and process innovation with a highly motivated, trained staff whose contribution is adequately recognized.”

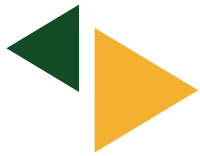


Goals...

- 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

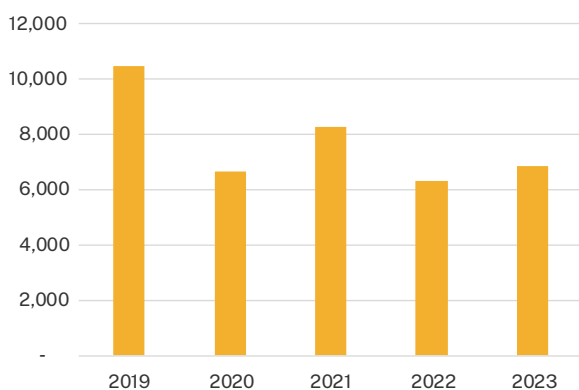




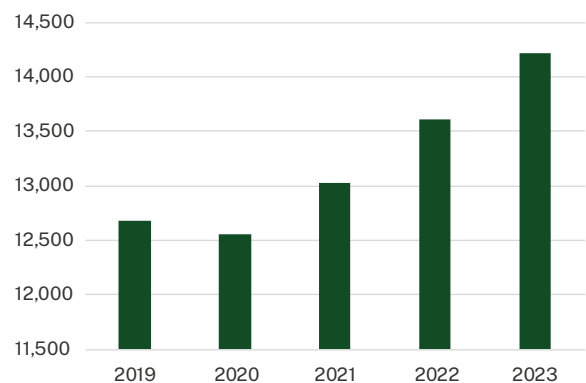
FINANCIAL HIGHLIGHTS

	2023 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn
Construction Revenue	6,854	6,332	8,298	6,694	10,474
Gross Profit	470	636	840	622	781
Net Profit Before Tax	302	254	254	70	206
Net Profit After Tax	184	160	210	59	141
Total Assets	14,213	13,609	13,033	12,558	12,681
Contributed Capital	10	10	10	10	10
Total Equity	1,367	1,226	1,063	856	604
Total Equity Equilibrium	14,213	13,609	13,033	12,558	12,681
Current Assets	13,583	12,983	12,442	11,947	12,207
Current Laibilities	11,225	10,802	10,493	10,011	10,421

Construction Revenue (Rs. Mn)

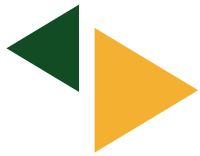


Total Assets (Rs. Mn)



Construction Revenue (Rs. Mn)				
2019	2020	2021	2022	2023
10,474	6,694	8,298	6,332	6,854

Total Assets (Rs. Mn)				
2019	2020	2021	2022	2023
12,681	12,558	13,033	13,609	14,213



BOARD OF DIRECTORS



Eng. B.A.S.S. Perera - Chairman

B. Sc. (Eng.), MBA, Chartered Engineer

Appointed as Chairman of the Board from 29.08.2023. Currently serves as a Chairman in Central Engineering Consultancy Bureau, the parent organization of CESL.

Eng. B.A.S. Sunil Perera is an academically and professionally recognized Sri Lanka Engineering Services Special Grade Professional with nearly 40 years illustrious career in providing leadership to the development of nationally important multipurpose water resources projects, irrigation networks and associated infrastructure in Sri Lanka, contributing to national agriculture and to power generation both solar and hydropower.

He started his career as design Engineer with the Irrigation Department and rising through the hierarchy has functioned as Project Director - Deduru Oya Multipurpose Development Project (2009-2014); Director of Irrigation, Kurunegala (2014-2015); Director, Major Constructions (2015-2017) and then moving on as Additional Secretary, Ministry of Housing and Construction (2018-2019); Acting Chairman of State Engineering Corporation, and Director General Mahaweli Authority of Sri Lanka (2019 – 2021). Has provided his expertise as Consultant to CECB/CAMC International (2021-2023) and to several key steering committees appointed by the Government. A strategic leader in teaming and directing subject matter specialists, and stakeholders in multifaceted construction endeavors and to innovate in managing risks to realize development objectives and goals.

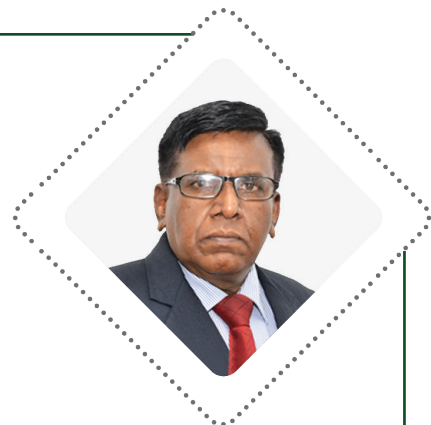
Eng. G. D. A. Piyatilake - Director

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

Appointed to the Board of Directors on 30.09.2022, and concurrently serves as a Chairman in 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.





Ms. B.N. Gamage - Director

B. Sc. (Hons), MBA, MPM

Appointed to the Board of CESL as the Treasury Representative in 30.12.2022 and concurrently serves as a Chairman in Central Engineering Consultancy Bureau, the parent organization of CESL.

Currently serves as chairperson of the Audit and Management Committee of CESL. Being an officer belonging to the Sri Lanka Administrative Service she has worked in different institutions since

2000. Worked as an Assistant Secretary in Ministry of Agriculture from 2001 to 2007. Served the Department of Trade and Investment Policy as an Assistant Director, Deputy Director and Director during the period of 2007 to 2013.

Engaged in duties at the Department of National Budget in the capacity of the Director and an Additional Director General from 2013 to 2021. At present serves the Department of Fiscal Policy as an Additional Director General since 2021. Served as a Treasury Representative for Milco Pvt. Ltd., Geological Survey and Mine Bureau, Timber Corporation.

Eng. (Ms.) P.M. Jayadeera - Director

B. Sc. Eng. (Hons) Moratuwa, M. Eng. (Water Resources Engineering & Management) Moratuwa, C.Eng., MIE(SL)



Appointed to the Board of CESL as the Ministry Representative from 21.07.2023 and concurrently serves as a Chairman in Central Engineering Consultancy Bureau, the parent of CESL.

Worked in NBRO in the Structural Engineering Research Centre for one year and gained experience in building designs. Joined Irrigation Department as an Irrigation Engineer in 1996 and worked at the Designs Branch and gained experience in design of irrigation Head works/ structures etc. Worked at the Regional Director of Irrigation office at Deberawewa for 6 years and another 6 years at the Divisional Irrigation Engineer's office at Weeraketiya an engaged in irrigation infrastructure developments and water management activities. Held the position of Chief Irrigation Engineer at the same office for 2 years.

Held the position of chief engineer in the Environmental studies branch at the Head office for 6 years and obtained experience in EIA/IEE works of reservoir projects and other projects too. Worked as the Director of Irrigation - Colombo Range which covers 4 districts, Colombo, Gampaha, Kalutara and Ratnapura for 4 years. After working another one year at the Head office as a Director of Irrigation - Regional development, got the special grade promotion and currently working as the Additional Secretary (Water Resources Development) in the Ministry of Irrigation from 01.01.2023.



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 of Directors on 03.06.2020, and concurrently serves as a General Manager 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. S.S.A. Kalugaldeniya - Director

BSc. Eng.(Hons.), M.Sc.(Structural - Japan), MBA(J'Pura), CEng., MIE(SL), MSSE (Sri Lanka)

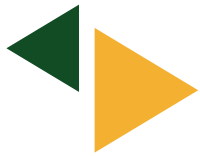


Appointed to the Board of Directors on 24.05.2023, and concurrently serves as the Corporate Additional General Manager (Designs) in Central Engineering Consultancy Bureau, the parent organization of CESL.

With over 25 years of experience in engineering and management, primarily with CECB, he began his career in 1999 as a Design Engineer. In 2006, he received a JICA scholarship to further his studies in Japan, and upon his return in 2008, he was promoted to Specialist Engineer in Structural Design. His career continued to progress as he was appointed Deputy General Manager of Structural Design in 2014, and then Additional General Manager - Design 3 in 2015.

During his tenure at CECB, he has contributed to numerous key national projects, such as the Hambantota Airport Development Project, Defence Headquarters Project, Relocation of Manning Market Project, Metro Colombo Solid Waste Design Review, Port City Development Project, Kaluganga Reservoir Development, and Sethsiripaya Stage II and III Development projects.

In addition to overseeing structural designs, he has taken on various responsibilities, serving as Additional General.



DIRECTORS REPORT

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

The Directors of Central Engineering Services (Pvt) Ltd have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December 2023. 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 24 to 30.

● ACCOUNTING POLICIES

The accounting policies adopted in the preparation of Financial Statements of the Company are given on pages 36 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 36 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 34.

● 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 11 Occasions during the Financial year 2023 and the attendance of the Board of Directors was as follows.

Name	Position	2023											
		30 th Jan.	21 st Feb.	22 nd March	26 th April	25 th May	22 nd June	21 st July	29 th Aug.	03 rd Oct.	02 nd Nov.	29 th Nov.	
Eng. A. Galketiya	Chairman	√	√	√	√	√	√	√	N/A	N/A	N/A	N/A	
Eng. B.A.S.S. Perera	Chairman	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	
Eng. G.D.A. Piyatilake	Director	√	√	√	√	√	√	√	√	√	√	√	
Ms. B.N. Gamage	Director	√	√	√	√	√	√	√	√	√	√	√	
Eng. S.A.U.D.C. Siriwardhana	Director	√	√	√	√	√	√	√	√	√	√	√	
Mr. D. Mabopitiya	Director	√	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	
Eng. S.S.A. Kalugaldeniya	Director	N/A	N/A	N/A	N/A	√	√	√	√	√	√	√	
Eng.(Ms) P.M. Jayadeera	Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	



AUDIT COMMITTEE REPORT

● Role of the Audit Committee

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

● Meetings and Attendance

The Audit committee meeting in 04 Occasions during the Financial year 2023 and the attendance are as follows.

Name	Position	2023			
		31 st January	06 th April	25 th May	27 th October
Eng. A. Galketiya	Chairman of the CESL	Ab	Ab	√	N/A
Eng. B.A.S.S. Perera	Chairman of the CESL	N/A	N/A	N/A	Ab
Ms. B.N. Gamage	Chairman of the Committee/ Director	√	√	√	√
Eng. S.A.U.D.C. Siriwardhana	Director	√	√	√	√
Mr. D. Mabopitiya	Director	√	√	√	N/A
Eng. S.S.A. Kalugaldeniya	Director	N/A	N/A	N/A	Ab

● Scope of the Committee

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

● Authority

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



SERVICE SECTORS

BUILDINGS (CIDA GRADE - CS2)

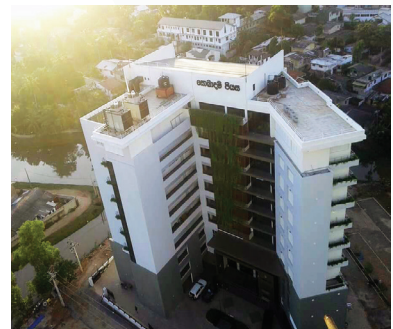
CESL has been in the forefront of the Design and Construction of Buildings on Design and Build basis. Construction work undertaken so far, ranges from Buildings (multi-storied buildings, factory type, iconic, etc.) to entire township developments throughout the island.

In addition, 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.

CESL engaged to construct various functional buildings, such as;

- Hospitals
- Commercial Buildings
- Administration and Office Buildings
- Hostels
- Recreational Buildings
- Sports Complexes
- Apartments
- Public Buildings
- Universities Infrastructure
- Court Complexes
- Prison 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



SEWAGE & WATER TREATMENT PLANTS

CESL engaged to Constructing, Augmentation, Rehabilitation and Improvement of Sewage & Water Treatment Plants, such as;

- Zoo
- Hostels
- Hospitals
- Office
- Hatcheries



CONSTRUCTION IN ENVIRONMENTAL SENSITIVE AREAS

In areas of great natural beauty and sensitive natural environments, special care has to be taken in the construction of any required structures and this often poses a challenge for engineers and developers. But with the right technology, forethought and consideration, it can be done.

- Undertaking constructions within world heritage Sites.
- Constructions within wild life sanctuary limits.
- Developing Zoological Garden & Safari Parks.
- Bio Diversity Parks, Nature Trails & Parks.
- Forestry Institutes, Wildlife Institutes.



HYDROPOWER & RENEWABLE ENERGY

We are a professional hydropower & renewable energy services and solutions provider addressing electricity and energy challenges by improving access to and promoting adoption of clean and energy efficient technologies.

This is being achieved through the efforts of our knowledge driven team and network of internationally qualified experts within the fields of renewable energy technologies sustainable development and engineering.

We are dedicated to creating sustainable solutions and enriching lives by reducing energy poverty, providing long lasting and consistent solutions for households, businesses and communities by using the renewable energy sources of Hydro power, solar and wind.



GEO-TECHNICAL ENGINEERING

We are experts in technology driven solutions for soil reinforcement and ground stabilization. Our Strength is the highly experienced staff of geotechnical engineers, geologist and technicians. We combine our experience and technical resources to produce cost-effective geotechnical and engineering solutions.

We provide highest quality services and consultation to our customers with suitable systems and solutions.

- Geotechnical exploration and investigation
- Foundation and foundation soil improvement
- Land slide mitigation
- Slope Stabilization
- Slope and rock fall protection
- Geophysical Surveyingc.



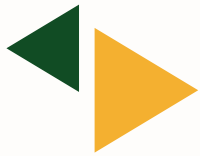
INTERIOR DESIGN

Specialized in providing turnkey design solutions for high end residential luxury homes and commercial projects.

We have achieved success with our ability to create luxurious, sophisticated interiors of timeless quality, extraordinary design, and functionality, infused with client's personal style and desires. Most importantly we respect our client's budget and established timeline.

- Design Consultation
- Lighting Designs
- Space Planning
- Furniture Layout





REVIEW OF BUSINESS OPERATIONS

CONSTRUCTION OF COURT COMPLEX AT WELIMADA

- **Name of the Client:** Ministry of Justice
- **Current Status:** Completed
- **Completed Year:** 2023
- **Contract Sum:** LKR 490 Mn.
- **Location:** Welimada



CONSTRUCTION OF COURT COMPLEX AT RATNAPURA

- **Name of the Client:** Ministry of Justice
- **Current Status:** Completed
- **Completed Year:** 2023
- **Contract Sum:** LKR 1550 Mn.
- **Location:** Ratnapura



ROBERT WILLIAMS MEMORIAL BICENTENNIAL BLOCK AT ST. JOHN'S COLLEGE, JAFFNA

- **Name of the Client:**
The principal, St. John's College, Jaffna
- **Current Status:** Completed
- **Completed Year:** 2023
- **Contract Sum:** LKR 91 Mn.
- **Location:** Jaffna



INTERNATIONAL GEM & JEWELLERY TRADE CENTRE AT RATNAPURA

- **Name of the Client:** State Ministry of Gem & Jewellery Related Industries
- **Current Status:** Completed
- **Completed Year:** 2023
- **Contract Sum:** LKR 405 Mn.
- **Location:** Ratnapura



CONSTRUCTION WORKS OF SRILANKAFORESTRY INSTITUTE (SLFI) - NUWARA ELIYA

- **Name of the Client:** Eco System Conservation and Management Project
- **Current Status:** Completed
- **Completed Year:** 2023
- **Contract Sum:** LKR 627 Mn.
- **Location:** Nuwara Eliya



CONSTRUCTION OF INFORMATION CENTER AT DORANA ELLA, WEDDAGALA

- **Name of the Client:** Eco System Conservation and Management Project
- **Current Status:** Completed
- **Completed Year:** 2023
- **Contract Sum:** LKR 392 Mn.
- **Location:** Weddagala, Sinharaja



CONSTRUCTION WORKS OF NATIONAL WILDLIFE RESEARCH AND TRAINING CENTER (NWRTC) AT GRITHALE

- **Name of the Client:** Eco System Conservation and Management Project
- **Current Status:** Completed
- **Completed Year:** 2023
- **Contract Sum:** LKR 981 Mn.
- **Location:** Girithale





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



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

CAE/B/CESL/09/FA/2023/03

මගේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

May 2024

The Chairman,
Central Engineering Services (Private) Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Central Engineering Services (Private) Limited for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

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

W.P.C. Wickramaratne

Auditor General

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



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No

CAE/B/CESL/09/FA/2023/03

දිනය
திகதி
Date

May 2024

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 2023 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 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy information 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 2023, 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, මත්තරමුල්ල, ශ්‍රී ලංකාව.

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

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



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1.2 Basis for Qualified Opinion

- (a) In terms of Section 51 of Sri Lanka Accounting Standards 16, the useful economic life of the of property, plant and equipment with the written down value of Rs.378.08 million was not reviewed annually.
- (b) The financial statements had been prepared without being eliminated the internal transactions aggregating Rs. 159.9 million incurred between the sub-units of the Bases and between the Bases. Further, an amount of Rs. 56.78 earned from the internal transactions between the Base Offices had been included in the annual income as well as expenditure of the Company.
- (c) The differences amounting to Rs.12.71 million, Rs. 52.77 million, Rs.13.30 million and Rs. 16.45 million were observed as compared to balances of Rs.1,299.37 million, Rs.2,080.10 million, with no value and Rs.3,466.37 million shown by the parent organization i.e. the Central Engineering Consultants Bureau (CECB) and the corresponding balances of Rs 1,286.66 million, Rs 2,027.33 million, Rs 13.30 million and Rs 3,449.91 million shown in the financial statements of the Company with regard to trade debtors, retention receivables, sundry debtors, mobilization advances respectively.
- (d) The value as on 31 December 2023 of the chicks purchased under the Rambakan Oya Project, which should be shown under Biological Assets, was shown under Property, Plant and Equipment at a cost of Rs 18.02 million contrary to paragraph 12 of Sri Lanka Accounting Standard 41.

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 2023 Annual Report.

The other information comprises the information included in the Company's 2023 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.



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NATIONAL AUDIT OFFICE

If based on the work I have performed on the other information that I have obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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) described in the Basis for Qualified Opinion section of my report, as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.



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

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

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

Reference to Laws/Direction	Description
(a) Public Enterprises Circular No. 01/2021 dated 16 November 2021 on Operational Manual for Good Governance for State-Owned Enterprises	
Paragraph 3.2 (i)	An approved recruitment scheme had not been prepared for the Company even as of 31 March 2024.
2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018	
2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018;	

2.3 Other Matters

(a) Assets costing to Rs. 1,558.05 million as at 31 December 2023 were not properly coded for enable to carryout the annual verification and those codes were not included in the existing fixed asset register in the ERP computer system.

(b) The Company has sustained the operating losses of Rs. 942.90 million of Rs. 667.42 million and Rs. 888.15 million from its fully completed construction projects in the years 2023, 2022 and 2021 respectively and in the year under review, had incurred a loss of Rs. 528.57 million from 40 ongoing construction projects. Since these losses directly affects 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) Out of the 05 asphalt/crusher machines operating at 05 locations, the Company had incurred a loss of Rs.18.96 million during the year 2023 due to the malfunctioning of 02 machines, while the other 03 machines remained inactive.



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NATIONAL AUDIT OFFICE

- (d) Due to weaknesses in project management, a sum of Rs. 105.75 million had been deducted from the bills by the employers as liquidated damages related to 62 projects. Although it was able to recover such deducted amount of Rs.36.81 million for 09 projects, approvals were not received for the extension of time applied for by 31 December 2023 for 18 projects and the deducted liquidated damages amounting to Rs. 49.01 million related to 35 projects was irrecoverable.
- (e) According to the statement of financial position as at 31 December 2023, the total debtor balance was Rs.2,397.00 million and out of which Rs. 401.63 million and Rs. 67.08 million remained outstanding for between 03 and 05 years and more than 05 years respectively.
- (f) Creditors and Retention Payable as at 31 December 2023 were Rs. 1,651.30 million and Rs. 766.08 million respectively. As per the age analysis submitted for audit, the creditor balance shown under current liabilities amounting to Rs.748.33 million was remained unsettled for the period from 02 to 05 years.
- (g) The balances of Rs. 875.39 million and Rs. 4,188.91 million were shown in the financial statements as due from customers and due to customers respectively as at 31 December 2023. However, there should be no such balance after the completion of a project by the Company and due to non-submission of bills in a proper and timely manner, sums of Rs. 69.24 million and Rs.15.58 million in respect of 16 completed projects were shown as due from customers and due to customers respectively in the financial statements.
- (h) The Company had paid Rs.15.43 million as rent to the Urban Development Authority in the year 2019 without entering into a formal agreement for acquiring 60 perches of land in Ratnapura district on a 30-year lease basis and a building was constructed for establishing the Sabaragamuwa Base Office on this land.
- (i) The Company has to be paid an amount of Rs. 1,545.96 million to the parent company i.e. Central Engineering Consulting Bureau (CECB) as at 31 December 2023, and the Company had not maintained proper and updated agreements regarding these transactions since inception of the Company and had not taken any effective action to settle this balance. Therefore, this balance has been continuously increasing since 2017.
- (j) During the year under review, the Company had sustained an operating loss of Rs.383.30 million while recorded a profit before tax on account as a result of earning an income of Rs.701.36 million from fixed deposits.

W.P.C. Wickramaratne

Auditor General

● Statement of Comprehensive Income

For the year Ended 31st December

	Note	CESL	
		2023 Rs.	2022 Rs.
Revenue	5	6,854,078,181	6,332,576,904
Cost of Sales	6	(6,383,502,298)	(5,695,757,326)
Gross Profit		470,575,883	636,819,578
Other Income	7	78,390,115	154,899,278
Administration Expenses		(917,306,336)	(806,680,609)
Selling and Distribution Expenses		(14,959,827)	(43,434,846)
Results from Operating Activities		(383,300,165)	(58,396,599)
Finance Income		701,358,095	320,916,319
Finance Cost		(15,359,708)	(7,981,996)
Net Finance Income	8	685,998,387	312,934,323
Profit Before Income Tax		302,698,222	254,537,724
Tax Expense	9	(118,430,333)	(93,904,346)
Profit/(Loss) for the Year		184,267,889	160,633,378
Other Comprehensive Income			
Actuarial Gain/(Loss) on Defined Benefit Plans	18.(d)	(14,828,504)	1,580,199
Other comprehensive income for the year		(14,828,504)	1,580,199
Total comprehensive income for the year		169,439,385	162,213,577

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 36 to 66 form an intergral part of these Financial Statements.

● Statement of Financial Position

As at 31st December

		CESL	
	Note	2023 Rs.	2022 Rs.
Assets			
Non-Current Assets			
Property, Plant and Equipment	10	406,780,371	567,394,011
Right-of-Use Assets	11	13,119,226	13,633,401
Work In Progress - Capital Assets	12	64,711,225	44,254,371
Long Term Investments	13	145,322,938	-
Total Non-Current Assets		629,933,759	625,281,783
Current Assets			
Inventories	14	808,100,936	981,563,528
Working Progress	15	116,073,806	64,675,522
Biological Assets	16	833,858	-
Trade and Other Receivables	17	6,456,082,879	8,538,110,120
Short Term Investments	13	3,963,681,274	2,746,184,766
Cash and Cash Equivalents	18	2,239,127,962	653,206,026
Total Current Assets		13,583,900,715	12,983,739,962
Total Assets		14,213,834,474	13,609,021,746
Equity and Liabilities			
Contributed Capital		10,000,020	10,000,020
Revaluation Reserve		150,270,564	194,550,564
Retained Earnings		1,207,462,916	1,021,645,176
		1,367,733,500	1,226,195,760
Non Current Liabilities			
Retirement Benefit Obligation	19	41,891,785	28,136,483
Differed Tax	20	32,616,677	14,265,531
Amounts Due to Related Companies		1,545,964,909	1,538,066,678
Total Non Current Liabilities		1,620,473,371	1,580,468,692
Current Liabilities			
Trade and Other Payables	21	11,180,365,043	10,750,943,624
Income Tax Payables	22	45,262,559	51,413,668
Inter Base current accounts		-	-
Bank Overdraft	18	-	-
Total Current Liabilities		11,225,627,603	10,802,357,292
Total Equity and Liabilities		14,213,834,474	13,609,021,744

Figures in brackets indicates deductions.

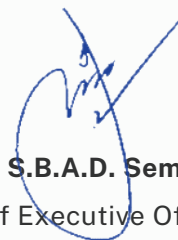
The Notes to the Financial Statements set out on Pages 36 to 66 form an intergral part of these Financial Statements.

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



Mr. H.M.I.U. Herath

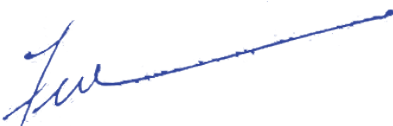
A/Chief Financial Officer



Eng. S.B.A.D. Semasinghe

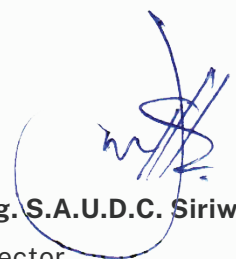
Chief Executive Officer

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



Eng. B.A.S.S. Perera

Chairman



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

Director

29th February 2024

Statement of Changes Equity

	CESL			
	Contributed Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.
Balance as at 01 st January 2022	10,000,020	-	194,550,564	859,431,598
Prior Year Adjustments				-
Profit For the Year	-	-		160,633,378
Other Comprehensive Income	-	-		1,580,199
Balance as at 31 st December 2022	10,000,020	-	194,550,564	1,021,645,174
Balance as at 01 st January 2023	10,000,020	-	194,550,564	1,021,645,174
Prior Year Adjustment - Note 1				(27,901,643)
Prior Year Adjustment - Note 2				
Profit For the Year	-	-		44,280,000
Other Comprehensive Income	-	-	(44,280,000)	184,267,889
			-	(14,828,504)
Balance as at 31 st December 2023	10,000,020	-	150,270,564	1,207,462,916

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 36 to 66 form an integral part of these Financial Statements.

Note 1 - Net book value of asset error recording

Net book value of asset error recording	25,747,916.17
Error Correction of Depreciation	2,153,735.00
Adjustment to retained earnings	<u>27,901,651.17</u>

Note 2

Reversal of Revaluation Reserve of Disposed Motor Vehicles	<u>44,280,000.00</u>
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Cash Flow Statement

For the year Ended 31st December

	CESL	
	2023 Rs.	2022 Rs.
Cash Flows from Operating Activities		
Profit Before Tax	302,698,222	254,537,724
<i>Adjustments for:</i>		
Depreciation on Property, Plant and Equipments	140,868,800	169,851,763
Provision for Bad and Doubtful Debts	-	25,513,422
Prior Year Adjustment	-	-
Assets Written Off	-	-
Provision for Gratuity	23,744,540	6,605,150
Bad Debt Provision	-	-
Profit on disposal of Property, Plant and Equipments	33,895,979	148,192
Amortization of land lease	514,176	514,176
Actuarial Gain/(Loss) on Defined Benefit Plans	(14,828,504)	1,580,199
Net Finance Income	(685,998,387)	(312,934,323)
Operating Profit before Working Capital Changes	(199,105,174)	145,816,303
(Increase)/Decrease in Inventories	173,462,592	45,460,775
(Increase)/Decrease in Trade and Other Receivables	2,082,027,241	(170,762,451)
(Increase)/Decrease in Biological Assets	(833,858)	-
Increase/(Decrease) in Trade and Other Payables	429,421,419	274,796,800
Increase/(Decrease) in Amounts Due to Related Companies	7,898,231	106,827,225
(Increase)/Decrease in Working In Process	(51,398,284)	(29,476,789)
Increase in General Suspense Account Credit Balance	-	-
Cash Generated from Operating Activities	2,441,472,168	372,661,862
Interest paid	(15,359,708)	(7,981,996)
Tax paid	(106,230,296)	(61,562,422)
Gratuity paid	(9,989,238)	(7,678,143)
Net Cash Flows from Operating Activities	2,309,892,927	295,439,301
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(48,059,483)	(195,750,904)
Acquisition of Leasehold property	-	-
Investment in Capital Work in Progress	(20,456,854)	(16,152,680)
Proceeds from sale of Property, Plant and Equipment	6,006,693	7,394,550
Acquisition of Subsidiary	-	-
Investment in Short Term Deposit	(1,217,496,509)	(409,836,330)
Investment Long Term Investment	(145,322,938)	-
Dividend Income	-	-
Interest Income	701,358,095	320,916,319
Net Cash Flows from Investing Activities	(723,970,995)	(293,429,045)
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	1,585,921,932	2,010,256
Cash and Cash Equivalent at the beginning	653,206,026	651,195,770
Cash and Cash Equivalent at the end	2,239,127,962	653,206,026

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on Pages 36 to 66 form an integral part of these Financial Statements.

● Notes to the Financial Statements

For the year Ended 31st December 2023

1. CORPORATE INFORMATION

1.1. General Information

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

Central Engineering Services (Pvt) Ltd., was incorporated on 16th December, 2003 under the Companies Act, No. 17 of 1982 and has been re-registered on 6th November, 2009 under the Companies Act, No. 07 of 2007. However, the Company has commenced its operations only in the year 2011 and had no operations before that year.

1.2. Principal Activities and Nature of Operations

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

1.3. Principal Office

No. 415, Bauddhaloka Mawatha,
Colombo 07.

1.4. Company Secretary

Mrs. R. Rizwan
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	

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of Preparation

2.1.1 Statement of Compliance

The Financial Statements of the Company comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with the Accounting Policies and Notes (the Financial Statements) have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs / LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirement of the Companies Act No. 07 of 2007.

2.1.2 Components of the Financial Statements

Financial Statements include the following components:

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

The Financial Statements for the year ended 31st December 2023, were authorized for issue by the Board of Directors on 29th February 2024.

2.1.3 Responsibilities for the Financial Statements

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

2.1.4 Financial Period

The financial period of the Company represents a twelve months period from 1st January 2023 to 31st December 2023.

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- SLFRS 09
- 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.

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.

2.1.11 Significant Accounting Judgments, Estimates and Assumptions (Cont.)

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)

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

2.1.12 Current versus Non-current Classification (Cont.)

A liability is classified as current, when it is:

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

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

2.1.13 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur using the EIR method.

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

2.1.14 Statement of Cash Flows

The Statement Cash Flows has been prepared using the 'indirect method' in accordance with Sri Lanka Accounting Standard – LKAS - 7 on 'Statement of Cash Flows'. Cash and cash equivalent comprise cash in hand, cash at bank and Short Term investments that are readily convertible to known amount of cash and subject to an insignificant risk of change in value.

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

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

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.

2.2. Foreign Currency Translation (Cont.)

Transactions and Balances (Cont.)

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

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

2.3. Property, Plant and Equipment

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

2.3.1 Recognition and Measurement

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

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

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

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

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

2.3.2 Freehold Assets

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

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

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

2.3.3 Leasehold Assets

Leases in terms of which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured and capitalized at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

2.3.4 Subsequent Costs

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

2.3.5 De-recognition

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

2.3.6 Depreciation

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

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

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

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 Biological assets & agricultural produce

Biological assets are classified into mature or immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvesting.

Immature biological assets are those that have not yet attained harvestable specification.

The biological assets are further classified into consumable and bearer biological assets. Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Consumable biological assets include livestock intended for the production of meat, livestock held for sale, broiler birds, Hatching eggs, crops such as maize and wheat.

Bearer biological assets are those other than consumable biological assets. Bearer biological assets are not agricultural produce, but rather, are self - regenerating. Bearer biological assets include livestock from which milk is produced, breeder birds, fruit trees, sugarcane, coconut trees, sanderiana trees and trees from which firewood is harvested while the tree remains.

2.4.1 Recognition & measurement

The entity recognizes the biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably. Any gain or loss arising from fair value change is recognized in the statement of comprehensive income.

(a) Bearer biological assets

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16- Property, Plant & Equipment.

(b) Consumable biological assets

Consumable biological assets are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell, in terms of LKAS 41- Biological Assets. The cost is treated as approximation to fair value of young plants, as the impact on biological transformation of such plants to price during this period is immaterial.

The expenditure incurred on cultivation is deferred and a standard amount is transferred to the cost of sales when crops are harvested from such cultivation. The cultivation is harvested as agricultural produce and considered as consumable biological assets.

2.4.1 Recognition & measurement (cont.)

(c) Valuation of biological assets

Initially gain or loss of biological assets are recognized at fair value less cost to sell and thereafter change in fair value less cost to sell are recomputed every year and is included in the profit or loss in the period in which the gain or loss arises.

2.5 Financial Instruments

2.5.1 Financial Assets & Financial Liabilities

The Company classifies its financial assets in the following categories; at fair value through profit or loss, loans and other receivables, available for sale and held to maturity investments. The Company classifies its financial liabilities in the following categories; financial liabilities at fair value through profit or loss and loans and borrowings.

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

2.5.2 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.

2.5.3 Classification of Financial Assets

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

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

(ii) Financial Assets Measured at Amortized Cost

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

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

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

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

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

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

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

2.5.4 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.

2.5.5 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

2.5.6 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.

2.5.7 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.

2.5.8 De-recognition of Financial Assets

The company de-recognizes financial assets when:

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

2.5.9 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.

2.6 SLFRS 16 - Right of use assets

The Company is recognized right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

2.6.1 Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2.7 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.

2.7 Trade receivables (Cont.)

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.

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 other than agricultural produce.

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.

The cost incurred in bringing agricultural produce to its present location and condition is accounted as follows:

2.8.1 Broiler meat

Broiler meat is valued at prime cost together with an appropriate proportion of overheads on weighted average basis, after making due allowance for weight losses

2.8.2 Poultry feed, drugs and sundry inventories

Poultry feed, drugs and sundry inventories are valued at actual cost on weighted average basis after making due allowance for obsolete and slow-moving items.

2.8.3 Trading inventories

Trading Inventories which include retail items for sale are valued at actual cost on weighted average basis.

2.8.4 Sundry stocks

Sundry stocks consist with packing materials and ingredients which are used for the production process. Stocks are valued at actual cost on weighted average basis after making due allowance for obsolete and slow-moving items.

Work in Progress

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

2.9 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.

2.10 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.

2.11 Stated Capital

Ordinary shares are classified under equity.

2.12 Liabilities, Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. Other liabilities are recorded at the cash value to be realized when settled. Provisions are calculated based on the historical experience and the specific terms in the individual cases. The Company arrives at an estimate on the basis of an evaluation of the most likely outcome. All known provisions have been accounted for in preparing the Financial Statements.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured. Further, contingent liabilities are not recognized in Statement of Financial Position but are disclosed unless its occurrence is remote.

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

2.12.1 Legal Cases Filed Against the Company

At labor Tribunal

No	Case No	Parties	Status
01.	Anuradhapura Labour Tribunal Case No. 27/Anu /2584/2020	A.A.C.S.Wijewardana Vs. Central Engineering Services (Pvt) Ltd	Mr. A.A.C.S. Wijewardana has filed the case against CESL claiming reinstatement with salary arrears and compensation. Legal proceeding is going on.
02.	Kurunegala Labour Tribunal Case No. 23/Ku/26/2020	K.M.C.P. Karunaratne Vs. Central Engineering Services (Pvt) Ltd	Ms. K.M.C.P. Karunaratne has filed the case against CESL to declare as permanent employee, claiming reinstatement and salary arrears. Legal proceeding is going on.
03.	Kandy Labour Tribunal Case No. LT/03/92/2021	R.M.R. Sadamali Vs. Central Engineering Consultancy Bureau & Central Engineering Services (Pvt) Ltd	Ms. R.M.R. Sadamali has filed the case against CESL claiming reinstatement and compensation. Legal proceeding is going on.
04.	Matra Labour Tribunal Case No. LT/M/26/32/2023	R.L.P. Kumarasiri Vs. Central Engineering Services (Pvt) Ltd	Mr. R.L.P. Kumarasiri has filed the case against CESL claiming reinstatement with salary arrears, compensation and Gratuity. Legal proceeding is going on.
05.	Matra Labour Tribunal Case No. LT/M/26/33/2023	B.A.C. Krishantha Vs. Central Engineering Services (Pvt) Ltd	Mr. B.A.C. Krishantha has filed the case against CESL claiming reinstatement with salary arrears, compensation, and Gratuity. Legal proceeding is going on.
06.	Matra Labour Tribunal Case No. LT/M/26/34/2023	M.S.R. Perera Vs. Central Engineering Services (Pvt) Ltd	Mr. M.S.R. Perera has filed the case against CESL claiming reinstatement with salary arrears, compensation, and Gratuity. Legal proceeding is going on.
07.	Galle Labour Tribunal Case No. LT4/G/64/2023	N.H. Saumya Vs. Central Engineering Services (Pvt) Ltd	Ms. N.H. Saumya has filed the case against CESL claiming reinstatement with salary arrears and compensation. Legal proceeding is going on.
08.	Galle Labour Tribunal Case No. LT4/G/652023	W.R.W.G. Achini Udeshika Vs. Central Engineering Services (Pvt) Ltd	Ms. W.R.W.G. Achini Udeshika has filed the case against CESL claiming reinstatement with salary arrears and compensation. Legal proceeding is going on.
09.	Galle Labour Tribunal Case No. LT4/G/662023	U.A.R. Nandani Vs. Central Engineering Services (Pvt) Ltd	Ms. U.A.R. Nandani has filed the case against CESL claiming reinstatement with salary arrears and compensation. Legal proceeding is going on.
10.	LT/03/85/2023	W.G.P. Aruna Jayawardhana Vs. Central Engineering Consultancy Bureau & Central Engineering Services (Pvt) Ltd	Mr. W.G.P. Aruna Jayawardhana has filed the case against CESL claiming reinstatement with salary arrears, compensation, Gratuity, Service Certificate. Legal proceeding is going on.

At District Court

No	Case No	Parties	Amount	Status
01.	DMR/2287/2021	Bitulink Emulsion (Pvt) Ltd Vs Central Engineering Services (Pvt) Ltd	Rs.5,000,000.00	Case has withdrawn by Bitulink Emulsion (Pvt) Ltd as CESL settled the amount claimed.

At Magistrate Court

No	Case No.	Parties	Status
01.	Mahiyanganaya Magistrate Court Case No. B/31183	Range Forest Office, Mahiyanganya Vs J.A. Premarthne, D.P.R. Thilakarathne	Written Submission has to be filed to discharge Excavator released on bond.
02.	84254/Labour	Labour Commissioner filed against CESL	Case was concluded.
03.	86596/Labour	Labour Commissioner filed against CESL	Discussions held with Labour Department to settle the matter.

2.13 Employee Benefits**Defined Contribution Plans**

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

Defined Contribution Plans - Employees Provident Fund and Employees Trust Fund

All employees who are eligible for Employees Provident Fund contribution and Employees Trust Fund contribution are covered by relevant contribution funds in line with respective statutes and regulations. The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

Defined Benefit Obligation

A defined benefit plan is a plan that is not a defined contribution plan. Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the Statement of Financial Position in respect of defined benefit plan is the present value of defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually by Independent Actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – 'Employee Benefits'.

Defined Benefit Obligation (Cont.)

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.

2.14 Current and Deferred Tax

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

2.15 Current and Deferred Tax

2.15.1 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 30% for the period of 1st January 2023 to 30th December 2023. Current tax assets and liabilities are offset only if certain criteria are met.

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

2.15.2 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.

2.15.2 Deferred Taxation (Cont.)

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

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

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

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

Significant Judgments Relating to Deferred Taxes

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

2.16 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.

2.17 SLFRS 15 - Revenue from contracts with customers

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.

(a) 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.

(b) Sale of goods

Revenue from the sale of goods recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer with the Company retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(c) Gain arising from changes in fair value of biological assets

Gain or losses arising on initial recognition of biological assets and agricultural produce at fair value less the estimated sale costs are recognized in the profit and loss. Gains or losses arising from changes in fair value due to subsequent measurement are recognized in the profit and loss in the period in which they arise.

2.18 Net Finance Income/ (Cost)**2.18.1 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.

2.18.2 Finance Cost

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

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

2.19 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.

2.20 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.

2.21 Earnings per Share

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

3. Related Party Disclosure

3.1 Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

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

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

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

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

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

3.3 Directors' Loan

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

4 Financial Risk Management Objectives and Policies

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

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

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

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

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

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

4.1 Market Risk

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

Market risk comprises of the following types of risk:

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

Financial instruments affected by market risk mainly include deposits.

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

4.1.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The exposure to the risk of changes market interest rate relates primarily to the Company's deposits with floating rate. The Company has interest earning bank deposits which may cause risks to it as a result of the adverse movements in interest rates.

4.2 Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Trade Receivables

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

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

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

4.2 Credit Risk (Cont.)

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

As at	Trade Debtors Rs.
at 31 st December, 2022	3,778,887,567
at 31 st December, 2023	2,397,002,063

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.

4.3 Liquidity Risk (Cont.)

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

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

Notes to the Financial Statements (Continued)

For the year Ended 31st December 2023

		CESL	
		2023 Rs.	2022 Rs.
5 Revenue			
Construction Revenue	6,854,078,181	6,332,245,024	
Consultancy Revenue	-	331,880	
	6,854,078,181	6,332,576,903	
6 Cost of sales			
Materials	2,719,924,908	2,512,302,365	
Labour	2,604,309,414	1,996,840,679	
Transport Charges	229,750,633	183,888,402	
Tools	29,726,471	121,953,780	
Overhead & Miscellaneous Expenses	676,713,214	669,874,853	
Construction Services	123,077,658	210,897,247	
	6,383,502,298	5,695,757,326	
7 Other Income			
Steel Item sale income	20,942,308	-	
Hiring Income	16,745,010	101,078,463	
ERP Revenue	-	3,427,720	
Machinery/ Asset Hiring	5,792,213	11,140,066	
Commission Income	204,400	84,093	
Fees Income	587,791	0	
Miscellaneous Revenue	86,225,556	75,113,619	
Tender Fees Income	748,717	785,000	
Asphalt Concreate, ABC & Rubbel Sales Income	(16,928,932)		
Bad Debt Provision Reversal	-	-	
Assets Disposal Profit / (Loss)	(33,895,979)	(148,192)	
Asphalt/Crusher Plant Gain/ (Loss)	(2,030,970)	(36,595,421)	
Production & Supplying pre-paint material	-	13,928	
Landscaping Work	-		
	78,390,115	154,899,278	
Operating Profit			
The following items have been charged / (credited) in arriving at the Operating Profit			
Director's Emoluments	1,403,163	1,157,988	
Auditor's Remuneration	1,798,100	1,476,600	
Depreciation on Property, Plant & Equipment	140,868,800	169,851,763	
Charity and Donations	658,000	323,000	
Allowance for Bad and Doubtful Debts	14,345,077	-	
Employee Benefit Costs	309,608,177	384,007,054	
Employee Benefit Costs			
Salaries & Wages	233,132,965	279,456,540	
Contribution to Defined Contribution Plans	21,549,200	27,069,255	
Over Time, Incentive and Other Allowances	54,926,013	77,481,259	
8 Net Finance Income			
Finance Income			
Interest Income	701,358,095	320,916,319	
	701,358,095	320,916,319	
Finance Cost			
Interest Expenses	(15,359,708)	(7,981,996)	
	(15,359,708)	(7,981,996)	
Net Finance Income	685,998,387	312,934,323	
9 Tax Expenditures			
Prior Year Income Tax Adjustment	(20,493,987)	939,674	
Deferred Tax for the Year	18,351,146	(2,139,801)	
Income Tax for the Year	120,573,174	86,647,406	
	118,430,333	93,904,346	

Notes to the Financial Statements (Continued)

For the year Ended 31st December 2023

10 Property, Plant and Equipment

10.1 CESL

	Land	Buildings	Furniture & Fittings	Construction Instrument & Equipment	Office Equipment	Plant & Machinery	Containers	Computers	Motor Vehicles	Library Books	Bearer Plants	Consumable Biological Assets - Animals	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost													
Balance as at 1 st January 2023	8,415,147	86,951,785	39,688,872	670,031,302	58,932,833	392,673,868	54,984,877	85,487,082	193,593,167	672,144	-	-	1,591,431,076
Additions during the year	0	11,248,510	2,006,706	5,124,745	3,050,442	2,895,142	88,000	3,355,425	-	6,850	2,263,903	18,019,759	48,059,483
Disposals during the year			(713,204)	(5,357,413)	(1,618,132)	(1,911,887)	(110,000)	(1,697,912)	(44,280,000)				(55,688,548)
Error Correction			-	(25,747,916)				-					(25,747,916)
Balance as at 31 st December 2023	8,415,147	98,200,295	40,982,374	644,050,718	60,365,143	393,657,123	54,962,877	87,144,595	149,313,167	678,994	2,263,903	18,019,759	1,558,054,095
Accumulated Depreciation													
Balance as at 1 st January 2023	-	47,029,985	26,834,245	448,016,200	39,860,497	320,482,160	40,620,376	66,597,004	34,289,009	307,591			1,024,037,065
Charge for the year		7,839,184	3,921,144	74,330,888	4,834,997	22,442,486	3,334,164	8,730,774	15,347,290	87,873			140,868,800
Disposals during the year			(454,614)	(4,097,784)			(22,000)	(1,617,478)	(9,594,000)				(15,785,876)
Error Correction				2,153,735									2,153,735
Balance as at 31 st December 2023		54,869,168	30,300,775	520,403,038	44,695,494	342,924,646	43,932,540	73,710,300	40,042,299	395,464			1,151,273,724
Net Book Value													
Balance as at 31 st December 2022	8,415,147	22,366,090	16,849,384	202,542,858	21,651,352	59,543,513	18,530,505	22,983,375	175,872,951	282,438			567,394,011
Balance as at 31 st December 2023	8,415,147	43,331,127	10,681,599	123,647,680	15,669,649	50,732,477	11,030,337	13,434,295	109,270,868	283,530	2,263,903	18,019,759	406,780,371
Cost													
Balance as at 1 st January 2022	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)
Derecognition													-
Revaluation Adjustment													-
Balance as at 31 st December 2022	8,415,147	86,951,785	39,688,872	670,031,302	58,932,833	392,673,868	54,984,877	85,487,082	193,593,167	672,144			1,591,431,076
Balance as at 1 st January 2022	-	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
Additions during 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)
Adjustment													
Balance as at 31 st December 2022	-	47,029,985	26,834,245	448,016,200	39,860,497	320,482,160	40,620,376	66,597,004	34,289,009	307,591			1,024,037,065

Notes to the Financial Statements (Continued)

For the year Ended 31st December 2023

CESL	
2023 Rs.	2022 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
Buildings		98,200,295	98,200,295
Motor Vehicles	334,267	148,978,900	149,313,167
Office Equipment	19,239,836	41,125,307	60,365,143
Furniture & Fittings	11,831,625	29,150,749	40,982,374
Construction Instrument	310,456,347	333,594,371	644,050,718
Library Books	30,000	648,994	678,994
Plant & Machinery	301,708,381	91,948,742	393,657,123
Computer	45,043,640	42,100,954	87,144,595
Containers	28,689,516	26,273,361	54,962,877
Bearer Plants		2,263,903	2,263,903
Consumable Biological Assets - Animals		18,019,759	18,019,759
	717,333,612	832,305,335	1,549,638,948

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	13,633,401	14,147,577
Acquisition of during the year	-	-
Amortisation	(514,176)	(514,176)
At end of the year	13,119,226	13,633,401

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	Plan. 582 60P	30Years From
Rathnapura		08.07.2019

12 Capital Work In Progress

Internal Develop Software

Balance B/F -	10,110,000	10,110,000
Cost Incurred During the Year	10,110,000	10,110,000
<u>Building Construction</u>		
Balance B/F -	34,144,371	17,991,691
Cost Incurred During the Year	20,456,854	16,152,680
Transferred	64,711,225	44,254,371

13 Investments

Long term investment (Note 13.1)	145,322,938	-
Short term investment (Note 13.2)	3,963,681,274	2,746,184,766
	4,109,004,212	2,746,184,766

Notes to the Financial Statements (Continued)

For the year Ended 31st December 2023

		CESL	
		2023 Rs.	2022 Rs.
13.1 Long term investment			
Loans and receivable financial assets			
Investment in Treasury Bonds	145,322,938	-	
Settlement Value Rs.148,015,856.66			
Maturity Date - 2027.09.15			
	145,322,938	-	
13.2 Short term investment			
Repo	-	-	
Short term investments	3,963,681,274	2,746,184,766	
	3,963,681,274	2,746,184,766	
Fixed Deposits amounting Rs. 937,775,285.00 have been pledged against bank Guarantees as at 31.12.2023.			
14 Inventories			
Inventories - Construction Materials	808,100,936	981,563,528	
Disposal Of Material	-	-	
	808,100,936	981,563,528	
15 Work In Progress			
Opening Balance	64,675,522	35,198,733	
Prior Year Adjustment			
Reversal Of Prior Year Adjustment	(21,535,294)	(10,365,451)	
WIP for the Current Year	72,933,578	39,842,240	
Closing Balance	116,073,806	64,675,522	
16 Biological Assets			
Consumable Biological Assets - Animals	-	-	
Consumable Biological Assets - Corps	833,858	-	
	833,858	-	
17 Trade and Other Receivables			
Trade Receivables (Note 17.1)	6,090,471,152	8,263,328,619	
Other Receivables (Note 17.2)	106,880,916	32,293,478	
Deposits, Prepayments and Advances (Note 17.3)	258,730,810	242,488,023	
	6,456,082,879	8,538,110,120	
17.1 Trade Receivables			
Debtors	2,397,002,063	3,778,887,567	
Due From Customers	875,385,621	1,621,087,675	
Retention Receivables	2,962,348,255	3,007,618,163	
Less - Provision for Impairment (Note 17.1.1)	(144,264,787)	(144,264,787)	
	6,090,471,152	8,263,328,619	
17.1.1 Provision for Impairment			
Debtors	141,858,063	141,858,063	
Retention	2,406,723	2,406,723	
Provision for Expected Losses			
Prior Year Adjustment (Provision)	-	-	
	144,264,787	144,264,787	

Notes to the Financial Statements (Continued)

For the year Ended 31st December 2023

		CESL	
		2023 Rs.	2022 Rs.
17.2 Other Receivables			
WHT Deduction - From Payments		1,329,369	1,141,859.29
Staff Loans		4,010,429	5,185,000
Prepaid Staff Cost		723,285	1,214,590
Refundable Deposits		77,428,482	15,683,577
Other Taxes		-	-
Sundry Debtors		22,248,797	9,068,452
WHT Receivable		1,140,555	-
Economic Service Charges - ESC		-	-
		106,880,916	32,293,478
17.3 Deposits, Prepayments and Advances			
Mobilization Advance Paid		135,634,567	157,594,584
Deposits		-	-
Advances		122,485,869	83,579,727
Prepayments		610,375	1,313,713
		258,730,810	242,488,023
18 Cash and Cash Equivalents			
Favorable Balances			
Cash in Hand and at Bank		2,239,127,962	564,637,680
Cash in Transit		-	88,568,346
		2,239,127,962	653,206,026
Unfavorable Balances			
Bank Overdraft		-	-
		2,239,127,962	653,206,026
Cash and Cash Equivalents for the Cash Flow Purpose		2,239,127,962	653,206,026
19 Defined Benefit Obligations			
(a) The amounts recognised in the Financial Position are determined as follows:			
Balance at the beginning of the year		28,136,483	29,209,476
Current service cost		3,851,469	4,972,307
Interest cost		5,064,567	3,213,042
Actuarial (gain)/Loss during the year		14,828,504	(1,580,199)
		51,881,023	35,814,626
Benefits paid		(9,989,238)	(7,678,143)
Balance at the end of the year		41,891,785	28,136,483
(b) Liability Recognized in the Financial Position			
Present Value of Obligation as at 31 st December 2023		41,891,785	28,136,483
Un Recognised Actuarial Gains / (Losses)		-	-
Net Liability in Financial Position		41,891,785	28,136,483
(c) The amounts recognised in the Statement of Comprehensive Income are as follows:			
Interest Cost		5,064,567	3,213,042
Current Service Cost		3,851,469	4,972,307
		8,916,036	8,185,349
(d) The amounts recognised in the Statement of Other Comprehensive Income are as follows:			
Actuarial (Gain) / Loss recognized		14,828,504	(1,580,199)
		14,828,504	(1,580,199)

Notes to the Financial Statements (Continued)

For the year Ended 31st December 2023

CESL	
2023 Rs.	2022 Rs.

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.

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

Fixed Deposit Number	Amount (Rs.)
90643070	5,476,301
90643073	5,476,301
90731808	34,000,000
Total as at 31.12.2023	<u>44,952,603</u>

Key assumptions used in the computation includes the following;

Rate of Discount	13.0%
Salary Incremental Rates	2%
Staff Turnover Rates: 14 % upto 54 and thereafter 0%	
Retirement Age	60
Mortality: A 67/70 Mortality Table	

20	Deferred Tax		
	Balance at the beginning of the year	14,265,531	16,405,331
	Provision for the year	18,351,146	(2,139,801)
	Balance at the end of the year	<u>32,616,677</u>	<u>14,265,531</u>
21	Trade and Other Payables		
	Trade Payables (Note 20.1)	10,837,868,481	10,540,072,450
	Other Payables (Note 20.2)	342,496,563	210,871,174
		<u>11,180,365,043</u>	<u>10,750,943,624</u>
21.1	Trade Payables		
	Creditors	1,651,297,068	1,534,271,522
	Due to Customers	4,188,912,165	3,244,409,080
	Mobilization & Other Advances	4,231,574,515	5,031,816,813
	Retention Payables to Contractors	766,084,733	729,575,035
		<u>10,837,868,481</u>	<u>10,540,072,451</u>
21.2	Other Payables		
	EPF Payable	2,666,124	3,604,405
	ETF Payable	399,919	540,661
	Yasasa Loan Payable	-	-
	WHT Deductions From Payments	1,325,943	1,300,443
	Medical Insurance Deduction	2,284,482	1,886,332
	Death Grant Deduction	-	-
	Sundry Creditors	24,948,279	28,151,523
	Accrued Expenses	15,699,569	25,519,710
	Unpaid Staff Cost	16,417,267	28,696,377
	PAYE tax	4,060,763	4,049,524
	SSCL	(8,447,959)	3,624,882
	Other Taxes	283,142,177	113,497,317
		<u>342,496,563</u>	<u>210,871,174</u>
22	Income Tax Payables		
	Balance at the beginning of the year	51,413,668	16,931,945
	Income tax for the year	120,573,174	86,647,406
	Provision in respect of the last year	(20,493,987)	9,396,740
	Payments made during the year	(78,613,240)	(61,562,422)
	Withholding Tax (WHT)	(27,617,056)	(0)
	Balance at the end of the year	<u>45,262,559</u>	<u>51,413,668</u>

Notes to the Financial Statements (Continued)

For the year Ended 31st December 2023

23 Related Party Transactions

23.1 Transaction with Parent

a) Eng. B.A.S.S. Perera was the chairman of CESL and Eng. G.D.A. Piyathilaka, Mrs. B.A. Gamage, Eng. S.A.U.D.C. Siriwardhana, Eng. S.S.A. Kalugaldeniya, Eng. P.M. Jayadeera who were Directors of CESL as at 31st December 2023.

Further key management personal of CESL are as follows;

Name	Designation	Base Office
Eng. S.B.A.D. Semasinghe	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. H.M.I.U. Herath	A/Chief Financial Officer	

b) Nature of the Transactions	Amount 2023 Rs.
Construction Revenue	
Hiring Income	1,901,358

23.2 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

	2022 Rs.	2023 Rs.
Salaries and other Employment Benefits	1,157,988	1,403,163

24 Commitments and contingencies

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



SIX YEAR SUMMARY

Statement of Profit or Loss and Other Comprehensive Income Highlights

		2018	2019	2020	2021	2022	2023
Revenue	Rs. Mn	11,189	10,474	6,694	8,298	6,332	6,854
Gross Profit	Rs. Mn	786	781	622	840	636	470
EBITDA	Rs. Mn	232	212	86	266	262	318
EBIT	Rs. Mn	67	55	(62)	138	(58)	(383)
Net Finance Income	Rs. Mn	105	151	132	116	312	685
Profit After Tax	Rs. Mn	121.4	141.4	59.1	210.6	160.6	184.2
Profit Attributable to Owners	Rs. Mn	121.4	141.4	59.1	210.6	160.6	184.2

Statement of Financial Position Highlights

Property, Plant and Equipemnt	Rs. Mn	435	473	610	591	625	629
Total - Non Current Assets	Rs. Mn	435	473	610	591	625	629
Cash and Cash Equivalent	Rs. Mn	328	311	308	651	653	2,239
Short Term Deposits	Rs. Mn	1,985	1,759	2,291	2,336	2,746	3,963
Total Assets	Rs. Mn	12,616	12,681	12,558	13,033	13,609	14,213
Stated Capital	Rs.	10,000,020	10,000,020	10,000,020	10,000,020	10,000,020	10,000,020
Retained Earnings	Rs. Mn	411	594	652	859	1,021	1,207
Equity Attributable to Owners	Rs. Mn	421	604	856	1,063	1,226	1,367
Total Non Current Liabilities	Rs. Mn	1,629	1,655	1,689	1,476	1,580	1,620

Statement of Cash Flow Highlights

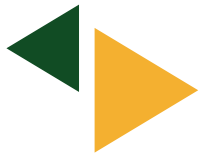
Cash flow from Operating Activities	Rs. Mn	912	(227)	472	407	295	2,309
Cash Flow used in Investing Activities	Rs. Mn	(844.7)	241.5	(475.1)	(64.5)	(293.4)	(723.0)
Cash Flows from / (used in) Fianancing Activities	Rs. Mn	-	-	-	-	-	-

Key Financial Ratios

EPS	Rs.	1,208	1,410.7	574.7	2,055.4	1,621.8	1,694.1
Net Assets per Share	Rs.	4,211	6,049	8,569	10,640	12,262	13,677
ROE		29%	23%	7%	20%	13%	13%
Current Ratio		1.2	1.2	1.2	1.2	1.2	1.2
Quick Ratio		1.08	1.10	1.12	1.09	1.11	1.14

Directors remuneration for the year ended 31st December 2023 is Rs. 1,403,163.00

Auditors fee for the year ended 31st December 2023 is Rs. 1,503,600.00



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

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. R. Rizwan

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

● AUDITORS

National Audit Office

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

● AUDIT COMMITTEE

Eng. A. Galketiya - Chairman of the CESL

Eng. B.A.S.S. Perera - Chairman of the CESL

Ms. B.N. Gamage - Chairman of the Committee/ Director

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

Mr. D. Mabopitiya - Director

Eng. S.S.A. Kalugaldeniya - Director

● BOARD OF DIRECTORS

Eng. B.A.S.S. Perera - Chairman

Eng. G.D.A. Piyatilake - Director

Ms. B.N. Gamage - Director

Eng. (Ms.) P.M. Jayadeera - Director

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

Eng. S.S.A. Kalugaldeniya - 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

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CENTRAL ENGINEERING SERVICES (PVT) LTD

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CESL
POWERING TECHNOLOGY

Design & Produced by *Central Engineering Services (Pvt) Ltd.*

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