

Annual Report
2019



ANNUAL REPORT

2019



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CENTRAL ENGINEERING CONSULTANCY BUREAU

Annual Report 2019

CENTRAL
ENGINEERING
CONSULTANCY
BUREAU



www.cecb.lk

Ministry of Irrigation
No 415, Bauddhaloka Mawatha, Colombo 07, Sri Lanka

CONTENTS

About Us	01
Message from the Chairman	03
Message from the General Manager	04
Financial Highlights	05-06
Board of Directors	07-08
Management Team of CECB	09
Director's Report	10-11
Audit Committee Report	12-13
Corporate Information and Accounting Policies	14-24
Financial Statements	
Statement of Comprehensive Income	25
Statement of Financial Position	26
Statement of Changes in Equity	27
Cash Flow Statement	28
Notes to the Financial Statement	29-39
Auditor General's Report	40-56
Comparative Financial Statements	57-58
Performance of CECB	59-67
Central Engineering Services (Pvt) Ltd – CESL	68-73

INSPIRED TO GO BEYOND

The CECB - Central Engineering Consultancy Bureau. The foremost Engineering consultancy services provider in Sri Lanka today: Multi-Disciplinary in Function, Futuristic in approach and, above all, Gifted with a team of Inspired Professionals yearning to go beyond.

That inspiration comes with a history - A history that has left its indelible marks numerous on the face of this country from over two millennia ago : A history that flourished when the developed world of today was hardly awake.

Fortunately, those indelible marks - ingenious engineering feats - of that distant time are still with us, not as some lifeless artifact, but as something that runs through our veins... feeding us...and breathing very life to our souls. And that sprouts inspiration in the men and women we have chosen.

At CECB,
we give wings to such inspiration.

“ VISION

To be a world
class Engineering
Organization ”

“ MISSION

To be a World Class Engineering
Organization, acquiring excellence in
Engineering, Architecture and Quantity Surveying,
utilizing state of the art technology,
with a highly motivated,
trained and skilled workforce rewarded
appropriately for their contribution
in the optimum use of resources for the
maximum benefit to mankind ”





Chairman's Message

It is my privilege to present the Annual Report and Financial Statements of Central Engineering Consultancy Bureau (CECB) for the financial year 2019.

During the year, the Sri Lankan economy suffered from the spillover effects of Easter Sunday terror attacks and from the politically indecisive period that continued till the Presidential Elections in August 2019. Yet I am pleased to note that CECB performance has remained focused even under the slowed down business environment and lower construction business volumes experienced.

As for the macroeconomic environment in which CECB operated, the Central Bank Annual Report 2019 records a slower economic growth of 2.3% during the year. However, the national construction activities showed a 4.0% growth against the -2.5% contraction recorded in 2018. The construction sector which was a key driver of the GDP growth had GDP share of 6.9 % in 2019. The vulnerability Sri Lankan Rupee against the US Dollar continued to have a negative effect on imported building materials. However, on the positive side the reductions in VAT, income tax rates and abolition of NBT and ESC etc., were reasons for business optimism. While reducing interest rates encouraged construction activities, it also dented badly on the financial incomes accruing to the Bureau and leading to consider the need for investment diversification.

Notwithstanding this slowdown in the construction industry, CECB was able to achieve a Group revenue of Rs.13.1billion compared to the Rs.14.3 billion realized in 2018 and realized PBT of Rs.546.8 million in 2019 arising mainly from the reduction in revenue as well as increase cost of sales. As a state-owned enterprise, we stringently adhere and comply with all regulatory requirements. A total Rs.201.4 million was remitted as cumulative taxes and other levies to the Government. Renewed efforts were taken to enhance

governance and accountability issues through setting of strong controls and monitoring mechanisms that are continually assessed for improvement with Board directions.

The Government, its Ministries and Departments continue to remain the largest clients for CECB consultancy and construction services in developing national infrastructure that serve as essential value chain input to other national productive sectors for ensuring inclusive economic growth. However, the long delays experienced in settlement from the Government projects added to the financial constraints, and affected CECB growth momentum. Negotiations are ongoing with the Treasury in this regard.

CECB continues to be a market forerunner in the engineering consultancy in Sri Lanka and I believe that CECB is fully equipped and geared to support the national development drive. The Central Engineering Services (Pvt) Ltd (CESL) as the commercially oriented construction arm of CECB is market positioned for effective participation in the open market for engineering projects.

In conclusion, let me express my gratitude to Eng. GDA. Piyatilleke, who was the Chairman during the period under review and his fellow Board Members for their valuable leadership. Special thanks to Eng. KLS. Sahabandu and Eng. TD Wickremarathne former General Managers of the Bureau during 2019, for their support, advice and direction, and to the senior management for their dedication and above all to our staff who are our greatest asset.

Chairman
Eng. Ivan De Silva
B.Sc. (Eng), M.Eng.Sc(Const.Mgt)



General Manager's Message

It is my pleasure to send this message for the Annual Report 2019

Central Engineering Consultancy Bureau (CECB) has built its reputation as the foremost multi-disciplinary engineering consultancy institution servicing to the nation for over 45 years as a self-financing state-owned enterprise. Central Engineering Services (Pvt) Ltd (CESL) the fully owned subsidiary of CECB has been able to secure its position as the construction arm of the group while actively contributing in many competitive bidding projects.

As Chairman noted in his review though year 2019 was challenging, CECB managed to maintain group revenue of Rs. 13 billion compared to Rs. 14 billion in 2018, contributing Rs 10.75 billion and Rs 2.40 billion from construction and consultancy sectors, respectively. Despite the 8% decrease in group revenue, the CECB achieved a gross profit margin of 10 per cent and an operating profit of Rs 85 million. Subsequently reported Rs 547 million of net profit before tax.

CECB continued to make exceptional contributions to national economy during the year through its value engineering consultancies for development of nationally important socioeconomic infrastructure such as Central and Southern Expressways, Matara-Kataragama Railway extension, Port city project, water resources and hydro power projects such as Kaluganga, Uma Oya and Broadland etc

Investment in human capital is the key factor for development of our institution and to retain over the years in a challenging market environment. During 2019, CECB invested a total of Rs.14.5 million for fulfilling the in-house, postgraduate, professional review training including foreign training requirements. We will continue to invest in developing and upgrading their skills while ensuring opportunities for personal growth in their

CECB career. CECB also contributed to national engineering education through providing Industrial Training placements for 114 students from 03 universities and 172 Technical/Vocational training institutions free of charge.

In the present competitive environment, we continue with our focus on quality, profitability, sustainability, and development of human resources. CECB actively contributes to the development national standards and specifications and quality assurance mechanisms for engineering sector in association with Sri Lanka Standards Institute and CIDA

Let me end this note by thanking all our valuable clients for their continued confidence and support in partnering our growth and success.

I acknowledge contributions of my predecessors Eng. KLS. Sahabandu and Eng. TD Wickramaratna former General Managers and Eng. GDA. Piyatilake former Chairman of the Bureau during the year 2019 and the Board of Directors for their excellent leadership and guidance which has been invaluable.

I also thank the Senior Management and all staff members for their dedication and valuable contribution to CECB to advance its respected and reputed niche in the engineering industry in Sri Lanka.

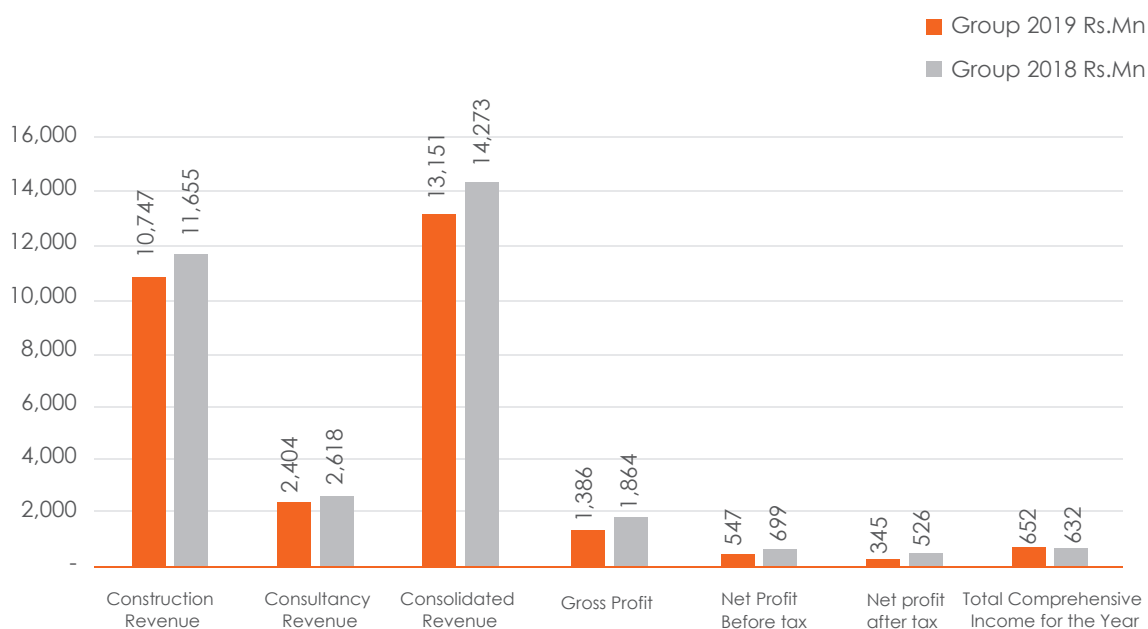
It is noteworthy even with the unsettled conditions in the country, we were able to achieve our targets, and we are positively looking forward to accomplishing our future goals in the coming years.

Eng. G.R.A.S. Gunathilake
General Manager
B.Sc.Eng (Hons) M.Sc(Hydropower)Norway,
M.Sc.(Struct)Sri Lanka,MIE (SL),C.Eng, MSSE (SL)

FINANCIAL HIGHLIGHTS

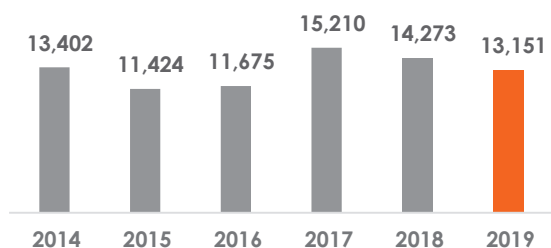
	Group		CECB	
	2019 Rs.Mn	2018 Rs.Mn	2019 Rs.Mn	2018 Rs.Mn
Construction Revenue	10,746	11,655	5,128	7,033
Consultancy Revenue	2,404	2,618	2,420	2,634
Consolidated Revenue	13,151	14,273	7548	9,667
Gross Profit	1,386	1,864	577	1,047
Net Profit Before Tax	547	699	340	526
Net profit After Tax	345	526	204	404
Total Comprehensive Income for the Year	652	632	511	511
Total assets	22,994	22,308	19,637	19,373
Contributed Capital	0.50	0.50	0.50	0.50
Total Equity	6,842	6,210	6,247	5,799
Total Equity Equilibrium	22,994	22,308	19,637	19,373
Current Assets	19,612	19,349	16,718	16,814
Current Liabilities	15,770	15,915	13,063	13,406

FINANCIAL HIGHLIGHTS GROUP

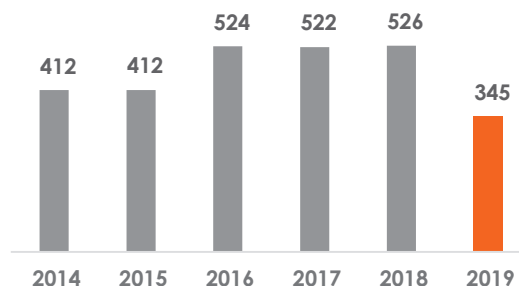


FINANCIAL HIGHLIGHTS Cont...

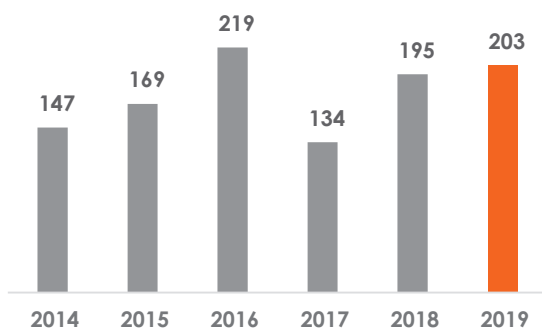
Revenue (Rs.Mn)



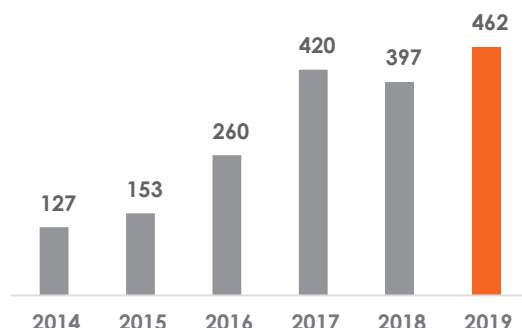
Net Profit (Rs.Mn)



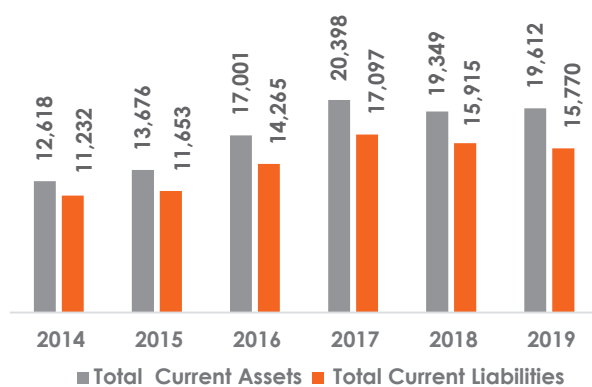
Other Income (Rs.Mn)



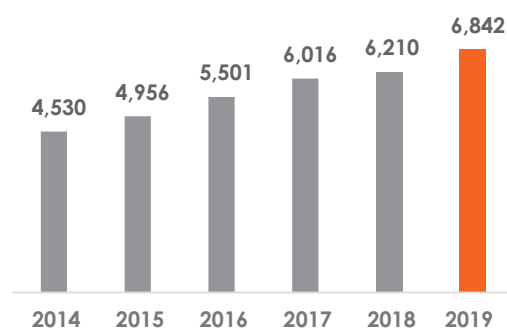
Net Finance Income (Rs.Mn)



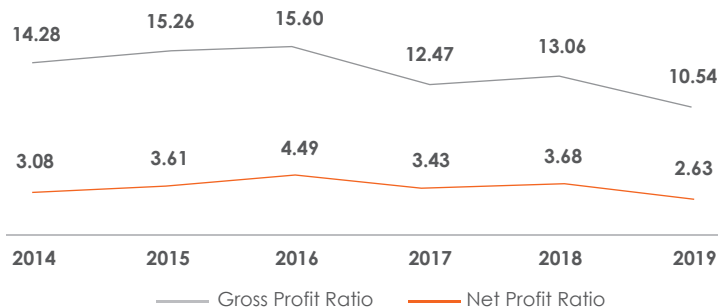
Current Assets & Current Liabilities (Rs.Mn)



Total Equity (Rs.Mn)



Profitability Ratios



BOARD OF DIRECTORS



Appointed as the Chairman of the Board in 2015. Functions concurrently as Chairman of the Central Engineering Services (PVT) Ltd, the construction Engineering arm of CECB. Since 2010 provided direct support to the Board in its deliberations as Corporate Additional General Manager (EPC). Possess over 34 years of wide experience in Engineering and Management all of which gained in CECB in various capacities and starting his career as Resident Engineer in Victoria Hydropower Project in 1983 and gaining progressive responsibilities and promotions over the years as Project Engineer (1995), Project Team Leader (1996), Deputy General Manager (2005) and as Additional General Manager in 2010. He brings to the Board his specialized knowledge and wide expertise of the Civil Engineering field gained in managing diverse projects he had undertaken in his long career.

Eng. G.D.A. Piyatilake | Chairman

BSc.Eng.Hons, PG. Dip. (Const.Mgt), PG. Dip. (Port & Coastal Eng.) Norway, MIE(SL) CEng., MASCE

Appointed to the Board as Working Director in 2015. Previously served as Working Director, CECB during 2007 to 2010. Concurrently serves as Director, Central Engineering Services (PVT) Ltd.

Concurrently functioning as Director, Ministry of Defence. Previously held the posts of Director, Water Resources Board, Director, Fertilizer Corporation and Secretary Rakhna Lanka (Pvt) Ltd.

Earlier served as Zonal Vice President of the North Central Province, Bar Association of Sri Lanka.

Mr. M.R.G. Ranathunge | Working Director

LL.B (Sri Lanka), Attorney-at-Law, Notary Public, Company Secretary, Actg. Magistrate.



Appointed to the Board as Director in 2015. Holds nationally important development responsibilities as Secretary, Ministry of Megapolis and Western Development from 2015. Served as Chairman CECB from 2005 to 2014.

Possess over 34 years of extensive Engineering and Management experience in the Bureau having joined CECB as Civil Engineer in 1981 and served as Civil Engineer, Resident Engineer, Chief Resident Engineer, Project Manager, Additional General Manager and General Manager. Pioneered the establishment of Engineering Procurement and Construction (EPC) Division starting as the Project Manager (Infrastructure Construction) and as Additional General Manager (EPC).

Eng. N. Rupasinghe | Director

BSc. Eng.(Hons), PG Dip. (Hydropower) Norway, C.Eng., MIE (SL), MICE (London), Licd. Surveyor



Appointed to the Board as Director in 2015. Functions as a Member of the Audit & Management Committee of CECB. Has earlier functioned as Chairman, CECB from 2000 to 2004. Extensive experiences in engineering and management gained nationally and overseas. Worked at State Engineering Corporation of Sri Lanka as Design Engineer (1965 to 1967), Resident Engineer (1967-1968) and Resident Construction Manager (1970 to 1972). Joined Central Engineering Consultancy Bureau as a Chief Project Engineer (1977), promoted as Deputy General Manager (1978 – 1985), as Additional General Manager Water Resources Planning (1986 – 1995) and elevated as General Manager, CECB (1995 to 1996). Served overseas in the Forestry Commission, Head Office, U.K (1968 to 1970) and as Deputy Section Engineer, Kent Country Council, UK (1972 to 1977)

Eng. H.B. Jayasekara | Director

BSc.(Eng.), C.Eng., MICE(UK), FIE(SL)





Appointed to the Board as Director in 2016 and concurrently serves as Executive Director, Central Engineering Services (Pvt) Ltd. Functioned as Chief Executive Officer of Central Engineering Services (Pvt) Ltd till September 2016. Possess over 36 years of extensive Engineering and Management experience in the Bureau, Having joined CECB as a Civil Engineer in 1980 and served as Shift Engineer in Maduru Oya Irrigation and Hydropower Project, Design Engineer in the Canyon Hydropower Project, Civil Engineer in the Randenigala Hydropower Project, Senior Engineer at Samanalawewa Hydropower Project. In 2001 he started the EPC – Southern Province Section as a Project Manager and served there as Deputy General Manager (EPC-SP) from 2006 to 2007 and as Additional General Manager (EPC-SP) from 2007 to 2015 and as Corporate Additional General Manager (EPC) till September 2016.

Eng. S.P.P. Nanayakkara | Director

B.Sc. Eng, C Eng, MICE (UK), MIE (SL)

Appointed to the Board as Director in 2018. Functions as a Member of the Audit & Management Committee of CECB. Concurrently serves as Member of the Council of University of the Visual & Performing Arts, DFCC Bank, Management Application (Pvt) Ltd, Raigam Wayamba Salterns (PLC), Southern Salterns, UGC Standing Committee on Management Studies, and Audit Committee Member of DFCC and Wayamba Salterns. Previous contributions include as Director, IDB, Member, Faculty of Accounting and Finance, UOK, Council Member of USJP, Council Member of PGIM of USJP. Educational offerings as Lecturer on Accounting, MOE, on Financial Accounting for Central Bank Training programmes, organizing Accounting Seminars for outstation students. Have published five books SLAS and Companies Act. Possess extensive finance management, accounting, auditing and teaching experiences. Currently functions as Senior Partner (Audit Assurance) of Messrs. Amerasekera & Co, Chartered Accountants.

Mr. T. Dharmarajah | Director

FCA (SL), Chartered Accountant, BSc Management Sp. (USJP), FMAAT (SL), APFDA (SL), DA



Appointed to the Board as Director in 2015. Holds nationally important development responsibilities as Secretary, Ministry of Megapolis and Western Development from 2015. Served as Chairman CECB from 2005 to 2014. Possess over 34 years of extensive Engineering and Management experience in the Bureau having joined CECB as Civil Engineer in 1981 and served as Civil Engineer, Resident Engineer, Chief Resident Engineer, Project Manager, Additional General Manager and General Manager. Pioneered the establishment of Engineering Procurement and Construction (EPC) Division starting as the Project Manager (Infrastructure Construction) and as Additional General Manager (EPC).

Mr. D. Wijesiriwardane | Director

B.Sc. Biological Sciences Hons (UoC), Master of Sociology (UoK), PGD Development Studies (UoC), PGD Business Studies (UoC), Public Administration Studies (SLIDA)

Appointed as Director representing Treasury in the CECB Board and as the Chairman of the Audit and Management Committee since August 2019. Concurrently working as a Director of Department of Project Management and Monitoring, Ministry of Finance since 2010 to up to date.

Previous contributions include as Assistant Director – Provincial Planning Unit, Sabaragamuwa Provincial Council, Ratnapura (1994-1998), Assistant Director - Department of External Resources, Ministry of Finance and Planning (1998-2009), Deputy Director - Department of External Resources, Ministry of Finance and Planning (2009-2010). Previously served as a Board Member in Elkaduwa Plantation Ltd (2015-2016) and she is a member of Sri Lanka Planning Service Association.

Ms. S. Vithanage | Director

B.Sc. Management (USJP), PG.Dip. Sub National Level Development Planning (UoC), MBA(USQ)



MANAGEMENT TEAM

Eng. G.D.A. Piyatilake
Chairman

Eng. T.D. Wickramaratna
General Manager

Eng. A. Galketiya
Corporate AGM (EPC)
AGM (Special Projects2)/AGM (International)

Eng. G.R.A.S. Gunathilake
Corporate AGM (Consultancy)
AGM (Consultancy East)

Eng. H.M. Nandasena
AGM (EPC-Central Province)

Eng. (Mrs.) H.M.S. Rupasinghe
AGM (Central Province)

Eng. T.G.D.T. Dharmawardana
AGM (Projects)

Eng. G.A.D.L.J. Seneviratne
AGM (Electro & Mechanical)

Eng. S.W. Jayawardana
AGM (Design-1)

Eng. (Mrs.) A.A.P. Adikari
AGM (Design-2)/AGM (DHQC)

Archd. W.K. Lalith Hewage
AGM (Architectural)

Eng. M.N. Gunasena
AGM (EPC- Uva Province)

Eng. W.A.D.D. Nandamumara
AGM (Northern Roads)

Eng. I.R.P. Gunathilake
AGM (Special Projects-1)

Eng. W.E.P. Ranjan Kumara
AGM (EPC-Sabaragamuwa)

Eng. S.A.U.D.C. Siriwardana
AGM (Water Resources Planning)

Eng. A. Pushparajah
AGM (EPC-North)

Eng. S.S.A. Kalugaldeniya
AGM (Design-3)

Eng. J.A.D.R.S. Kumara
AGM (EPC-NCP)

Eng. L.W.J.N. De Alwis
AGM (EPC Southern Province)

Eng. P.M.P.C. Gunathilake
AGM (EPC-East)

Eng. S.B.A.D. Semasinghe
AGM (EPC-Polonnaruwa)

Mr. W.T.D.P. Pathmendra
DGM (C&QS)

Mr. D. Mabopitiya
Finance Manager

Mr. E.R.S. Amarasekara
Chief Internal Auditor

Mrs. S.H.H.C.U. Senanayake
Senior Legal Officer

Mrs. A.C. Jayathilake
DGM (IT)

Mr. L.P. Jayasundara
DGM (HR & Admin)

DIRECTORS REPORT

ANNUAL REPORT OF THE BOARD OF DIRECTORS – 2019

Legal Status

The Central Engineering Consultancy Bureau (CECB) was established on 10th April 1973 to provide multi-disciplinary consultancy services for water resources development projects. It is a statutory body established under the State Industrial Corporation Act No. 49 of 1957.

Responsibilities of the Board of Directors

The Board should exercise its mandate rights and responsibilities with integrity and in good faith as the custodian of public resources. The Board should at all times be conscious of its onerous responsibilities, as the outcome of any decisions and actions carried out without proper planning will ultimately be borne by the public at large.

Best Practices

Best Practices in Corporate Governance advocate vigilant and wellfunctioning Boards that debate strategic decisions openly and constructively in the best interests of the enterprise. For this purpose dissenting views of members should also be heard. It is possible that a single dissenter could make a huge difference on a Board. "The highest performing companies have extremely contentious Boards that regard dissent as an obligation and treat no subject as undiscussable"

Leadership Role

In its leadership role, the duties of the Board should include:

- a) Determine the Mission of the enterprise and how best it could serve the interests of its shareholders and other stakeholders.
- b) Ensure that legal requirements are fulfilled and the enterprise operates in accordance with the provisions of the Incorporation Act/ Memorandum and Articles of Association.
- c) Frame policies for implementation by Management, so as to achieve optimum returns and benefits to its shareholders and other stakeholders.
- d) Review public policy objectives periodically and provide strategic direction, to formulate long – term goals and objectives for further growth.
- e) Ascertain that finances needed to meet goals and objectives are generated or obtained on a timely basis without interruptions, for the smooth functioning of the enterprise.
- f) Ensure proper accountability by maintaining adequate records and books of Accounts.

- g) Ensure that an effective risk management system is in place, to insulate the enterprise against disruptions, setbacks etc.

Oversight role

As regards its oversight role the Board is responsible for the overall management of the enterprise and to establish effective systems of control as checks and balances with responsibility shared widely amongst Senior Managers.

For this purpose the responsibility of the Board will:

- a) Ensure that Board policies are executed in the same spirit as it was framed and in the best interest of the institution and the public at large.
- b) Monitor the activities of Management by means of Management Information reports and evaluate performance, to ensure that the enterprise is on track in its operations.
- c) If results do not match desired expectations, take remedial action without delay to ensure that goals are achieved.
- d) Appoint competent personnel as Managers and ensure that there is proper delegation and team spirit amongst the Senior Management, by providing a conducive environment to carry out their respective functions independently and in a responsible manner.
- e) Report to shareholders at Annual General Meetings/attend Committee on Public Enterprises (COPE) meetings.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board comprises of Seven (07) Board Members, inclusive of the Chairman of Central Engineering Consultancy Bureau.

Members of the Board of Directors as follows;

Eng. G.D.A. Piyatilake	-	Chairman
Mr. M.R.G. Ranathunga	-	Working Director
Eng. N. Rupasinghe	-	Director
Eng. H.B. Jayasekara	-	Director
Eng. S.P.P. Nanayakkara	-	Director
Mr. T. Dharmarajah	-	Director
Mr. D. Wijesiriwardane	-	Director (January 2019 – July 2019)
Ms. S. Vithanage	-	Director (August 2019 – December 2019)

Meetings & Attendance

The Board met in 11 occasions to the Financial Year 2019 and the attendance of the Board of Directors was as follows.

Name	Position	2019										
		15 th Feb	27 th Feb	29 th Mar	02 nd May	30 th May	27 th June	29 th July	29 th Aug	20 th Sept	17 th Oct	11 th Nov
Eng. G.D.A. Piyatilake	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. M.R.G. Ranathunga	Working Director	✓	✓	✓	✓	✓	✓	✓	✓		-	
Eng. N. Rupasinghe	Director	✓	✓	✓	✓	✓	✓	✓	ab	✓	✓	✓
Eng. H.B. Jayasekara	Director	✓	✓	✓	✓	✓	✓	✓	✓	ab	ab	✓
Eng. S.P.P. Nanayakkara	Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. T. Dharmarajah	Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. D. Wijesiriwardane	Director	✓	✓	✓	✓	✓	✓	✓		-		
Ms. S. Vithanage	Director				-				✓	✓	✓	✓

AUDIT COMMITTEE REPORT

Audit and Management Committee Report

The Audit and Management Committee is governed by the specific Terms of Reference (TOR) set out by the Board of Directors in terms of the Public Enterprises Circular No. PED 55. The Committee focuses on the objectives in discharging its responsibilities as per Terms of Reference and the requirements of the Government. The Audit Committee has the responsibility of assisting the Board in the task of overseeing to ensure that financial reporting is done in compliance with relevant Sri Lanka Accounting Standards and other applicable legal requirements.

Further the committee should assist the Board to ensure that all relevant rules, regulations and Circulars issued by the Government and complied through continuous reviewing, monitoring, making recommendations to the Board on non-compliance. The Audit Committee should review the Internal/External Audit Reports, Management Letters, COPE recommendations, and help the Board to take remedial actions. Further it should assist the Board to introduce and implement adequate internal control system. The Committee shall meet at least once in three months and report its recommendations to the Board of Directors soon thereafter, along with the minutes of the meeting, to facilitate taking corrective measures. The Terms of Reference of the Audit Committee is issued by the Board of Directors.

Determination of the responsibilities of the Internal Audit Unit and review of the annual audit plans, 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, Prepare report on the findings of the Committee for inclusion in the Annual Report, Address relevant issues concerning the subsidiaries of the enterprise, if any, on a regular basis.

Composition

According to the provisions of Public Enterprises Circular No. PED 55, the Audit Committee of Bureau comprises of three (03) Non- Executive Board members, inclusive of Treasury Representative who chairs the committee

The Present Members of the Audit Committee are as follows:

○ Chairman of the Committee –

Mr. D. Wijesiriwardana
(January 2019 to July 2019)

Ms. S. Vithanage
(August 2019 to December 2019)

○ Director - Mr. T. Dharmarajah

○ Director - Eng. H.B. Jayasekara

The Committee has a blend of experience in the commercial and public sector with financial and management expertise.

Ms. S.H.H.C.U. Senanayake, Board Secretary functions as the Secretary to the Audit Committee and Mr. E.R.S. Amarasekara, Chief Internal Auditor functions as the Convener to the Audit Committee.

Meetings and Attendance

The Audit Committee met on four occasions during the financial year 2019 and their attendances are as follows:

Name	2019			
	12 th Mar	19 th Mar	28 th June	27 th Sept
Mr. D.Wijesiriwardana Chairman of the Committee	✓	ab	✓	-
Ms. S. Vithanage Chairman of the Committee		-		✓
Mr. T. Dharmarajah Director	✓	✓	✓	✓
Eng. H.B.Jayasekara Director	✓	✓	✓	ab

Other Members of the Board, Senior Managers, as well as the External Auditors are invited to be present at the discussions where appropriate. The proceedings of the audit Committee are regularly reported to the Board of Directors.

Compliance

The Committee has ensured the Board to act in compliance with the relevant legislations and the regulatory requirements and to ensure that the financial statement complies with the Sri Lanka Accounting Standards.

The Committee assessed the adequacy of existing controls and risk management procedures and made recommendation to the Board, for additional controls and risk mitigating strategies necessary to strengthen the existing internal control system.

Further the Committee has reviewed the routine operations of the Bureau and assessed future prospects for its business operations and accordingly makes sure that the going concern assumption used in the preparation of the financial statements, is appropriate.

External Audit

The Auditor General acts as the External Auditor of the Bureau.

Ms. S. Vithanage
Chairman
Audit & Management Committee

CORPORATE INFORMATION AND ACCOUNTING POLICIES

1. CORPORATE INFORMATION

1.1 Domicile and Legal Form

Central Engineering Consultancy Bureau is a State Corporation established under the provisions of the State Industrial Corporations Act no. 49 of 1957 and domiciled in Sri Lanka. The Bureau's registered office and the principal place of business are located at No.415, Bauddhaloka Mawatha, Colombo 07.

The Consolidated Financial Statements of Central Engineering Consultancy Bureau as at and for the year ended 31st December 2019 comprises the Bureau and its subsidiaries (together referred to as the "Group").

The Financial Statements of all Companies in the Bureau have a common financial year which ends on December 31st.

1.2 Principal Activities and Nature of Operations

Central Engineering Consultancy Bureau is primarily involved in the business of construction, consultancy and any engineering related activities.

Central Engineering Service (Private) Limited (CESL) is a fully owned subsidiary of CECB engage in the business of undertaking and executing Design-Build, Turnkey and other types of construction work in the field of civil, electrical and mechanical engineering and all aspects connected therewith or ancillary or incidental thereto on its own or as a member of joint venture or a member of a consortium in Sri Lanka or elsewhere.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Bureau and the Group comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the cash flow statement, together with the accounting policies and notes to the financial statements. These financial statements have been prepared in accordance with Sri Lanka Accounting

Standards (SLFRSs and LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Financial Statements of the subsidiary are prepared in compliance with the Accounting policies of the Bureau unless stated otherwise.

2.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of Financial Position.

- Financial Assets and Financial Liabilities that have been measured at fair value (LKAS -39)
- Property Plant and Equipment are stated at fair value. (LKAS -16)
- Employee benefit liability recognized based on actuarial valuation (LKAS-19)

The Bureau's Directors have made an assessment of the Bureau's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of business.

2.3 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Bureau's functional and presentation currency.

2.4 Significant Accounting Judgments, Estimates & Assumptions

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS) requires the management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses and disclosure of contingent liabilities. Actual results may differ from these estimates.

The Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the

CORPORATE INFORMATION AND ACCOUNTING POLICIES

basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from the other sources.

The Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that financial year or in the period of the revision and future periods if the revision affects both current and future financial years.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Critical accounting estimate/ judgment	Note No	Page No
Contract revenue, cost and percentage of completion	09	29

Information about assumptions and estimates uncertainties that have a significant risk of resulting in a material adjustment in the financial statements are included in the table below:

Critical accounting estimate/ judgment	Note No	Page No
Property, plant and equipment	15	31
Employee Benefits	24	35
Deferred Tax Liabilities	25	36

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Consolidation

(a) Business Consolidation

The group's financial statements comprise consolidation of the financial statements of the bureau, its subsidiaries in terms of the Sri Lanka Accounting Standards SLFRS 10-“Consolidated Financial Statements”

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of Subsidiaries are included in the consolidated Financial Statements from the date that control commences, until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(c) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized income and expenses arising from intra Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2 Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period;

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period;

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities including deferred tax liabilities as non-current.

3.3 Foreign Currency Transactions

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

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

The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference.

Foreign exchange differences arising on translation of foreign exchange transactions

are recognized as a profit or loss in the statement of Comprehensive Income.

3.4 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bureau estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognised in the Statement of Profit or Loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bureau estimates the asset's or cash-generating unit's recoverable amount.

CORPORATE INFORMATION AND ACCOUNTING POLICIES

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

3.5 Statement of cash flows

The Statement Cash Flow has been prepared using the "indirect method" in accordance with Sri Lanka Accounting Standard LKAS 7 – "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.

Cash and cash equivalent includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

3.6 Sri Lanka Accounting Standards (SLFRSs/ LKASs) Issued But Not Yet Effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company Financial Statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short term. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

None of these new standards and interpretations is expected to have a material effect on the Financial Statements of the Group. Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the management.

3.7 Financial Instruments

3.7.1 Financial Assets and Financial Liabilities

(a) Initial Recognition and Measurement

The Bureau recognizes a financial asset or a financial liability in its statement of financial

CORPORATE INFORMATION AND ACCOUNTING POLICIES

position when the entity become party to the contractual provisions of the instrument.

Bureau 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 if financial asset.

Bureau 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 intially measured at transaction price as stated in SLFRS 15.

(b) Classification of Financial Assets

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

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

(ii) Financial Assets measured at Amortized cost

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- 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 OCI if both of following conditions are met.

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- 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 OCI in accordance with paragraph (ii) and (iii) above.

(c) Classification of Financial liabilities

Financial liabilities are subsequently measured at amortized cost, except for,

- Financial liabilities at fair value through profit or loss.
- Commitments to provide a loan at a below-market interest rate.

(d) 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

(e) Amortised cost Measurement

Interest revenue is calculated by using the

CORPORATE INFORMATION AND ACCOUNTING POLICIES

effective interest method by applying effective interest rate to the gross carrying value of financial assets

(f) 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.

(g) Derecognition of Financial Assets

The company derecognises a financial assets when:

- The contractual rights to the cash flows from the financial asset expire, or
- It transfers the financial asset and the transfer qualifies for derecognition.

(h) Derecognition 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.

3.8 Property, Plant and Equipment

3.8.1 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 Group and the cost of the asset can be reliably measured.

All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued at fair value. The Group applies cost model to property, plant and equipment except for land and buildings 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.

The Group applies the re-valuation model to land and buildings. The Group has adopted a policy of revaluing assets at least once in every five years.

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

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

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

3.8.2 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

CORPORATE INFORMATION AND ACCOUNTING POLICIES

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.

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 capitalised as part of equipment.

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.

3.8.3 Leasehold Assets

Leases in terms of which the Group 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.

3.8.4 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 Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

3.8.5 De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on

de-recognition are recognized in profit or loss.

3.8.6 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 Group will obtain ownership by the end of the lease term. Depreciation of an asset begins when it is available for use where as 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 Group that is classified as held for sale) and the date that the asset is derecognised. Depreciation is not charged on Freehold Land and Capital Work in Progress.

The estimated useful lives are as follows:

Asset Category	Useful Lives(years)
Freehold Building	13-14
Office Equipment and Furniture and Fittings	5-8
Construction Instruments and Equipment	4-5
Motor Vehicles	4
Plant & Machinery	5
Containers	5
Computers	5
Library Books	8

The residual value and the useful life of an asset shall be reviewed at least at each financial year end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with LKAS 08 Accounting Policies, Changes in Accounting Estimates and Errors.

CORPORATE INFORMATION AND ACCOUNTING POLICIES

3.8.7 Capital Work in Progress

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.

3.9 Lease hold Property

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold property comprising of land use rights and stated at valuation, are amortised on a straight line basis over the remaining lease term. The impairment loss if any is recognised in the Statement of Profit or Loss.

3.10 Intangible Assets

An intangible asset is an identifiable non monetary asset without physical substance held for use in the production or supply of goods or other services, rental to others or for administrative purposes. An intangible asset is initially recognised at cost, if it is probable that future economic benefit will flow to the enterprise, and the cost of the asset can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

(a) Computer software

Computer software costs incurred, licensed for use by the Group, which are not integrally related to associated hardware, which 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 intangible assets and carried at cost less accumulated amortisation and any accumulated impairment losses.

(b) Amortisation

Intangible assets with finite lives are amortised over the estimated useful economic life and assessed for impairment whenever there is an

indication that the intangible asset may be impaired. Intangible assets are amortised on a straight line basis in the Income Statement from the date on which the asset was available for use, over the best estimate of its useful life. The estimated useful life of software is 5 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Cumulated impairment losses.

Amortisation shall cease at the earlier of the date that the asset is classified as held for sale or the date that asset is de-recognised.

(c) De-recognition

An intangible asset is de-recognised on disposal or when no future economic benefits are expected from its use and subsequent disposal.

3.11 Inventories

Inventories are valued at lower of cost and net realizable value. Cost is determined on the weighted average cost basis and includes expenses incurred in acquiring the inventories and bringing them to their existing location and condition.

3.12 Work in Progress

Work in Progress represent 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) upto 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 Group's contract activities based on normal operating capacity.

3.13 Employee benefits

(a) 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 recognised as an employee

CORPORATE INFORMATION AND ACCOUNTING POLICIES

benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised 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 Group contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively

(b) Defined Benefit Plan - Gratuity

The liability recognized in the Statement of Financial Position in respect of defined benefit plan is the present value of defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits. Actuarial gains and losses for the defined benefit plans are recognized in full in the period in which they occur in Other Comprehensive Income.

The Group expects to carry out actuarial valuation atleast once in every three years.

The gratuity liability is valued using the Projected Unit Credit (PUC) method considering the assumptions required to arrive at the present value of defined benefit obligation.

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 5 years of continued service.

3.14 Provisions

Provisions are recognized if, as a result of a past event the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefit will be required to settle the

obligation. Provisions and liabilities are recognized in the Statement of Financial Position. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to the liability. Unwinding of discount is recognized as finance cost.

Capital commitments and contingencies

Capital commitments and contingent liabilities of group are disclosed in respective note 30 to the Financial Statements.

3.15 Statement of Comprehensive Income

3.15.1 Revenue

(a) 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 group'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 it is probable that they will result in revenue and can be measured reliably. Contract revenue is revised to the STC approved contract revenue approval once is received from STC. For other contracts the contract price includes initial amount agreed in the contract plus any variations in the contract work.

(b) Consultancy Services

Revenue from consultancy services is recognized according to nature, scope, value and duration of the consultancy contracts in the following manner.

CORPORATE INFORMATION AND ACCOUNTING POLICIES

- Stage of Completion Method

Revenue from consultancy services is recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed with reference to survey of work performed.

- Invoice Method

Revenue from consultancy services for which stage of completion of a contract cannot be reliably determined is recognized by invoice Method.

- Collection Method

Revenue from "Maintenance Requests" projects is recognized on Cash Collection Method

3.15.2 Interest Income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or 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 finance income in the Statement of Comprehensive Income.

3.15.3 Dividend Income

Dividend income is accounted when the shareholders' right to receive payment is established

3.15.4 Other Income

Profits or losses from disposal of property, plant and equipments recognized having deducted from proceeds on disposal, the carrying value of the assets and the related expenses.

Foreign currency gains and losses are reported on a net basis.

3.15.5 Expenditure Recognition

(a) Construction and consultancy Cost

Contract expenses are recognised as incurred unless they create an asset related to future Contract activity. Expected losses are recognized as an expense when it is probable that the total cost pertaining to construction contracts will exceed its revenue.

(b) 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 revenue in arriving at the profit for the year.

3.15.6 Taxation

(a) Current Taxes

Current Income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax is based on the elements of income and expenditures reported in the Financial Statements and computed with in accordance with the provisions of the Inland Revenue Act.

The relevant details are disclosed in the respective notes to the Financial Statements.

(b) Deferred Tax

Deferred tax is recognised 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 is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

CORPORATE INFORMATION AND ACCOUNTING POLICIES

- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

4. ORDINARY SHARE CAPITAL

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity net of any tax effects.

5. 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, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

6. RELATED PARTY TRANSACTIONS

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged. The relevant details are disclosed in the Note 27 to the Financial Statements.

7. CASH FLOW STATEMENT

The Cash Flow Statement has been prepared using the indirect method in accordance with Sri Lanka Accounting Standard LKAS 7 – Statement

of Cash Flows.

8. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Events after the reporting period are those events favourable and unfavourable 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.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 ST DECEMBER 2019		GROUP		CECB	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
	Note				
Revenue	9	13,150,718,975	14,273,155,935	7,548,165,387	9,667,271,046
Cost of Sales	10	(11,764,257,425)	(12,408,766,802)	(6,971,370,106)	(8,620,274,575)
Gross Profit		1,386,461,550	1,864,389,133	576,795,281	1,046,996,471
Other Income	11	202,839,680	194,774,286	170,110,297	156,941,619
Administration Expenses		(1,451,346,051)	(1,474,518,729)	(668,489,960)	(689,012,073)
Selling and Distribution Expenses		(52,706,532)	(282,120,820)	(48,715,865)	(279,559,063)
Results from Operating Activities		85,248,647	302,523,870	29,699,752	235,366,954
Finance Income		506,143,480	453,739,544	314,400,265	303,565,802
Finance Cost		(44,602,963)	(56,980,423)	(4,162,901)	(12,740,273)
Net Finance Income	12	461,540,517	396,759,121	310,237,364	290,825,529
Profit Before Tax		546,789,164	699,282,991	339,937,117	526,192,483
Income Tax Expense	14	(201,424,594)	(173,485,949)	(136,038,213)	(121,848,247)
Profit for the Year		345,364,570	525,797,042	203,898,903	404,344,237
Other Comprehensive Income					
Items that will not be reclassified to profit or loss					
Remeasurement of Defined Benefit Liability	24	(7,369,310)	(13,400,876)	(7,009,403)	(12,717,770)
Revaluation of Non Current Assets	28	483,930,941	119,386,358	483,930,941	119,386,358
Related Tax	25	(169,776,684)		(169,776,684)	
Other Comprehensive Income for the Year, Net of Tax		306,784,948	105,985,482	307,144,855	106,668,588
Total Comprehensive Income for the Year, Net of Tax		652,149,518	631,782,524	511,043,758	511,012,824

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on pages 29 to 40 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

		GROUP		CECB	
FOR THE YEAR ENDED 31 ST DECEMBER 2019		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Assets	Note				
Non-Current Assets					
Property, Plant and Equipment	15	3,231,130,105	2,823,088,623	2,773,136,175	2,387,873,408
Lease Hold Asset	16	87,598,676	74,948,240	72,422,750	74,948,240
Intangible Assets	17	7,642,750	8,574,369	7,642,750	8,574,369
Investments	18	55,216,573	52,634,700	65,216,593	62,634,720
Deferred Tax	25	-	-	-	25,274,627
Total Non-Current Assets		3,381,588,105	2,959,245,932	2,918,418,269	2,559,305,365
Current Assets					
Inventories	19	737,855,759	756,031,502	10,741,039	10,727,067
Work in progress	19	79,938,521	458,346,685	-	-
Trade and Other Receivables	20	13,357,590,461	12,092,206,764	11,741,494,084	11,485,297,537
Short term Investments	18	4,868,452,606	5,176,600,458	3,108,471,017	3,191,494,525
Cash and Cash Equivalents	22	568,539,381	865,760,048	257,291,253	537,695,214
Amount Due from Related Parties	21	-	-	1,600,196,674	1,588,871,719
Total Current Assets		19,612,376,729	19,348,945,457	16,718,194,067	16,814,086,063
Total Assets		22,993,964,834	22,308,191,389	19,636,612,336	19,373,391,428
Equity and Liabilities					
Contributed Capital		500,000	500,000	500,000	500,000
Capital Reserve	28	88,277,000	3,028,000	88,277,000	3,028,000
Revaluation Reserve		518,068,300	119,386,358	518,068,300	119,386,358
Retained Earnings		6,234,940,310	6,086,973,711	5,640,074,835	5,675,860,567
Total Equity		6,841,785,609	6,209,888,069	6,246,920,134	5,798,774,925
Non-Current Liabilities					
Lease Creditors	23	-	-	-	-
Employee Benefits Liabilities	24	180,974,438	176,869,571	167,903,375	168,341,721
Deferred Tax	25	200,932,489	6,887,518	159,166,864	-
Total Non-Current Liabilities		381,906,927	183,757,088	327,070,239	168,341,721
Current Liabilities					
Trade and Other Payables	26	14,888,563,947	14,909,461,179	12,190,521,650	12,479,623,765
Income Tax Payables	27	881,708,352	974,665,375	872,100,313	926,651,017
Lease Creditors	23	-	-	-	-
Bank Overdraft	22	-	30,419,679	-	-
Total Current Liabilities		15,770,272,298	15,914,546,232	13,062,621,963	13,406,274,782
Total Liabilities		16,152,179,226	16,098,303,321	13,389,692,201	13,574,616,503
Total Equity and Liabilities		22,993,964,834	22,308,191,389	19,636,612,336	19,373,391,428

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on pages 29 to 40 form an integral part of these Financial Statements.

It is certified that the Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (LKAS s and SLFRS s) issued by the Institute of Chartered Accountants of Sri Lanka.



D. Mabopitiya
FINANCE MANAGER



Eng. T.D. Wickramaratna
GENERAL MANAGER

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board ;



Eng. E.P.U.S. Karunaratne
CHAIRMAN



Eng. N.S. De Silva
DIRECTOR

28th February 2020
Colombo

STATEMENT OF CHANGES IN EQUITY

CECB					
FOR THE YEAR ENDED 31ST DECEMBER 2019	Contributed Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st January 2018	500,000	3,028,000	-	5,599,699,524	5,603,227,524
Impact from SLFRS 09	-	-	-	(315,465,422)	(315,465,422)
Net Profit For the Year	-	-	-	404,344,235	404,344,235
Other Comprehensive Income for the Year	-	-	119,386,358	(12,717,770)	106,668,588
Balance as at 31st December 2018	500,000	3,028,000	119,386,358	5,675,860,567	5,798,774,925
Balance as at 01st January 2019	500,000	3,028,000	119,386,358	5,675,860,567	5,798,774,925
Net Profit For the Year	-	-	-	203,898,904	203,898,904
Other Comprehensive Income for the year, net of tax	-	85,249,000	398,681,942	(176,786,087)	307,144,855
Prior Year Adjustment	-	-	-	(62,898,549)	(62,898,549)
Balance as at 31st December 2019	500,000	88,277,000	518,068,300	5,640,074,835	6,246,920,134

GROUP					
FOR THE YEAR ENDED 31ST DECEMBER 2019	Contributed Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st January 2018	500,000	3,028,000	-	6,012,648,538	6,016,176,538
Impact from SLFRS 09	-	-	-	(418,575,506)	(418,575,506)
Impact from SLFRS 15	-	-	-	(19,495,485)	(19,495,485)
Net Profit For the Year	-	-	-	525,797,040	525,797,040
Other Comprehensive Income for the Year	-	-	119,386,358	(13,400,876)	105,985,482
Balance as at 31st December 2018	500,000	3,028,000	119,386,358	6,086,973,711	6,209,888,069
Balance as at 01st January 2019	500,000	3,028,000	119,386,358	6,086,973,711	6,209,888,069
Profit For the Year	-	-	-	345,364,570	345,364,570
Other Comprehensive Income for the year, net of tax	-	85,249,000	398,681,942	(177,145,994)	306,784,948
Prior Year Adjustment Note	-	-	-	(20,251,978)	(20,251,978)
Balance as at 31st December 2019	500,000	88,277,000	518,068,300	6,234,940,310	6,841,785,609

The Notes to the Financial Statements set out on pages 29 to 40 form an integral part of these Financial Statements.

Note

Unbilled cost of Rs 47,273,083 by subsidiary Company Central Engineering Services (Pvt) Ltd was not recognized by CECB in 2018 as a result revenue of CECB was overstated by the same amount in the financial statements of 2018. This effect was adjusted against the retained earnings as at 1st January 2019.

The approval of the Board was granted at the board meeting held on 29th August 2019 and 11th November 2019 to correct the accounting deficiency due to duplication of revenue recognized by EPC Sabaragamuwa and Digana Base office. Accordingly amounting to Rs 9,001,369 from Sabaragamuwa base and Rs 6,624,097 from Digana Base were adjusted against the opening balance of retained earnings as at 1st January 2019.

The error in depreciation rates were adjusted according to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Rs.20,191,994/-

Previous year income tax liability changes were adjusted to retained earnings Rs. 22,454,577/-

CASH FLOW STATEMENT

	GROUP		CECB	
FOR THE YEAR ENDED 31 ST DECEMBER 2019	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Cash Flows from Operating Activities				
Profit Before Tax	546,789,164	699,282,990	339,937,117	526,192,483
Adjustments for:				
Depreciation on Property, Plant and Equipments	289,533,080	299,773,201	131,799,788	134,083,957
Amortisation of Leased Hold Property	2,774,830	816,460	2,525,490	816,460
Amortisation of Intangible Assets	931,619	242,659	931,619	242,659
Provision for Bad and Doubtful Debts	60,479,303	389,033,237	60,479,303	277,231,249
Reversal of Bad and Doubtful Debts	(168,618,526)	(72,504,955)	(168,618,526)	(65,154,187)
Provision / (Reversal) for Gratuity	43,696,847	34,309,745	38,747,565	30,611,576
Net Finance Income	(461,540,517)	(396,759,121)	(310,237,364)	(290,825,529)
Previous Period Adjustments	(62,898,549)	(438,070,992)	(62,898,549)	(315,465,422)
(Profit) / Loss on disposal of Property, Plant & Equipments	(35,247,146)	(6,341,543)	(35,094,259)	(8,021,800)
Operating Profit before Working Capital Changes	215,900,107	509,781,682	(2,427,816)	289,711,446
(Increase)/Decrease in Inventories	18,175,743	76,817,702	(13,972)	(88,566)
(Increase)/Decrease in Work In Progress	378,408,163	(458,346,685)	-	-
(Increase)/Decrease in Trade and Other Receivables	(1,157,244,478)	2,370,267,367	(148,057,328)	2,703,546,745
(Increase)/Decrease in Amounts Due from Related Companies	-	-	(11,324,955)	(23,249,982)
Increase/(Decrease) in Trade and Other Payables	(20,897,232)	(1,215,413,890)	(289,102,114)	(2,611,269,800)
Cash Generated from Operating Activities	(565,657,694)	1,283,106,180	(450,926,186)	292,649,843
Interest paid	(44,602,963)	(56,980,423)	(4,162,901)	(12,740,273)
Tax paid	(247,658,753)	(186,908,087)	(175,924,111)	(155,363,347)
Gratuity paid	(46,961,290)	(36,661,398)	(46,195,314)	(36,229,968)
Net Cash Flows from Operating Activities	(904,880,701)	1,002,556,270	(677,208,508)	88,316,259
Cash Flows from Investing Activities				
Investment in Property Plant and Equipment	(188,166,176)	(148,954,032)	(32,515,012)	(29,074,572)
Investment in Capital Work in Progress	(10,823,871)	(1,918,836)	(5,493,650)	(885,596)
Investment in Leased Hold Property	(15,425,266)	(75,764,700)	-	(75,764,700)
Investment in Intangible Assets	-	(8,817,028)	-	(8,817,028)
Sales Proceed on Disposal of Property Plant & Equipment	40,785,567	6,441,081	39,971,308	8,121,338
Investment / Disposal of Long Term Deposit	(2,581,873)	(1,516,851)	(2,581,873)	(1,516,851)
Investment / Disposal of Short Term Deposit	308,147,852	(1,082,065,512)	83,023,508	(208,030,603)
Interest Income	506,143,480	453,739,544	314,400,265	303,565,802
Net Cash Flows from Investing Activities	638,079,713	(858,856,334)	396,804,547	(12,402,211)
Cash Flows from Financing Activities				
Net Cash from Financing Activities	-	-	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents	(266,800,988)	143,699,936	(280,403,961)	75,914,048
Cash and Cash Equivalent at the beginning	835,340,369	691,640,433	537,695,214	461,781,166
Cash and Cash Equivalent at the end (Note 22)	568,539,381	835,340,369	257,291,253	537,695,214

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on pages 29 to 40 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

		GROUP		CECB	
FOR THE YEAR ENDED 31 ST DECEMBER 2019		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
9.	Revenue				
	Construction Revenue	10,746,508,980	11,654,948,124	5,128,317,093	7,032,813,248
	Consultancy Revenue	2,404,209,995	2,618,207,811	2,419,848,294	2,634,457,798
		<u>13,150,718,975</u>	<u>14,273,155,935</u>	<u>7,548,165,387</u>	<u>9,667,271,046</u>
10.	Cost of sales				
	Construction Cost	9,754,052,324	10,481,738,103	4,949,824,168	6,663,856,201
	Consultancy Cost	2,010,205,100	1,927,028,699	2,021,545,938	1,956,418,374
		<u>11,764,257,425</u>	<u>12,408,766,802</u>	<u>6,971,370,106</u>	<u>8,620,274,575</u>
11.	Other Income				
	Miscellaneous Revenue	95,679,051	54,894,769	39,825,850	18,464,616
	Hiring Income	29,542,067	48,904,941	23,066,009	21,261,899
	Gain on Disposal of Non C/A	35,513,901	6,346,956	35,361,015	8,027,213
	Reimbursable costs	-	-	31,688,710	31,911,041
	Foreign exchange gain/(loss)	(274,274)	12,122,665	(274,274)	12,122,665
	Bad Debt Provision Reversal	40,442,987	72,504,955	40,442,987	65,154,187
	Commission Income	1,935,949	-	-	-
		<u>202,839,680</u>	<u>194,774,286</u>	<u>170,110,297</u>	<u>156,941,619</u>
12.	Net Finance Income				
	Finance Income				
	Interest Income	506,143,480	453,739,544	314,400,265	303,565,802
		<u>506,143,480</u>	<u>453,739,544</u>	<u>314,400,265</u>	<u>303,565,802</u>
13.	Finance Cost				
	Interest Expenses	(44,602,963)	(56,980,423)	(4,162,901)	(12,740,273)
	Finance Cost	(44,602,963)	(56,980,423)	(4,162,901)	(12,740,273)
	Net Finance Income	<u>461,540,517</u>	<u>396,759,121</u>	<u>310,237,364</u>	<u>290,825,529</u>
14.	Income Tax				
14.1	Current Tax Expense	177,156,306	189,179,614	121,373,406	147,122,874
	Deferred Tax Provision	24,268,287	(15,693,664)	14,664,807	(25,274,627)
		<u>201,424,594</u>	<u>173,485,950</u>	<u>136,038,213</u>	<u>121,848,247</u>
14.2	Reconciliation of Accounting Profit to Taxable Profit				
	Tax on Construction Income at 28%	-	-	-	-
	Tax on Income other than Construction	177,156,306	189,179,614	121,373,406	147,122,874
	Dividend Tax	-	-	-	-
	Current Income Tax Expenses	<u>177,156,306</u>	<u>189,179,614</u>	<u>121,373,406</u>	<u>147,122,874</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2019

15 PROPERTY PLANT AND EQUIPMENT

15.1 CECB

	Land		Buildings		Furniture & Fittings		Construction Equipment		Office Equipment		Plant & Machinery		Containers		Computers		Motor Vehicles		Library Books		Capital Work In Progress		Total	
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
Balance as at 1st January 2019	1,707,886,445		793,376,302		74,365,920		231,848,547		83,011,659		336,714,438		12,380,896		163,745,267		386,103,721		2,011,533		885,596		3,792,330,324	
Additions during the year	-		-		5,942,504		9,806,573		2,919,606		5,367,849		-		8,097,408		-		89,133		5,493,650		37,716,724	
Disposals / Write off during the year	-		-		(13,053,256)		(72,372,341)		(13,245,721)		(43,113,867)		(10,671,143)		(27,910,496)		(4,691,851)		(14,795)		-		(185,073,470)	
Derecognition	-		-		-		-		-		-		-		-		(225,455,581)		-		-		(225,455,581)	
Revaluation Gain	-		-		-		-		-		-		-		-		483,930,941		-		-		483,930,941	
Balance as at 31st December 2019	1,707,886,445		793,376,302		67,255,168		169,282,780		72,685,545		298,968,419		1,709,753		143,932,179		639,887,230		2,085,871		6,379,246		3,903,448,938	
Accumulated Depreciation																								
Balance as at 1st January 2019	-		382,627,052		52,256,008		205,072,583		58,042,651		177,952,793		12,371,349		131,616,719		383,033,770		1,483,985		-		1,404,456,909	
Charge for the year	-		64,657,231		6,872,476		11,036,831		6,524,515		28,902,141		-		12,000,633		1,695,383		110,579		-		131,799,788	
Disposals during the year	-		-		(12,247,289)		(70,359,180)		(12,407,024)		(42,979,052)		(10,671,143)		(27,251,524)		(4,691,851)		(14,795)		-		(180,621,859)	
Derecognition	-		-		-		-		-		-		-		-		(225,322,081)		-		-		(225,322,081)	
Balance as at 31st December 2019	-		447,284,282		46,881,195		145,750,234		52,160,142		163,875,882		1,700,205		116,365,828		154,715,221		1,579,769		-		1,130,312,758	
Net Book Value																								
Balance as at 31st December 2018	1,707,886,445		410,749,250		22,109,912		26,775,964		24,969,008		158,761,645		9,547		32,128,548		3,069,951		527,547		885,596		2,387,873,413	
Balance as at 31st December 2019	1,707,886,445		346,092,019		20,373,973		23,532,546		20,525,403		135,092,537		9,547		27,566,351		485,172,010		506,102		6,379,246		2,773,136,180	

* Capital work in progress includes the cost of internally developed software & the improvement cost of leased hold land

The cost of fully depreciated assets which are still in use of the Bureau amounting to Rs. 277,925,772/- (Rs.797,204,821 in 2018)																								
As at 31.12.2018					13,302,657		138,455,603		22,589,278		161,122,760		12,365,282		88,961,781		359,485,201		922,259		-		797,204,821	
Fully depreciated Depreciating As at 31.12.2019	1,707,886,445		793,376,302		61,063,263		93,392,944		60,422,381		175,591,678		15,614		74,783,486		26,618,520		1,089,274		885,596		2,995,125,503	
Fully depreciated Depreciating	1,707,886,445		793,376,302		16,984,209		86,816,316		22,336,997		64,774,105		1,348,418		76,790,059		7,672,548		1,203,120		6,379,246		277,925,772	
					50,270,959		82,466,464		50,348,548		234,194,314		361,335		67,142,120		632,214,682		882,751		-		3,625,523,166	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2019

15 PROPERTY PLANT AND EQUIPMENT**15.2 Group**

15.2 Group	Land	Buildings		Furniture & Fittings		Construction Instrument & Equipment		Office Equipment		Plant & Machinery		Containers		Computers		Motor Vehicles		Library Books		Capital Work In Progress *		Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Cost	Balance as at 1st January 2019	1,716,301,592	851,445,326	102,124,003	553,002,696	124,433,268	641,229,266	49,487,912	219,689,142	779,393,641	3,387,392	35,525,879	5,076,020,117									
	Additions during the year	-	-	13,830,762	114,239,954	10,547,517	19,601,898	5,071,492	19,951,676	126,400	157,447	10,823,871	194,351,015									
	Disposals during the year	-	-	(245,539)	(3,914,454)	(1,247,563)	(2,508,629)	-	(3,120,796)	(72,228,861)	-	-	(83,265,842)									
	Derecognition	-	-	-	-	-	-	-	-	(225,455,581)	-	-	(225,455,581)									
	Revaluation Gain	-	-	-	-	-	-	-	-	-	483,930,941	-	-	483,930,941								
	Balance as at 31st December 2019	1,716,301,592	851,445,326	115,709,226	663,328,197	133,733,222	658,322,535	54,559,404	236,520,022	965,766,540	3,544,839	46,349,750	5,445,580,650									
Accumulated Depreciation																						
	Balance as at 1st January 2019	-	410,463,425	62,962,836	379,451,457	75,147,983	369,382,640	29,944,409	162,157,196	761,871,170	1,550,373	-	2,252,931,489									
	Adjustment to opening Balance	-	-	6,493	(20,161,976)	(16,700)	-	-	(19,814)	-	-	-	(20,191,997)									
	Adjusted opening balance as at 01.01.2019	-	410,463,425	62,969,329	359,289,481	75,131,283	369,382,640	29,944,409	162,137,382	761,871,170	1,550,373	-	2,232,739,492									
	Charge for the year	-	69,264,379	10,850,194	78,272,598	12,664,180	77,749,351	6,039,981	22,373,022	12,155,777	163,598	-	289,533,080									
Net Book Value	Disposals during the year	-	-	(147,644)	(3,567,453)	(1,184,011)	(2,319,154)	-	(3,052,829)	(72,228,861)	-	-	(82,499,952)									
	Derecognition	-	-	-	-	-	-	-	-	(225,322,081)	-	-	(225,322,081)									
	Balance as at 31st December 2019	-	479,727,804	73,671,879	433,994,626	86,611,452	444,812,836	35,984,390	181,457,576	476,476,005	1,713,971	-	2,214,450,540									
	Balance as at 31st December 2018	1,716,301,592	440,981,901	39,161,167	173,551,239	49,285,285	271,846,626	19,543,503	57,531,946	17,522,471	1,837,019	35,525,879	2,823,088,628									
	Balance as at 31st December 2019	1,716,301,592	371,717,522	42,037,346	229,333,571	47,121,770	213,509,698	18,575,014	55,062,446	489,290,535	1,830,868	46,349,750	3,231,130,111									

Capital work in progress includes the cost of internally developed software in the subsidiary (Central Engineering Services (Pvt) Ltd).

Group**CEC8**

As at 31.12.2019 As at 31.12.2018 As at 31.12.2019 As at 31.12.2018

Internal Developed Software				
Balance at the beginning of the year	10,875,714	9,365,714	500,000	
Cost incurred during the year	6,520,000	1,510,000	500,000	500,000
	17,395,714	10,875,714	5,500,000	500,000
Land/Building Construction				
Balance at the beginning of the year	24,650,166	15,907,662	385,596	
Cost incurred during the year	4,303,870	8,742,504	493,650	385,596
	28,954,036	24,650,166	879,246	385,596
	46,349,750	35,525,880	6,379,246	885,596

Motor vehicles were revalued by Professional Independent Chartered Valuers as at 31.12.2019 and the book values were written up to correspond with the valuation.

The cost of fully depreciated assets which are still in use of the Bureau amounting to Rs. 294,363,298/- (Rs.797,204,821 in 2018)

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

	GROUP		CECB	
FOR THE YEAR ENDED 31ST DECEMBER 2019	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.

16. Lease Hold Assets

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

At Beginning of the year	74,948,240	-	74,948,240	
Acquisition during the year	15,425,266	75,764,700	-	75,764,700
Amortization	(2,774,830)	(816,460)	(2,525,490)	(816,460)
At end of the year	87,598,676	74,948,240	72,422,750	74,948,240

Lease hold property is the land which use to construct WP 01 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 4th September 2018 and is being amortized on a straight line basis over a period of 30 year which commence from 4th September 2018. (CECB) Lease hold property is the land which use to construct Sabaragamuwa base office. The Lease hold land on a 30 years long term lease agreement entered with the Urban Development Authority (UDA) Sri Lanka. Which Commenced from 08th July 2019 and is being amortised on a straight line basis over a period of 30 year which commence from 08th July 2019. (CESL)

16.1 Details of Leasehold Property

Property	Land Extent (in areas)	Lease Period				
Land at Parliament Road, Battaramulla	0A-2R-20.00P	30 Years from 04.09.2018	72,422,750	74,948,240	72,422,750	74,948,240
Plan No 582	(Lot nos 7,8 & 9)	30 Years	15,175,926	-	-	-
New Town Ratnapura	60P	From 08.07.2019	87,598,676	74,948,240	72,422,750	74,948,240

17. Intangible Assets

Cost/ Revaluation				
At 1 January	8,817,028	-	8,817,028	-
Addition	-	8,817,028	-	8,817,028
At 31st December	8,817,028	8,817,028	8,817,028	8,817,028
Amortization and Impairment				
At 1 January	(242,659)	-	(242,659)	-
Amortization	(931,619)	(242,659)	(931,619)	(242,659)
At 31st December	(1,174,278)	(242,659)	(1,174,278)	(242,659)
At 31st December 2018	8,574,369	-	8,574,369	-
Carrying Value 2019	7,642,750	8,574,369	7,642,750	8,574,369

Intangible Asset mainly consist of Transport Modelling and Air Quality software purchased from DHI (India) Water & Environment (Pvt) Ltd and Lakes Environmental consultants INC respectively

18. Investments

Long term investment (Note 18.1)	55,216,573	52,634,700	65,216,593	62,634,720
Short term investment (Note 18.2)	4,868,452,606	5,176,600,458	3,108,471,017	3,191,494,525
	4,923,669,180	4,145,652,796	3,173,687,610	3,254,129,245

18.1 Long term investment

Loans and receivable financial assets				
Investment in Fixed Deposit	53,216,573	50,634,700	53,216,573	50,634,700
Available for sale financial assets				
Investment in Shares	2,000,000	2,000,000	2,000,000	2,000,000
	55,216,573	52,634,700	55,216,573	52,634,700
Investment in subsidiary (Unquoted)				
Central Engineering Services (Private) Limited	-	-	10,000,020	10,000,020
	-	-	10,000,020	10,000,020
	55,216,573	52,634,700	65,216,593	62,634,720

18.2 Short term investment

Repo	-	8,100,000	-	-
Short term investments	4,868,452,606	5,168,500,458	3,108,471,017	3,191,494,525
	4,868,452,606	5,176,600,458	3,108,471,017	3,191,494,525

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

	GROUP		CECB	
FOR THE YEAR ENDED 31ST DECEMBER 2019	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
19. Inventories	737,855,759	756,031,502	10,741,039	10,727,067
Work in Progress	79,938,521	458,346,685	-	-
Opening Balance	458,346,684	-	-	-
Prior period adjustment	-	367,313,852	-	-
Reversal of PY adjustment	(458,346,684)	(367,313,852)	-	-
WIP for the current year	79,938,521	458,346,685	-	-
Closing Balance	79,938,521	458,346,685	-	-
20. Trade and Other Receivables	13,045,056,056	11,747,131,204	8,036,511,830	8,108,974,709
Trade Receivables (Note 20.1)	106,558,849	118,365,761	64,226,056	66,164,458
Other Receivables (Note 20.2)	205,975,556	226,709,801	3,640,756,199	3,310,158,370
Deposits, Prepayments and Advances (Note 20.3)	13,357,590,461	12,092,206,764	11,741,494,084	11,485,297,537
20.1 Trade Receivables	8,236,360,915	7,720,138,320	6,522,955,552	6,645,594,183
Debtors	3,259,458,339	3,074,523,005	750,839,794	724,855,735
Due from customers	3,547,318,703	3,058,691,003	2,649,664,622	2,733,612,152
Retention receivables				
Less - Provision for Impairment (Note 20.1.1)	(1,998,081,902)	(2,106,221,124)	(1,886,948,138)	(1,995,087,360)
	13,045,056,056	11,747,131,204	8,036,511,830	8,108,974,709
20.1.1 Provision for Impairment	2,106,221,124	1,385,340,330	1,995,087,360	1,369,280,245
Balance at the beginning of the year	60,479,303	389,033,237	60,479,303	389,033,237
Impairment loss recognized	(168,618,526)	(86,727,949)	(168,618,526)	(78,691,544)
Amounts written off/reversal	-	418,575,506	-	315,465,422
Provision for Bad Debt - General Provision	1,998,081,901	2,106,221,124	1,886,948,138	1,995,087,360
Balance at the end of the year				
20.2 Other Receivables	43,541,543	42,815,204	36,535,260	38,163,583
Staff Loans	8,825,134	5,203,792	7,971,569	4,524,114
Prepaid Staff Cost	52,485,200	69,438,786	19,108,879	23,611,394
Sundry Debtors	1,706,971	907,979	610,348	(134,633)
WHT Receivable	106,558,849	118,365,761	64,226,056	66,164,458
20.3 Deposits, Prepayments and Advances	22,740,118	18,047,244	9,522,243	9,574,694
Deposits	51,353,366	36,651,256	3,612,914,692	3,275,962,258
Mobilization Advance paid	111,659,705	149,459,124	12,175,784	13,502,619
Advances	20,222,368	22,552,177	6,143,479	11,118,800
Prepayments	205,975,556	226,709,801	3,640,756,199	3,310,158,370
21. Amount Due from Related Party Companies	-	-	1,600,196,674	1,588,871,719
Central Engineering Services (Private) Limited	-	-	1,600,196,674	1,588,871,719

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

	GROUP		CECB	
FOR THE YEAR ENDED 31ST DECEMBER 2019	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.

22. Cash and Cash Equivalents

Favorable Balances

Cash in hand and at bank	548,095,308	768,168,136	237,476,737	522,013,232
Bank Imprest	269,607	269,607	269,607	269,607
Cash in Transit	20,174,467	97,322,306	19,544,909	15,412,376
	568,539,381	865,760,048	257,291,253	537,695,214

Unfavorable Balances

Bank Overdraft	-	(30,419,679)	-	-
Cash and Cash Equivalents for the Cash Flow Purpose	568,539,381	835,340,369	257,291,253	537,695,214

23. Lease Creditors

Amount payable within one year	-	-	-	-
Amount payable after one year	-	-	-	-
	-	-	-	-

24. Employee Benefits

Balance as at 1st January	176,869,571	165,820,347	168,341,721	161,242,343
Provision for the year	43,696,847	34,309,745	38,747,565	30,611,576
(Gain)/loss from changes in assumptions or due to (over)/under provision in the previous year	7,369,310	13,400,876	7,009,403	12,717,770
Payment made during the year	(46,961,290)	(36,661,398)	(46,195,314)	(36,229,968)
Balance as at 31st December	180,974,438	176,869,571	167,903,375	168,341,721

a) The Employee benefit obligation of CECB as at 31st December 2019 are based on the actuarial valuation carried out by professionally qualified firms of actuaries Messers. Actuarial and Management Consultants (Pvt) Limited. Accordingly, the unfunded present value of defined benefit obligations as at 31st December 2019 of CECB Rs 168 mn and Group is Rs.181 mn.

b) Key assumptions used in the computation includes the following;

Rate of Discount	12%	12%	12%	12%
Employee Turnover Factor	0.01% - 0.12%	0.01% - 0.12%	0.01% - 0.12%	0.01% - 0.12%
Retirement Age	60- 61 Years	60-61 Years	60- 61 Years	60-61 Years

c) Expenses recognised immediately in the statement of Comprehensive Income

Interest Cost	21,181,710	18,217,348	20,201,007	17,736,658
Current Service Cost	22,515,137	16,092,395	18,546,558	12,874,916
Net Actuarial Gain/(Loss) recognised immediately	7,369,310	13,400,876	7,009,403	12,717,770
Provision for the year	51,066,157	47,710,620	45,756,968	43,329,344

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

	GROUP		CECB	
FOR THE YEAR ENDED 31ST DECEMBER 2019	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
25. Deferred Tax Assets/Liabilities				
Balance at the beginning of the year	6,887,518	22,581,183	(25,274,627)	
Expense for the year recognized in profit/loss	14,664,807	(15,693,665)	14,664,807	(25,274,627)
Expense for the year recognized in OCI	179,380,164	-	169,776,684	
Balance at the end of the year	200,932,489	6,887,518	159,166,864	(25,274,627)
26. Trade and Other Payables				
Trade Payables (Note 26.1)	14,519,688,129	14,254,398,152	11,835,971,128	12,056,578,163
Other Payables (Note 26.2)	368,875,820	655,063,025	354,550,525	423,045,602
	14,888,563,947	14,909,461,180	12,190,521,650	12,479,623,765
26.1 Trade Payables				
Creditors	3,325,748,161	3,164,870,976	3,171,549,812	3,628,374,973
Due to Customers	4,762,605,106	5,418,381,090	2,472,863,509	2,590,020,862
Mobilization & Other Advances	5,365,363,489	4,963,812,208	4,110,824,598	3,824,796,937
Retention Payables to Contractors	1,065,971,373	707,333,878	2,080,733,209	2,013,385,388
	14,519,688,129	14,254,398,152	11,835,971,128	12,056,578,163
26.2 Other Payables				
Unpaid salaries	19,036,084	8,035,332	28,442	28,442
Sundry Creditors	72,930,282	141,360,248	51,553,063	38,311,387
Refundable Deposits	1,171,162	8,352,232	1,171,162	8,352,232
Accrued Expenses	229,280,289	267,903,654	184,556,438	217,809,623
PAYE Tax	9,885,023	13,372,676	5,535,174	8,495,927
Other Taxes	36,572,980	216,038,883	111,706,247	150,047,991
	368,875,820	655,063,025	354,550,525	423,045,602
27. Income Tax Payables				
Balance at the beginning of the year	974,665,375	972,393,849	926,651,017	934,891,491
Income tax for the year	177,156,306	189,179,614	121,373,406	147,122,874
Provision in respect of the last year	(22,454,577)	-	-	-
Payments made during the year	(224,779,186)	(164,289,240)	(162,161,313)	(140,092,943)
Withholding Tax	(22,879,567)	(22,618,848)	(13,762,798)	(15,270,405)
Balance at the end of the year	881,708,352	974,665,375	872,100,313	926,651,017

28. Capital Reserve

Vehicles were revalued in 1995 and the result of such revaluation was incorporated in the financial statements under the Capital Reserve. Plant & Machinery were valued by M/s Upali Doranegama Associates (Pvt)Ltd,an independant Chartered Valuer as at 31.12.2018 and the book values were written up to corresponded with the valuation.

Motor vehicles were revalued by Professional Independant Chartered Valuers as at 31.12.2019 and the book values were written up to corresponded with the valuation.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**AS AT 31ST DECEMBER 2019****29.0 Related Party Transactions****29.1 Transaction with Subsidiaries**

- a) Eng.G.D.A.Piyatilake is the Chairman of both parent (CECB) and subsidiary (CESL) of the group and Eng.N.Rupasinghe and Eng.S.P.P.Nanayakkara who were Directors of CECB as at 31 December 2019, were also Directors of CESL. The Company has carried out transactions with CECB during the year and the details were as follows,

Name	Designation	
	CECB	CESL
Eng.G.D.A.Piyatilake	Chairman	Chairman
Eng.N.Rupasinghe	Director	Director
Eng.S.P.P.Nanayakkara	Director	Executive Director

Further key management personnel of CECB and also Directors of CESL are as follows

Name	Designation	
	CECB	CESL
Eng.T.D.Wickramarathna	General Manager	Director
Eng. G.R.A.S Gunathilake	Corporate Addl General Manager (Consul)	Director
Eng.A.Galketiya	Corporate Addl General Manager (EPC)	Director

b) Nature of the Transactions

	Amount	
	2019 Rs.	2018 Rs.
Sub Construction Costs	4,827,626,026	6,538,001,175
Hiring	31,801,386	31,104,775
Reimbursement of Salary over head	31,071,924	31,911,041
Consultancy services	42,925,667	39,974,327
Other Miscellaneous Services	11,419,671	8,655,399

29.2 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 24 '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.

	GROUP		CECB	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Compensation paid to Key Management Personnel Salaries and other Employment Benefits	2,692,250	2,755,700	1,440,000	1,500,000

30.0 Commitments and contingencies

There were no material Commitments and Contingent liabilities in CECB / Group as at the reporting date.

30.1 Contingencies**a) Legal cases filed against CECB****Case No. SC (Special LA) 48/2017 Supreme Court**

"The Judgment of District Court, Matale Case No. MR/ 8748, was delivered on 2014.05.16 against CECB and case was appealed in Provincial Appellate High Court of the Central Province.

H.D.R.S. Diddeniya & A. J. A. P. Indrasiri are demanding Rs. 8,000,000.00 for the damages occurred their house which situated near Dambulla – Kandalama Road. The judgment was delivered to pay Rs. 3,000,000.00 as compensation.

The above judgment was appealed to the Provincial Appellate High Court holden at Kandy by Case No. FA 11/2015 and the judgment in the District Court of Matale affirmed and appeal is dismissed.

Therefore the judgment of Provincial Appellate High Court is appealed to Supreme Court. Order delivered on 16.01.2020 in favour of H.D.R.S Diddeniya and A.J.A.P. Indrasiri.

Having sought professional advise Rs. 3,000,000 provision which was made as at 31/12/2018 have been reversed to Rs. 1,312,639.82 as at 31/12/2019."

Case No. 02 155/Damages District Court of Kaduwela

"Foreign Bureau has claimed to pay Rs. 1,664,677.00 stating that their Power Generator was damaged by construction materials which were fallen down from CECB constructions site. As such materials were not used by CECB for construction works.

The above judgment was appealed to the Provincial Appellate High Court holden at Homagama by Case No. WP/HCCA/HO/212/19/F and the judgment delivered in favour of CECB. (Judgment delivered on 19.11.2019 in favour of CECB)

Case No. 03 1564/13 District Court of Colombo

"Eng. W.K.P.I. Rodrigo filed a defamation case and claiming Rs. 500,000,000.00 as compensation. CECB has taken objection inter alia to amount claiming is excessive.

Case No. 04 1820/13 DMR District Court of Colombo

Tuan Wamsa Caseem is claiming Rs. 1,000,000.00 as Labour Cost from CECB. (Order delivered on 20.09.2019 in favour of CECB)

Case No. 05 L 446 District Court of Welimada

Mohamed Ali Abdul Hameed is claiming Rs.4,108,000/- as compensation from RDA and CECB. (Discharged CECB on 04.07.2019)

Case No. 06 81105/5 Magistrate Court of Colombo

Labour Commissioner, Colombo Central filed against CECB claiming Rs. 2,766,215.70 as salary arrears due to breach of Arbitration Award. (CECB paid and Settled on 02.10.2019)

Case No. 07 HCCA/FA/98/2017 Civil Appellate High Court holden at Kandy

"The District Court, Nawalapitiya Case No. MR 609/14, was dismissed on 2017.05.17 and case was appealed in Provincial Appellate High Court of the Central Province.

(Ms. A.D.K. Pitiyekumbura has filed to claim Rs. 3,000,000.00 against CECB. But the works were done by CESL.) Again case was referred to Nawalapitiya District Court to hear."

Case No. 08 M/15141/17 District Court of Embilipitiya

Ms. G. Chandima Sujeevani Abeywickrama (wife of Mr. H.M. Saman Indika Hennayake) & Rusadhu Vidunitha Hennayake (Minor – Son of Mr. H.M. Saman Indika Hennayake) claiming Rs. 11,000,000/- as damages for death of Mr. H.M. Saman Indika Hennayake.

b) Legal cases filed by CECB

Arbitration between CECB & Soar Technology

The Bureau has referred Arbitration claiming sum of Rs. 3,485,343/22 for Generator from Soar Technology (Pvt) Ltd.

DMR 2677/16 - District Court of Colombo

Bureau has filed a case against Eng. (Ms.) K.G.S. Sandamali regards to fail to fulfill the obligation as per the Agreement signed with Bureau to claim sum of Rs. 257,326.67

DMR 1719/18 - District Court of Colombo

Bureau has filed a case against Eng. (Ms.) W.C.B. Wickramarathna regards to fail to fulfill the obligation as per the Agreement signed with Bureau to claim sum of Rs. 515,520/-

DMR 2201/19 & DMR 2202/19 - District Court of Colombo

Bureau has filed a case against Eng. M.L.D. Jayaranjan regards to fail to fulfill the obligation as per the Agreement signed with Bureau to claim sum of Rs. 2,025,284/05

**31. Financial risk management
overview**

The group has exposure to the following risk arising from financial instruments

Credit risk
Liquidity risk
Market risk

The note presents information about the Group's exposure to each of the above risk, the Group's risk management objectives, policies and processes for measuring and managing risk and the Group's management of capital.

Risk management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit and Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Audit and Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Management Committee.

31.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers .

31.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses .

31.3 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 optimising the return.

Market risk comprise the following types of risks.

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 market interest rates.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities related to foreign operations.



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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எனது இல. } CEN/B/CECB/02/FA/19/05
My No. }

ඔබේ අංකය
உமது இல. }
Your No. }

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திகதி }
Date }

28 September 2019

The Chairman
Central Engineering Consultancy Bureau

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Central Engineering Consultancy Bureau and the Consolidated Financial Statements of the Bureau and its Subsidiary for the year ended 31 December 2019 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

The English version of the above mentioned report together with audited financial statements for the year ended 31 December 2019 is sent herewith.


W.P.C. Wickramaratne
Auditor General

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

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

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

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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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எனது இல.
My No.

} CEN/B/CECB/02/FA/19/05

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உமது இல.
Your No.

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திகதி
Date

} 28 September 2019

The Chairman
Central Engineering Consultancy Bureau

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Central Engineering Consultancy Bureau and the Consolidated Financial Statements of the Bureau and its Subsidiary for the year ended 31 December 2019 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Central Engineering Consultancy Bureau (“the Bureau”) and the Consolidated Financial Statements of the Bureau and its Subsidiary (“Group”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. 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 of the Bureau and the Group give a true and fair view of the financial position of the Bureau and the group as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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



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1.2 Basis for Qualified Opinion

1.2.1 Central Engineering Services (Private) Limited (the Subsidiary)

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

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

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



1.2.2 Central Engineering Consultancy Bureau

(a) ***SLFRS 07 – Financial Instruments: Disclosure and LKAS 39- Financial Instruments: Recognition and Measurement***

According to the Memorandum of Understanding (MOU) entered into between the Bureau and Bank of Ceylon on 12 December 2018, a sum of Rs.25,000,000 has been deposited in a fixed deposit account for 5 years period from 14 May 2019 to 14 May 2024 as a pledged amount against a concessionary loan scheme for the permanent staff of the Bureau. Further, as per the MOU the Bureau shall pay 40 per cent of interest component on total outstanding loans given under this scheme. However, the Bureau had not disclosed the pledged amount of Rs.25,000,000 in the financial statements for the year under review.

(b) ***LKAS 16 – Property, Plant and Equipment***

The following observations are made.

- (i) According to the financial statements for the year 2019, the fully depreciated assets approximately costing Rs. 277,925,772 are being continuously used by the Bureau without reassessing the useful economic lifetime of those assets and accounted them accordingly as per Section 51 of the Standard.
- (ii) The Bureau had computed the depreciation for furniture and fittings, construction instruments and equipment, office equipment, plant and machinery, containers, computers etc. based on the values shown in the general ledgers without being considered the actual existence of those assets as per the assets verification conducted by each Base of the Bureau. Further, the Bureau had not maintained a centralized assets register to ensure the existence of the assets which shown in the general ledger of the Bureau. Hence, the accuracy of the cost of such assets to the value of Rs.753,833,844 shown in the financial statements and depreciation of Rs. 65,336,596 provided on those assets for the year under review could not be reliably ascertained in audit.
- (c) Twelve items of account aggregating Rs. 14,687,379 had continuously brought to the financial statements since for more than five years as unidentified balances without



being taken fruitful actions to identify and clear this amount after conducting a proper investigation.

- (d) As a practice, the Bases and Divisions of the Bureau are being prepared their schedules of Value Added Tax payable (included in other taxes) with a significant difference as compared to the respective amount shown in the financial statements. Accordingly, an unexplained difference of Rs. 37,955,749 was observed between the Value Added Tax payable shown in the financial statements for the year under review and the corresponding amounts shown in the detailed schedules prepared by the Bases and Divisions of the Bureau as at 31 December 2019.
- (e) No Confirmation or Documentary Evidence made available for audit to ensure the existence of a bank balance amounting to Rs. 2,464,500 belongs to the Central Base of the Bureau.
- (f) Once the projects works undertaken by the Bureau is completed, there should not be due from customers or due to customers. However, the balances of Rs.313,384,477 and Rs.324,327,489 relating to 82 completed projects were continuously shown as due from customers and due to customers respectively without make proper adjustments in the accounts. It was further observed that the Bureau had not engaged any construction activities since the year 2014. Hence, prevailing of these balances in the accounts is questioned in audit.
- (g) The accuracy of the amounts of Rs. 10,663,936 and Rs. 6,036,067 included in the financial statements of the East Base of the Bureau under other payables and trade payables as sundry creditors and retention payable respectively could not be ascertained in audit due to non-submission of detailed schedules for those balances.
- (h) The Bureau had omitted a payable amount of Rs. 105,912,266 from its financial statements which was shown under debtors in the financial statements of its Subsidiary. In addition to that, a balance of Rs. 311,528,934 payable to its Subsidiary had been reported as Rs. 391,372,535 by the Subsidiary in its financial statements. Therefore, the accuracy of the payables to the Subsidiary could not be ensured in audit.



- (i) According to the statement of financial position of the Bureau, an amount of Rs.1,600,196,674 (2018 - Rs.1,588,871,721) was shown as amount due from related companies under non-current assets as at 31 December 2019. Out of that a sum of Rs.693,923,629 or 43 per cent was remained unrecovered from the Subsidiary for over 05 years. Hence, the recoverability of this balance in full is doubt in audit.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bureau'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bureau's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Group 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 Group.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

The National Audit Act No, 19 of 2018 include specific provisions for following requirements.

- Except for the effects of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Bureau as per the requirements of Section 12 (a) of the National Audit Act No, 19 of 2018
- The Financial statements presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act No, 19 of 2018.
- The Financial statements presented includes all the recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act No, 19 of 2018.

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

- to state that any member of the governing body of the Bureau has any direct or indirect interest in any contract entered into by the Bureau 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.
- to state that the Bureau has not complied with any applicable written law, general and special directions issued by the governing body of the Bureau 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) Sections 10 and 11 of the Finance Act, No. 38 of 1971 and Public Enterprises Circular No. 02/2018 of 14 November 2018.	(i) The Bureau had not paid a sum of Rs.203,898,903 remaining out of the net surplus revenue to the Consolidated Fund after performing a solvency test as requested. Meanwhile, only a sum of Rs.25 million out of the retained earnings amounting to Rs. 5,640 million as at 31 December 2019 had been remitted to the General Treasury although they have expected Rs. 75 million returned for the year.
	(ii) A sum of Rs. 3,173,687,610 had been invested in short term and long term investment sources such as call deposits and fixed deposits etc. without obtaining the required approvals.
(b) Financial Regulation 371 as amended by Public Finance Circular No. 03/2015 of 14 July 2015 and Delegation of Financial Authority of the Bureau	Advances given for various purposes totalling Rs.6,741,300 had not been settled or recovered for more than three years as at 31 December 2019.
(c) Public Enterprises Circular No. PED/12 of 02 June 2003 on Public Enterprises Guidelines for Good Governance.	
i Paragraph 8.8	Approval of the Board should be obtained for the delegation of authority, including limits of expenditure and no expenditure should be authorized,



incurred or paid outside of the limits of such delegation of authority. Further, such delegation of authority should be updated and approved by the Board at the beginning of each year. Nevertheless, such practices have not been implemented by the Bureau for the year under review and for the year 2020.

ii Paragraph 9.3.1

Although there should have an approved Scheme of Recruitments and Promotions in the Bureau, such scheme had not prepared and approved for the post of middle level and top level management even as at 30 June 2020.

(d) Guideline 4.2 of the Government Procurement Guidelines 2006

The Bureau had failed to prepare a Master Procurement Plan and Procurement Time Schedule for the procurement activities envisaged at least for a period of three years.

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

The consumption of fuel must be re-tested after a period of 12 months from each fuel test or after running a distance of 25,000 Km or after carrying out a major repaired to the engine whichever occurs first. However, this procedure had not been carried out in respect of 347 vehicles of the Bureau.

(f) Chapter X of the Administrative Codes of the Bureau

(i) Although the water and electricity bills of the official quarters should be paid by the residents, at the audit test check it was revealed that the Water and Electricity Bills approximately Rs.1,804,846 with regard to 05 quarters located in Sarana Mawatha and 08 official quarters obtained



on rental basis had been paid by the Bureau in the year under review contrary to the provisions in the Administrative Codes of the Bureau.

(ii) It was observed that an official quarter (D-4) had been used by the then Secretary to the Ministry of Mahaweli Development and Environment from January 2015 to May 2019 and no rental had been recovered from him. In addition, water bills, electricity bills and television service bills approximately Rs.900,000 had been also paid by the Bureau without being recovered from him even up to 30 June 2020.

(iii) Even though there is no provision for providing official quarters for the officers who working at the Head Office of the Bureau, two official residences were obtained from private parties on rental basis for these officers and an amount of Rs.2,760,000 had been paid as rental by the Bureau during the year under review.

(g) Paragraph II of the Management Services Circular No. 03/2018 of 18 July 2018

Fifty eight officers had been recruited for 09 posts without obtaining prior approvals from the Department of Management Services of General Treasury.



3. Other Significant Audit Observations

- (a) According to the information made available for audit, 31 construction projects were completed with a total loss of Rs.197,137,979 by the Bureau in the year under review and out of that 14 Projects which were sub contracted to the Subsidiary of the Bureau had been completed with a loss of Rs. 52,278,277. Nevertheless, no fruitful actions had been taken by the bureau to mitigate these losses.
- (b) Three Regional Base Offices and Divisions of the Bureau had continuously running at operating loss for over last several years and the losses sustained during the year under review and in the previous two years are given below.

Name of Base office – EPC	Operating Loss		
	2019 Rs.	2018 Rs.	2017 Rs.
Battaramulla	(16,166,511)	(9,813,817)	-
Uva	(13,211,978)	(16,222,131)	-
Southern Province	(1,259,042)	(493,151)	(604,684)
North Central	(3,237,320)	(4,781,398)	(3,556,939)
MKDP	(2,689,708)	(1,934,507)	(2,560,063)
Sub-total	(38,350,036)	(33,659,092)	(6,721,686)
Project Consultancy Division	(52,864,448)	(10,397,972)	
Grand Total	(91,214,484)	(44,057,064)	(6,721,686)

In addition to the above, another 05 Base offices (EPC and Consultancy) of the Bureau namely Jawaththa, Sabragamuwa, DHQC, NRM&LS and South East were also running with a loss of Rs. 35,868,111 during the year under review.

- (c) Since the Bureau had not engaged any construction activities at present, the Bureau had earned only a consultancy income of Rs.2,419,848,294 in the year under review by deploying approximately 1,360 employees including 476 engineers. As a result, the



income earned per engineer and per employee had drastically decreased from Rs. 23.58 million and Rs.8.97 million respectively in the year 2012 to Rs. 5.08 million and Rs.1.78 million in the year 2019 and these were Rs. 7.11 million and Rs.2.47 million respectively in the previous year.

- (d) An interest income of Rs.314,400,265 million earned in the year under review on the investment of Rs. 3,173,687,610 made in short term and long term investment sources which is not main business activity of the Bureau had been represented 92.5 per cent (2018 – 68.18 per cent) of the pre-tax net profit for the year under review. If the Bureau is not earned this much of interest income during the year, the pre-tax net profit of Rs.339,937,117 shown in the financial statements would be only Rs.25,536,852.
- (e) Twenty three construction works valued at Rs. 18,762 million to be completed before the year 2019 which consultancy services provided by the Bureau had not been completed even up to the date of audit on 30 June 2019 and these projects were delayed the period ranging from 01 to 04 years. However, no fruitful actions with regard to these significant delayed projects had been taken by the Bureau in order to complete the projects works within the stipulated time period.
- (f) Even though a Procurement Plan had been prepared by the Bureau for procurement of various items of assets to the total estimated value of Rs.233,470,043 during the year under review, only the assets item worth Rs.28,342,689 or 12 per cent of the estimated value had been procured in the year under review. Hence, it was observed that the Procurement Plan had been prepared on ad-hock basis without considering the actual requirements of the Bureau.
- (g) As per the age analysis furnished to audit, receivables such as mobilisation advances paid, deposits, advances and sundry debtors etc. aggregating Rs. 414,258,947 and Rs.19,932,930 were outstanding for more than 03 years and 05 years respectively as at 31 December 2019. Nevertheless, the responsible officers had not taken prompt actions to recover theses long outstanding balances in time.



- (h) Although there were 03 Circuit Bungalows located at Kothmale, Randanigala and Plonnaruwa, a register for officers who occupied in those bungalows and other required procedure for the allocation of these Bungalows had not been maintained and implemented by the bureau. As a result, a sum of Rs. 50,750 only had been earned as hiring income from 02 Circuit Bungalows out of above three Bungalows during the year under review.
- (i) According to the Action Plan and the progress report for the year 2019 presented to audit, no progress was reported with regard to 21 targeted activities to the estimated value of Rs. 19,700,000 belongs to 07 Divisions of the Bureau. This situation has badly affected to the overall performance of the Bureau.
- (j) The Bureau had recruited 231 excess employees for 12 posts such as Accountant, Computer Programmer, Technical Assistants, Engineering Assistants, Draughtsmen, Account Assistants, Secretarial Assistants, Driver, Equipment Operator and Office Aide etc. as compared with the approved cadre of the Bureau and the necessity for these excess recruitments is not cleared in audit. Further, the information of this excess cadre had not been remitted to the Department of Management Services as requested by Management Services Circular No. 03/2018 of 18 July 2018.
- (k) In addition to the above the Bureau had outsourced 158 employees from a manpower company during the period from July 2017 to February 2019 and a sum of Rs.98,214,017 had been paid as salaries, overtime and service charges to that Manpower Company during the year 2019 without being assessed and justified the requirement for this recruitment.
- (l) The Bureau had failed to take proper actions to recover the course fees amounting to Rs.10,617,637 from 15 officers who breached the bond agreements entered into with the Bureau and these balances were remained outstanding for the period ranging from 01 to 06 years as at 31 December 2019. It was further observed that out of the above amount, a sum of Rs. 6,615,610 had been paid to 07 officers who have gone abroad on no-pay leave during the period of 2005 to 2016.



- (m) A sum of Rs.2,567,532 had remained idle in seven non-operative (dormant) bank current accounts since last 03 years without being utilized for any purpose and these balances remained unchanged even up to 30 June 2020.
- (n) The total trade debtor balance as at 31 December 2019 was Rs.6,522,955,552. Out of these, sums aggregating Rs. 1,959,938,392 and Rs. 1,351,038,777 were outstanding for more than 03 years and 05 years respectively as at 31 December 2019 without being recovered even up to the date of this report.
- (o) It was a reasonable doubt in audit about the recoverability of retention receivables with regard to completed or abundant projects amounting to Rs. 732,414,526 and Rs.489,531,173 which were outstanding for over 03 years and 05 years respectively as at 31 December 2019. Further, these balances remained unchanged even up to the date of this report.
- (p) Mobilization advances received amounting to Rs. 19,889,526 with regard to fully completed and suspended construction projects of 02 Base Offices had remained in the accounts as at 31 December 2019 without being settled. It was further observed that the Bureau had failed to conduct a follow-up procedure in order to identify the possibility for settlement of these advances.
- (q) According to the age analysis made available for audit, creditors amounting to Rs.358,779,468 and Rs.586,044,360 and retention payables amounting to Rs.680,283,735 and Rs.83,390,570 had remained unsettled between 3 to 5 years and over five years respectively. Further, accrued expenses amounting to Rs.13,324,743 had remained outstanding for over one year without being settled.
- (r) A sum of Rs. 872,100,313 had been shown in the statement of financial position as at 31 December 2019 as income tax payable. Out of this, amounts aggregating Rs.441,249,851 and Rs. 151,337,445 had not been remitted to the Department of Inland Revenue for more than 03 years and 05 years respectively. It was further observed that, this practice is contravene to the provisions in the Inland Revenue Act, No. 10 of 2006 and the amendments made to thereof.



- (s) Six official residences located at Sarana Mawatha had been provided to three Members of Parliament, then Secretary to the Ministry of Megapolis & Western Development (Retired on 09 June 2019), the Director General of the Mahaweli Authority and then Secretary to the Ministry of Mahaweli Development and Environment since the year 2004. However, no agreement had been entered into between the Bureau and respective parties in this connection and no rental had been recovered from Secretary to the Ministry of Megapolis & Western Development, the Director General of the Mahaweli Authority and the Secretary to the Ministry of Mahaweli Development and Environment. As a result of these irregular activities, at least an amount equal to 12.5 per cent of the salary of the above officers had been lost to the Bureau. Further, according to the information made available for audit only Rs. 741,154 was recovered from 03 Members of Parliament as rental for the year under review.
- (t) Although the Bureau is fully equipped with all necessary physical and human resources to perform in all types of constructions works and engineering consultancies, at present the Bureau is subcontracting all the constructions works undertaken by itself to its Subsidiary (the CESL) after retaining a profit margin of 2.5 per cent on contract prices. Accordingly, 47 project works to the total value of Rs.4,552.64 million had been subcontracted to its Subsidiary after retaining a profit of Rs.135.62 million during the year under review. However, as per the audit test check it was revealed that while entering into contract agreements with the clients, the Bureau had not disclosed this procedure in the contract agreements.
- (u) The Board of Directors has granted the approval on 21 October 2019 to paid the funeral expenses amounting to Rs.613,360 of late working director of the Bureau. Out of the above, a cheque worth Rs. 138,360 was written to the name of the Bureau. Although this expenditure is not a legitimate cost relating to the activities of the Bureau, this was shown under the administrative expenses in contrary to the Public Enterprises Circular No. PED 12 of 02 June 2003.
- (v) According to the financial statements presented for audit, the value of inventories was shown as Rs.10,741,039. However, as per the ledger balances and information made



available for audit, the verified stock balance was only Rs. 7,859,343. Hence, an identified stock loss of Rs. 2,881,695 was observed in audit.

- (w) According to the information provided for audit 22 vehicles had met with accidents in 24 instances during the year 2019 and Rs. 1,025,508 had been incurred for repair of 17 vehicle accidents. However, cost incurred for repairs of 7 accidents had not been provided for audit. Further, no inquiries had been instituted to ascertain the extent and causes of the loss and to fix responsibility. Meanwhile, preliminary reports and final reports with regard to these vehicle accidents had not been submitted to the Auditor General.

W.P.C. Wickramaratne

Auditor General

COMPARATIVE FINANCIAL STATEMENTS

CENTRAL ENGINEERING CONSULTANCY BUREAU

STATEMENT OF COMPREHENSIVE INCOME
AS AT 31ST DECEMBER

	2015		2016		2017		2018		2019	
	GROUP	CECB	GROUP	CECB	GROUP	CECB	GROUP	CECB	GROUP	CECB
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	11,423,636,967	10,710,472,734	11,674,570,503	10,333,280,821	15,209,624,006	13,195,637,498	14,273,155,936	9,667,271,046	13,150,718,975	7,548,165,387
Cost of Sales	(9,679,902,097)	(9,448,860,733)	(9,853,816,338)	(9,179,818,923)	(13,312,355,493)	(12,075,714,656)	(12,408,766,802)	(8,620,274,575)	(11,764,257,425)	(6,971,370,106)
Gross Profit	1,743,734,870	1,261,612,002	1,820,754,165	1,153,461,898	1,897,268,513	1,119,922,842	1,864,389,134	1,046,996,471	1,386,461,550	576,795,281
Other Income	168,515,920	173,393,789	218,971,425	272,930,388	134,210,273	179,759,198	194,774,284	156,941,619	202,839,680	170,110,297
Administration Costs	(1,142,902,688)	(773,676,196)	(1,151,207,809)	(601,403,438)	(1,395,814,503)	(718,018,736)	(1,474,518,729)	(689,012,073)	(1,451,346,051)	(668,489,960)
Selling & Distribution Expenses	(222,249,855)	(220,503,209)	(222,937,513)	(213,573,602)	(140,237,585)	(131,766,570)	(282,120,820)	(279,559,063)	(52,706,532)	(48,715,865)
Results from Operating Activities	547,098,247	440,826,385	665,580,269	611,415,245	495,426,698	449,896,734	302,523,870	235,366,954	85,248,647	29,699,753
Finance income	168,766,491	150,007,977	282,598,968	210,668,182	445,958,333	316,507,931	453,739,544	303,565,802	506,143,480	314,400,265
Financial Charges	(16,207,048)	(8,789,218)	(22,135,246)	(6,263,475)	(26,342,723)	(9,753,126)	(56,980,423)	(12,740,273)	(44,602,963)	(4,162,901)
Net Finance Income	152,559,443	141,218,758	260,463,722	204,404,707	419,615,611	306,754,804	396,759,121	290,825,529	461,540,517	310,237,364
Profit Before Income Tax	699,657,690	582,045,143	926,043,990	815,819,952	915,042,308	756,651,538	699,282,990	526,192,483	546,789,164	339,937,117
Income Tax	(287,358,436)	(250,935,705)	(401,823,227)	(376,156,549)	(392,859,134)	(355,346,282)	(173,485,949)	(121,848,247)	(201,424,594)	(136,038,213)
Net Profit For The Year	412,299,253	331,109,438	524,220,763	439,663,403	522,183,174	401,305,256	525,797,041	404,344,237	345,364,570	203,898,904
Other Comprehensive Income	13,927,098	13,927,098	20,297,204	20,282,110	(6,529,540)	(5,919,064)	105,985,482	106,668,588	306,787,948	307,144,855
Total Comprehensive Income for the Year	426,226,351	345,036,536	544,517,967	459,945,513	515,653,634	395,386,192	631,782,523	511,012,824	652,152,518	511,043,759

COMPARATIVE FINANCIAL STATEMENTS

CENTRAL ENGINEERING CONSULTANCY BUREAU

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER

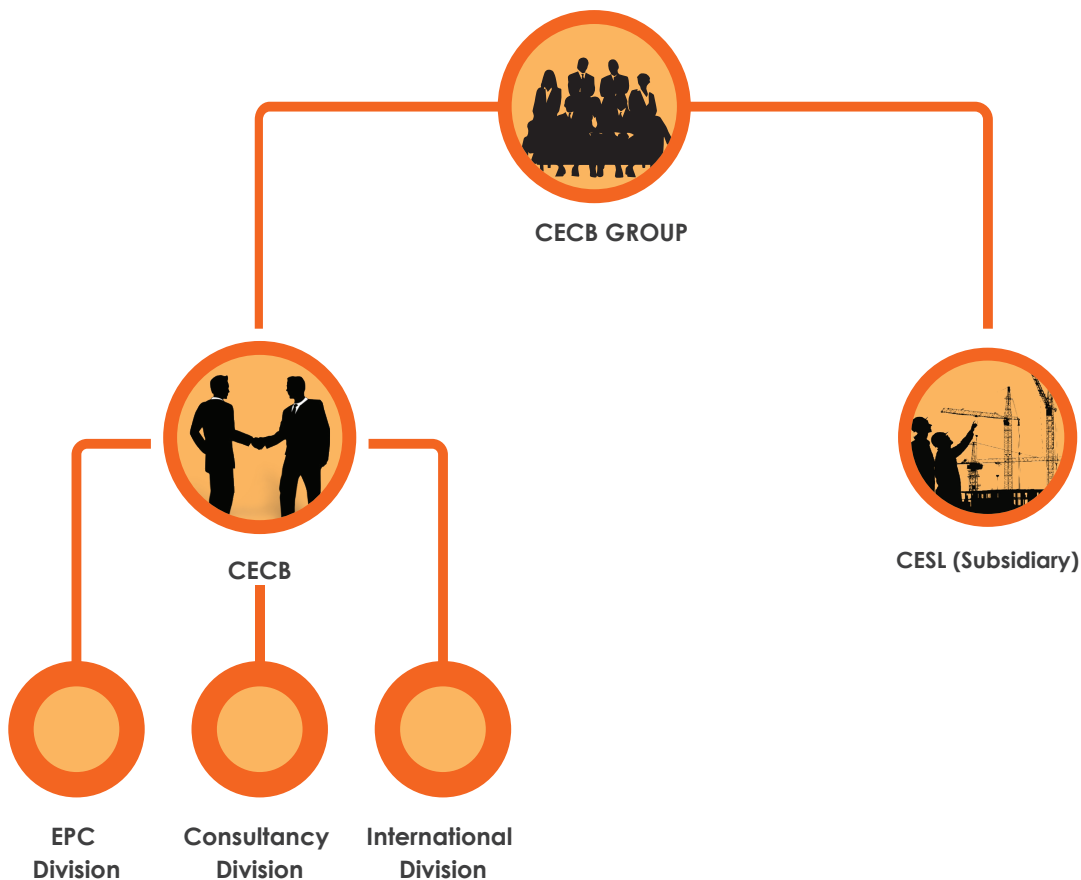
	2015		2016		2017		2018		2019	
	GROUP Rs.	CECB Rs.	GROUP Rs.	CECB Rs.	GROUP Rs.	CECB Rs.	GROUP Rs.	CECB Rs.	GROUP Rs.	CECB Rs.
ASSETS										
Non-Current Assets										
Property, Plant and Equipment	3,088,678,195	2,686,829,682	2,905,911,035	2,509,023,699	2,852,702,138	2,372,710,383	2,823,088,623	2,387,873,408	3,231,130,105	2,773,136,175
Lease Hold Asset	-	-	-	-	-	-	74,948,240	74,948,240	87,598,676	72,422,750
Intangible Assets	-	-	-	-	-	-	8,574,369	8,574,369	7,642,750	7,642,750
Investments	39,477,863	44,253,587	38,489,824	46,957,402	51,117,849	61,117,869	52,634,700	62,634,720	55,216,573	65,216,593
Differed Tax	-	-	-	-	-	-	-	25,274,627	-	-
Total Non Current Assets	3,128,156,058	2,731,083,269	2,944,400,859	2,555,981,101	2,903,819,986	2,433,828,252	2,959,245,932	2,559,305,364	3,381,588,105	2,918,418,269
Current Assets										
Inventories	594,682,065	92,491,334	785,057,154	1,685,793	832,849,205	10,638,501	756,031,502	10,727,067	737,855,759	10,741,039
Working progress	-	-	-	-	-	-	458,346,685	-	79,938,521	-
Trade & Other Receivables	8,937,778,990	9,443,009,084	11,485,838,621	11,013,443,138	14,779,002,414	14,400,921,345	12,092,206,764	11,485,297,537	13,357,590,461	11,741,494,084
Short Term Investments	3,341,850,862	2,570,978,949	4,081,356,846	3,035,639,354	4,094,534,947	2,983,463,922	5,176,600,458	3,191,494,525	4,868,452,606	3,108,471,017
Cash and Cash Equivalents	801,392,970	622,427,835	648,439,480	440,730,586	691,640,433	461,781,166	865,760,048	537,695,214	568,539,381	257,291,253
Intra company current accounts	-	1,147,466,029	-	1,371,069,905	-	1,565,621,738	-	1,588,871,719	-	1,600,196,674
Total Current Assets	13,675,704,887	13,876,373,232	17,000,692,101	15,877,740,916	20,398,026,999	19,422,426,671	19,348,945,457	16,814,086,063	19,612,376,729	16,718,194,067
Total Assets	16,803,860,945	16,607,456,501	19,945,092,960	18,433,722,017	23,301,846,985	21,856,254,923	22,308,191,389	19,373,391,428	22,993,964,834	19,636,612,336
EQUITY AND LIABILITIES										
Contributed Capital	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Capital Reserves	3,028,000	3,028,000	3,028,000	3,028,000	3,028,000	3,028,000	122,414,358	122,414,357	606,345,300	606,345,300
Retained Earning	4,952,476,935	4,744,367,819	5,499,994,903	5,204,313,332	6,012,648,538	5,999,699,524	6,086,973,711	5,675,860,567	6,234,940,310	5,640,074,835
Total Equity	4,956,004,935	4,747,895,819	5,500,522,903	5,207,841,332	6,016,176,538	5,603,227,524	6,209,888,069	5,798,774,925	6,841,785,609	6,246,920,134
Non-Current Liabilities										
Lease Creditors	-	-	-	-	-	-	-	-	-	-
Retirement Benefit Obligation	177,457,833	176,438,911	158,063,895	156,587,664	165,820,347	161,242,343	176,869,571	168,341,721	180,974,438	167,903,375
Deferred Tax	17,617,814	-	21,820,955	-	22,581,183	-	6,887,518	-	200,932,489	159,166,864
Total Non Current Liabilities	195,075,647	176,438,911	179,884,851	156,587,664	188,401,530	161,242,343	183,757,088	168,341,721	381,906,927	327,070,239
Current Liabilities										
Trade & Other Payables	10,877,454,823	10,931,756,058	13,299,081,842	12,120,903,654	16,124,875,069	15,156,893,565	14,909,461,179	12,479,623,765	14,888,563,947	12,190,521,650
Income Tax Payables	774,441,715	751,365,709	971,603,364	948,389,368	972,393,849	934,891,491	974,665,375	926,651,017	881,708,352	872,100,313
Lease Creditors	883,827	-	-	-	-	-	-	-	-	-
Bank Overdrafts	-	-	-	-	-	-	30,419,679	-	-	-
Total Current Liabilities	11,652,780,363	11,683,121,770	14,264,685,206	13,069,293,022	17,097,268,918	16,091,785,056	15,914,546,232	13,406,274,781	15,770,272,298	13,062,621,963
Total Liabilities	11,847,856,010	11,859,560,281	14,444,570,057	13,225,880,486	17,285,670,447	16,253,027,399	16,098,303,321	13,574,616,502	16,152,179,226	13,389,692,201
Total Equity and Liabilities	16,803,860,945	16,607,456,501	19,945,092,960	18,433,722,017	23,301,846,985	21,856,254,923	22,308,191,389	19,373,391,428	22,993,964,834	19,636,612,336

PERFORMANCE OF CECB

THE JOURNEY SO FAR

- Our Journey began in the year 1973 as a specialist for Water Resource and Hydro Power projects.
- We diversified into the construction consultancy sector after concluding of mahaweli accelerated program.
- The wings of CECB were further expanded beyond the borders to deliver overseas projects, giving international exposure to the human capital.
- In the year 2016 CECB made a strategic decision to exit from the Construction business and transferred the same to its fully owned subsidiary, Central Engineering Services (Pvt) Ltd (CESL).
- Today, CECB functions as a fully-fledged Engineering Consultancy and related services provider to both public and private sector clients.

MAIN DIVISIONS



ACHIEVEMENTS UP TO THE END OF DECEMBER 2019

Number of new consultancy projects
Undertaken in the year 2019 - 120

Total value of consultancy services

LKR 1,053 Million

Number of new consultancy projects
completed in the year 2019- 99

Total value of consultancy services

LKR 836 Million

WATER RESOURCES DEVELOPMENT PROJECTS

KALU GANGA RESERVOIR

Total Project Cost: LKR14,250 Mn
Completed as at 31.12.2019: 100%



UMA OYA MULTI PURPOSE PROJECT

Total Project Cost: LKR 71,400Mn
Completed as at 31.12.2019: 70%



BROADLANDS HYDROPOWER PROJECT

Total Project Cost: LKR Mn.11, 000
Completed as at 31.12.2019: 77%



BUILDING PROJECTS

DEFENCE HEADQUARTERS COMPLEX PROJECT

Total Project Cost: LKR 55,000Mn.
Completed as at 31.12.2019: 59%



MANNING MARKET RELOCATION

Total Project Cost: LKR 4,260 Mn.
Completed as at 31.12.2019: 95%



DISTRICT SECRETARIAT – COLOMBO

Total Project Cost: LKR 2,515Mn.
Completed as at 31.12.2019: 100%



HEAD OFFICE BUILDING FOR MINISTRY OF HEALTH

Total Project Cost: LKR 5,979Mn.
Completed as at 31.12.2019: 50%



BUILDING PROJECTS

NANOTECHNOLOGY CENTRE OF THE NANO-TECHNOLOGY & SCIENCE PARK

Total Project Cost: LKR 1,400Mn
Completed as at 31.12.2019: 54 %



ATTORNEY GENERAL'S DEPARTMENT BUILDING

Total Project Cost: LKR 960Mn
Completed as at 31.12.2019: 87%



5 STOREYED BUILDING FOR COURT COMPLEX RATNAPURA

Total Project Cost: LKR 1,800Mn
Completed as at 31.12.2019: 13%



NEW 17 STORED OFFICE BUILDING AND FOUR WORKSHOPS FOR THE SRI LANKA PORTS AUTHORITY (SLPA).

Total Project Cost: LKR 4,274Mn
Completed as at 31.12.2019: 41%



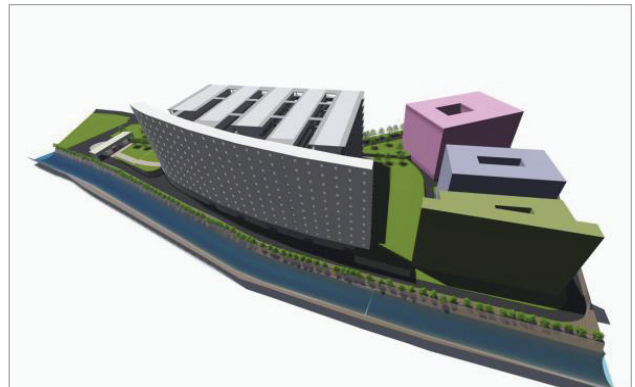
HIGH-RISE OFFICE COMPLEX AT SETHSIRIPAYA PREMISES (SETHSIRIPAYA –STAGE 3)

Total Project Cost: LKR 15,600Mn
Completed as at 31.12.2019: 40%



SUPERIOR COURTS COMPLEX AT COLOMBO 12

Total Project Cost: LKR 14,600.00Mn



BRIDGES, HIGHWAYS & RAILWAYS

MATARA- BELIATTA RAILWAY EXTENSION PROJECT

Total Project Cost: LKR 40Bn

Completed as at 31.12.2019: 86%



EXTENSION OF SOUTHERN EXPRESSWAY PROJECT

Total Project Cost: LKR 255,280 Mn

Completed as at 31.12.2019: 98%



CENTRAL EXPRESSWAY PROJECT

Total Project Cost : LKR 137,340 Mn

Completed as at 31.12.2019: 81%



INFRASTRUCTURE DEVELOPMENT PROJECT

COLOMBO PORT CITY DEVELOPMENT PROJECT- INFRASTRUCTURE & LANDSCAPE WORKS

Value of Consultancy Services: LKR 144,542Mn

Completed as at 31.12.2019: 59%



SOLID WASTE MANAGEMENT PROJECT

METRO COLOMBO SOLID WASTE MANAGEMENT PROJECT- ARUWAKKALU

Total Project Cost: LKR 16,103 Mn

Completed as at 31.12.2019: 90%



PRE-FEASIBILITY AND FEASIBILITY STUDIES

PRE FEASIBILITY AND FEASIBILITY STUDY OF LIGHT RAIL TRANSIT (LRT) PROJECT

Total Project Cost: LKR 202.47 Mn

Completed as at 31.12.2019: 100%



FEASIBILITY STUDY AND TENDER STAGE DESIGN FOR THE 20MW SEETHAWAKA GANGA HYDRO-POWER PROJECT (SGHPP)

Total Project Cost: LKR 12,000Mn



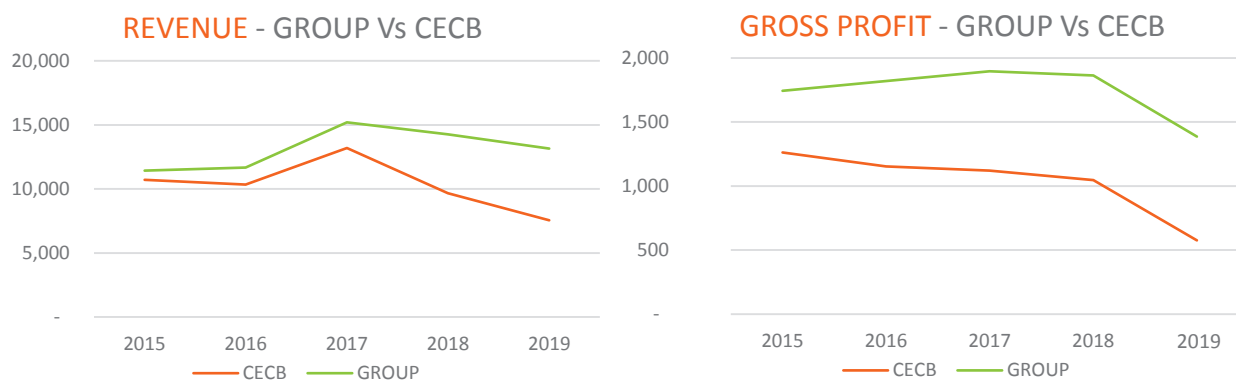
CECB FINANCIAL PERFORMANCE

It is evident that the Bureau is becoming a change agent of the public sector in multi-disciplinary Engineering and has also been Branded as a Public Sector organization which has capability and capacity to handle any dicey situation on a fast-track basis on behalf of the Government. In other words it is the only Public Sector Engineering Organization with a strong Human Resource base that consists of multi-disciplinary professionals and Technical staff representing various Engineering disciplines. It should also be noted that our organization is trained to think 'beyond Engineering' solutions as an organization, CECB acts as a result oriented team dedicated for the service. The team comprises of two major groups, namely, the technical / engineering staff and non-technical Staff. The staff is supported by teams of Para technical, technical, and secretarial staff who has a wide range of experience and skills in their respective fields.

The CECB Group Revenue of the year 2019 was Rs.13.1 billion reflecting a 8% decrease over the previous year Revenue. CECB Revenue Comparing with the previous year decreased by 22% and Gross Profit reduced by 44% mainly due to all construction works assigned to CECB fully owned subsidiary of Central Engineering Services (Pvt) Limited (CESL).

Operations of the CECB and the Group for the year 2019 had resulted after tax profit of Rs. 204 million and Rs.345 million respectively as compared with the corresponding year after tax profit Rs.404 million and Rs.525 million respectively for the preceding year. Total Assets Value of the Bureau Rs. 19,636 million and profit is represented 1% of the Total Assets of the Bureau.

The operational and financial performances achieved hence are all the more creditable considering the institutional constraints faced by the Bureau as a self – earning state owned enterprise (SOE) with due compliance to financial and procurements guidelines and procedures governing for public enterprises.



SPECIALIZED AREAS & SERVICES

- ▶ Building Services
- ▶ Hospital Development
- ▶ Architectural Services
- ▶ Structural Designs
- ▶ Quantity Surveying
- ▶ Roads and Bridges
- ▶ Railway Works
- ▶ Port/ Coastal Works
- ▶ Airport Development
- ▶ Water Supply & Drainage
- ▶ Hydro Power and Energy
- ▶ Power Transmission and Distribution
- ▶ Water Resource Development
- ▶ Technical Audit / Dam Safety
- ▶ Electrical & Mechanical Work
- ▶ Land Surveying
- ▶ Information Technology (IT)
- ▶ Environmental Studies
- ▶ Project Management
- ▶ Geo-technical Investigation & Laboratory Services



HUMAN RESOURCE

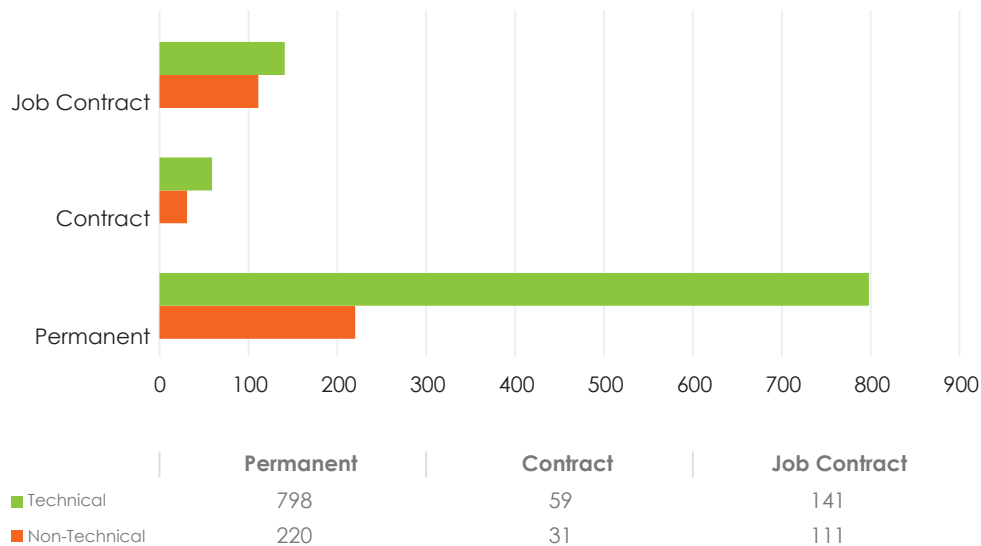
The Bureau is committed to create a workplace where the performance and behavior of our employees are governed by a strong organizational culture supported by the procedures laid down by the Management and the aligned Ministries.

The CECB culture revolves around the continues improvement of quality in all aspects and at all stages of consultancy in construction, collective decision-making, friendly but firm disposition towards employees, employees welfare and fostering and informal organizational environment. Our workplace policy enables the best people to produce their best work in a safe and healthy workplace free from discrimination and harassment, whilst redressing their grievance and providing for their welfare.

WORKFORCE 2019

In 2018, bureau had total of 1446 employees and compared to last year there is an decrease by 6% furthermore, the Bureau have been successful in absorbing 55 employees to our permanent cadre in the year of 2019.

Bureau Human Resources unit is under the direct supervision of the General Manager and is responsible for all HR functions which take place in the Bureau. Employees' professional development, safety and rights are protected by protocols which are ensured via regular internal audit inspections. Formal policy frameworks are adhered to in accordance with the procedures set by the government and cover recruitment, performance appraisal based on the KPI's given by the government guidelines, grievance handling, training and development and compensation.



Total Workforce 2019 - 1360 Employees



CENTRAL ENGINEERING SERVICE (PVT) LTD

Central Engineering Services (Pvt) Ltd. (CESL) is a fully owned subsidiary of the Central Engineering Consultancy Bureau (CECB) acting as its construction arm, 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 Facilities. The company is also engaged 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, 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.

OUR PHILOSOPHY



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

BOARD OF DIRECTOR



Eng. G. D. A. Piyatilake
Chairman

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



Eng. N. Rupasinghe
Director

BSc.Eng. (Hons), PG.Dip. (Hydropower) Norway, C.Eng., MIE (SL),
MICE (London), Licd. Surveyor



Eng. S. P. P. Nanayakkara
Executive Director

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



Eng. T. D. Wickramaratna
Director

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



Eng. A. Galketiya
Director

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



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

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

SOME OF THE PROJECTS COMPLETED BY CESL



Museum and Resource Center at Polonnaruwa



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



Swimming Pool and Pavilion for Ananda Balika School at Higurakgoda



Development of Play Ground at Ginigathena Central Collage



Railway Quarters at Kaduruwela



Public Market at Kalutara

SOME OF THE PROJECTS COMPLETED BY CESL



"Sathsewana" Government Rehabilitation Centre for Special Children at Meerigama



Government Officers Quarters Complex at Polonnaruwa



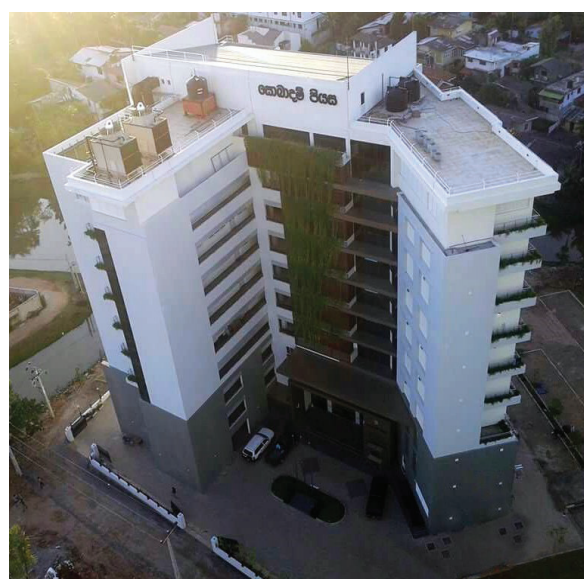
Department of Computer Science Unit (Stage II) at University of Ruhuna



Municipal Council Building at Polonnaruwa



Accident and Emergency Treatment Unit at Base Hospital Kalmunai



Municipal Council Building at Polonnaruwa

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Email: ceslapura@gmail.com

Digana

Digana Village, Rajawella.
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Fax : 081 2374349
Email: cecbcentral@yahoo.com

Polonnaruwa

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Fax : 027 3120118

Jaffna

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