ENGINEERING
BETTER SRI LANKA

As the acclaimed business icon for national engineering consultancy and construction excellence in Sri Lanka and Overseas, CECB spans 42 long years of solid engineering performances as a state owned, commercially successful self financing entity. Our engineering roots entrenched firmly in the massive multipurpose Mahaweli Development infrastructure project has since then been extended and grown to add engineering expertise to the development of diversified array of social and economic infrastructures in Sri Lanka and overseas.

Our integrated strengths and capabilities covers – Dams, Tunnels, Hydropower Engineering (Sri Lanka/ Eastern Africa), Irrigation, Water Supply/Sanitation & Environmental Engineering, Highways, Bridges, Rail Roads, Airports, High-Rises, Buildings & Urban infrastructure, University Campuses, Laboratories, Health Care, Coastal & Marine, Defence infrastructure, Sri Lankan High Commissions overseas to name a few. Our range of expertise further covers environmental studies, natural resources management, socioeconomic aspects of resettlement, community development, ICT networks etc. Truly we are the one stop shop for all engineering design, consultancy and construction needs.

We have continuously met our national obligations towards the post conflict era changes and aspirations of our people. As we near our golden jubilee, our position is among the strongest in the industry. CECB with its trained multidisciplinary expertise and advanced engineering capabilities will redouble its efforts to face the future national challenges in protecting environment while creating attractive public and private infrastructures and utilities.

CONTENTS

INSPIRED TO GO BEYOND

CECB's Vision

"To be a world Class Engineering Organization"

CECB's 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 use of resources for the maximum benefit to mankind.

The CECB – Central Engineering Consultancy Bureau. The Foremost consultancy Organization in Sri Lanka today: multi – disciplinary in function, futuristic in approach and, above all, gifted with a team of inspired professionals yearning to go Forward.

That inspiration comes with a history – a history that has left indelible marks numerously 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 though 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.

FINANCIAL HIGHLIGHTS

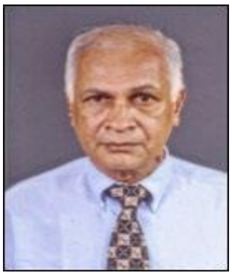
	2012 Group Rs.Mn	2012 CECB Rs.Mn	2011 CECB Rs.Mn Restated
Construction Revenue	11,543	11,543	7,640
Consultancy Revenue	1,508	1,508	909
Consolidated Revenue	13,051	13,051	8,550
Gross Profit	1,624	1,560	924
Net Profit Before tax	558	545	308
Net profit after tax	266	259	146
Total assets	16,805	14,179	12,129
Contributed Capital	-	500	500
Total Equity	3,624	3,615	3,259
Total Equity Equilibrium	16,805	14,179	12,129
Current Assets	13,520	11,082	9,421
Current Liabilities	12,917	10,324	8,631

BOARD OF DIRECTORS

Eng.Nihal Rupasinghe

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

Joined Faculty of Engineering, University of Peradeniya as Instructor in 1980. Joined Central Engineering Consultancy Bureau in 1981. Appointed as Chief Resident Engineer in 1989 to 1996. Functioned as Project Manager, CECB 1997 to 1998. Appointed as Additional General Manager (Engineering Procurement and Construction) to manage the Said Division. Appointed Chairman/CECB in 2005.



Eng.M.A.P. Hemachandra

F.I.E.D.(SL), M.I.E.E., M.I.Prod.

Functioned as the Chairman B.C.C. Lanka Ltd., Chairman/ Managing Director in Colombo Sack Makers Ltd. and State Pharmaceuticals Manufacturing Corporation of Sri Lanka. Appointed as the Working Director of the Central Engineering Consultancy Bureau in June 2010.

Mr. S.M.N.L.Senanayake

BSc., Dip. Mgt., FCA, Chartered Accountant.

Joined Corporate Vision (Pvt) Ltd., as a Director in 1988 and joined Financial Consultants and Allied Services (Pvt) Ltd., as a Director in 1994. In 2008, joined Mahaweli Cultural Foundation Trust as a Director and in 2004 joined Central Engineering Consultancy Bureau as Director. He is also a Director of State Pharmaceuticals Corporation and State Pharmaceuticals Manufacturing Corporation since 2010.

Eng. S.S.Ediriweera

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

Appointed as Director, Ministry of Posts and Telecommunications from 1972 to 1991. Joined Sri Lanka Telecom Services Ltd., as General Manager and appointed as Member of the Board of Directors in 1992. Attached to Associated News Papers of Ceylon Ltd., and functioned as Managing Director in 2000. He worked as Secretary in Ministry of Posts, Telecommunication and Information Technology Development and as Secretary in Ministry of Tertiary Education and Training in 2001. In 2004, retired from Public Service. Appointed as an Engineering Consultant of Media and Information and as a Board Member of Sri Lanka Rupavahini Corporation and a Board Member of Sri Lanka Broadcasting Corporation. Doubling as Advisor to the Board, ITN. In 2011 January he was appointed as Board of Director in CECB and as an Executive Director of CESL. He is a member of the production Engineers (London) and the Institution of Electrical Engineers (London)

BOARD OF DIRECTORS CONTINUED

Eng. Ranjith Pemasiri

BSc.Eng.(Hons), MIE(SL), MSc.(Construction Mgt.)

Joined Road Development Authority as Executive Engineer/ Resident Engineer in 1981and in 1993 appointed as a Director Highway in Provincial Department of Highways and as a Project Director at Ministry of Home Affairs and Provincial Councils. Assumed duties as General Manager at Southern Provincial Road Development Authority in 1993. Worked as National Project Director at Ministry of Provincial Councils and Local Government since 2003. Presently working as General Manager, Road Development Authority. Appointed as Director of Central Engineering Consultancy Bureau in year 2010.

Dr. M.H.M.U.P. Herath

MBBS (Col.)

Medical Officer at Ragama Rehabilitation Hospital since 2010.

Appointed as a Director of Central Engineering Consultancy Bureau in August 2010.

Mr. Wasantha Ekanayake

(B.A.(Hons.), Class 1 of the Sri Lanka Administrative Service.

Director General, Department of Management Audit, Treasury Representative/ Member of the Board of Directors of Central Engineering Consultancy Bureau in 2010.

OUR TEAM

Eng. N. Rupasinghe	Chairman
Eng. M. A. P. Hemachandra	Working Director
Eng. S. S. Ediriweera	Executive Director
Eng. K. L. S. Sahabandu	General Manager
Eng. M. A. C. Perera	Corp. Addl.GM (C) /Addl GM (Projects)
Eng. G. D. A. Piyatilake	Corp Addl GM (EPC) /AGM (EPC-WP)
Eng. L. P. G. Silva	Addl GM (EPC-WP 2)
Eng. R. N. Perera	Addl GM (Special Projects - 03)
Eng. S. T. Devarajan	Addl GM (Special Projects - 02)
Eng. W. A. Ariyathilleke	Addl GM (Northern Roads)
Eng. T. D. Wickermarathne	Addl GM (Water Resources)
Eng. S. P. P. Nanayakkara	Addl GM(EPC-South)
Eng. P. C. Jinasena	AddlGM(Highways,AirportDesign & Training)
Eng. G. R. A. S. Gunathilake	Addl GM(EPC-East)
Eng. G. A. D. L. J. Seneviratne	Addl GM (E & M)
Eng. A. Galketiya	Addl GM(EPC-Uva & Sab)
Eng. H. M. Nandasena	Addl GM(EPC-Central)
Eng. D. R. Mithra	Addl GM (EPC-North Central)
Eng. (Ms). H. M. S. Rupasinghe	Addl GM (EPC-Support Services)
Eng. K. L. S. R. Sahabandu	A/Addl GM (DRD)
Eng. M. Navaz	A/Addl GM (Special Projects -01)
Archt. W. K. Lalith Hewage	Addl GM (Architect)
Eng. R. M. W. Ratnayake	Cover up Duties/Addl GM (EPC-North)
Eng. P. M. P. C. Gunatilleke	Cover up Duties/Addl GM (EPC-SouthEast)
Ms. Liyanage Devika	DGM (QS)
Mr. J.M.B. Jayaweera	Chief Internal Auditor
Ms.S.H.H.C.U. Senanayake	Legal Officer/ Secretary to the Board
Mr. J.W. Rathnayake	Consultant, Human Resource
Mr. U.N.B. Mawathagama	Finance Manager

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 2012 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 (SLFRS and LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

These Financial Statements for the year ended 31st December, 2012 are the first Financial Statements prepared and presented in accordance with Sri Lanka Accounting Standards immediately effective from 1st January, 2012. Financial Statements were prepared in accordance with Sri Lanka Accounting Standards (SLAS) effective up to 31st December, 2011 reconciled on convergence of the SLAS compliant Financial Statements to SLFRS/LKAS compliant Financial Statements are given in Note 32 to the Financial Statements. The Consolidated Financial Statements were authorized for issue by the Board of Directors in accordance with the resolution passed by the Board of Directors on 10th February 2014.

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

2 BASIS OF PREPARATION (CONTINUED)

2.1 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
- Fair value of Property Plant and Equipment are recognised as deemed cost on the transition date.

The Bureaus 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.

2.2 Functional and Presentation Currency

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

2.3 Use of Estimates and Judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRSs) 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. Actual results may differ from these estimates.

The Estimates and associated assumption are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the 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 judgements 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	17

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	19/20
Employee Benefits	22	22
Deferred Tax Liabilities	14	18

3 SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies set out below have been applied consistently to all period presented in these Financial Statements and in preparing the opening SLFRS Statement of Financial Position at January 01st, 2011 for the purpose of transition to SLFRSs, unless otherwise stated. The accounting policies have been applied consistently by Group entities.

3.1 Basis of Consolidation

(a) Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group also takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any Non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships such amounts are generally recognised in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(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 unrealised 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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.

3.3 Financial assets and financial liabilities

(a) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts intends either to settle on a net basis or realize the assets and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

(i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivable comprise cash and cash equivalents, investment in debenture and trade and other receivables, including related party receivables.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call and fixed deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial assets and financial liabilities (Continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for sale and that are not classified as any of the other financial assets. The Group's investments in equity securities are classified as available-for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. However investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured therefore the equity instruments are measured at cost.

(b) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contracted obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities in to the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost.

Other financial liabilities comprise: loans and borrowings, trade and other payables.

Ordinary Share Capital

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

3.4 Impairment

3.4.1 Non-derivative Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

3.4 Impairment (Continued)

3.4.1 Financial assets (Continued)

The Group considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are as assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reserved through profit or loss. Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

3.4.2 Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 risk specific to the asset. For the purpose of impairment testing, assets are Grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Groups of assets (the "cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (Group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, Plant and Equipment

3.5.1 Recognition and Measurement

Property, Plant and Equipment are stated at cost/revaluation less accumulated depreciation and accumulated impairment losses. The Group elected to apply the optional exemption of SLFRS 1 First Time adoption of Sri Lanka Accounting Standards (SLFRS) to use the fair value as deemed cost at the date of transition for certain items of property, plant and equipments.(Note 15).

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing the asset to the working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, they are accounted for separate items (major component) of property, plant and equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment

3.5.2 Leased 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.

3.5.3 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.

3.5.4 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 within other income in profit or loss.

3.5 Property, Plant and Equipment (Continued)

3.5.5 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 whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal 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
Freehold Building	13.33 years
Office Equipment and Furniture and Fittings	8 years
Construction Instruments and equipments	4-5 years
Motor Vehicles	4 years
Plant and Machinery	5 years
Containers	5 years
Computers	5 years
Library Books	8 years

3.5.6 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.

3.6 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.

3.6.1 Work in Progress

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. 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. Construction contracts in progress is presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income/revenue in the statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 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 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 Bureau is liable to pay gratuity in terms of the Payment of Gratuity Act No: 12 of 1983, where the liability to an employee arises only on completion of five years of continued service. However, the provision is calculated based on half month's salary of the last month of the financial year of service in conformity with the Sri Lanka Accounting Standard No: 16, '"Retiring Benefit Cost".

3.8 Provisions

Provisions are recognised 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 recognised in the balance sheet. 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 recognised as finance cost

3.9 Statement of Comprehensive Income

3.9.1 Revenue

(a) Construction Contracts

Contract revenue includes the initial amount 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. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract.

The stage of completion is assessed with reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

3.9 Statement of Comprehensive Income (Continued)
3.9.1 Revenue (Continued)

(b) Consultancy Services
The Group generates revenues from consultancy service related to construction work. Revenue from consultancy services is recognised in profit or loss in proportion to the stage of the transaction at the reporting date. The stage of completion is assessed with reference to survey of work performed.

3.9.2 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 income statement.

3.9.2 Dividend Income

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

3.9.3 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.

3.9.4 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.
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.

3.9.5 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Statement of Comprehensive Income (Continued)

3.9.5 Taxation (Continued)

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;
- 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 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.

5 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) SLFRS 10 Consolidated Financial Statements, SLFRS 11 Joint Arrangements, SLFRS 12 Disclosure of Interests in Other Entities

SLFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees.

Under SLFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting. SLFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. SLFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

6 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE (CONTINUED)

(iii) SLFRS 13 Fair Value Measurement

SLFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout SLFRS. Subject to limited exceptions, SLFRS 13 is applied when fair value measurements or disclosures are required or permitted by other SLFRSs. The Group is currently reviewing its methodologies in determining fair values.

7 First Time Adoption of SLFRSs/LKAS

These Financial Statements, for the year ended 31 December 2012, are the first financial statement of the Group has prepared in accordance with SLFRS/LKAS. For periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLASs) which were effective up to 31st December 2011.

Group has prepared its Financial Statements which comply with SLFRSs applicable for periods ending on or after 31 December 2012 and prior periods, together with the comparative period's data as at and for the years ended 31 December 2011, as described in the accounting policies.

In preparing these financial statements, the Group's opening Statement of Financial Position was prepared as at 1 January 2011, the Group's date of transition to SLFRS. Note 42 explains the principal adjustments made by the Group in restating its SLAS statement of financial position as at 1 January 2011 and its previously published SLAS financial statements as at and for the year ended 31 December 2011.

The effect of Group's transition to SLFRSs described in Note 28 is summarized in this note as follows:

- Transition elections;
- Reconciliation of equity and comprehensive income as previously reported under previous SLAS and SLFRSs.

8 Transition Elections

SLFRS 1 – First-time Adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain SLFRSs.

Accordingly the Group has applied the following transition exceptions and exemptions to full retrospective application of SLFRSs.

(a) Fair value or revaluation as deemed cost

Deemed Cost of Property, Plant and Equipment certain items of property, plant and equipment have been measured at fair value at the date of transition to SLFRSs which were carried in the statement of financial position prepared in accordance with previous SLAS on the basis of acquisition cost.

The Group has elected to regard those values as deemed cost at the date of the revaluation since they were broadly comparable to fair value.

CENTRAL ENGINEERING CONSULTANCY BUREAU

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER

		GROUP		CECB	
		2012	2011	**2012**	**2011**
		Rs.	Rs.	**Rs.**	**Rs.**
	Note				
Revenue	**9**	**13,051,404,569**	8,550,176,848	**13,051,404,569**	**8,550,176,848**
Cost of Sales	**10**	**(11,427,073,880)**	(7,592,905,377)	**(11,491,305,532)**	**(7,626,512,721)**
Gross Profit		**1,624,330,689**	957,271,471	**1,560,099,037**	**923,664,127**
Other Income	**11**	**257,331,766**	291,500,170	**241,051,176**	**289,825,801**
Administration Expenses		**(1,183,162,649)**	(951,787,024)	**(1,118,904,881)**	**(921,391,793)**
Selling and Distribution Expenses		**(316,855,524)**	(84,396,410)	**(316,855,524)**	**(84,396,410)**
Results from Operating Activities		**381,644,282**	212,588,207	**365,389,808**	**207,701,724**
Finance Income		**201,368,165**	114,975,754	**199,625,758**	**114,939,272**
Finance Cost		**(24,343,420)**	(15,444,710)	**(20,123,026)**	**(14,609,857)**
					-
Net Finance Income	**12**	**177,024,745**	99,531,044	**179,502,732**	**100,329,415**
Profit Before Income Tax		**558,669,027**	312,119,251	**544,892,540**	**308,031,139**
Income Tax Expense	**14**	**(291,677,345)**	(164,074,708)	**(285,794,064)**	**(161,905,298)**
					-
Profit/(Loss) for the Year		**266,991,682**	148,044,543	**259,098,476**	**146,125,841**
Other Comprehensive Income					
		-	-	-	-
Other Comprehensive Income for the Year		-	-	-	-
Total Comprehensive Income for the Year		**266,991,682**	148,044,543	**259,098,476**	**146,125,841**

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on pages 5 to 40 form an integral part of these Financial Statements.

CENTRAL ENGINEERING CONSULTANCY BUREAU
STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER

		GROUP			CECB		
		2012	2011	2010	**2012**	2011	2010
		Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Assets	**Note**						
Non-Current Assets							
Property, Plant and Equipment	**15**	**3,217,787,244**	2,664,214,277	2,361,824,781	**3,029,322,086**	2,643,168,837	2,361,824,781
Investments	**16**	**68,114,301**	64,456,627	69,796,710	**68,114,321**	64,456,647	69,796,710
Total Non-Current Assets		**3,285,901,545**	2,728,670,904	2,431,621,491	**3,097,436,407**	2,707,625,484	2,431,621,491
Current Assets							
Inventories	**17**	**667,283,290**	278,209,888	230,776,561	**473,612,890**	277,233,388	230,776,561
Trade and Other Receivables	**18**	**10,744,968,138**	9,277,200,225	2,549,702,106	**8,571,483,325**	6,908,203,554	2,549,702,106
Short term Investments	**16**	**1,572,852,406**	1,707,593,967	1,491,086,629	**1,572,852,406**	1,707,593,967	1,491,086,629
Cash and Cash Equivalents	**20**	**534,761,471**	615,208,770	327,792,660	**464,311,326**	528,777,653	327,792,660
Total Current Assets		**13,519,865,305**	11,878,212,850	4,599,357,956	**11,082,259,947**	9,421,808,562	4,599,357,956
Total Assets		**16,805,766,850**	14,606,883,754	7,030,979,447	**14,179,696,354**	12,129,434,046	7,030,979,447
Equity and Liabilities						-	
Contributed Capital		**500,000**	500,000	500,000	**500,000**	500,000	500,000
Capital Reserve		**3,027,999**	12,697,551	12,697,551	**3,027,999**	12,697,551	12,697,551
Retained Earnning		**3,621,103,055**	3,247,819,226	3,081,060,339	**3,611,291,147**	3,245,900,524	3,081,060,339
Total Equity		**3,624,631,054**	3,261,016,777	3,094,257,890	**3,614,819,146**	3,259,098,075	3,094,257,890
Non-Current Liabilities							
Lease Creditors	**21**	**35,565,671**	49,724,339	3,348,385	**11,624,193**	36,288,826	3,348,385
Retirement Benefit Obligation	**22**	**228,787,990**	203,004,443	172,616,158	**228,787,990**	203,004,443	172,616,158
Differed Tax	**23**	**76,388**	61,355	-	**-**	-	-
Total Non-Current Liabilities		**264,430,049**	252,790,137	175,964,543	**240,412,183**	239,293,269	175,964,543
Current Liabilities							
Trade and Other Payables	**24**	**12,331,787,072**	10,584,051,848	3,367,666,505	**10,022,553,967**	8,123,827,340	3,367,666,505
Income Tax Payables	**25**	**382,092,902**	452,561,417	386,442,259	**374,116,600**	450,453,362	386,442,259
Lease Creditors	**21**	**36,544,774**	7,107,672	-	**18,740,207**	-	-
Inter Base current accounts		**6,701,059**	-	(153,711)	**6,701,059**	-	(153,711)
Inter company current accounts		**159,579,941**	-	-	**(97,646,808)**	7,406,097	-
Bank Overdraft	**20**	**-**	49,355,903	6,801,961	**-**	49,355,903	6,801,961
Total Current Liabilities		**12,916,705,748**	11,093,076,840	3,760,757,014	**10,324,465,025**	8,631,042,702	3,760,757,014
Total Liabilities		**13,181,135,796**	11,345,866,977	3,936,721,557	**10,564,877,208**	8,870,335,971	3,936,721,557
Total Equity and Liabilities		**16,805,766,850**	14,606,883,754	7,030,979,447	**14,179,696,354**	12,129,434,046	7,030,979,447
				-	-	-	

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on pages 5 to 40 form an integral part of these Financial Statements.

It is certified that the Financial Statements have been prepared in compliance with geneally accepted accounting policies.

U.N.B.Mawathagama
Finance 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. N.Rupasinghe
CHAIRMAN

Eng. S.S.Ediriweera
DIRECTOR

04th November 2014

CENTRAL ENGINEERING CONSULTANCY BUREAU
CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER	GROUP		CECB	
	2012	2011	**2012**	2011
	Rs.	Rs.	**Rs.**	Rs.
Cash Flows from Operating Activities				
Profit Before Tax	558,669,027	312,119,251	544,892,540	308,031,139
Adjustments for:				
Depreciation on Property, Plant and Equipments	270,948,236	162,369,658	215,955,094	155,787,195
Provision / reversal of Bad and Doubtful Debts	253,228,799	84,357,975	253,228,799	84,357,975
Provision for Gratuity	54,909,537	50,277,065	54,909,537	50,277,065
Net Finance Income	(177,024,745)	(99,531,044)	(179,502,732)	(100,329,415)
Previous Period Adjustments	96,622,595	18,714,344	96,622,595	18,714,344
(Profit) / Loss on disposal of Property, Plant and Equipments	15,299,893	44,895,184	15,299,894	44,895,183
Exchange Loss on fixed deposits	263,795	-	263,795	-
Operating Profit before Working Capital Changes	1,072,917,137	573,202,433	1,001,669,521	561,733,486
(Increase)/Decrease in Inventories	(389,073,402)	(47,433,327)	(196,379,502)	(46,456,827)
(Increase)/Decrease in Trade and Other Receivables	(1,720,996,712)	(6,811,856,094)	(1,916,508,570)	(4,442,859,423)
Increase/(Decrease) in Trade and Other Payables	1,747,735,224	7,216,385,343	1,898,726,627	4,756,160,835
Increase/(Decrease) in Amounts Due to Related Companies	159,579,941	-	(105,052,905)	7,406,097
Increase in Inter Base current accounts	6,701,059	153,711	6,701,059	153,711
Cash Generated from Operating Acitivities	876,863,247	930,452,066	689,156,230	836,137,880
Interest paid	(24,343,420)	(15,444,710)	(20,123,026)	(14,609,857)
Tax paid	(362,130,829)	(97,894,194)	(362,130,825)	(97,894,195)
Gratuity paid	(29,125,990)	(19,888,780)	(29,125,990)	(19,888,780)
Net Cash Flows from Operating Activities	461,263,008	797,224,382	277,776,389	703,745,048
Cash Flows from Investing Activities				
Investment in Property Plant and Equipment	(671,479,463)	(306,520,505)	(481,810,606)	(301,660,460)
Investment in Capital Work in Progress	(137,493,498)	(144,685,278)	(137,493,498)	(144,685,278)
Investment / Disposal of Long Term Deposit	(3,657,674)	5,340,083	(3,657,674)	5,340,063
Investment / Disposal of Short Term Deposit	134,477,766	(216,507,338)	134,477,766	(216,507,338)
Interest Income	201,368,165	114,975,754	199,625,758	114,939,272
Net Cash Flows from Investing Activities	(476,784,705)	(547,397,284)	(288,858,254)	(542,573,742)
Cash Flows from Financing Activities				
Payment of Finance Lease Liabilities	(15,569,700)	(4,964,929)	(4,028,559)	(2,740,255)
Net Cash from Financing Activities	(15,569,700)	(4,964,929)	(4,028,559)	(2,740,255)
Net Increase/(Decrease) in Cash and Cash Equivalents	(31,091,396)	244,862,168	(15,110,424)	158,431,051
Cash and Cash Equivalent at the beginning	565,852,867	320,990,699	479,421,750	320,990,699
Cash and Cash Equivalent at the end (Note 20)	534,761,471	565,852,867	464,311,326	479,421,750

Figures in brackets indicates deductions.

The Notes to the Financial Statements set out on pages 5 to 40 form an integral part of these Financial Statements.

CENTRAL ENGINEERING CONSULTANCY BUREAU

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER

	CECB			
	Contributed Capital Rs.	Capital Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st January 2011	500,000	12,697,551	3,081,060,339	3,094,257,890
Net Profiit For the Year	-	-	146,125,841	146,125,841
Prior Period Adjustments	-	-	18,714,344	18,714,344
Balance as at 31st December 2011	500,000	12,697,551	3,245,900,524	3,259,098,075
Net Profiit For the Year	-	-	259,098,476	259,098,476
Prior Period Adjustments	-	-	96,622,595	96,622,595
Trasfers of Capital Reserves		(9,669,552)	9,669,552	-
Balance as at 31st December 2012	500,000	3,027,999	3,611,291,147	3,614,819,146

	GROUP			
	Contributed Capital Rs.	Capital Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st January 2011	500,000	12,697,551	3,081,060,339	3,094,257,890
Net Profiit For the Year	-	-	148,044,543	148,044,543
Prior Period Adjustments	-	-	18,714,344	18,714,344
Balance as at 31st December 2011	500,000	12,697,551	3,247,819,226	3,261,016,777
Net Profiit For the Year	-	-	266,991,682	266,991,682
Prior Period Adjustments	-	-	96,622,595	96,622,595
Trasfers of Capital Reserves		(9,669,552)	9,669,552	-
	500,000	3,027,999	3,621,103,055	3,624,631,054
Balance as at 31st December 2012	500,000	3,027,999	3,621,103,055	3,624,631,054

The Notes to the Financial Statements set out on pages 5 to 40 form an integral part of these Financial Statements.

CENTRAL ENGINEERING CONSULTANCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER

	GROUP		CECB	
	2012	2011	**2012**	2011
	Rs.	Rs.	**Rs.**	Rs.
9 Revenue				
Construction Revenue	**11,542,700,246**	7,640,245,757	**11,542,700,246**	7,640,245,757
Consultancy Revenue	**1,508,704,323**	909,931,091	**1,508,704,323**	909,931,091
	13,051,404,569	8,550,176,848	**13,051,404,569**	**8,550,176,848**
10 Cost of sales				
Construction Cost	**10,390,504,534**	6,914,874,922	**10,454,736,186**	6,948,482,266
Consultancy Cost	**1,036,569,346**	678,030,455	**1,036,569,346**	678,030,455
	11,427,073,880	7,592,905,377	**11,491,305,532**	**7,626,512,721**
11 Other Income				
Miscellaneous Revenue	**101,860,400**	108,687,749	**89,669,539**	107,013,380
Hiring Income	**4,258,960**	69,147,581	**4,258,960**	69,147,581
Reimbursable costs	**107,819,931**	97,889,584	**103,730,202**	97,889,584
Sundry Income	**43,656,270**	15,775,256	**43,656,270**	15,775,256
Exchange loss on fixed deposits	**(263,795)**	-	**(263,795)**	-
	257,331,766	291,500,170	**241,051,176**	289,825,801
12 Net Finance Income				
Finance Income				
Interest Income	**201,368,165**	114,975,754	**199,625,758**	114,939,272
	201,368,165	**114,975,754**	**199,625,758**	**114,939,272**
Finance Cost				
Interest Expenses	**(24,343,420)**	(15,444,710)	**(20,123,026)**	(14,609,857)
	(24,343,420)	(15,444,710)	**(20,123,026)**	**(14,609,857)**
Net Finance Income	**177,024,745**	**99,531,044**	**179,502,732**	**100,329,415**
13 Staff Cost				
Salaries & Allowance	**551,389,054**	339,597,126	**549,977,054**	338,476,404
EPF	**66,039,607**	40,617,180	**65,997,247**	40,617,180
ETF	**16,668,752**	10,154,295	**16,499,312**	10,154,295
Incentives & Other Allowances	**124,196,766**	154,284,339	**124,196,766**	154,284,339
Bonus	**16,083,223**	11,703,224	**16,083,223**	11,703,224
Sick leave encashment	**26,633,690**	17,672,674	**20,030,914**	17,338,248
	801,011,092	**574,028,838**	**792,784,516**	**572,573,690**

FOR THE YEAR ENDED 31ST DECEMBER

		GROUP		CECB	
		2012	2011	**2012**	2011
		Rs.	Rs.	**Rs.**	Rs.
14	**Income Tax**				
14.1	Current Tax Expense (Note 14.2)	259,871,110	138,242,418	254,002,864	136,134,363
	Deferred Tax Provision	15,033	61,355		
	Adjustment for Prior Years	31,791,200	25,770,935	31,791,200	25,770,935
		291,677,343	**164,074,708**	**285,794,064**	**161,905,298**
14.2	**Reconciliation of Accounting Profit to Taxable Profit**				
	Accounting Profit before Income Tax Expense	558,669,027	308,031,139	544,892,540	308,031,139
	Aggregate Disallowed Items	478,211,906	153,947,576	435,290,369	153,947,576
	Aggregate Allowable Items	197,493,732	139,535,084	172,961,541	293,682,799
	Total Statutory Income	679,772,285	441,390,009	654,330,215	441,390,009
	Exempted Income				-
	Taxable Income	**679,772,285**	**441,390,009**	**654,330,215**	**441,390,009**
	Tax on Construction Income @ 12%	47,719,522	35,646,655	46,989,034	35,113,840
	Tax on Other Income @ 28%	78,709,138	27,217,255	73,571,380	25,642,015
	Dividend Tax	133,442,450	75,378,508	133,442,450	75,378,508
	Current Income Tax Expenses	**259,871,110**	**138,242,418**	**254,002,864**	**136,134,363**

15 PROPERTY PLANT AND EQUIPMENT

15.1 CECB

	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.
Cost												
Balance as at 1st January 2011	1,689,236,867	317,777,553	28,227,806	64,282,469	25,307,127	66,246,615	3,611,919	43,554,714	117,012,705	1,212,441	40,339,693	2,396,809,909
Additions / Trasfers during the year	-	66,398,945	5,758,679	29,647,089	8,419,799	21,749,188	1,408,170	25,586,206	154,014,936	367,990	144,685,278	458,036,279
Disposals / Trasfers during the year	-	-	(139,218)	(679,790)	(506,522)	(353,787)	-	(377,786)	(4,191,785)	(33,671)	(40,339,693)	(46,622,253)
Balance as at 31st December 2011	1,689,236,867	412,386,979	33,959,294	94,137,998	32,741,217	86,678,173	5,020,089	68,775,990	263,416,413	1,546,759	144,685,278	2,832,585,058
Balance as at 1st January 2012	1,689,236,867	412,386,979	33,959,294	94,137,998	32,741,217	86,678,173	5,020,089	68,775,990	263,416,411	1,546,759	144,685,278	2,832,585,056
Additions during the year	12,500,000	136,801,539	14,880,930	66,409,259	11,669,222	119,738,505	7,448,519	17,117,396	92,892,444	456,925	137,493,498	617,408,237
Disposals / Write off during the year	-	-	(8,642,544)	(22,348,530)	(7,853,182)	(1,917,576)	(347,713)	(13,751,461)	(4,658,975)	(288,762)	-	(59,808,743)
Balance as at 31st December 2012	**1,701,736,867**	**549,188,518**	**40,197,680**	**138,198,727**	**36,557,256**	**204,499,103**	**12,120,896**	**72,141,925**	**351,649,880**	**1,714,922**	**282,178,776**	**3,390,184,550**
Accumulated Depreciation												
Balance as at 1st January 2011	-	(13,355)	5,181,358	15,382,409	4,777,513	870,646	(85,721)	9,127,154	(271,892)	17,015	-	34,985,128
Charge for the year	-	30,655,118	3,255,469	15,717,387	5,963,379	18,189,623	1,046,021	13,706,999	64,239,475	306,731	-	153,080,201
Disposals during the year	-	-	(25,096)	(72,203)	(259,789)	(97,888)	-	(84,892)	(1,187,201)	-	-	(1,727,070)
Balance as at 31st December 2011	-	30,655,119	8,577,232	30,973,610	10,737,203	19,123,088	1,213,381	21,978,570	65,834,271	323,746	-	189,416,221
Balance as at 1st January 2012	-	30,655,119	8,577,232	30,973,610	10,737,203	19,123,088	1,213,381	21,978,570	65,834,271	323,746	-	189,416,221
Charge for the year	-	40,326,669	5,311,713	27,803,273	5,438,480	32,798,163	2,377,145	14,698,487	86,995,935	205,229	-	215,955,094
Disposals during the year	-	-	(5,627,687)	(14,791,596)	(6,651,070)	(860,702)	(347,713)	(12,517,471)	(3,585,636)	(126,976)	-	(44,508,850)
Balance as at 31st December 2012	**-**	**70,981,788**	**8,261,258**	**43,985,287**	**9,524,613**	**51,060,549**	**3,242,812**	**24,159,586**	**149,244,570**	**401,999**	**-**	**360,862,464**
Net Book Value												
Balance as at 1st January 2011	1,689,236,867	317,790,908	23,046,448	48,900,060	20,529,615	65,375,969	3,697,641	34,427,560	117,284,596	1,195,425	40,339,693	2,361,824,781
Balance as at 31st December 2011	1,689,236,867	381,731,860	25,382,062	63,164,388	22,004,014	67,555,085	3,806,708	46,797,420	197,582,142	1,223,013	144,685,278	2,643,168,837
Balance as at 31st December 2012	**1,701,736,867**	**478,206,730**	**31,936,422**	**94,213,440**	**27,032,643**	**153,438,553**	**8,878,084**	**47,982,339**	**202,405,310**	**1,312,923**	**282,178,776**	**3,029,322,086**

CENTRAL ENGINEERING CONSULTANCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2012

15 PROPERTY PLANT AND EQUIPMENT

15.1 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.
Cost												
Balance as at 1st January 2011	1,689,236,867	317,777,553	28,227,806	64,282,469	25,307,127	66,246,615	3,611,919	43,554,714	117,012,705	1,212,441	40,339,693	2,396,809,9
Additions / Trasfers during the year	-	66,398,945	6,454,033	29,685,989	9,173,722	23,600,811	1,408,170	26,642,906	177,246,341	367,990	144,685,278	485,664,1
Disposals / Trasfers during the year	-	-	(139,218)	(679,790)	(506,522)	(353,788)	-	(377,786)	(4,191,785)	(33,671)	(40,339,693)	(46,622,2
Balance as at 31st December 2011	1,689,236,867	412,386,979	34,654,647	94,176,898	33,495,140	88,529,795	5,020,089	69,832,690	286,647,818	1,546,759	144,685,278	2,860,212,9
Balance as at 1st January 2012	1,689,236,867	412,386,979	34,654,647	94,176,898	33,495,140	88,529,795	5,020,089	69,832,690	286,647,818	1,546,759	144,685,278	2,860,212,9
Additions during the year	12,500,000	166,935,142	15,901,134	74,410,357	13,065,097	140,043,921	7,615,185	18,761,186	252,638,649	456,925	137,493,499	839,821,0
Disposals / Write off during the year	-	-	(8,642,544)	(22,348,530)	(7,853,182)	(1,917,576)	(347,713)	(13,751,461)	(4,658,975)	(288,762)	-	(59,808,7
Balance as at 31st December 2012	**1,701,736,867**	**579,322,121**	**41,913,238**	**146,238,725**	**38,707,054**	**226,656,141**	**12,287,562**	**74,842,415**	**534,627,491**	**1,714,922**	**282,178,776**	**3,640,225,3**
Accumulated Depreciation												
Balance as at 1st January 2011	-	(13,355)	5,181,358	15,382,409	4,777,513	870,646	(85,721)	9,127,154	(271,892)	17,015	-	34,985,1
Charge for the year	-	30,655,118	3,342,388	15,726,417	6,060,376	18,559,948	1,046,021	13,918,339	70,047,326	306,731	-	159,662,6
Disposals during the year	-	-	(25,096)	(72,203)	(259,789)	(97,888)	-	(84,892)	(1,187,201)	-	-	(1,727,0
Balance as at 31st December 2011	-	30,655,119	8,664,151	30,982,640	10,834,201	19,493,413	1,213,381	22,189,910	71,642,122	323,746	-	195,998,6
Balance as at 1st January 2012	-	30,655,119	8,664,151	30,982,640	10,834,201	19,493,413	1,213,381	22,189,910	71,642,122	323,746	-	195,998,6
Charge for the year	-	42,586,689	5,526,160	29,247,871	5,763,316	37,229,571	2,410,478	15,238,585	132,740,337	205,229	-	270,948,2
Disposals during the year	-	-	(5,627,687)	(14,791,596)	(6,651,070)	(860,702)	(347,713)	(12,517,471)	(3,585,636)	(126,976)	-	(44,508,8
Balance as at 31st December 2012	**-**	**73,241,808**	**8,562,624**	**45,438,915**	**9,946,448**	**55,862,282**	**3,276,146**	**24,911,024**	**200,796,824**	**401,999**	**-**	**422,438,0**
Net Book Value												
Balance as at 1st January 2011	1,689,236,867	317,790,908	23,046,448	48,900,060	20,529,615	65,375,969	3,697,641	34,427,560	117,284,596	1,195,425	40,339,693	2,361,824,7
Balance as at 31st December 2011	1,689,236,867	381,731,860	25,990,496	63,194,258	22,660,939	69,036,383	3,806,708	47,642,780	215,005,695	1,223,013	144,685,278	2,664,214,2
Balance as at 31st December 2012	**1,701,736,867**	**506,080,313**	**33,350,614**	**100,799,810**	**28,760,607**	**170,793,859**	**9,011,416**	**49,931,391**	**333,830,667**	**1,312,923**	**282,178,776**	**3,217,787,2**

FOR THE YEAR ENDED 31ST DECEMBER

		GROUP			CECB		
		2012	2011	2010	**2012**	2011	2010
		Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
15	**Property, Plant and Equipment**						

15.3 As per the exemption given in SLFRS 1, the Group measured items of property, plant, and equipment at the date of transition to SLFRS at its fair value and used the fair value as its deemed cost at that date. For this purpose, the Land, Building and Motor vehicle of the Company had been revalued at Rs 2,213,974,614./- by Shiral I De Silva D.I.V. and D.I.A (Sri Lanka), an independent professional valuer for the assets held as at 31st December 2010. The surplus arising from the revaluation amounting to Rs.1,960,817,886/- was transferred to retained earnings. The valuation has been conducted on the basis of estimated market value as at 31st December 2010. However the other assets was taken to books at the written down value as at 31st December 2010 as deem cost.

		Group 2012	Group 2011	Group 2010	CECB 2012	CECB 2011	CECB 2010
16	**Investments**						
	Long term investment (Note 16.1)	68,114,301	64,456,627	69,796,710	68,114,321	64,456,647	69,796,710
	Short term investment (Note 16.2)	1,572,852,406	1,707,593,967	1,491,086,629	1,572,852,406	1,707,593,967	1,491,086,629
		1,640,966,707	1,772,050,594	1,560,883,339	1,640,966,727	1,772,050,614	1,560,883,339
16.1	**Long term investment**						
	Loans and receivable financial assets						
	Investment in Fixed Deposit	66,114,301	62,456,627	67,796,710	66,114,301	62,456,627	67,796,710
	Available for sale financial assets						
	Mark Marine Services (Pvt) Ltd	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
		68,114,301	64,456,627	69,796,710	68,114,301	64,456,627	69,796,710
	Investment in subsidiary (Unquoted)						
	Central Engineering Services (Private)	-	-	-	20	20	-
		-	-	-	20	20	-
		68,114,301	64,456,627	69,796,710	68,114,321	64,456,647	69,796,710
16.2	**Short term investment**						
	Repo	-	-	-	-	-	-
	Short term investments	1,572,852,406	1,707,593,967	1,491,086,629	1,572,852,406	1,707,593,967	1,491,086,629
		1,572,852,406	1,707,593,967	1,491,086,629	1,572,852,406	1,707,593,967	1,491,086,629
17	**Inventories**						
	Inventories	94,197,005	-	-	-	-	-
	Work in Progress (Note 17.1)	573,086,285	278,209,888	230,776,561	473,612,890	277,233,388	230,776,561
		667,283,290	278,209,888	230,776,561	473,612,890	277,233,388	230,776,561

17.1 Work in Progress represent the Construction contracts in progress as at the balance sheet date, which include all material at site

		Group 2012	Group 2011	Group 2010	CECB 2012	CECB 2011	CECB 2010
18	**Trade and Other Receivables**						
	Trade Receivables (Note 18.1)	9,436,707,824	7,630,245,860	2,388,663,371	7,354,474,092	5,336,788,535	2,388,663,371
	Other Receivables (Note 18.2)	98,103,575	66,978,346	72,577,907	93,019,352	66,031,571	72,577,907
	Deposits, Prepayments and Advances	1,210,156,739	1,579,976,019	88,460,828	1,123,989,881	1,505,383,448	88,460,828
		10,744,968,138	9,277,200,225	2,549,702,106	8,571,483,325	6,908,203,554	2,549,702,106
18.1	**Trade Receivables**						
	Debtors	6,465,036,910	5,718,366,340	1,784,231,927	5,147,088,090	3,963,965,025	1,784,231,927
	Due from customers	2,032,777,542	1,445,184,876	381,780,583	1,357,100,354	906,128,867	381,780,583
	Retention receivables	1,524,454,179	913,569,758	604,029,564	1,435,846,455	913,569,757	604,029,564
	Less - Provision for Impairment (Note ´	(585,560,807)	(446,875,114)	(381,378,703)	(585,560,807)	(446,875,114)	(381,378,703)
		9,436,707,824	7,630,245,860	2,388,663,371	7,354,474,092	5,336,788,535	2,388,663,371
18.1.1	Provision for Impairment						
	Debtors	585,560,807	446,875,114	381,378,703	585,560,807	446,875,114	381,378,703
		585,560,807	446,875,114	381,378,703	585,560,807	446,875,114	381,378,703
18.1.1	Provision for Impairment						
	Balance at the beginning	446,875,114	381,378,703	313,601,119	446,875,114	381,378,703	313,601,119
	Impairment loss recognised	287,756,144	84,396,410	90,763,691	287,756,144	84,396,410	90,763,691
	Amounts written off against debtor	(114,543,106)	(18,861,564)	-	(114,543,106)	(18,861,564)	-
	Reversal of provision	(34,527,346)	(38,435)	(22,986,107)	(34,527,346)	(38,435)	(22,986,107)
	Balance at the end	585,560,807	446,875,114	381,378,703	585,560,807	446,875,114	381,378,703
18.2	**Other Receivables**						
	Staff Loans	46,866,413	46,108,431	17,055,878	46,366,413	46,108,431	17,055,878
	Prepaid Staff Cost	6,560,208	4,916,157	4,054,549	6,560,208	4,916,157	4,054,549
	General Suspense	(320,414)	1,774,849	6,002,695	-	1,774,849	6,002,695
	Sundry Debtors	42,241,359	14,099,779	45,464,785	37,943,045	13,232,134	45,464,785
	WHT Receivable	2,756,009	79,130	-	2,149,686	-	-
		98,103,575	66,978,346	72,577,907	93,019,352	66,031,571	72,577,907

FOR THE YEAR ENDED 31ST DECEMBER

		GROUP 2012 Rs.	GROUP 2011 Rs.	GROUP 2010 Rs.	CECB 2012 Rs.	CECB 2011 Rs.	CECB 2010 Rs.
18.3	**Deposits, Prepayments and Advances**						
	Deposits	19,668,343	16,324,258	9,383,170	15,568,343	15,420,908	9,383,170
	Advances	1,176,474,225	1,560,524,823	77,745,173	1,102,158,038	1,486,910,602	77,745,173
	Prepayments	14,014,171	3,126,938	1,332,485	6,263,500	3,051,938	1,332,485
		1,210,156,739	1,579,976,019	88,460,828	1,123,989,881	1,505,383,448	88,460,828
20	**Cash and Cash Equivalents**						
	Favorable Balances						
	Cash in hand and at bank	528,870,657	600,600,078	327,388,491	462,019,676	516,700,961	327,388,491
	Bank Imprest	60,000	-	404,169	60,000	-	404,169
	Cash in Transit	5,830,814	14,608,692	-	2,231,650	12,076,692	-
		534,761,471	**615,208,770**	**327,792,660**	**464,311,326**	**528,777,653**	**327,792,660**
	Unfavorable Balances						
	Bank Overdraft	-	(49,355,903)	(6,801,961)	-	(49,355,903)	(6,801,961)
	Cash and Cash Equivalents for the Cash Flow Purpose	**534,761,471**	**565,852,867**	**320,990,699**	**464,311,326**	**479,421,750**	**320,990,699**
21	**Lease Creditors**						
	Amount payable within one year	36,544,774	7,107,672	-	18,740,207	-	-
	Amount payable after one year	35,565,671	49,724,339	3,348,385	11,624,193	36,288,826	3,348,385
		72,110,445	**56,832,011**	**3,348,385**	**30,364,400**	**36,288,826**	**3,348,385**
22	**Retirement Benefit Obligation**						
	Balance as at 1st January	203,004,443	172,616,158	169,501,184	203,004,443	172,616,158	169,501,184
	Provision for the year	54,909,537	50,277,065	16,690,954	54,909,537	50,277,065	16,690,954
	Payment made during the year	(29,125,990)	(19,888,780)	(13,575,980)	(29,125,990)	(19,888,780)	(13,575,980)
	Balance as at 31st December	**228,787,990**	**203,004,443**	**172,616,158**	**228,787,990**	**203,004,443**	**172,616,158**
24	**Trade and Other Payables**						
	Trade Payables (Note 24.1)	10,928,978,816	9,266,689,525	2,919,401,622	9,035,836,096	7,252,896,658	2,919,401,622
	Other Payables (Note 24.2)	1,402,808,256	1,317,362,323	448,264,883	986,717,871	870,930,682	448,264,883
		12,331,787,072	**10,584,051,848**	**3,367,666,505**	**10,022,553,967**	**8,123,827,340**	**3,367,666,505**
24.1	**Trade Payables**						
	Creditors	951,095,780	998,825,297	780,062,091	756,638,966	960,643,563	780,062,091
	Due to Customers	4,702,098,842	2,668,762,176	605,187,286	3,795,705,604	2,217,732,582	605,187,286
	Mobilazation & Other Advances	4,833,237,386	5,291,218,863	1,375,728,372	4,041,787,838	3,766,803,149	1,375,728,372
	Retention Payables to Contractors	442,546,808	307,883,189	158,423,873	441,703,688	307,717,364	158,423,873
		10,928,978,816	**9,266,689,525**	**2,919,401,622**	**9,035,836,096**	**7,252,896,658**	**2,919,401,622**
24.2	**Other Payables**						
	Other Advance	2,250,527	9,929,273	-	2,250,528	9,929,273	-
	Sundry Creditors	303,705,137	31,626,610	12,965,500	204,617,465	31,626,610	12,965,500
	Refundable Deposits	228,700	141,671	152,171	105,000	141,671	152,171
	Accrued Expenses	977,303,767	1,207,003,308	325,593,066	702,819,516	808,805,418	325,593,066
	Provision for VAT	86,653,627	65,871,181	99,373,491	44,783,864	17,637,429	99,373,491
	Provision for VAT-1/3rd	8,174,708	(395,905)	(18,046)	8,174,708	(395,905)	(18,046)
	Withholding Tax Provisions	5,598,635	(1,978,241)	6,341,709	5,073,635	(1,978,241)	6,341,709
	Other Taxes	18,893,155	5,164,426	3,856,992	18,893,155	5,164,426	3,856,992
		1,402,808,256	**1,317,362,323**	**448,264,883**	**986,717,871**	**870,930,682**	**448,264,883**
25	**Income Tax Payables**						
	Balance at the beginning of the yea	452,561,417	386,442,259	140,945,326	450,453,362	386,442,259	140,945,326
	Income tax for the year	259,871,110	138,242,418	250,323,968	254,002,864	136,134,363	250,323,968
	Provision in respect of the last year	31,791,200	25,770,935	-	31,791,200	25,770,935	-
	Payments made during the year	(362,130,826)	(97,894,195)	(4,827,035)	(362,130,826)	(97,894,195)	(4,827,035)
	Balance at the end of the year	**382,092,902**	**452,561,417**	**386,442,259**	**374,116,600**	**450,453,362**	**386,442,259**

FOR THE YEAR ENDED 31ST DECEMBER 2012

26 Commitments and contingencies

GROUP

There were no material Commitments and Contingent liabilities as at the reporting date except for the following

26.1 Commitments

In keeping with the Government policy, CECB is required to undertake Projects for Rehabilitation of Road network on urgent basis in the districts of Moneragala, Badulla, Kandy and Anuradhapura. To expedite the works the Government has already supported CECB with Machinery and Equipment to be used in the rural road carpeting project in year 2012 as a grant, however the govenment has decided to recover a nominal value from CECB during 2013.

26.2 Contingencies

Legal case filed against the Company

Case No	Case Designation	Description	Present status
14485/MR - WPHCCA Colombo 279/2005 (cf) – Accident Case	CECB Vs. C.M.H. Martin Silva No 57. De Soyza Road, Rawatawatta Moratuwa, and One another	C.M.H. Martin Silva claimed damages occurred due to the death of his son.	The matter is still pending
MR/ 8748 – D.C.Matale	H.D.R.S.Diddeniya & A.J.A.P.Indrasiri. Vs CECB & 5 others	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 investigation has revealed that the damages had not been occurred due to the constructions of road.	The matter is still pending
155/Damages, D.C Kaduwela	Sri Lanka Bureau of Foreign Employment Vs. CECB	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. CECB is contesting the	The matter is still pending
Resolution by Adjudicator Construction of 172m High Self – Supporting Steel Broadcast Tower at Kokavil	IGTL Solution Lanka Pvt Limited, (IGTL) Vs. CECB	IGTL Solution Lanka has claimed Rs. 64,312,623.00 for the increased cost of erection & painting of the tower. CECB is contesting the case stating that according to the contract entered with IGTL, no provision to entertain additional claims as the contract was awarded on fixed lump sum.	The matter is still pending
10248/A	Mr. HADC Dilruk (Claiming EPF for Assignment Period)	Claiming EPF for Assignment Period	The matter is still pending
CC/C/EPF/142/2012	Mr. D.K.T. Dissanayake - EPF	Claiming EPF for Cost of Living Payment.	The matter is still pending

CENTRAL ENGINEERING CONSULTANCY BUREAU
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2012

27 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 risks, 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 Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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 ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Management Committee.

27 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 and investment securities.

27 Financial risk management (continued)

27 Credit risk (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows

	GROUP			CECB		
	2012	2011	2010	2012	2011	2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Investment in Fixed Deposit (Long term)	**66,114,301**	62,456,627	67,796,710	**66,114,301**	62,456,627	67,796,710
Investment in Fixed Deposit (Short term)	**1,572,852,406**	1,707,593,967	1,491,086,629	**1,572,852,406**	1,707,593,967	1,491,086,629
Investment in Shares	**2,000,000**	2,000,000	2,000,000	**2,000,000**	2,000,000	2,000,000
Investment in subsidiary (Unquoted)	**-**	-	-	**20**	20	-
Trade and Other Receivables	**10,744,968,138**	9,277,200,225	2,549,702,106	**8,571,483,325**	6,908,203,554	2,549,702,106
Cash and Cash Equivalents	**534,761,471**	615,208,770	327,792,660	**464,311,326**	528,777,653	327,792,660
	12,920,696,316	11,664,459,589	4,438,378,105	**10,676,761,378**	9,209,031,821	4,438,378,105

The maximum exposure to credit risk for loans and receivables at reporting date by geographic region was:

	GROUP			CECB		
	2012	2011	2010	2012	2011	2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Baththaramulla	**512,134,695**	532,061,244	137,110,747	**396,455,043**	404,646,948	137,110,747
Maharagama	**259,066,494**	209,781,102	43,744,667	**143,386,842**	82,366,806	43,744,667
Gampaha	**314,678,135**	384,328,830	105,136,851	**198,998,483**	256,914,535	105,136,851
Jawaththa	**472,993,879**	505,261,705	90,987,322	**357,314,227**	250,433,114	90,987,322
Ampara	**668,322,783**	731,985,534	219,120,376	**552,643,131**	477,156,943	219,120,376
Monaragala	**1,570,645,740**	-	-	**1,454,966,088**	-	-
Uva	**875,467,540**	1,505,329,690	585,362,638	**759,787,888**	1,250,501,098	585,362,638
Sabaragamuwa	**355,174,070**	319,616,319	135,890,853	**239,494,418**	192,202,024	135,890,853
Southern	**377,653,339**	479,569,036	187,960,973	**261,973,687**	352,154,740	187,960,973
Central	**1,186,998,086**	833,195,778	293,589,962	**1,071,318,434**	705,781,482	293,589,962
North Central	**1,064,069,510**	850,840,486	72,439,512	**832,710,207**	723,426,190	72,439,512
Kanthale	**296,822,109**	-	-	**181,142,457**	-	-
Jaffna	**260,951,971**	41,261,679	-	**145,272,319**	41,261,679	-
Katubeddha	**285,101,035**	321,653,144	108,832,933	**169,421,383**	194,238,848	108,832,933
Digana	**28,306,658**	12,439,633	13,684,882	**28,306,658**	12,439,633	13,684,882
Consultancy	**464,704,048**	513,261,123	249,046,376	**349,024,396**	258,432,532	249,046,376
International	**179,701,617**	187,387,562	79,014,644	**64,021,965**	59,973,267	79,014,644
Head Office	**263,916,119**	202,272,995	66,740,634	**148,236,467**	74,858,699	66,740,634
	9,436,707,824	7,630,245,860	2,388,663,371	**7,354,474,092**	5,336,788,535	2,388,663,371

CENTRAL ENGINEERING CONSULTANCY BUREAU
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2012

27 Financial risk management (continued)

27 Credit risk (continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, as these factors may have an influence on credit risk. During 2012 the majority of the Group's revenue was attributable to sales transactions with Uva , Central and North Central provincial geographical regions .

Impairment losses

The aging of trade debtors at the reporting date that were not impaired was as follows.

GROUP	**Gross 2012 Rs.**	**Impairment 2012 Rs.**	**Gross 2011 Rs.**	**Impairment 2011 Rs.**	**Gross 2010 Rs.**	**Impairment 2010 Rs.**
Current balance (no due)						
00-01 Year	**7,700,512,719**	-	6,951,842,058	-	1,811,317,592	-
01-02 Years	**998,816,300**	-	262,001,745	-	241,050,655	-
02-03 Years	**141,407,504**	-	35,237,565	-	115,620,354	-
03-04 Years	**36,226,787**	-	48,304,008	-	95,248,750	-
04 & Above	**559,744,515**	**585,560,807**	332,860,483	(446,875,114)	125,426,020	(381,378,703)
	9,436,707,824	**585,560,807**	7,630,245,860	(446,875,114)	2,388,663,371	(381,378,703)

CECB	**Gross 2012 Rs.**	**Impairment 2012 Rs.**	**Gross 2011 Rs.**	**Impairment 2011 Rs.**	**Gross 2010 Rs.**	**Impairment 2010 Rs.**
Current balance (no due)						
00-01 Year	**5,618,278,987**	-	4,658,384,733	-	1,811,317,592	-
01-02 Years	**998,816,300**	-	262,001,745	-	241,050,655	-
02-03 Years	**141,407,504**	-	35,237,565	-	115,620,354	-
03-04 Years	**36,226,787**	-	48,304,008	-	95,248,750	-
04 & Above	**559,744,515**	(585,560,807)	332,860,483	(446,875,114)	125,426,020	(381,378,703)
	7,354,474,092	(585,560,807)	5,336,788,535	(446,875,114)	2,388,663,371	(381,378,703)

	GROUP			**CECB**		
Individual impairment	**2012 Rs.**	**2011** Rs.	**2010** Rs.	**2012 Rs.**	**2011** Rs.	**2010** Rs.
Balance at the beginning	**446,875,114**	381,378,703	313,601,119	**446,875,114**	381,378,703	313,601,119
Impairment loss recognised	**287,756,144**	84,396,410	90,763,691	**287,756,144**	84,396,410	90,763,691
Reversal of Impairment	**(34,527,346)**	(38,435)	(22,986,107)	**(34,527,346)**	(38,435)	(22,986,107)
Amounts written off	**(114,543,106)**	(18,861,564)	-	**(114,543,106)**	(18,861,564)	-
Balance at the end	**585,560,807**	446,875,114	381,378,703	**585,560,807**	446,875,114	381,378,703

FOR THE YEAR ENDED 31ST DECEMBER 2012

27 Financial risk management (continued)

27 Credit risk (continued)

Cash and cash equivalents

The Group held cash and cash equivalents of Rs. 534,761,471 at 31st December 2012 (2011: Rs. 565,852,867), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties.

27 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

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

GROUP

As at 31st December 2012	**Carrying amount**	**Contractual cash flows**	**00-01 Year**	**01-02 Years**	**02-03 Years**	**03-04 Years**	**More than 4 years**
Non-derivative financial liabilities							
Trade and other payables	12,331,787,072	12,331,787,072	12,331,787,072	-	-	-	-
Amounts due to related companies	159,579,941	159,579,941	159,579,941	-	-	-	-
Lease creditors	72,110,445	72,110,445	32,655,555	16,561,931	11,597,965	11,294,993	-
Bank overdraft	-	-	-	-	-	-	-
	12,563,477,458	12,563,477,458	12,524,022,568	16,561,931	11,597,965	11,294,993	-

CECB

As at 31st December 2012	Carrying amount	Contractual cash flows	00-01 Year	01-02 Years	02-03 Years	03-04 Years	More than 4 years
Non-derivative financial liabilities							
Trade and other payables	10,022,553,967	10,022,553,967	10,022,553,967	-	-	-	-
Amounts due to related companies	(97,646,808)	(97,646,808)	(97,646,808)	-	-	-	-
Lease creditors	30,364,400	30,364,400	18,740,207	6,125,420	3,248,756	2,250,017	-
Bank overdraft	-	-	-	-	-	-	-
	9,955,271,559	9,955,271,559	9,943,647,366	6,125,420	3,248,756	2,250,017	-

The gross inflows/(outflows) disclosed in the previous table represent the contractual undiscounted cash flows relating to financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity.

FOR THE YEAR ENDED 31ST DECEMBER 2012

27 Financial risk management (continued)

27 Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

27 Interest rate risk

At the reporting date the interest rate profile of the group's interest - bearing financial instruments was:

	Group			Company		
	2012	**2011**	**2010**	**2012**	**2011**	**2010**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Fixed rate instruments						
Financial Assets - Long term fixed deposit	**66,114,301**	62,456,627	67,796,710	**66,114,301**	62,456,627	67,796,710
Financial Assets - Short term fixed deposit	**1,572,852,406**	1,707,593,967	1,491,086,629	**1,572,852,406**	1,707,593,967	1,491,086,629
	1,638,966,707	1,770,050,594	1,558,883,339	**1,638,966,707**	1,770,050,594	1,558,883,339

28 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, retained earnings and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's main objective is when managing capital are:

01) to safeguarded the Group ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders

02) to provide an adequate return to shareholders by pricing products commensurately with the level of risk; and

Further, the Board seeks to maintain a balance between higher targeted returns that might be possible with higher level of borrowing, and the advantages and security afforded by the strong capital position of the group.

The Group's net debt to adjusted equity ratio at the reporting date was as follows.

	Group			Company		
	2012	**2011**	**2010**	**2012**	**2011**	**2010**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Total liabilities	**13,181,135,796**	11,345,866,977	3,936,721,557	**10,564,877,208**	8,870,335,971	3,936,721,557
Less: cash and cash equivalents	**(534,761,471)**	(615,208,770)	(327,792,660)	**(464,311,326)**	(528,777,653)	(327,792,660)
Net debt	**12,646,374,325**	10,730,658,207	3,608,928,897	**10,100,565,882**	8,341,558,318	3,608,928,897
Total equity	**3,624,631,054**	3,261,016,777	3,094,257,890	**3,614,819,146**	3,259,098,075	3,094,257,890
Adjusted equity	**3,624,631,054**	3,261,016,777	3,094,257,890	**3,614,819,146**	3,259,098,075	3,094,257,890
Net debt to adjusted equity ratio at 31st December	**3.49**	**3.29**	**1.17**	**2.79**	**3**	**1.17**

FOR THE YEAR ENDED 31ST DECEMBER 2012

28 Explanation of transition to SLFRS and LKAS

CECB

	Note	As per SLASs	Re-Measurement due to transition to SLFRs/LKASs	Re-Classification an error correction	As per SLFRSs/ LKAS
		Rs.	Rs.	Rs.	Rs.
Revenue	A	8,571,151,405	(21,076,342)	101,785	**8,550,176,848**
Cost of Sales		(7,626,512,721)	-	-	**(7,626,512,721)**
Gross Profit		944,638,684			**923,664,127**
Other Income	B	401,376,679	3,388,394	(114,939,272)	**289,825,801**
Administration Expenses	C	(893,930,630)	(27,566,589)	105,426	**(921,391,793)**
Selling and Marketing Expenses		(84,396,410)	-	-	**(84,396,410)**
Results from operating activities		367,688,323			**207,701,724**
Finance Income		-	-	114,939,272	**114,939,272**
Finance cost	D	(14,187,675)	(422,182)	-	**(14,609,857)**
Net Finance Income		(14,187,675)			**100,329,415**
Profit Before Income Tax		353,500,648			**308,031,139**
Income Tax Expense		(161,905,298)	-	-	**(161,905,298)**
Profit/(Loss) for the Year		191,595,350			**146,125,841**

CENTRAL ENGINEERING CONSULTANCY BUREAU
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2012

28 Explanation of transition to SLFRS and LKAS

GORUP

	Note	As per SLASs	Re-Measurement due to transition to SLFRs/LKASs	Re-Classification an error correction	As per SLFRSs/ LKAS
		Rs.	Rs.	Rs.	Rs.
Revenue	A	8,571,151,405	(21,076,342)	101,785	**8,550,176,848**
Cost of Sales		(7,592,905,377)			**(7,592,905,377)**
Gross Profit		978,246,028			**957,271,471**
Other Income	B	403,087,530	3,388,394	(114,975,754)	**291,500,170**
Administration Expenses	C	(924,314,673)	(27,577,777)	105,426	**(951,787,024)**
Selling and Marketing Expenses		(84,396,410)			**(84,396,410)**
Results from operating activities		372,622,475			**212,588,207**
Finance Income		-	-	114,975,754	**114,975,754**
Finance cost	D	(15,022,528)	(422,182)		**(15,444,710)**
Net Finance Income		**(15,022,528)**			**99,531,044**
Profit Before Income Tax		**357,599,947**			**312,119,251**
Income Tax Expense		(164,074,708)			**(164,074,708)**
Profit/(Loss) for the Year		193,525,239			**148,044,543**

28 Explanation of transition to SLFRS and LKAS

As stated in Note 2.1 to the Financial Statements, these are the Bureau's first Financial Statements prepared in accordance with SLFRSs.

The accounting policies set out in Note 3 to the Financial Statements have been applied in preparing the Financial Statements for the year ended 31st December 2012, the comparative information presented in these Financial Statements for the year ended 31st December 2011 and in the preparation of an opening SLFRS Statement of Financial Position as at 1st January 2011 (the Bureau's date of transition).

In preparing its opening SLFRS Statement of Financial Position, the Bureau has adjusted amounts reported previously in Financial Statements prepared in accordance with Sri Lanka Accounting Standards/ SLASs (previous GAP). An explanation of how the transition from SLASs to SLFRSs has affected the Bureau's financial position and financial performance is set out in the following tables and the notes.

CECB

	Note	SLASs	Re-Measurement due to transition to SLFRs/LKASs	Re-Classification an error correction	SLFRSs	SLASs	Re-Measurement due to transition to	Re-Classification an error correction	SLFRSs
		1st January 2011				31st December 2011			
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets									
Non-Current Assets									
Property, Plant and Equipment	E	386,659,295	1,975,165,486		2,361,824,781	692,181,546	1,950,987,291		2,643,168,837
Investments		69,796,710			69,796,710	64,456,647			64,456,647
Total Non-Current Assets		456,456,005			2,431,621,491	756,638,193			2,707,625,484
Current Assets									
Inventories		230,776,562			230,776,561	277,233,388			277,233,388
Trade and Other Receivables	F	2,625,876,844	(90,763,691)	14,588,953	2,549,702,106	7,005,454,635	(111,840,034)	14,588,953	6,908,203,554
Short term Investments		1,491,086,629			1,491,086,629	1,707,593,967			1,707,593,967
Cash and Cash Equivalents		327,792,660			327,792,660	528,777,653			528,777,653
Total Current Assets		4,675,532,695			4,599,357,956	9,519,059,644			9,421,808,562
Total Assets		5,131,988,700			7,030,979,447	10,275,697,837			12,129,434,046

CENTRAL ENGINEERING CONSULTANCY BUREAU
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2012

28 Explanation of transition to SLFRS and LKAS

As stated in Note 2.1 to the Financial Statements, these are the Bureau's first Financial Statements prepared in accordance with SLFRSs.

The accounting policies set out in Note 3 to the Financial Statements have been applied in preparing the Financial Statements for the year ended 31st December 2012, the comparative information presented in these Financial Statements for the year ended 31st December 2011 and in the preparation of an opening SLFRS Statement of Financial Position as at 1st January 2011 (the Bureau's date of transition).

In preparing its opening SLFRS Statement of Financial Position, the Bureau has adjusted amounts reported previously in Financial Statements prepared in accordance with Sri Lanka Accounting Standards/ SLASs (previous GAP). An explanation of how the transition from SLASs to SLFRSs has affected the Bureau's financial position and financial performance is set out in the following tables and the notes.

CECB

	Note	SLASs	Re-Measurement due to transition to SLFRs/LKASs	Re-Classification an error correction	SLFRSs	SLASs	Re-Measurement due to transition to	Re-Classification an error correction	SLFRSs
			1st January 2011				31st December 2011		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets									
Non-Current Assets									
Property, Plant and Equipment	E	386,659,295	1,975,165,486		2,361,824,781	692,181,546	1,950,987,291		2,643,168,837
Investments		69,796,710			69,796,710	64,456,647			64,456,647
Total Non-Current Assets		456,456,005			2,431,621,491	756,638,193			2,707,625,484
Current Assets									
Inventories		230,776,562			230,776,561	277,233,388			277,233,388
Trade and Other Receivables	F	2,625,876,844	(90,763,691)	14,588,953	2,549,702,106	7,005,454,635	(111,840,034)	14,588,953	6,908,203,554
Short term Investments		1,491,086,629			1,491,086,629	1,707,593,967			1,707,593,967
Cash and Cash Equivalents		327,792,660			327,792,660	528,777,653			528,777,653
Total Current Assets		4,675,532,695			4,599,357,956	9,519,059,644			9,421,808,562
Total Assets		5,131,988,700			7,030,979,447	10,275,697,837			12,129,434,046

FOR THE YEAR ENDED 31ST DECEMBER 2012

28 Explanation of transition to SLFRS and LKAS

CECB

	Note	SLASs	Re-Measurement due to transition to SLFRs/LKASs	Re-Classification an error correction	SLFRSs	SLASs	Re-Measurement due to transition to SLFRs/LKASs	Re-Classification an error correction	SLFRSs
		1st January 2011				31st December 2011			
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Equity and Liabilities									
Contributed Capital		500,000	(0)		500,000	500,000			500,000
Capital Reserve		12,697,551			12,697,551	12,697,552			12,697,551
Retained Earning	I	994,155,769	1,884,435,453	202,469,117	3,081,060,339	1,204,465,464	1,838,758,732	202,676,328	3,245,900,524
Total Equity		1,007,353,320			3,094,257,890	1,217,663,015			3,259,098,075
Non-Current Liabilities									
Lease Creditors	G	3,382,044	(33,659)	-	3,348,385	35,900,303	388,523	-	36,288,826
Retirement Benefit Obligation		172,616,158			172,616,158	203,004,443			203,004,443
Deferred tax Liability									
Total Non-Current Liabilities		175,998,202			175,964,543	238,904,745			239,293,269
Current Liabilities									
Trade and Other Payables	H	3,555,546,669	-	(187,880,164)	3,367,666,505	8,311,914,715	-	(188,087,375)	8,123,827,340
Income Tax Payables		386,442,259			386,442,259	450,453,362			450,453,362
Lease Creditors		-			-	-			-
Inter Base current accounts		(153,711)			(153,711)	-			-
Inter company current A/C		-			-	7,406,097			7,406,097
Bank Overdraft		6,801,961			6,801,961	49,355,903			49,355,903
Total Current Liabilities		3,948,637,178			3,760,757,014	8,819,130,076			8,631,042,702
Total Liabilities		4,124,635,380			3,936,721,557	9,058,034,822			8,870,335,971
Total Equity and Liabilities		5,131,988,700			7,030,979,447	10,275,697,837			12,129,434,046

CENTRAL ENGINEERING CONSULTANCY BUREAU
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2012

28 Explanation of transition to SLFRS and LKAS

As stated in Note 2.1 to the Financial Statements, these are the Group's first Financial Statements prepared in accordance with SLFRSs.

The accounting policies set out in Note 3 to the Financial Statements have been applied in preparing the Financial Statements for the year ended 31st December 2012, the comparative information presented in these Financial Statements for the year ended 31st December 2011 and in the preparation of an opening SLFRS Statement of Financial Position as at 1st January 2011 (the Group's date of transition).

In preparing its opening SLFRS Statement of Financial Position, the Group has adjusted amounts reported previously in Financial Statements prepared in accordance with Sri Lanka Accounting Standards/ SLASs (previous GAAP). An explanation of how the transition from SLASs to SLFRSs has affected the Group's financial position and financial performance is set out in the following tables and the notes.

GORUP

	Note	SLASs	Re-Measurement due to transition to SLFRs/LKASs	Re-Classification an error correction	SLFRSs	SLASs	Re-Measurement due to transition to	Re-Classification an error correction	SLFRSs
		1st January 2011				31st December 2011			
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets									
Non-Current Assets									
Property, Plant and Equipment	E	386,659,295	1,975,165,486		2,361,824,781	713,238,174	1,950,976,103	-	2,664,214,277
Investments		69,796,710			69,796,710	64,456,627	-	-	64,456,627
Total Non-Current Assets		456,456,005			2,431,621,491	777,694,801			2,728,670,904
Current Assets									
Inventories		230,776,562			230,776,561	278,209,888	-	-	278,209,888
Trade and Other Receivables	F	2,625,876,844	(90,763,691)	14,588,953	2,549,702,106	9,375,742,251	(111,840,034)	13,298,008	9,277,200,225
Short term Investments		1,491,086,629			1,491,086,629	1,707,593,967	-	-	1,707,593,967
Cash and Cash Equivalents		327,792,660			327,792,660	615,208,770	-	-	615,208,770
Total Current Assets		4,675,532,695			4,599,357,956	11,976,754,876			11,878,212,850
Total Assets		5,131,988,700			7,030,979,447	12,754,449,678			14,606,883,754

FOR THE YEAR ENDED 31ST DECEMBER 2012

28 Explanation of transition to SLFRS and LKAS

28.1 Explanation Notes to transition

A Revenue recognition

The bureau has adopted a policy to recognizing revenue from variation, when and only when the variation is probable, i.e. when the variation is approved by the customer and the amount of variation can be measured reliably.

	CECB 31st December 2011 Rs.	GORUP 31st December 2011 Rs.
Statement of Comprehensive Income		
Revenue	(21,076,342)	(21,076,342)
Adjustment before Income Tax	**(21,076,342)**	**(21,076,342)**
Statement of Financial Position		
Trade and Other receivable - Amount due from customers	(21,076,342)	(21,076,342)
Adjustment to Retained Earnings	**(21,076,342)**	**(21,076,342)**

A.2 Revenue - Error correction

CECB has not recognised revenue from consultancy services carried out in 2011 and the unrecognised amounts was represented in amount due to customers in trade and other payable

	CECB 31st December 2011 Rs.	GORUP 31st December 2011 Rs.
Statement of Comprehensive Income		
Revenue	101,785	101,785
Adjustment before Income Tax	**101,785**	**101,785**

FOR THE YEAR ENDED 31ST DECEMBER 2012

28 Explanation of transition to SLFRS and LKAS

28.1 Explanation Notes to transition

A Revenue recognition

The bureau has adopted a policy to recognizing revenue from variation, when and only when the variation is probable, i.e. when the variation is approved by the customer and the amount of variation can be measured reliably.

	CECB 31st December 2011 Rs.	GORUP 31st December 2011 Rs.
Statement of Comprehensive Income		
Revenue	(21,076,342)	(21,076,342)
Adjustment before Income Tax	**(21,076,342)**	**(21,076,342)**
Statement of Financial Position		
Trade and Other receivable - Amount due from customers	(21,076,342)	(21,076,342)
Adjustment to Retained Earnings	**(21,076,342)**	**(21,076,342)**

A.2 Revenue - Error correction

CECB has not recognised revenue from consultancy services carried out in 2011 and the unrecognised amounts was represented in amount due to customers in trade and other payable

	CECB 31st December 2011 Rs.	GORUP 31st December 2011 Rs.
Statement of Comprehensive Income		
Revenue	101,785	101,785
Adjustment before Income Tax	**101,785**	**101,785**

FOR THE YEAR ENDED 31ST DECEMBER 2012

28 Explanation of transition to SLFRS and LKAS

28.1 Explanation Notes to transition

B Staff loans and advances

As per LKAS 39, all financial instruments need to be initially recognised at the fair value. Accordingly staff loans given at concessionary terms, valued at historical cost under previous SLAS, were fair valued using market interest rates. The resulting adjustment has been recognised as prepaid staff cost and amortised over the tenor of the loan. The interest on loans is recognised using the effective interest rate method and the staff loans are measured at amortised cost in the Statement of Financial Position. The impact arising from the change is summarised as follows.

	CECB 31st December 2011 Rs.	GORUP 31st December 2011 Rs.
Statement of Comprehensive Income		
Other Income	3,388,394	3,388,394
Adjustment before Income Tax	**3,388,394**	**3,388,394**

B.1 Classification changers

Statement of Comprehensive Income

CECB had presented its interest income under " other income ", however reclassify it under finance income for better presentation

	CECB 31st December 2011 Rs.	GORUP 31st December 2011 Rs.
Other Income	(114,939,272)	(114,975,754)
Finance Income	114,939,272	114,975,754
Adjustment before Income Tax	-	-

CENTRAL ENGINEERING CONSULTANCY BUREAU
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2012

28 Explanation of transition to SLFRS and LKAS

28.1 Explanation Notes to transition

C Administration expenses

Statement of Comprehensive Income	CECB 31st December 2011 Rs.	GORUP 31st December 2011 Rs.
Impact on the depreciation (Note E)	(15,200,050)	(15,198,523)
PPE write-off due to unavailability	(8,448,412)	(8,448,412)
PPE write-off due to the adoption of new policy to write off all PPE Less than 5000	(529,733)	(542,448)
Staff loan adjustment (Note B)	(3,388,394)	(3,388,394)
Adjustment before Income Tax	**(27,566,589)**	**(27,577,777)**

C.1 Administration expenses - Error correction

CECB has reversed a prepayment amounting to Rs.105,426 erroneously identified in the year 2011

Statement of Comprehensive Income	CECB 31st December 2011 Rs.	GORUP 31st December 2011 Rs.
Administration expenses	105,426	105,426
Adjustment before Income Tax	**105,426**	**105,426**

D Finance expenses

Statement of Comprehensive Income	CECB 31st December 2011 Rs.	GORUP 31st December 2011 Rs.
Finance expenses (Note G)	(422,182)	(422,182)
Adjustment before Income Tax	**(422,182)**	**(422,182)**

E Property Plant and Equipment

FOR THE YEAR ENDED 31ST DECEMBER 2012

28 Explanation of transition to SLFRS and LKAS

28.1 Explanation Notes to transition

Following the exemptions granted under SLFRS 01 - First Time Adoption of Sri Lanka Financial Reporting Standards the bureau has changed its accounting policy on assets and elected to apply optional exception to use the revaluation as deemed cost under SLFRSs.

	CECB		GORUP	
Statement of Financial Position	1st January 2011	31st December 2011	1st January 2011	31st December 2011
	Rs.	Rs.	Rs.	Rs.
Impact on the depreciation	-	(15,200,050)	-	(15,198,523)
PPE write-off due to unavailability	(38,800,993)	(47,249,405.00)	(38,800,993.00)	(47,249,405)
PPE write-off due to the adoption of new policy to write off all PPE Less than 5000	(4,630,230)	(5,159,963.00)	(4,630,230.00)	(5,172,678)
Impact from Revaluation of assets	2,018,596,709	2,018,596,709	2,018,596,709.21	2,018,596,709
Adjustment to Retained Earnings	**1,975,165,486**	**1,950,987,291**	**1,975,165,486**	**1,950,976,103**

F Trade receivables

Under SLFRSs, the Company test the impairment for Trade Receivables at specific asset level.

	CECB		GORUP	
Statement of Financial Position	1st January 2011	31st December 2011	1st January 2011	31st December 2011
	Rs.	Rs.	Rs.	Rs.
Trade receivable	(90,763,691)	(90,763,691)	(90,763,691)	(90,763,691)
Amount due from customers (Note A)	-	(21,076,343)	-	(21,076,343)
Adjustment to Retained Earnings	**(90,763,691)**	**(111,840,034)**	**(90,763,691)**	**(111,840,034)**

F.1 Trade receivables - Error correction

CECB had received an amount from trade receivable in the year 2010 which was provided for doubtful debts in the same year and however the provision had not been derecognised.
Error corrected in year 2010

	CECB		GORUP	
Statement of Comprehensive Income	1st January 2011	31st December 2011	1st January 2011	31st December 2011
	Rs.	Rs.	Rs.	Rs.
Trade receivable	(14,588,953)	(14,588,953)	(14,588,953)	(14,588,953)
Trade and Other receivable - Amount from customers (Note A)	-	-	-	1,290,945
Adjustment to Retained Earnings	**(14,588,953)**	**(14,588,953)**	**(14,588,953)**	**(13,298,008)**

G Finance lease

CENTRAL ENGINEERING CONSULTANCY BUREAU
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2012

28 Explanation of transition to SLFRS and LKAS

28.1 Explanation Notes to transition

Under previous SLAS, the bureau recognized interest expense on lease using sum of digit method with respect to certain lease agreements. With the transition to SLFRS, the interest has been recomputed using Effective Interest Rate method.

Statement of Comprehensive Income	CECB		GORUP	
	1st January 2011	31st December 2011	1st January 2011	31st December 2011
	Rs.	Rs.	Rs.	Rs.
Lease creditor	(33,659)	388,523	(33,659)	388,523
Adjustment before Income Tax	**(33,659)**	**388,523**	**(33,659)**	**388,523**

H Trade and Other Payable - Error correction

The Bureau has writeback all undemanded credit balances due to customer more than five years

Statement of Comprehensive Income	CECB		GORUP	
	1st January 2011	31st December 2011	1st January 2011	31st December 2011
	Rs.	Rs.	Rs.	Rs.
Trade Payable	(187,880,164)	(188,087,375)	(187,880,164)	(188,087,375)
Trade and Other payable - Amount due to customers (Note A)	-	-	-	421,208
Adjustment to Retained Earnings	**(187,880,164)**	**(188,087,375)**	**(187,880,164)**	**(187,666,167)**

I Equity reconciliation

The impact arising due to above adjustments are summarised as follows:	CECB		GORUP	
	1st January 2011	31st December 2011	1st January 2011	31st December 2011
	Rs.	Rs.	Rs.	Rs.
Retained Earnings Reported at SLAS	**994,155,769**	**1,204,465,464**	**994,155,769**	**1,208,107,507**
Transitional Adjustments:				
Lease Liability	33,659	388,523	33,659	(388,524)
Trade and Other receivable	(90,763,691)	(111,840,034)	(90,763,691)	(111,840,034)
Property Plant and Equipment	1,975,165,486	1,950,987,291	1,975,165,486	1,950,976,103
Error Adjustments	202,469,117	202,676,328	202,469,116	200,964,175
Retained Earnings as per SLFRS/LKAS	**3,081,060,340**	**3,246,677,571**	**3,081,060,339**	**3,247,819,227**

29.0 Related Party Transactions

CECB

29.1 Transaction with Subsidiaries

(a) Central Engineering Services (Private) Limited

Mr. Nihal Rupasinghe is the chairman of the both parent (CECB) and subsidiary(CESL) of the group and Mr. M.A.P. Hemachandra, Mr.S.M.N.L. Senanayake, Mr. S.S. Ediriweera who were Directors of CECB as at 31 December 2012, were also Directors CESL . The Company has carried out transactions with CECB during the year, and the details were as follows,

Further, Mr. G.D.A Piyathilaka and Mr. K.L.S. Sahabandu are key management personal of CECB and also directors of CESL

Nature of the Transactions	Amount 2012 Rs.
Sub Construction Costs	(3,935,925,846)
Vehicle Hiring Expenses	(8,887,483)
Bitumen Purchases on behalf of CESL	252,577,976
Machine Hiring Income	100,481,421
Salary payment reimbursement	
Fund transfer	108,624,689
Lab testing income	
Consultancy fee cost	
Construction expenditure reimbursement	
Vehicle Maintenance income	658,474

27.2 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.

Transactions with Key Management Personnel

LKAS 26 'Related Party Disclosures', Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive Directors) as key management personnel of the Company/Group have been classified as Key Management Personnel.

	CECB 2012 Rs.	GROUP 2012 Rs.
Compensation paid to Key Management Personnel		
Salaries and other Employment Benefits	4,004,901	5,360,901.00

28 Commitments and contingencies

GROUP

There were no material Commitments and Contingent liabilities in CECB or its Group as at the reporting date, Except for the following

මගේ අංකය / எனது இல. / My No.	EH/F/CECB/FA/12	ඔබේ අංකය / உமது இல. / Your No.		දිනය / திகதி / Date	13 February 2015

The Chairman,
Central Engineering Consultancy Bureau

Report of the Auditor General on the Financial Statements of the Central Engineering Consultancy Bureau (CECB) and the Consolidated Financial Statements of the CECB and its Subsidiary for the year ended 31 December 2012 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971.

The audit of financial statements of the Central Engineering Consultancy Bureau (CECB) and the consolidated financial statements of the CECB and its Subsidiary for the year ended 31 December 2012 comprising the statements of financial position as at 31 December 2012 and the statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 29 (2) of the State Industrial Corporation Act, No. 49 of 1957. My comments and observations which I consider should be published with the annual report of the Bureau in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act was issued to the chairman of the Bureau on 04 September 2014.

1:2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, - இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
+94-11-2887028-34 +94-11-2887223 oaggov@sltnet.lk www.auditorgeneral.gov.lk

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bureau's preparation and fair presentation of the financial statements 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 Bureau's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinions

(a) Qualified Opinion –CECB

In my opinion, except for the effects of the matters described in paragraph 2.3 of this report, the financial statements give a true and fair view of the financial position of the Central Engineering Consultancy Bureau as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

(b) Qualified Opinion –Group

In my opinion, except for the effects of the matters described in paragraphs 2.2 and 2.3 of this report, the consolidated financial statements give a true and fair view of the financial position of the Central Engineering Consultancy Bureau and its Subsidiary as at 31 December 2012 and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Group Financial Statements

The following observations are made.

(a) The audited financial statements of the Central Engineering Services Limited (CESL) which is the fully owned Subsidiary of the CECB had been taken for prepare the Consolidated financial statements.

(b) The operational income of the Subsidiary had been mainly generated from the construction contracts which sub contracted by the CECB retaining a profit margin around 10 per cent. However, the intercompany transactions had not been recorded in the books of accounts of the CECB as well as the Subsidiary. As a result, the year end balances relating to these transections such as debtors, creditors, retention moneys receivable and payable, mobilization advances receivable and payable etc. had not been appeared in the financial statements of the both Institutions.

(c) The Current Account balance shown in financial statements of the CECB and the Subsidiary had not been reconciled and as such a difference of Rs.159,579,941 was observed between those two financial statements. Further, intercompany current account debit balance of Rs.97,646,808 had been deducted from the current liabilities in the financial statements of the CECB and as a result, both current liabilities and current assets shown in that financial statements had been understated by similar amount.

(d) The CECB had eliminated 3.9 Billion revenue of the CESL (subsidiary) in consolidation of the financial statements as intercompany transactions. However the CECB had accounted the transaction with the CESL as cash basis while the CESL accounted it's transaction with the CECB on accrual basis. Hence eliminating of the intercompany revenue as stated above without details analysis, the group gross profit would be inaccurate.

Further, the entire profit margin of the road projects undertaken by the CECB had been accounted under its revenue without being removed the profit margin included when sub-contracting those to the CESL. Hence, the revenue of the CECB and the cost of the sales of the group as at 31 December 2012 had been overstated and understated by Rs 65,231,252.

2.3 Financial statements of the Central Engineering Consultancy Bureau

2.3.1 Sri Lanka Accounting Standards (LKAS)

The following observations are made.

(a) **LKAS 11 – Construction Contract.**

The following observations are made.

(i) As per paragraph No. 8 of the Standard, when a contract covers a number of assets, the construction of each asset should be treated as a separate construction contract. The Bureau had been identified the number of construction contracts as a single contract even though the separate proposals have been submitted for each contract and there was a possibility to identify the cost and revenue of each asset separately.

(ii) The general overhead expenditure relating to the Base Offices specially established for carrying out the main operational activities of the Bureau in the respective areas had not been apportioned among the construction contracts handled during the year and as a result, the profit or loss of each contract had not been accurately reflected in the financial statements. For instance, the general overhead which had not been apportioned among the construction contracts handled by Badulla Base Office for the year 2012 was Rs.54, 943,793.

(iii) The cost of contract and revenue should be taken to ascertain the profit or loss of each contract for the accounting period in which the work is performed by using the percentage of completion contract method. Instead of being followed that method, the CECB had transferred the cost and revenue of the contracts to the statement of comprehensive income. Due to that lapse the profitability of the individual contract could not be ascertained and the other expenditure charged to each contract also could not be filtered from the present computer system.

(iv) According to Paragraph 36 of the Standard, any expected contract cost over total contract revenue should be recognized as an expense immediately. However, no such early recognition of expected contract loses were observed. Therefore, the possibility for material impact to the income statements due to recognizing the contract loss at the time of completion of the contract could not be ruled out in audit. For instance, contract loss of Rs.35,715,576 relating to 05 Projects carried out by the Badulla Base Office were recognized at the time of completion.

(b) **LKAS 24 – Related Parties and Related Party Transactions**

(i) The following transactions and involvements with the Subsidiary had not been disclosed in the financial statements.

- Payment of Rs. 65 million as an advance for purchase of vehicles.
- Value of material issued for the Projects handled by the Subsidiary.
- Acting the Chairman of the CECB as a Managing Director of the Subsidiary.
- Involvement of the management of the CECB in the operational activities of the Subsidiary. (eg. The Additional General Managers of the Base Offices of the CECB functioned as the Operational Managers of the Base Offices of the Subsidiary).

(ii) The following items relating to intercompany transaction either had been disclosed in properly or not disclosed in both financial statements. Hence, the accuracy of those transactions and their impact to the financial statements could not be ensured in audit. details are shown below.

Item	Amount As per the Financial Statements of the CECB	Amount as per the Financial Statements of the Subsidiary
	Rs.	Rs.
Material Purchase	252,577,976	213,380,944
Fund Transfers	108,624,689	-
Vehicle Maintaining Income	658,474	-

2.3.2 Accounting Policies

The following observations are made.

(a) Differed tax assets/liabilities had not been ascertained and accounted for. Therefore, the accounting policy disclosed relating to differed tax had been actually not in practice.

(b) The nature, purpose etc. in respect of capital reserved amounting to Rs.12,697,551carried forwarded in the financial statements year by year had not been disclosed.

2.3.3 Accounting Deficiencies

The following observations are made.

(a) Whatever cash received from a client (Eg. mobilization advance, contract payment, retention money) for a particular contract had been credited to the debtor account without being posted them to the relevant individual accounts. In addition to that, in most instances the value of invoices/certified bills relating to the contract had not been posted to the respective debtor account which resulted to reflect credit balances therein at the year end. The credit balance of such debtors shown in the financial statements as at 31 December 2012 was Rs.756, 638,966.

(b) The following observations are made with regard to the impairment assessment of trade and other receivables as at 31 December 2012 based on the first time adoption of SLFRS.

(i) The trade debtors relating to few Base Offices such as Uva, Central, North Central and Western Province whose outstanding period exceeded five years as at 31 December 2012 had only been taken for the impairment assessment without being considered other Base Offices. Therefore, the completeness of the impairment assessment made as at 31 December 2012 could not be ascertained in audit.
Further, the calculation of impairment on debtors solely based on the period of outstanding would not be provided a proper base for its fair valuation.

(ii) Impairment of other receivables such as retention, advances, and prepayment etc. had not been ascertained.

(iii) The impairment of trade debtors had been done without derecognizing the provision for bad and doubtful debtors which had already been made in the previous financial statements and as a result, the trade debtors shown in the financial statements had been understated by Rs.71,967,669.

(c) In the examination of the Uvaparanagama Road Project as a sample test of the six road projects awarded to the CECB by the Ministry of Economic Development, it was revealed that the contract value of the Project was Rs.411 million and the major portion of that had been sub-contracted to the Subsidiary for Rs.313 million. The following observations are made in this regard.

(i) According to the invoices furnished to the Bureau, the total value of the work done by the Subsidiary as at 31 December 2012, was Rs.78,721,128. However, according to the financial statements of the CECB, the contract expenditure of the Subsidiary was Rs.37,946,427. Hence, the construction cost shown in the financial statements of the Bureau as at 31 December 2012 had been understated by Rs.40,774,701.

(ii) The retention money of Rs.7.8 million payable to the sub-contractor had not been accounted in the financial statements of the CECB.

(d) The general suspense account having credit and debit balances in respect of the Central Province and Supported Services amounting to Rs.420,160 and Rs.1,573,124 respectively, which had been carried forwarded year by year in the financial statements over a longer period, had been cleared in 2012 transferring them to the miscellaneous income and administration cost respectively, without being investigated.

(e) Head Office expenditure reimbursed by the Base Offices amounting to Rs.103,730,202 had been inappropriately shown as other income and expenditure in the financial statements of the CECB and the Group respectively.

(f) The machineries and equipment received from the Government as a grant for expedite the Road Projects in 2012 had not been valued and brought to the financial statements.

(g) The Bureau had not considered the amounts in payment certificates / certified bills in ascertaining the year end accounts balances in relating to the Projects carried out in each accounting year and as a result, the real position of the transaction of those Projects had not been reflected in the financial statements.

The following observations are also made in this regard.

(i) The debtor balances shown in the financial statements in respect of Jawatta Base Office and Consultancy Division had been overstated by a net amount of Rs.17,798,552.

(ii) The mobilization advance balances of Ampara and Monaragala Base Offices shown in the financial statements as at 31 December 2012 had been overstated by Rs.42,770,381.

(h) Charges and recoveries in relation to the Projects handled by the Monaragala Base Office had not been taken into account in ascertaining the debtor balance of the contactors as at 31 December 2012 and as a result, the debtors shown in the financial statements of the year under review had been overstated by Rs.117,776,983.

(i) According to the valuation report furnished to audit the land, buildings and motor vehicles belonging to the selected Base Offices only had been revalued without being covered the entire assets of the organization, as such the revaluation made on those assets could not be accepted in audit.

2.3.4 Accounts Receivable and Payable

The debtor balance remained outstanding for more than one year as at 31 December 2012 was Rs.1,780,104,171 and proper recovery actions had not been taken in this regard.

2.3.5 Lack of Evidence for Audit

The following observations are made.

(a) Property, Plant and Equipment valued at Rs.8,448,412 had been written-off in the year 2012. However, the Board of Survey reports and required approval for written-off were not made available for audit to verify the accuracy and validity of the adjustments made in the financial statements.

(b) Project wise analysis of the closing stock balance of Rs.20 million of the University of Uva Wellassa main projects was not made available for audit and as such, the accuracy of the cost and stock balances of the individual projects was not ensured in audit.

2.3.6 Unreconciled Control Accounts

Inter Base Office Current Account balances had not been reconciled and net difference of Rs. 6,701,059 had been shown in the financial statements under current liabilities.

2.4 Non-compliances with Laws, Rules, Regulations and Management Decisions etc.

The following non-compliances were observed.

Reference to Laws, Rules, etc.	Non-compliance
(a) Public Enterprises Circular No. PED/12 of 02 June 2003	
(i) Paragraph 7.4.2	Although the Senior Management Committee (SMC) should be met at least five days prior to the Board Meeting and the Board should apprise the decisions taken at the SMC meetings, it was noted that the most of the instances the SMC had not met prior to the Board meetings and evidence to confirm whether the Board had apprised the decisions taken at the SMC meetings held during

the year under review was not made available to audit.

(ii) Paragraph 8.8	Approval of the Board should be obtained for the delegation of financial authority, indicating limits of expenditure and no expenditure should be authorized, incurred or paid outside the limits of such delegated authority. Further such delegation of authority should be updated and approved by the Board at the beginning of each year. But no such procedure had been followed by the Bureau during the year under review.
(b) National Procurement Guideline 2006	
(i) Guideline 2.8	Technical Evaluation Committee (TEC) meetings had been held in 2012 without a subject specialist.
(ii) Guideline 5.4.12	The details of Value Added Tax paid amounting to Rs.351,064,820 during the year under review had not been informed to the Commissioner General of Inland Revenue with a copy to Auditor General on or before the 15 days of the following month as requested.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the CECB for the year under review had resulted a pre-tax net profit of Rs.544. 89 million as compared with the corresponding pre-tax net profit of Rs.308.03 million for the preceding year, thus indicating an improvement of Rs.236.86 million or 43.4 per cent in the financial results.

The operations of the Subsidiary of the CECB during the year under review had resulted in a pre-tax net profit of Rs. 13.81 million as compared with the corresponding pre-tax net profit of Rs 4.09 million in the preceding year thus indicating an increase of Rs 9.72 million in the financial results.

The increase of income by Rs. 4,554 million and expenditure by Rs. 4,305 million during the year under review were the main reasons for the these improvements.

3.2 Analytical Financial Reviews

The following observation is made.

The CECB had earned a pre-tax net profit of Rs.544 million during the year under review by utilizing its staff strength of consisting 1,416 employees and total assets base of Rs.3,097 million. Thus the profit represented 17 per cent of the total assets of the Bureau.

3.3 Performance Review

The following observations are made.

(a) The CECB Consultancy Division had been fully equipped with all necessary physical and human resources to serve the Nation in all types of engineering consultancies. However, at present CECB had mainly focused on construction works rather than consultancy in contrary to the objectives of establishing the Bureau.

(b) Out of the operating revenue of the Bureau for the year 2012, only 11 per cent had been earned from providing consultancy services and the rest of the revenue had been earned from construction work. Even though, there are number of state owned institutions to undertake construction works such as State Development and Construction Corporation, State Engineering Corporation, Building Department etc. the consultancy works are undertaken only by the CECB and SEC. Nevertheless, CECB had not strategically focused on engineering consultancy which has been the mandated task assigned at the inception of the Bureau, because the business turnover and the volume of work seems to be higher in construction works. Therefore, CECB need to be more focused on engineering consultancy works by maximum utilization of experts in this field in order to become a truly world class Sri Lankan engineering organization.

4 Operating Review

4.1 Management Inefficiencies

The following observation is made.

Ministry of Economic Development had recovered a sum of Rs.252 million from the CECB for supplying bitumen and usage of their machineries for the sub contracted jobs undertaken by CESL. However, quantity reconciliations of the bitumen barrels received and utilized for the construction works had neither been done by the CECB nor CESL. Hence, fair usage of bitumen for the construction works was not ensured in the audit.

4.2 Transactions of Contentious Nature

The following observations are made.

(a) Various allowances had been paid to the permanent and contracted employees of the Bureau with the approval of the Board of Directors in contrary to the Public Enterprises Department Circular No 95 of 04 June 1994.

(b) Out of 80 per cent of the Road Projects, undertaken by the CECB had been sub-contracted to the CESL without allowing them to get contracts through competitive bidding, which is the main purpose in establishment of this Company.

It was further observed that the above works had been carried out by the Company using human, physical and other resources belonging to the CECB on free of charge. For instant, preparation of BOQs, estimate and invoices for both organizations are done by the same personnel of the CECB.

(c) According to the information furnished relating to the Project No D 1474, the completion of 50 per cent of the work by incurring only 7 per cent of the estimated project cost of Rs.246,228,000 is opened to question. Hence, the accuracy of the recognized cost, revenue and the balance of the due to/due from customer account were not ensured in audit.

4.3 Uneconomic Transactions

Two Road Projects had been undertaken by the Ampara and Monaragala Base Offices under the DeyataKirula Program in 2012. As the Projects had been abounded after implement of certain activities, the recoverability of the cost incurred amounting to Rs.7,923,500 and Rs.752,273 respectively were in doubt.

4.4 Identified Losses

Loss of Rs.277,807,649 had been incurred by the Bureau during the year under review in respect of 61 construction contract undertaken due to improper accounting systems and poor contract administration.

4.5 Human Resources Management

The approved and actual cadre of the Bureau as at 31 December 2012 was 1,132 and 1,416 respectively. As actual staff strength of all employee categories had been exceeded, a proper personal management was not observed at all.

5. Budgetary Control

Significant variances were observed between the budget and the actuals thus indicating that the budget had not been used as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Bureau by my detailed report issued in terms of Section 13(7) (a) of the Finance Act. Special attention is needed in respect of the following areas of control.

(a) Asset Management
(b) Inventory Control and Stock Management
(c) Procurement
(d) Accounting and Financial Management
(e) Invoicing
(f) Fund Management
(g) Debtors and Receivables
(h) Creditors, Advances and Payables
(i) Performance Evaluation
(j) Contract Administration
(k) Investment and Control over Subsidiary
(l) Human Resource Management

W.P.C.Wickramaratne
Auditor General (Acting)

1. CECB – At a Glance

- Established in 1973 to provide engineering consultancy services. Contribute to major infrastructure development projects. Contributed to projects like, Victoria, Kothmale, Randenigala, Rantembe, Maduruoya, Canyon, Bowathenna, Samanalawewa, Kukule ganga and Kothmale dams.

- Self finance from its origin, has operated successfully and contributed to the government revenues.

- Skilled ,Experienced and highly motivated workforce ,Over 450 Engineers, Over 50 Architectures and Over 500 Technical officers.

- Expanded to construction sector (EPC) in 1995.Involved in construction of Building, Roads Free Trade Zone, Economic Centers, Hospitals, Industrial Parks Etc.

- Operation with twelve regional offices located Throughout the country
  Digana, Anuradhapura, Galle, Rathnapura, Badulla, Kantale, Ampara, Jawatta Battaramulla, Gampaha, Maharagama, Kilinochchi

- Post-war development partner with government
  - Uthuru Wasanthaya
  - Nagenahira Nawodaya
  - Northern road rehabilitation project
  - Conflict Affected Region Emergency Project (CARE)

- Entered into the international market in 2007
  Maldives, India, United Kingdom, Tanzania, Ruwanda, East Africa Region etc.

CECB - New Head Office Building

- Listing best 20 success state own enterprises (SOE) which were shown favorable financial performance.

  Since 2005 CECB has been shown constant growth of turnover and market share. The LMD is a one of pioneer business magazine, which has been the source of current business issues, management ideas and provide information on performance of both state own enterprises and private sector companies. LMD has been listing best 20 success state own enterprises every year based on financial and physical performance. CECB has been listed at 12th positions among the best 20 SOE's for the year ended 2011/12.

Ministry of Construction, Engineering Services, Housing & Common Amenities
Sri Lanka

This is to certify that

Central Engineering Consultancy Bureau

is presented with this

National Award for Green Construction Excellence

for the year 2013

for construction of building with excellent environmental performance of value in between **Rs: 150 million & 300 million**

for

CECB Head Office – Phase II

Awarded on 05th December 2013 at the Sugathadasa Stadium, Colombo

Adjudged by the Green Building Council of Sri Lanka & Institute for Construction Training and Development

Chairman
Institute for Construction Training and Development

Chairman
Board of Training & Education
Green Building Council of Sri Lanka

NATIONAL AWARD FOR GREEN CONSTRUCTION EXCELLENCE FOR THE YEAR 2013 FOR CONSTRUCTION OF BUILDING WITH EXCELLENT ENVIRONMENT PERFORMANCE FOR CECB HEAD OFFICE – PHASE II

Eng. N. Rupasinghe, the Chairman of Central Engineering Consultancy Bureau receiving the award presented by the Ministry of Construction, Engineering Services, Housing and Common Amenities from H.E President Mahinda Rajapaksa at Sugathadasa Stadium Colombo on 05th December 2013.

CECB WAS AWARDED FOR EXCELLENCE IN ENGINERING SERVICES BY THE INSTITUTION OF ENGINEERS, SRI LANKA

Eng. K.L.S.Sahabandu, the General Manager of Central Engineering Consultancy Bureau receiving the award from Hon. Minister of Economic Development Basil Rajapaksa at Cinnamon Grand on 24th September 2013.


GREEN[SL]® BUILDING RATING SYSTEM

This is to certify that

CENTRAL ENGINEERING CONSULTANCY BUREAU, COLOMBO

has successfully achieved the following status of the GREEN[SL]® Rating System For Built Environment established by the Green Building Council of Sri Lanka and verified by its Technical Committee

GREEN[SL]® RATING SYSTEM FOR NEW BUILDING
GOLD

AWARDED MAY 2014

Chairman
Green Building Council of Sri Lanka

GREEN BUILDING GOLD RATING AWARDED TO THE CECB HEAD OFFICE NEW BUILDING (PHASE II) 'MAHAWELI WING' AT COLOMBO 07, BY GREEN BUILDING COUNCIL OF SRI LANKA.

Eng. N. Rupasinghe, the Chairman of Central Engineering Consultancy Bureau receiving the award presented by the Green Building Council of Sri Lanka from Hon. Minister of Economic Development Basil Rajapaksa in the presence of Hon. Minister of Technology, Research and Atomic Energy Patali Champika Ranawaka at BMICH on 04th May 2014.


Ministry of Construction, Engineering Services, Housing and Common Amenities
Institute for Construction Training and Development (ICTAD)

Certificate of Appreciation

Presented to

Central Engineering Consultancy Bureau

who are recognized for having made their appreciable professional contribution to the 2013 National Excellence Award Winning Project

Administrative Complex Building – Sethsiripaya Stage II
(Sethsiripaya Premises), Battaramulla

Constructed by
Maga Engineering (Pvt) Ltd.

Chairman
Institute for Construction Training and Development
Awarded on 05th December 2013

ICTAD

Certificate of Appreciation Presented to Central Engineering Consultancy Bureau by the Institute for Construction Training Development (ICTAD) for the professional contribution for the 2013 National Excellence Award Winning Project for the Sethsiripaya Stage II Premises .

3. Background of CECB

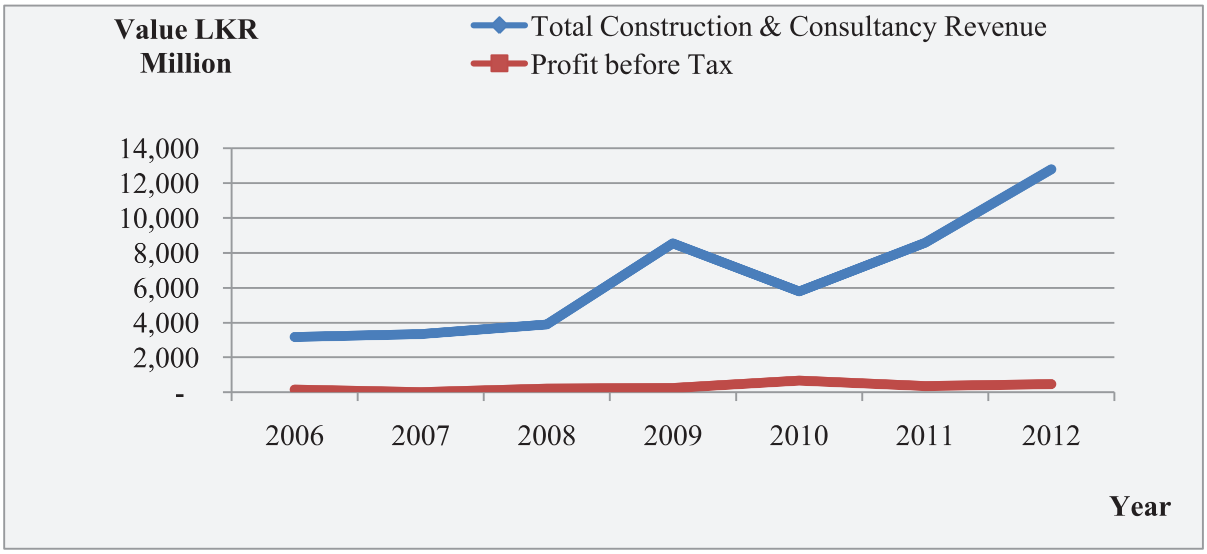
Central Engineering Consultancy Bureau (CECB) was established on 12th April 1973 to provide multi-disciplinary engineering consultancy services for water resources development projects. It is a statutory body established under the State Industrial Corporations Act No.49 of 1957.

The Bureau was at the forefront of some of the largest development projects in Sri Lanka and is the premier consultancy organization in Sri Lanka with a wide range of expertise in different engineering disciplines. CECB served as one of the key institutions in the implementation of the Mahaweli Project (Cascade development of the largest river in Sri Lanka). In the implementation of these multi billion Rupee projects, the Bureau was associated with several international consultants and had developed strong engineering competence and expertise through these associations. The Bureau was responsible for the design and supervision of all project related infrastructure (access roads, bridges, buildings and water supply) associated with the major hydropower and Irrigation projects. Socio economic aspects (resettlement, community development) and environmental studies were an integral part of all these major projects.

4. Growth and Expansion

Since its inception, CECB has grown and expanded to become the largest Engineering Consultancy establishment in Sri Lanka. Its main area of interest was Engineering Consultancy which contributes about 80% to its turnover until 1994. However, with the commencement of Construction Division (EPC Division) a rapid increment of turnover was observed in the past few years. Presently the contribution to turnover from the EPC has reached to 95% level and the operations have been expanded up to the level of Consultancy Division.

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.

5. Future Challenges

- Entry of private , foreign Engineering Consultancy and Construction firms into the Sri Lankan market.
- Withdrawal of certain concessions and preferential facilities earlier accorded to CECB, has become major threats to the Bureau.
- Other factors such as increased overheads, rising costs of site administration and recently imposed statutory limitations.

Hence, it has become necessary to plan urgently for better performance and higher productivity in the future years. This plan is an attempt by the senior staff of CECB to achieve the intended improvement in performance.

It shall be truly beneficial for the country and CECB if the treasury direct its policies towards the betterment of the local engineering industry without delay in keeping with the Presidents concept of national productivity.

To keep up with the state of Art new technology, local and foreign specialized training for the professional staff is absolutely necessary.

7. Human Resources

To provide a wide range of Engineering Consultancy, Construction and other related services, CECB has a strong human resource base that consists of multi-disciplinary professional and technical staff representing various disciplines such as:

Civil Engineering Water Management

Architectural Geo-technical Investigations

Structural Designs Hydro Power

Mechanical Work Electrical Work

Coastal and Marine Engineering Geology

Laboratory Investigations Technical Auditing

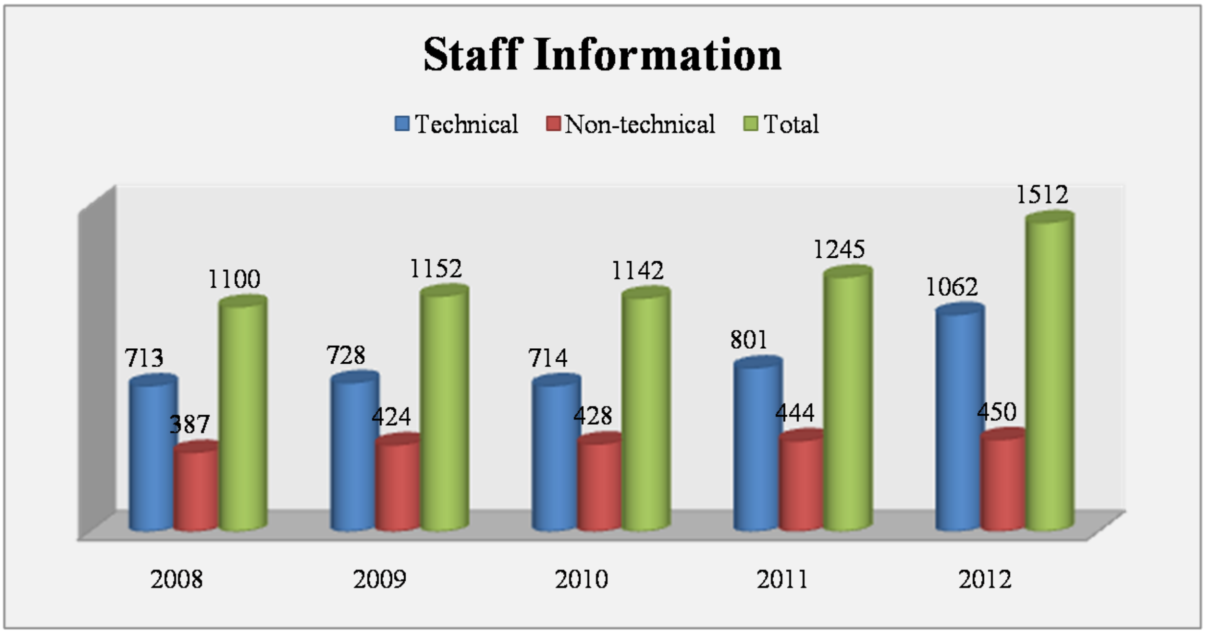
Transportation Water Supply and Sewerage

Power Generation Public Health

Information Technology Irrigation

Environmental Engineering

Specialist staff is supported by teams of Para technical, technical and secretarial staff who have wide experience in their own fields.



8. Specialized Areas & Services

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

9. Global and Local presence

The Bureau has been at the forefront of some of the largest development projects in Sri Lanka and is the premier consultancy organization in Sri Lanka with a wide range of expertise in different engineering disciplines. CECB served as one of the key institutions in the implementation of the Mahaweli Project (cascade development of the largest river in Sri Lanka). In the implementation of these multi billion Rupee projects, the Bureau was associated with several international consultants and had developed strong engineering competence and expertise through these associations. The Bureau was responsible for the design and supervision of all project related infrastructure (access roads, bridges, buildings and water supply) associated with the major hydropower and Irrigation projects. Socio economic Aspects (resettlement, Community development) and environmental studies were an integral part of all these major projects.

Uwa Wellassa University

Library Building - Maldives

Northern Road Rehabilitation Project

- Northern Roads
  - ✓ A009
  - ✓ AB020
  - ✓ AB032
  - ✓ AB016
  - ✓ AB018
  - ✓ B297
  - ✓ B334
  - ✓ B296
- Project cost: LKR 66000 million

CECB Head Office
Won ICTAD Green Building Award for 2013

Cost: LKR 250 million   Floor Area: 2750 Sq m

Extension to Repository Building for Department of National Archives

Design & Build

Silver Award from Green Building Council, Sri Lanka

Sethsiripaya Stage II Administrative Complex at Battaramulla

Won the Excellence Award in 2013

Project cost: LKR 3,960million

Floor Area: 42,000 Sq m

Ceylon Petroleum Corporation

Project cost: LKR 1,848 million

Floor Area: 12,345 Sq m

CENTRAL ENGINEERING SERVICES (PVT) LTD. (CESL)

Our Strategy: Support CECB to achieve their goals & streamline the work

Why we start

In keeping with the Government policy, CECB is required to undertake Projects for Rehabilitation of Road networks on urgent basis in the districts of Monaragala, Badulla, Kandy and Anuradhapura. To expedite the works the Government has already supported CECB with machinery and equipment assistance worth Rs 4.6 billion to be used in the road reconstruction works. In order to streamline and expedite the work these works have been entrusted to CESL by CECB. Total operations of Plant & Machinery have been undertaken by CESL.

Our Foundation: Central Engineering Services (Private) Ltd. (CESL), a fully owned subsidiary of CECB, was Incorporate as a Limited company on 16th December 2003 under the companies Act No.17 of 1982 and activities started on 2011.

CESL Is Focusing On Key Objectives.

- Carry on 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.

- Carry on business as civil, electrical, mechanical, information technology and environment- tal engineers, and to undertake and execute contacts for planning, design, construction supervision and operation of works in such fields of engineering and all aspects connected therewith or ancillary or incidental thereto on its own or as a joint venture or a member of a consortium in Sri Lanka or elsewhere.

- Undertake project management in the fields of civil, electrical, mechanical, information technology and environmental engineering and the fields of infrastructure development and resource management, and all aspects connected therewith or ancillary or incidental there to on its own or as a member of a joint venture or member of a consortium in Sri Lanka or elsewhere.




CESL BOARD OF DIRECTORS

Eng. Nihal Rupasinghe

BSc. (Hons), PG Dip. (Hydro power) Norway,

C. Eng., MIE (SL), MICE (London), Licd. Surveyor, Managing Director of the CESL.

Eng. S.S. Ediriweera

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

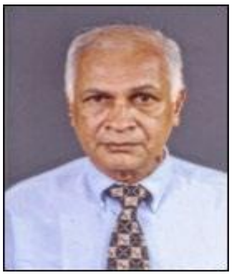
Executive Director of the CESL.

Eng. B.W.N Rupasinghe

BSc.Eng., MSc.Eng, PGDip.,(Econ),MA(ECON), MIE(SL),MIEE,M Cons E(SL) Director of the CESL.

Eng. K.L.S. Sahabandu

BSc.Eng.(Hons), MSc.Eng, PGDip.(Hyd). Msc. (Struct. Eng.), C.Eng (Econ), MIE(SL),MICE(London), M Cons E(SL), MSSE (SL), Director of the CESL.



Eng. M.A.P. Hemachandra

F.I.E.D.(SL), M.I.E.E., M.I. Prod.E, Director of the CESL.

Mr. S.M.N.L. Senanayake

Bsc.Dip. Mgt.,FCA, He is a Charted Accountant, of the Tudor V. Perera & Company (Charted Accounts) 103 1/3, De Mel Mawatha, Chanthanam Street, Colombo 01, Director of the CESL

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