



COLOMBO DOCKYARD PLC

"...an Odyssey of Excellence"

LAYING THE KEEL FOR A NEW COURSE

ANNUAL REPORT 2018

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LAYING THE KEEL FOR A NEW COURSE

“As we look back on the year under review, we acknowledge the rough seas that tested our skills and leadership, was instrumental in forging new bonds, and helped us discover ventures that strengthened our company to achieve our targets. We are celebrating our journey while also being grateful to all those who made our big plans become a reality and a resounding step in affirming our capabilities. While we sail to new destinations and unveil one of our largest projects to date, we are hopeful for the future and what it holds in store.

We are on board for a year that will reap much in terms of growth and progress, as we lay the keel for a new course towards more fortuitous waters.”

Vision

We pursue excellence and superior performance in all what we do to enhance the long-term interests of all our stakeholders in a socially responsible manner.

Mission

We strive:

- To be the most competitive and viable business entity in South Asia in Shipbuilding, Shiprepairs, Heavy Engineering and allied activities:
- To efficiently and effectively manage all our resources:
- To achieve sustainable growth:
- To enhance the interests of our Stakeholders, and thereby contribute to the pursuit of our vision:

Quality Policy

We are committed to;

- Satisfying our customers by consistently understanding and meeting their requirements in a cost effective manner and,
- Strive to exceed their expectations by continually improving the effectiveness of our quality management system whilst complying with all applicable statutory and regulatory requirements.

Health, Safety and Environmental Policy

Colombo Dockyard PLC is committed to provide a healthy and safe working environment at its every work location and strive to protect the environment in accordance with applicable Legal & other requirements.

Colombo Dockyard PLC shall:

- Provide safe machinery, plant, equipment and competencies to prevent injury, ill health and environmental impacts.
- Minimize probable impacts to the environment through pollution prevention and other specific commitments including reduction of natural resource consumption through reduction, recycle and reuse of waste.
- Set Health Safety and Environmental objectives, analyse outcomes and continually improve processes through an effective management system.

Corporate Profile

Colombo Dockyard PLC (CDPLC) established its operations way back in 1974 and at present operates as Sri Lanka's largest engineering facility leading in the business of ship repairs, shipbuilding, heavy engineering and offshore engineering with a Japanese collaboration. CDPLC Group includes two subsidiaries namely Dockyard General Engineering Services (Pvt) Ltd and Ceylon Shipping Agency (Pte) Ltd in Singapore to deal with heavy engineering for local customers and as a supply channel for material imports respectively. CDPLC is a public quoted Company listed in the Colombo Stock Exchange. It is also a licensed enterprise of the Board of Investment of Sri Lanka.

CDPLC is conveniently located within the port of Colombo, the hub of all major shipping lanes connecting the West, the Middle East, the Far East, as well as Africa and Australia, CDPLC has a strategic advantage to conduct both dry dock and afloat operations. Colombo Dockyard, as a state of the art engineering entity, operates four graving dry docks with a maximum capacity of 125,000 DWT and extensive repair berth facilities.

Colombo Dockyard, in existence for over four decades, continues to keep its eyes on the horizon, pre-empting trends and preparing for transformation. While the Company remains medium scale ship yard in the Asian region, our differentiation lies in the way we do business.

Five core values that have helped Colombo Dockyard in its odyssey:

Flexibility

Innovation

Being Customer Centric

Environmentally Friendly

People Focused

Colombo Dockyard's niche position in building some of the world's most unique vessels holds the Company in good stead. The emphasis on absolute quality and the infusion of green initiatives (some of them, pioneering features in this region) as well as our processes, give us a competitive stance that is far ahead of those established in the South Asian region.

This has resulted in improving our capabilities of effecting difficult and sometimes unique processes, building techniques and repairs, that have helped us carve out our own niche in this industry.

Financial Highlights (Company)

	2018	2017	Change	
	Rs. Mn	Rs. Mn	Rs. Mn	%
Results for the Year				
Revenue				
Ship Repairs	5,928	5,943	(15)	(0.25)
Shipbuildings	6,870	6,038	832	13.78
Heavy Engineering	371	71	300	422.54
	13,169	12,052	1,117	9.27
Export Revenue	12,195	11,614	581	5.0
Local Revenue	974	438	536	122.4
Gross Profit	877	1,445	(568)	(39.3)
Profit before Tax	172	(73)	245	335.6
Taxation	(27)	(69)	42	60.9
Net Profit after Tax	145	(143)	288	201.4
Company Value Addition	4,654	4,193	461	10.99
Company Value Addition %	33	34	(1)	(2.94)
Local Value Addition	7,142	6,102	1,040	17.04
Employees Salaries & Benefits	3,942	3,716	(226)	(6.08)
Financial Position				
Total Assets	15,054	16,705	(1,651)	(9.88)
Total Liabilities	6,086	7,867	1,781	22.64
Share Holders' Fund	8,967	8,838	129	1.46
Net Cash & Cash Equivalents	4,115	4,642	(527)	(11.35)
Information Per Ordinary Share				
Earnings (Rs.)	2.01	(1.98)	3.99	201.52
Net Assets (Rs.)	124.79	122.99	2	1.46
Market Value (Rs.)	55.60	88.50	(33)	(37.18)
Market Capitalization Rs. Mn	3,995	6,359	(2,364)	(37.17)
Financial Ratios				
Net Profit after Tax (%)	1.1	(1.2)	2.3	191.76
Return On Investment (%)	1.0	(0.9)	1.9	207.2
Return On Assets (%)	0.3	(1.6)	1.9	118.75
Interest Cover (Times)	0.4	(1.8)	2.2	122.22
Return On Equity (%)	1.6	(1.6)	3.2	200.00

The Operational Impact of 365 days

Commitments to Company Vision and Core Values and Successful Execution of Strategic Initiatives deliver Results in Key Operational Highlighting Figures.

Total Revenue

Rs. **13** Bn

The Company managed to reach total revenue of Rs. 13.2 Bn as against Rs.12.0 Bn recorded for last year.

Foreign Revenue

93 %

Export earnings generated in 2018 was over 92.6% of the total Revenue. This represents 100% foreign generated Shipbuilding revenue.

Direct Employment

3,000

The Company provides direct employment for over 3,000 employees including Permanent, Project basis, Trainees and Subcontract employees.

Employee Retention

99.5 %

Despite many economic downturns both locally and globally, we have had few employee resignations during 2018.

Completion of Ship Repairs

159 Repairs

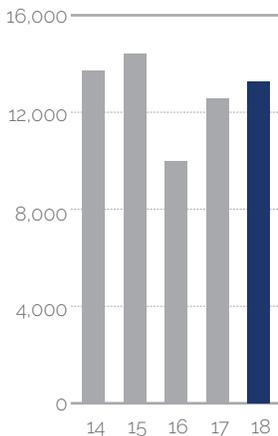
Successfully completed 159 ship-repair jobs during the year compared to 145 recorded for 2017.

Local Value Addition

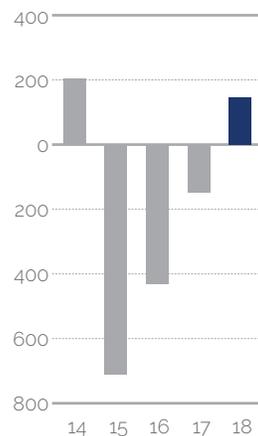
Rs. **7,142** Mn

Company operation generates over 50% local value additions.

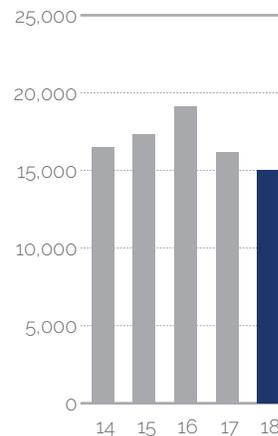
Total Revenue (Rs. Mn)



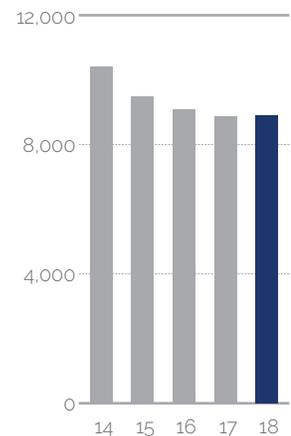
Profit after tax (Rs. Mn)



Total Assets (Rs. Mn)



Shareholders Funds (Rs. Mn)





“ CDPLC is aiming at orders for high-density, high-tech vessels with high value addition, small to mid-size due to the dock size restrictions for new shipbuilding. The target of new shipbuilding market is a special construction/ support vessels (such as cable laying vessels, an offshore support vessels, dredgers, and fishing boats etc.), small-mid size passenger boats, coastguard patrol boats, small size LNG storage facilities in the market zone of Europe, Middle East, Japan, and Southwest Asia etc.; ”

Dear Shareholders,

I am pleased to present the Annual Report and the Financial Statements of Colombo Dockyard PLC (CDPLC) for the financial year ended 31st December 2018 for the 36th Annual General Meeting of the Shareholders.

Global Shipbuilding Outlook and Our New Shipbuilding Strategy

In 2018 the new shipbuilding market was generally slacked. Because the Chinese economy was depressed due to the trade friction between the US and China, the downturn in the offshore vessel market owing to the depreciation of oil prices, and compliance with SOx emission control regulations to be implemented from 2020.

In such a business circumstance, CDPLC is aiming at orders for high-density, high-tech vessels with high value addition, small to mid-size due to the dock size restrictions for new shipbuilding. The target of new shipbuilding market is a special construction/support vessels (such as cable laying vessels, an offshore support vessels, dredgers, and fishing boats etc.), small-mid size passenger boats, coastguard patrol boats, small size LNG storage facilities in the market zone of Europe, Middle East, Japan, and Southwest Asia etc.

In 2018, the gate width of the dedicating new shipbuilding dock (No.2) was expanded from 18.5m to 23m, so as to get more business chance with accommodating the wider vessel market needs.

The cable laying vessel, which is currently under construction, is for the Japanese owner with Japanese

flag, required high quality and advanced function. The ship design is made by Norwegian ship-design company, which is a cutting-edge and sophisticated European design. By including this new vessel into our construction record, CDPLC is able to differentiate other competing shipyards by high quality and advanced shipbuilding capability. We are quite confidence that this new vessel reputation would attract the worldwide market attention. Also, the fact of CDPLC's export of high-tech vessel to Japanese customer, will become a significant epoch in the export strategy of Sri Lanka.

Colombo Dockyard Performances Finance Results and Dividend

CDPLC continued its deficit for the third consecutive year due to losses incurred with cancellation of offshore ships in 2015. In 2018, we were able to record a positive performance due to the elimination of unprofitable project. And moreover, DGES, the subsidiary company of CDPLC, has also steadily improved its profits, and the group performance. For the year under review, the CDPLC Board has proposed a final dividend of Rs. 1.50 per share.

Shipbuilding Sector

The Cable Laying Vessel to KOKUSAI CABLE SHIP Co, Japan is now under construction and to be delivered mid-2Q 2019. And a Buoy Tender Vessel and a Pilot Station Vessel for General Company of Ports of Iraq were signed the contract through the TOYOTA TSUSHO CORPORATION, Japan on May 2nd, 2018, which is scheduled to be delivered in 3Q 2020. Contract for Two Pilot Boats for SLPA was signed in 1Q 2019.

Ship-repair Sector

The ship repair sector has been out of the bad period from 2013 to 2016 and was able to maintain a high level of achievement from 2017 to 2018. In 2018, CDPLC completed 159 ship repairs, and revenue was Rs. 5,928 Mn.

We will make ship repair promotion to the Middle East, Europe and Asia customers. As the special works that SOx regulation by IMO is applied in 2020 and vessels are required to respond. We are continuously investing on yard facilities to improve the yard efficiency.

Heavy Engineering Sector

CDPLC delivered the underwater restaurant structure for Maldives, and this is the new business area for CDPLC. During 2018, the sector has been able to grow its total volume up to Rs. 371.

Subsidiary Companies

Both fully owned Subsidiary DGES (Dockyard General Engineering Services Pvt Ltd) and 51% holding CSA (Ceylon Shipping Agency Pte Ltd - Singapore) have been recorded with positive financial results with growth prospectus over the last years.

Chairman's Review

DGES is mainly undertaking domestic works as government construction projects and rehabilitation of infrastructure. The main on-going projects are the Kandy Bus Terminal, dam repairs, flood control, Kelani bridge, etc.

The Ministry of Megapolis and other related ministries and agencies are proposing projects such as Light Rail Transit, Renewable Energy, LNG power generation facilities, Airport expansion and Colombo Port expansion, etc. Responding to such future demand of national projects, DGES will diversify their company structure.

Acknowledgements

I would like to extend my gratitude and warm appreciation to all the Board of Directors, Employees, Customers and the National Authorities for the support extended to the Company during the year and I look forward to their continuous support and cooperation as we continue to channel local efforts into globally renowned products and services.

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Dr. Toru Takehara
Chairman

26th February 2019



“ The good performance of the Company, despite many challenges faced under severe global competition, is a result of tireless efforts by our employees, and I would like to express my most sincere gratitude to all of them ”

I am pleased to report on the performance our Company and subsidiaries for the year 2018, demonstrating a significant year with positive financial results after 3 years downturn. All Business Units contributed to this moderate result, including the unprecedented gain on exchange rate fluctuation over the year under review.

The good performance of the Company, despite many challenges faced under severe global competition, is a result of tireless efforts by our employees, and I would like to express my most sincere gratitude to all of them.

Company Performance during the year 2018

We have passed another susceptible year as I mentioned last year, with a low volume of ship repairs owing to planned critical maintenance works, but with some improvements in newbuilding, afloat repairs and heavy engineering sectors. Our ship repair turnover in US\$ term dropped about 7.5% against the previous year due to nonoperational period of dry dock number 4 and dry dock number 3 for approximately 1 month. It was also very much competitive with hungry shipyard surrounded, thus reduced the value addition together with the low revenue with double hits. However, we have succeeded with the timely launching of the prestigious and biggest shipbuilding project undertaken by Colombo Dockyard PLC as well as Sri Lanka, the 113 m Cable Laying Vessel for a reputed Japanese client as scheduled in September 2018. Under the prevailing business developments in the infrastructure in the country and regional tourism sector, we could grab a significant scale of Heavy Engineering projects making the year

on top since inception of the Heavy Engineering Sector. Furthermore, the newly developed Afloat repair sector performed well, achieving a moderate growth compared to the preceding year.

Going through a history of over 4 decades, we have observed that the shipbuilding demand is fluctuating in seasonal business patterns whereas ship repair is rather maintaining with a stable demand. However, company has correctly invested to develop shipbuilding sector during it's one of the best era when the oil price was high the demand for offshore market was on top. Therefore, it is a critical need to look at Stable Ship Repair Sector with much attention today and the company has taken few steps to develop the facilities for this sector. Similarly Heavy Engineering and Afloat Repair sectors have been considered to be enhance with the support of the subsidiary company, Dockyard General Engineering Services.

Though, the performance of the company during the year 2018 was not as expected, the environment made pros and cons for ending it with a marginal profit showing a slow but steady recovery during the past 3 years.

Shipbuilding Business

The offshore market, which was badly hit by the oil price is still in a vulnerable situation with an unpredictable future. This affected our Shipbuilding Sector significantly and therefore new market strategies were looked into.

In addition to the execution of the Cable laying Vessel, the company could sign a contract to build two

vessels to General Company of Port of Iraq, through the main contractor the Toyota Tsucho Company, a trading and investing company which is also a group company of Toyota. The keel laying of the projects were held in October 2018. Also it was yet another achievement, winning the award to build two numbers sophisticated Pilot Boats to Sri Lanka Ports Authority through an International competitive tender and we could sign the shipbuilding contract on 1st of February 2019.

Improvement of the yard's quality and safety standards with the experience of building to the offshore sector made significant role for earning the confidence in the high end clients and now the company is very much up in the region.

Special attention has been paid to penetrate in to European market with the support of successful acquisition of newbuilds to Japanese clients during the year. Such efforts will create business opportunities to the western world in the near future. It is also not neglected the South Indian market which looks for low cost vessels and marketing approach has been enhanced toward same.

Developments of engineering processes, training of employees and implementation of Japanese 5S system in the company are some boosting strategies to attract the global clients.

Ship Repair Business

Ship Repair sector performance over the year of 2018 was hit with high competition and reduced volume and value addition. All the ship repair facilities in the world are looking forward to bright future with opening avenues for intended implementation

of IMO regulations for Sulphur Cap 2020 and Ballast Water Management (BMT). While gathering the experience in installing such systems in shipbuilding projects, company has seriously thought of grabbing the opportunities to come. Management has identified the opportunities available when the world's bigger role players seem to be busy and therefore, make arrangements to improve infrastructure facilities during 2019. Some of the capital expenditures planned for ship repair development are installing a new 70T crane at Dock 4 North, enhancing facilities at Dock 3, Guide Pier 1 and Dolphin Pier and extended working area at Dock 4 north side.

Establishing a Reconditioning facility for enhancing the business in the competitive market is also in progress. Company is willing to expand the afloat repair business as well as to spend for developing hydro-blasting and to improve the hull repair capacities in order to attract some Indian private owners. Joint venture agreements will be signed with Marine product manufacturers to meet low cost repair facilities in Colombo.

Dockyard General Engineering Services

DGES will have more potential businesses with local developments in areas such as Power & Energy, Roads & Transportation, Tourism, Fisheries, Agriculture, Irrigation, Water Supply, Fuel Storage and Flood Control etc. Also the management is thinking it's business development plans are to cater the demands creating in the neighboring countries as well.

As the management has correctly identified the requirement of CDPLC

trained multi-skilled manpower to retain within around, a 100 % owned subsidiary company to DGES was formed by the name of Dockyard Technical Services (DTS). This company will support with it's trained manpower to DEGES and CDPLC for Afloat repairs, shipbuilding, heavy engineering projects and deployment in SR sector time to time.

Heavy Engineering

CDPLC has already commenced with the Heavy Engineering sector, specially to look for global opportunities while only limiting the local specialized projects. Discussions are taking place with Original Equipment Manufacturers (OEM) to facilitate their product development in the CDPLC with competitive prices.

Global Shipping Industry

As far as global shipbuilding is concerned, many oversupply vessels have controlled the new shipbuilding. Also the demand for high-tech ships is drastically rising considering the low cost of operation and aiming the stringent maritime regulations controlling the environment factor in different regions in the world. Future shipbuilding demand may be influenced with Ballast Water Treatment (BWT), Energy Efficiency Design Index (EEDI) and Emission Control Area (ECA). Norway has already started unmanned ships to operate within their ports and found it's a success. Ship owners will have to select machineries with low fuel consumption, increasing use of batteries, dual fuels and other renewable energies (solar and wind) on board the ships. This trend will naturally decide the demand and supply thus no one could predict the exact equation of types and numbers of ships going to be built or operated in the future.

It is time for many developed countries to plan, some have already done, the development of infrastructure facilities for facing the IMO Sulphur Cap 2020 and BMT regulations. Poor countries will look at what is going to happen as they are unable to forecast and to take proactive measures immediately. Development in low sulphur fuels at reasonable costs, LNG storage and supply terminals, installation of scrubbers etc are costly solutions for the demand.

Overall, experts think that there will be an increase in global shipbuilding market by 2% during 2019-2023 due to increasing seaborne trade and economic growth, rising energy consumption, demand of eco-friendly ships and shipping services

I would like to conclude my message by thanking our shareholders, specially our main shareholder the Onomichi Dockyard of Japan, and the Board of Directors, for their guidance during the year and all stakeholders including employees. I would like to thank the BOI, the Ports Authority, the Department of Customs, the Sri Lanka Navy and our bankers for their cooperation during the year. I thank our loyal customers and look forward to another productive work year with them.



D.V. Abeysinghe
Managing Director/ CEO

26th February, 2019
Colombo

Board of Directors



Dr. Toru Takehara
Chairman



Sarath De Costa
Vice Chairman



D. V. Abeysinghe
Managing Director/CEO



T. Nakabe
Director

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K. Utsumi
Director



**H. A. R. K.
Wickramathilake**
Director



Lalith Ganlath
Director



H. A. Karunaratne
Director



M. Saadi A. Wadood
Director

Dr. Toru Takehara

Chairman

Ph.D. in Mechanical Engineering, Nagaoka University of Technology, Japan. Bachelor - Engineering Science, Osaka University, Japan.

He has worked over 25 years as the engineer of Sea Container Transportation Machinery and Systems at Mitsui Engineering & Shipbuilding Co., Ltd, in Japan, and 12 years as the President & CEO of PACECO CORP. in California, USA.

He was appointed to the Colombo Dockyard PLC (CDPLC) Board on 01st September 2014. Director of CDPLC Subsidiaries, Dockyard General Engineering Services (Pvt) Ltd and Ceylon Shipping Agency (Pte) Ltd, Singapore.

Sarath De Costa

Vice Chairman

Dip. Foundry Engineering

Former Consul General for Sri Lanka in Osaka, Japan.

Appointed to the CDPLC Board in June 1993. Present Chairman and Managing Director of AMANO & TIVOLI Group of Companies, President Imperial Trading Corporation Japan, Director of Central Industries PLC., Director Ceylon Shipping Agency (Pte) Ltd Singapore and Director Waters Edge Limited. Also serves as Vice President of Sri Lanka - Japan Business Cooperation Committee, Life Member - Japan Sri Lanka Technical Co-operation and Member - Sri Lanka Japan Friendship Society.

Served as a Representative in Japan for the Board of Investment of Sri Lanka, Patron - Department of Neurosurgery Trust (National Hospital), Trustee - National Health Development Fund (Ministry of Health), Special Envoy / Advisor - Board of Investment of Sri Lanka, Member of Advisory committee - Ministry of Wild Life Resources Conservation and Director of Industrial Development Board.

D. V. Abeysinghe

Managing Director/CEO

B Sc Engineering (Hons), C Eng., FIE(SL), FRINA(UK), MCPM(SL)

Appointed to Colombo Dockyard PLC (CDPLC) Board on 08/11/2016 as the Managing Director/CEO.

Currently holds positions as the Chairman of Dockyard General Engineering Services (Pvt) Ltd, Director of Ceylon Shipping Agency Singapore, Director of Sri Lanka Port Management & Consultancy Services, Member of the Advisory Committee on Boating Industry formed by Export Development Board Sri Lanka. He is a member of LR South Asia Advisory Committee, the Indian Technical Committee of NKK and DNV GL South Asia Committee.

T. Nakabe

Director

B.A (British American Literature) Tamagawa University, Tokyo, Japan Mount Ida College, MA, USA

Appointed to CDPLC Board in March 2010 .

The President of Onomichi Dockyard Co., Ltd in Japan

He has worked for Fuji Xerox from 1994-2001 and Joined Onomichi Dockyard as Deputy Branch Manager in 2001. During his overall carrier in Onomichi Dockyard he has served as Deputy Branch Manager (2001), Director/Branch Manager (2003), Managing Director (2005), Senior Managing Director (2007) and finally as the President of Onomichi Dockyard Co., Ltd from 2009 to up to date.

He also serves as a Director in the related companies of Asaka Kosan kaisha Limited Japan, Asahi Sangyo Co., Ltd. Japan, Asahi Engineering Co., Ltd. Japan, Cosmo Ship Service Co., Ltd. Japan, Japan Steels Co., Ltd. Japan, Onomichi Zosen International, S.A. Panama, Saiki Heavy Industries Co., Ltd. Japan, Y M Service Co., Ltd. Japan.

Board of Directors

K. Utsumi

Director

Mr. Utsumi holds a Bachelor's Degree in Department of Mechanical Engineering, Faculty of Engineering, Hiroshima Institute of Technology (University) in Japan.

He has been employed Onomichi Dockyard Co., Ltd. for 29 years since 1989, and worked as the manager of Machinery & Electric Design Section for 5 years up to this appointment.

H. A. R. K. Wickramathilake

Director

FCA, B.Sc - Public Administration, Dip.in Shipping Norwegian Shipping Academy, Oslo

Appointed to the CDPLC Board in 1995. Chairman, Mercantile Shipping Company PLC, Mercantile Marine Management Ltd, Mercantile Emerald Shipping (Pvt) Ltd, Royali Power (Pvt) Ltd, Royali Homes and Lands (Pvt) Ltd, Ceylon Eco Spices (Pvt) Ltd, Ceylon Eco Fields (Pvt) Ltd and several other companies connected with the Mercmarine Group.

Lalith Ganlath

Director

Attorney-at-Law and NP, Solicitor (England and Wales) Barrister and Solicitor (ACT Australia)

Appointed to CDPLC Board in June 1993 and is the Proprietor of GANLATHS and Chairman of Ganlaths Secretarial Services (Pvt) Ltd, Foreign Investment Facilitators (Pvt) Ltd., Migration Facilitators (Pvt) Ltd.

H. A. Karunaratne

Deputy Governor

Central Bank of Sri Lanka

Mr. H A Karunaratne is currently functioning as the Deputy Governor of the Central Bank of Sri Lanka and has extensive experience in the financial services sector in Sri Lanka and overseas. During his thirty three years career some of the key positions held by him have been Assistant Governor and Secretary to the Monetary Board, Secretary to the Monetary Board Advisory Audit Committee, Director, International Operations Department, Director, Financial Intelligence Unit of Sri Lanka, Additional Director, Domestic Operations Department and Chief Dealer of the Central Bank of Sri Lanka.

Mr. Karunaratne served as a Vice President, Fixed Income Department, Refco Singapore Pte Ltd and Vice President, Prime Risk Monitoring, Man Financial Pte Ltd, Singapore, during which he obtained the license from the Monetary Authority of Singapore to trade futures options and other derivative products.

Mr. Karunaratne was a Member of the Foreign Reserves Management Committee, Monetary Policy Committee and Market Operations Committee of the Central Bank of Sri Lanka from May 2009 to October 2015. Presently, he is the Chairman of the Financial System Stability Committee, National Payments Council, EPF Investment Oversight Committee, Internal Investment Oversight Committee of the Central Bank, Chairman of the Credit Information Bureau and Vice Chairman of the Institute of Bankers

of Sri Lanka. He holds a BSc Business Administration degree from the University of Sri Jayawardenapura, Sri Lanka and an M A in Economics from the Ohio University, USA. He is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

Mr. Karunaratne is a regular speaker at various local and international forums on reserves and portfolio management.

M. Saadi A. Wadood

Director

LLM (Corporate Law) King's College, University of London. Attorney-at-Law of Supreme Court of Sri Lanka.

Currently, he practices as a Corporate/Civil lawyer in Colombo and functions as a Director of numerous companies including SMB Leasing PLC, Sri Lanka Insurance Corporation Ltd, Lanka Hospitals Corporation PLC.

Corporate Management



D. V. Abeysinghe
Managing Director/CEO



Mangala De Silva
General Manager (Human Resource Development & Administration)



K. B. P. Fernando
General Manager (Ship Repair Business)



R. M. Vajira Rathnayake
General Manager (Supply Chain Management)



Lal Hettiarachchi
General Manager (Ship Buildings)



M. Rohan De Silva
General Manager (Finance & System Implementation)



Thimira S. Godakumbura
General Manager (New Construction)



S.G. Senadeera
General Manager (Ship Repair Production)



P. D. Gihan Ravinatha
Chief Financial Officer



Manori Mallikarachchi
Legal Consultant/Company Secretary



Ranil Wijeygunawardane
Managing Director/CEO (DGES)

D. V. Abeysinghe

Managing Director/CEO

*B Sc Engineering (Hons), C Eng.,
FIE(SL), FRINA(UK), MCPM(SL)*

Appointed to Colombo Dockyard PLC (CDPLC) Board on 08/11/2016 as the Managing Director/CEO.

Graduated from the University of Moratuwa, Sri Lanka in the field of Mechanical Engineering in 1985 and joined Colombo Dockyard (Pvt) Ltd (today, Colombo Dockyard PLC) on 02/12/1985.

He has acquired qualifications and experiences with several overseas trainings including JICA training on Shipbuilding, Repairing, Maintenance and Naval Architecture and a Shipyard Practical Training at Hitachi Zosen Innoshima Shipyard Japan.

He is a Chartered Mechanical Engineer and a Fellow Member of the Institution of Engineers Sri Lanka and a Fellow Member of Royal Institution of Naval Architectures, UK. He is also a member of the Institute of Certified Professional Managers, Sri Lanka.

In his overall carrier in the Company, has served in Ship Repair division, Shipbuilding and Projects & Engineering division holding managerial positions and has directly contributed for enhancing Shipbuilding and Heavy Engineering capabilities. He was positioned as the Senior General Manager/Chief Operating Officer in June 2016 before appointing as MD/CEO in November 2016.

Mangala De Silva

*General Manager (Human
Resource Development &
Administration)*

*MBA (USJ), M LRHRM (Col), Dip.M.
CIM(UK), MABE (UK), Attorney-At -Law*

Has over 28 years of experience at Colombo Dockyard Plc in the feild of Human Resource Management and Administration. A life member of the Bar Association of Sri Lanka, PIM Alumni Association and member of the Association of Business Executives (UK). Qualifed as a Lead Auditor certified by LRQA. Trained in Solving Human & Organizational Problems, under AOTS in Nagoya, Japan

K. B. P. Fernando

*General Manager (Ship Repair
Business)*

*MBA (University of Colombo),DOT Class
II (Singapore)*

He is having over 33 years of exposure in this field. Out of which, 07 years had been at sea as a qualified Marine Engineer & the rest at Colombo Dockyard Plc in the sectors of Ship Repairs, Ship Management, Invoicing & Commercial. He holds the position of General member (Ship Repair Business) since 2015.

R. M. Vajira Rathnayake

*General Manager (Supply Chain
Management)*

*B.Sc., (Sri Lanka), GDMM (Singapore),
MBA (Australia), Dip. (Shipping Law and
Practice) (ICLP & CCC, Sri Lanka).*

Joined Colombo Dockyard Plc in 1996. Has over 22 years of experience in the field of the Supply Chain Management. Served 03 Years as Manager of the Ceylon Shipping Agency (PVT) Ltd., Singapore.

Currently serving as an external board member of the Faculty of the Computing and Technology of the University of Kelaniya, Sri Lanka and also a member of the Industry Advisory Board of the same faculty. Associate Member of the Singapore Institute of Management.

Lal Hettiarachchi

General Manager (Ship Buildings)

*B.Sc. Eng (Hons), C.Eng, MIE (Sri Lanka),
MBA (PIM-USJ)*

He has served over 24 years in the fields of Ship Repair, Ship Design and Ship Building as an engineer as well as a senior manager.

Underwent a 10 months training at Onomichi Shipyard Co.,Ltd Japan in 1999. Currently serves as a Member of South Asia Technical Committee of Lloyds Register and visiting lecturer of kothalawala Defense University.

M. Rohan De Silva

General Manager (Finance & System Implementation)

MBA University of India, Dip MA (CIMA), MABE (UK), MCPM

Joined Colombo Dockyard PLC in 1988 and has over 30 years of experience in the field of Finance and Management Accounting. Master of Business Management from Institute of Chartered Financial Analyst India. Member of the Association of Business Executives (UK), Member of Certified Professional Managers. Trained in General Management at National University of Singapore (NUS).

Thimira S. Godakumbura

General Manager (New Construction)

B.Sc. Eng. (UoM), MBA (PIM-USJ), C.Eng. MIE (SL), MRINA (UK)

He obtained BSc. Eng. Degree in Mechanical Engineering from the University of Moratuwa, Sri Lanka in 1999 and started career at Colombo Dockyard PLC. since 2000 as Trainee engineer. He has gained rich experience and knowledge with local and overseas training including in Onomichi Dockyard, Japan and Dry Dock World, UAE. He Obtained Master's Degree in Business Administration (MBA) from the Post Graduate Institute of Management, University of Sri Jayawardenepura. Gaining over 19 year experience in the field of Ship Building, Ship Repair & Heavy Engineering, he has held senior management positions in Production Management & Project Management during his career in CDPLC before his new position as General Manager (New Construction) since June 2018.

He is a Chartered Mechanical Engineer and a cooperate Member of the Institution of Engineers Sri Lanka and a cooperate Member of the Royal Institution of Naval Architects, United Kingdom. He is serving as a member of the Indian Technical Committee of Nippon Kaiji Kyokai (ClassNK).

S.G. Senadeera

General Manager (Ship Repair Production)

B.Sc. (Eng), Dip. In Shipping Law & Practice, Dip. In PM (UoM)

He has completed his first degree in the field of Mechanical Engineering from the University of Moratuwa in 1995 and started career in the same year 1995 as a Trainee Engineer at Colombo Dockyard PLC. He has successfully completed local & overseas training related to the Ship Repair, Ship Building and Yard Maintenance in different institutions and got one of the valuable overseas training from JASTECA in Japan (one month). He is having 24 years of exposure in this field including more than two years service as Manager of the Ceylon Shipping Agency (PVT) Ltd., Singapore.

P. D. Gihan Ravinatha

Chief Financial Officer

FCA, MBA (PIM - USJ)

Over 16 years' experience in the field of Finance, with 8 years at audit sector and 8 years at CDPLC. Fellow member of the Institute of Chartered Accountants of Sri Lanka. He has completed his MBA from Postgraduate Institute of Management, University of Sri Jayawardenepura (PIM)

Manori Mallikarachchi

Legal Consultant/Company Secretary

Attorney-at-Law & Notary Public

Joined CDPLC in 1996. Has over 22 years of experience at CDPLC in the field of Legal, Secretarial & Compliance.

Ranil Wijeygunawardane

Managing Director/CEO (DGES)

FCA, PDM (Sri J.), Dip in Treasury Investment & Risk Management (IBSL)

Over 34 Years' experience in the field of Finance & General Management of which 20 years at Colombo Dockyard PLC. Served as Managing Director/CEO of Colombo Dockyard PLC, Chairman of Dockyard General Engineering Services (Pvt) Ltd., Director of Ceylon Shipping Agency (Pte) Ltd., and Director of Sri Lanka Port Management & Consultancy Services (Pvt) Ltd. Committee Member of National Chamber of Exporters of Sri Lanka (NCE), Member of Lloyd's Register - South Asia Advisory Committee, Member of DNV GL - South Asia Committee. Exposure: Corporate Management Program organized by AOTS Japan (2011), IFRS - Study program conducted by CA Sri Lanka/ACCA (2011), Business Law for Managers conducted by National University of Singapore (NUS).

Financial Review

Group Financial Highlights

For the Year (Rs. Mn)

	2018	2017	Change	%
Income Statement				
Revenue	14,946.5	12,929.0	2,017.5	16%
Gross Profit	1,344.3	1,766.8	(422.5)	-24%
Profit after Tax	337.4	26.0	311.4	1198%
Balance Sheet				
Total Assets	16,989.5	18,202.4	(1,212.9)	-7%
Total Liabilities	6,692.5	8,251.9	1,559.4	19%
Shareholders' Funds	10,220.2	9,890.6	346.3	3%
Net Cash & Cash Equivalent	4,914.4	5,058.6	(144.2)	-3%
Interest bearing borrowings	2,712.3	3,496.6	784.3	22%
Financial Ratios				
Earning Per Share (Rs.)	4.61	0.35	4.3	1217%
Dividend Per Share (Rs.)	1.50	1.50	-	0%
Net Assets Per Share (Rs.)	143.4	138.6	4.8	3%
Gearing Ratio (%)	0.00	0.00	0.00	0%
Return on Total Assets (%)	2.0	0.1	1.9	1886%
Working Capital to Assets (%)	36.6	34.8	1.8	5%

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Colombo Dockyard PLC (CDPLC), is in the ship repairs, shipbuilding and heavy engineering business to deliver sustainable performance.

With total assets of Rs. 16,989.5 Mn (2017 - Rs. 18,202.4 Mn) as at end 2018, the Group serves a global customer base through its core business activities of ship repairs, shipbuilding and heavy engineering services to over 25 countries.

Majority of the key factors influencing our business are global and regional economic conditions, oil and gas exploration, shipping freights charges, currency fluctuations and international regulation on shipping and shipping environments.

As the Group's operations involve providing a range of products and services to a broad spectrum of customers in many geographical locations, no one factor, in the Management's opinion, determines the Group's financial condition or the profitability of the Company's operations.

Financial Performance Group Revenue

The Group achieved a total revenue of Rs. 14,946.5 Mn (2017 - Rs. 12,929.0 Mn) for the financial year 2018 showing a growth of 15.6% (Rs. 2,017.5 Mn) against last year. mainly attributed to 144% increase on Heavy Engineering revenue, 14% increase on Shipbuilding revenue and 84% increase on Materials sales.

Segment Contribution to the Group Revenue

Group revenue includes the Company's core activity of ship repairs, shipbuilding, heavy engineering & material sales from subsidiary companies. The major revenue contributor for the group has become shipbuilding with 43.5% compared to 46.7% recorded last year.

Export Revenue

The group's export revenue includes the revenue generated mainly from shipbuilding and ship repair operations.

Total export revenue recorded for 2018 was Rs. 12,195.0 Mn compared to Rs. 11,614.0 Mn showing a growth of 5.0%.

The major overseas market of the Company during the year becomes Japan with 49.7% (Rs. 6,544.9 Mn) of the total export revenue followed by India with 27.3% (Rs. 3,590.8 Mn). However, the Indian market continued to be the major overseas market for the ship repair sector, with a contribution of 60.6% (Rs. 3,590.8 Mn) of the total export ship repair revenue under 2018.

The dominant currency for export continued to be the US dollar, accounting for 100% of total exports. The depreciation & appreciation of the Sri Lankan Rupee continued to impact on the conversion of US dollar proceeds.

Earnings Before Tax and Depreciation

The Group's earnings before tax, depreciation and amortization recorded as Rs. 446.0 Mn during the year compared to last year's profit of Rs. 286.6 Mn. The improvement during 2018 was primarily due to the positive contribution recorded mainly from ship repair and Subsidiary Companies performances compared to 2017.

Other Income

Other Income of the Group excluding interest income has increased to Rs. 1,024.1 Mn during the year from Rs. 190.3 Mn recorded for last year. This unprecedented improvement of 449.5% (Rs. 853.6 Mn) was mainly due to the increase on exchange gain and sale of steel scrap income compared to 2017.

Profit After Tax

The Company recorded a profit after tax of Rs. 144.6 Mn during the year under review representing a 201.1% growth compared to the year 2017

loss of Rs. 142.5 Mn. During the year Company was able to break through the continuous losses recorded during 2015-2017 three years periods due to cancellation of shipbuilding projects.

Contribution to Sri Lankan Economy

The Colombo Dockyard PLC has generated direct foreign revenue of 12,195.0 Mn (over US\$ 75 Mn) and generated further Rs. 974.5 Mn as import substitutes. The direct value addition generated by the Company was Rs. 4,654.3 Mn, (2017- Rs. 4,192.8 Mn). This is mainly comprised of revenue generated from shipbuilding, ship repairs, heavy engineering and other non-operating income.

The local value addition generated by the Company was Rs. 7,142.1 Mn (54.2%) compared to Rs. 6,102.0 Mn (53.6%) recorded for 2017. Company provides over 3,000 direct employments and over 400 on the job training facilities for National Institutes such as NAIT, ATI, IET and local Universities.

Colombo Dockyard PLC as a single business entity contributes average 1.0% to Sri Lankan annual industrial export earnings.

Exchange Rates

During the year 2018, the Sri Lankan rupee depreciated by 16.4 per cent against the US dollar while also depreciating against other major currencies.

The Sri Lankan rupee appreciated by 0.6 per cent against the US dollar during the year up to 28 January 2019. Reflecting cross currency movements, the rupee depreciated

against other major currencies except for the euro and the Indian rupee during this period.

Financial Position

Total Assets

The Company's total assets as at 31st December 2018 were Rs. 15,053.6 Mn and shows a decrease of 9.8% to from Rs. 16,705.0 Mn recorded for 2017. This reduction is mainly due to drop in Trade and Other Receivable by Rs. 1,652.1 Mn (24.4%) again last year.

Current Assets

Current assets of the Company too has reduced to Rs. 10,309.7 Mn in 2018 compared to Rs. 12,291.3 Mn in 2017.

Working Capital

The net working capital of the Company shows a marginal reduction during the year to stand at Rs. 5,065.3 Mn under review as against last year figure of Rs. 5,623.6 Mn.

Cash flow

Cash generated from the Group's operations before working capital changes stood at Rs. 879.2 Mn in 2018 compared with Rs. 474.7 Mn in the previous year. Cash generated from operations increased compared to the previous year, due to positive working capital changes when compared with last year.

Net cash used in investment activities was Rs. 315.5 Mn during 2018, as against Rs. 178.0 Mn for previous year. The Group invested a total of Rs. 770.4 Mn in yard development and productivity improvement related investments.

Financial Review

The Group's cash and cash an equivalent at the end of 31st December 2018 was Rs. 4,914.6 Mn, which is a marginal reduction against last year figure of Rs. 5,058.6 Mn.

Net Assets Value per Share

In line with capacity and facility expansion, the net assets value per share of the Company marginally improved to Rs. 124.79 as at 31st December 2018 compared to Rs. 122.99 recorded for last year.

Capital Structure

Total assets of the Group stands at Rs. 16,989.5 Mn as at 31st December 2018, compared with Rs. 18,202.4 Mn in the previous year. Assets were funded by shareholders funds (60.6 per cent), non-current liabilities (5.1 per cent) and current liabilities (34.3 per cent).

Debt

Group's total debt was Rs. 2,712.3 Mn as at balance sheet date, a 22.4% (Rs. 784.6 Mn) reduction against 2017. This was primarily due to the re-payment of substantial amount of short-term loans during the year. Group's long-term debts continued to main at zero level as at 31st December 2018. The Company gearing level continues to be at zero level points, from 2013.

Performance of the Share

The share price of the Company as at 31st December 2018 recorded at Rs. 55.60, showing a negative growth of 37.2% compared to last year's closing price of 88.50. A 3.1% decline trend is noted in All Share Price Index in the Colombo Stock Exchange as at 2018-12-31 compared with 2017-12-31. The share price recorded the highest price of Rs. 93.50 on 2nd January 2018 and lowest of price of 50.50 on 25th September February 2018.

Financial Reporting

Colombo Dockyard Plc is committed to adopting the best practices in financial reporting with providing the most updated developments in financial reporting and disclosure.

The financial reports on page 48 to 101 have been prepared in compliance with Sri Lanka Accounting Standards.

Our Achievement

The Company gives high priority to timely delivery of both quarterly and annual financial statements. Our comprehensive reporting has enabled shareholders and all other take holders to make a fair assessment of the company's performance.

Subsidiaries Performance

The total revenue from subsidiary companies recorded as Rs. 2,606.9 Mn represented by Rs. 1,739.8 Mn from wholly owned Subsidiary of Dockyard General Engineering Services (Pvt) Ltd. (DGES), and Rs. 986.9 Mn (SGD 8.2 Mn) from Ceylon Shipping Agency (Pte) Ltd (CSA) Singapore with 51% holding.

DGES has recorded a net profit of Rs. 216.7Mn for 2018 compared to Rs. 180.0 Mn profit reported for 2017. The CSA recorded a net profit of SGD 105,327/- against the profit of SGD 13,681/- for 2017.

Statement of Value Addition (Company)

	2018 Rs. 000	2017 Rs. 000
Ship Repairs	5,927,741	5,943,130
Offshore Marine		
Shipbuildings	6,869,782	6,038,106
Heavy Engineering	371,477	71,392
Operating Revenue	13,169,000	12,052,628
Other Income	1,060,224	201,816
Total Revenue	14,229,224	12,254,444
Less: Cost of Materials & Services purchased from External Sources	9,574,835	8,056,225
Value Addition	4,654,389	4,198,219
Value Addition as a % on Revenue	32.7%	34.3%
Distributed as Follows:		
To Employees as Remuneration & Benefits	3,941,926	3,716,520
To Shareholders as Dividends	107,788	107,788
To Lenders as Interest	100,641	153,209
To Government Taxes	47,753	59,278
Retained in the Business		
- as Depreciation	420,086	411,733
- as Revenue Reserves	36,195	(250,309)
Value Distribution	4,654,389	4,198,219
Value Distribution %		
To Employees as Remuneration & Benefits	84.7%	88.5%
To Shareholders as Dividends	2.3%	2.6%
To Lenders as Interest	2.2%	3.6%
To Government Taxes	1.0%	1.4%
To Retained in the Business	9.8%	3.8%

Corporate Governance

The Corporate Governance at Colombo Dockyard PLC (CDPLC) is built on the core Principles of high standard of accountability, participation, transparency and maintenance of sustainable business model to reflect its strong belief in protecting and enhancing shareholder value. The Group firmly believes that the professionalism, integrity and commitment of its Board members and employees, supported by a sound system of policies, practices and internal controls are prime concerns that will enable us to preserve long-term value and returns for its shareholders.

CDPLC recognizes that good Corporate Governance is a continuing exercise and reiterates its commitment to pursue the highest standards of Corporate Governance in the overall interest of all the stakeholders.

Board of Directors

The core responsibility of the directors is to exercise their judgment to act in what they reasonably believe to be the best interests of the Company and for the creation of long-term value and return for shareholders. The Board is responsible for the Group's overall performance objectives, financial plans and annual budget, major investments, divestment and funding proposals, financial performance reviews, risk management and corporate governance practices. To ensure the efficient discharge of its responsibilities and to provide Independent oversight of Management, the Board has established Board Sub Committees, including the Audit Committee, Remuneration Committee and Related Party Transaction Review Committee.

These committees are primarily made up with Non-Executive Directors. The respective roles and responsibilities of each of the Board sub Committees are included in this report.

Overview

Under the guidance of its Board, Colombo Dockyard PLC (CDPLC) is committed to achieving high standards of corporate governance to protect shareholder value. The Company recognizes the important role that clearly defined corporate governance processes play in enhancing corporate accountability and sustainability.

This report outlines the Company's corporate governance processes and activities for the financial year 2018 with reference to the Code of Best Practice of the Institute of Chartered Accountant Sri Lanka, the requirements of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

In addition to comply with the statutory requirements, effective governance systems and practices towards improving transparency, disclosures, internal controls and ethics at workplace have been institutionalized.

Board Members	Audit Committee	Remuneration Committee	Related Party Transaction Review Committee
H. A. R. K. Wickramathilaka (FCA)	Chairman	Chairman	Chairman
Lalith Ganlath	Member	Member	Member
Sarath De Costa	Member	Member	Member
D. V. Abeysinghe	-	-	Member

The current Board comprises of nine Directors; six of them are Non-Executive Directors. The Board's Chairman, Dr. T. Takehara and Mr. Utsumi are Executive Directors. Mr. D. V. Abeysinghe who is the Managing Director & CEO, of Colombo Dockyard PLC is also an Executive Director. All Non Executive Directors submit a Declaration annually to the Board regarding their independence. Non-Executive Directors, Mr. H. A. R. K. Wickramathilake and Mr. Lalith Ganlath are independent except for the fact that they hold offices over nine consecutive years, which has been duly ratified and determined by the Board that they are nevertheless independent for the current year, as provided under the Listing Rules of CSE, as they have been duly reelected by the shareholders at the Annual General Meeting of each year.

The Board so Determined Based on the Annual Declaration Submitted by the Non-Executive Directors.

Director	Position on the Board	Date of Appointment	Nature of Appointment
Dr. T. Takehara	Chairman	01 Sep. 2014	Executive/Nominee Director
Sarath De Costa	Vice Chairman	21 June 1993	Non-executive/Nominee Director
D. V. Abeyasinghe	Managing Director/CEO	08 Nov 2016	Executive/Nominee Director
K. Utsumi	Director	28 Sep 2017	Executive/Nominee Director
T. Nakabe	Director	24 March 2010	Non-executive/Nominee Director
L. Ganlath	Director	21 June 1993	Non-executive/Public Director (Independent)
H. A. R. K. Wickramathilake	Director	28 April 1995	Non-executive/Public Director (Independent)
M. S. A. Wadood	Director	08 Nov 2017	Non-executive/Nominee Director
H. A. Karunaratne	Director	07 Dec 2018	Non-executive/Nominee Director

The composition of the Board Sub Committees ensures an equitable distribution of responsibilities among Board Members to maximize the effectiveness of the Board and foster active participation and contribution. Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances between the different committees with its greater involvement in key business and executive decisions, and membership of the Audit, Remuneration and Related Party Transactions Review Committees, with their respective oversight roles, is mutually exclusive.

To focus on a director's attendance at formal meetings alone may lead to a narrow view of a director's contribution.

Contributions from each director can be made in many forms, such as bringing strategic relationships to the Group and providing guidance to Management or exchanging of views outside the formal environment of the Board and/or Board Sub Committee meeting.

The Board members are free to discuss and voice their concerns on proposals that are raised for the Board's consideration and approval.

Board meeting attendance details are given in below table:

Name	Feb	Mar	Jun	Aug	Nov	Dec
Dr. Toru Takehara	✓	✓	✓	✓	✓	✓
Mr. Sarath De Costa	✓	✓	✓	✓	✓	✓
Mr. D. V. Abeyasinghe	✓	✓	✓	✓	✓	✓
Mr. T. Nakabe or Alternate	✓	✓	✓	✓	✓	✓
Mr. K. Utsumi	✓	✓	✓	✓	✓	✓
Mr. Lalith Ganlath	✓	✓	✓	✓	✓	✓
Mr. H. A. R. K. Wickremathilake	✓	✓	✓	✓	✓	✓
Mr. C. J. P. Siriwardena	✓	-	✓	✓	-	-
Mr. M. S. A. Wadood	-	✓	-	✓	-	✓
Mr. H. A. Karunaratne (App. 07/12/18)	-	-	-	-	-	-

Audit Committee

The Audit Committee comprises of three Non-Executive Directors of whom two Directors are independent, namely Mr. H. A. R. K. Wickramathilake, Chairman, and Mr. Lalith Ganlath, who are Public Directors, and other Directors namely Mr. Sarath De Costa, who have been nominated to the Board by a major shareholder.

Report of the Audit Committee

In terms of the Listing Rules of the Colombo Stock Exchange the Audit Committee will assist the Board to improve the existing system to be more transparent. It will focus on system of internal control financial reporting process compliance with the laws and regulations and other best practices for Corporate Governance. The Committee examined the independence of the External Auditors and satisfied with the information provided to independence of the Auditors and further recommend reappointment of the Auditors. The Committee has reviewed internal control systems of all the areas and recommendations received were submitted to the Board for implementation. As a result the following areas were reviewed and shortcomings were rectified and systems were improved by obtaining services of experts in relevant Fields.

- Management Process (Risk Registers, Cyber security)
- Procedure & Control over Subcontractors
- Terms of reference of Remuneration Committee, Audit Committee and Related Party Transaction Review Committee
- Audit plan for 2019
- IT Audit

In addition to the above, the Committee regularly reviews the quarterly accounts and audited accounts before these are presented to the Board of Directors. During the period under review the Committee met on 05 Occasions and reports on meeting were presented to the Board.

The Managing Director/CEO and Chief Financial Officer on our request assisted us at these meetings to formulate our recommendation.

The Directors are equipped with complete, adequate and timely information and resources. The Management of Colombo Dockyard PLC provides adequate managerial and operational reports and financial statements of the Group to the Board on a regular basis. As a general rule, the necessary reports/information is submitted to Directors at least four days before the meeting. So that Directors get a better understanding about the matters prior to the meeting. Thus the discussion may be more focused on the questions that the Board or sub Committee has about the matters.

Senior managers who can provide insight into the matters at hand would be present at the relevant time during the meetings.

Quarterly financial highlights performance and developments of the Group are presented at Board Meetings. The General Manager (Finance and System Implementation) and senior managers if necessary are also present at the meeting to address queries the Board may have.

The Company Secretary assists the Chairman with the preparation of meeting agenda and administers, attends and prepares minutes of Board proceedings, ensuring good information flow within the Board and its Committees. The Secretary assists the Board on the compliance with its Articles of Association, laws and regulations, including requirements of the Companies Act, Rules of Colombo Stock Exchange and Securities and Exchange Commission of Sri Lanka Act.

Audit Committee meeting attendance details are given in below table

Name	Feb	Aug	Aug	Nov	Dec
Mr. H. A. R. K. Wickremathilake	✓	✓	✓	✓	✓
Mr. Sarath De Costa	✓	✓	✓	✓	✓
Mr. Lalith Ganlath	✓	✓	✓	✓	✓

Remuneration Committee

The Remuneration Committee comprises of three NonExecutive Directors, namely Mr. H. A. R. K. Wickramatileka, Chairman, and Mr. L. Ganlath, who are independent, and Mr. Sarath De Costa, who has been nominated to the Board by a major shareholder.

Report of the Remuneration Committee Policy

The Committee makes recommendations regarding remuneration of the Managing Director/CEO to the Board for final determination.

Functions

The Committee will assist the Board to decide on certain parameters in formulating the Remuneration Policy with the view to retaining highly qualified, experienced personnel in a very competitive environment while looking at the cost aspect for the benefit of all stakeholders of the Company.

The Committee will have meetings as and when it deemed necessary to decide on the remuneration of the Managing Director/CEO.

The aggregate remuneration paid to the executive and non-executive Directors are given in Note 08 to the Financial Statements.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee comprises of three NonExecutive Directors, namely Mr. H. A. R. K. Wickramatileka, Chairman, and Mr. L. Ganlath, who are independent, and Mr. Sarath De Costa, who has been nominated to the Board by a major shareholder and one Executive Director namely Mr. D. V. Abeysinghe, Managing Director/CEO who has been nominated to the Board by a major shareholder. During the period under review the Committee met on 03 occasions and the Committee discussed and reviewed the related party transactions and found that during the year under review none of the transactions were needed to be referred to the Board since the value of transactions were far below the required norms.

Related party transactions review committee meeting attendance details are given in below table

Name	Feb	Aug	Aug	Nov	Dec
Mr. H. A. R. K. Wickremathilake	✓	✓	✓	✓	✓
Mr. Sarath De Costa	✓	✓	✓	✓	✓
Mr. Lalith Ganlath	✓	✓	✓	✓	✓
Mr. D. V. Abeysinghe	✓	✓	✓	✓	✓

Annual General Meeting

The Company's 35th Annual General Meeting (AGM) was held on 27th day of March 2018. At the AGM 170 shareholders were present by person or by proxy.

The resolutions passed at the AGM were as follows:

- To receive the Annual Report of the Board of Directors on the affairs of the Company, the Audited Accounts for the year ended 31st December 2017 and the Report of the Auditors.
- Re-election of Directors in terms of the Articles of Association of the Company.
- Appointment of KPMG, Chartered Accountants as the External Auditors of the Company for 2018 and to authorize the Directors to approve their remuneration.

- To authorise the Directors to determine donations for the year 2018 and up to the date of the next AGM.

Company Compliance with Corporate Governance Rules as per Section 7.10 of the Listing Rules of the Colombo Stock Exchange and discloses the level of compliance in this report as appropriate.

The Management of the Company is committed to assist the Board to implement and strengthen good corporate governance practices. The Board exercises its discretion to seek independent professional advice if deemed necessary to ensure that full information and advice is available before any important decision is made

Independent Internal Audit Function

The Internal Audit Function of the Company is provided by the Internal Audit Staff (Financial & System Review) provided by the, B. R. De Silva & Co, Chartered Accountants, which reports directly to the MD/CEO on all audit matters. The internal audits performed are aimed at assisting the Board and Management in the discharge of their corporate governance responsibilities as well as improving and promoting effective and efficient business processes within the Company.

Subsidiary Monitoring Framework

As the major shareholder, the Colombo Dockyard PLC. Nominates its representatives for the Boards of subsidiary companies namely, Dockyard General Engineering Services (Pvt) Ltd., and Ceylon Shipping Agency (Pte) Ltd., Singapore and monitors the performance of such companies, by the following means:

- (a) The Board of Directors reviews Financial Statements Monthly/Quarterly.
- (b) A statement containing all significant transactions and contracts entered by subsidiaries are placed before the Board.

Corporate Responsibility for Sustainable Business Performance

Sustainability at Colombo Dockyard PLC is about striving for excellence and continuous improvement in identifying, understanding and responding to evolving environmental, social and governance challenges facing our business today. Corporate responsibility towards society and the environment is regarded as a fundamental aspect of our strategy execution and decision-making process and is prominently placed in the Company's corporate priorities and core values. The Company ensures that it does not compromise this responsibility even at the expense of its economic performance. One of the most important developments of sustainability at Colombo Dockyard is the formation of our "Health, Environment, Safety and Productivity Improvement" (HESPI) Committee representing organization wise employees headed by the General Manager (HRD & A).

Following a satisfactory Technical Review, Colombo Dockyard PLC has been approved by LRQA (Lloyd's Register Quality Assurance Limited) as meeting the requirements of ISO 14001:2015 (Environmental Management System – EMS). To the scope detailed on the approved certificate.

Accordingly, the Colombo Dockyard PLC is the first organization in Sri Lanka to get certified by LRQA Mumbai office for ISO 14001:2015.

The Company Secretary

The Company secretary plays a key role in ensuring that the Board procedures are followed and regularly reviewed. The Company secretary ensures that all relevant information, details, documents is made available to the directors for effective decision making at the meetings.

The Company Secretary is primarily responsible to ensure compliance with applicable statutory, new regulations and is the interface between the management and the regulatory authorities for governance matters.

Communication with Shareholders

All CDPLC price-sensitive information is disseminated to its shareholders via the Colombo Stock Exchange (CSE).

Disclosure is never done on a selective basis. Financial and other performance data is given where appropriate, to give shareholders a better insight into the Company's performance. The Annual Report and Quarterly Report produced with group information and as per the rules of the Securities & Exchange Commission and Colombo Stock Exchange are produced to the CSE and then to the shareholders. The website (www.cdllk) maintained by the Company offers macro level information of the Company to interested persons. The Board of Directors of the Company always encourages its shareholders

to attend and actively take part in the AGM. The Board of Directors have arrange a special corporate Management team to be available at the AGM to answer any queries raised by shareholders.

Risk Management

Introduction

Risk management is identifying and managing all the existing and potential internal & external risks that could severely impact the stability and growth of the Company. Generally, this involves reviewing operations of the organization, identifying potential risks and the likelihood of their occurrence, and taking appropriate actions to address them, in order to prevent most likely threats.

The Group manages risks under an overall strategy determined by the Board of Directors, supported by the aboard level sub Committees and the General Management team who reviews and enhances the effectiveness of the Group's risk management plans, systems, processes and procedures giving especial attention the principles and generic guidelines provides under the ISO 31000:2009 on risk management.

The concept of risk management became a serious management criterion, with the recent market developments, changes in maritime rules and regulations, employee-related lawsuits, promoting discipline that a company should report on their major business risks and on how management deals with them.

Today, risk management has become an integral part of most of the international management systems including ISO 9001, OHSAS18001, ISO 27001, placing equal importance as financial or facilities.

Our Approach

Being an integral part of the business process risk management is done on a continuing basis, in order to reduce risk volatility and improve returns. As the risk based thinking is incorporated to the upcoming ISO9001:2015 standard the yard has taken several initiatives to educate the respective Mangers on new risk management principals. In par with that the yard has invited General Manager (Client training services, South West Asia) of LRQA to conduct a training session on Risk based thinking & Risk based decision making in line with the new ISO 9001 standard requirements.

Marine and shipping industry in the wide meaning of the term, involves highly specialized activities and is also called as a 3D industry, dirty, dangerous and difficult. It is wedded with high risks, both internal and external.

Thus, we as a responsible business entity, focus on long term sustainable value to all our stakeholders by identifying the risks, both existing and potential: the objective being, to assess all the risks identified determine their most probable impact, and take precautions as far as reasonably practicable by taking prompt actions to mitigate them. The following Key Risks are identified as existing risks, to which we are exposed, on our core and related businesses and have categorized them as Internal and external, for assessment and to facilitate taking adequate precautionary measures. Risk Assessment can include both qualitative and quantitative

assessments of the likelihood of the various risks occurring and the impact of these in terms of cost, schedule and/or performance. The assessment of such risks and the related responses are set out below:

- Operational Risk Management
- Information Technological Risk Management
- Market Risk Management
- Product Risk Management
- Financial Risk Management

Internal Risks

Operational Risk Management Our Concern

Operational risk, which is inherent in all business activities, is the risk of potential financial loss and/or business instability arising from failures in internal controls, operational processes or the systems that support them.

It is recognized that operational risk can never be entirely eliminated and that the cost of minimizing it may outweigh the potential benefits. Accordingly, the Group manages operational risk by focusing on risk management and incident management. The Group has also put in place operating manuals, standard operating procedures, delegation of authority guidelines and a regular reporting framework, which encompasses operational and financial reporting.

Our core business activities are in keeping to international standards, compliance to such international conventions and regulatory procedures, is required. In addition, the framework under ISO 9001-2015

Risk Management

QMS provides for management at various levels in CDPLC to systematically review and ensure Compliance with the requirements.

Our Impact

Failure to address these risks promptly and prudently will have a serious negative impact to its operations and the principle of "going concern".

Our Response

Safety and Health of all our employees and visitors are considered as a prime responsibility and a Safety Culture that is not second to any of the developed international shipyards are inculcated through systematic education, training and prudent implementation of a Safety Management System that we envisage to conform to OHSAS 18001. In addition, the framework under ISO 9001 : 2015 Quality Management System audited and certified by an accredited International Agency; namely, Lloyd's Register of Quality Assurance provides a prudent framework for encompassing all operational procedures to an integrated management System, giving sound control to the Management of what is being done in the Organization.

Risk of fire and potential damage is mitigated by taking proactive measures such as identifying potential fire risks, checking on combustible gases, both using Company Experts and third party inspectors; i.e., the Analysts of the Government Analyst Department, development of fire guards, fire prevention and control equipment etc In addition, employee training, on good housekeeping, continuous training, and systematic

monitoring and control measures are taken to create a risk-free working environment.

Acknowledging that operational risk can never be entirely eliminated and that the cost of elimination may outweigh the potential benefits, a preventive management approach is taken, with continuous upgrading.

The measures taken are: updating operating manuals & standard operating procedures, checking regularly on the accuracy of functionality of tools, equipment & machinery, delegation of authority, work system permits, guidelines and a regular reporting framework, creating awareness and consciousness and accountability in the operational activities.

Prudent Communication being identified as an important aspect in creating better understanding amongst different groups and levels, the CDPLC Management pays very special attention to inculcate an organization culture that allows a two-way communication process, free debate and discussion, consensus decision making process and transparency, resulting in creating sustainable industrial harmony.

The assignment of the internal audit to a third party is another step taken to improve transparency and accountability.

Thus, both the Quality Management Systems Procedures are subject to independent, competent auditors improving the overall control over these processes and transparency.

In addition, where applicable, the risk mitigation actions are supported by risk transfer mechanisms such as insurance.

Safety & Health of all engaged in the yard, including our visitors, are our prime concern and we address this thoroughly, with the continuous education, compliance and audits, carried out by our own Health, Environment & Safety Advisory Committee, the importance of which is now ingrained in to each individual.

Information Technological Risk & Management Our Concern

Company sustainability depends on accurate information generated through an Integrated Management Information System for prudent and timely decision making.

Our Impact

Any disruption or failures of such a system, infrastructure and applications, may have a negative impact to the Company operations and perhaps would lead to financial losses.

Our Response

This has been addressed by way of daily backups, standby file servers, regularized maintenance etc. Insurance cover is also taken to safeguard unforeseen losses. Our ICT Department has formulated a strategy for 2014- 2018 as Road Map to eFuture, where they identified to conduct ICT Business Continuity and Disaster Recovery Examination every month.

External Risks Market (Strategic) Risk & Management

Our Concern

Both our Shiprepair and Shipbuilding businesses are mainly generated from the foreign market. Accordingly, our competition too is global and perhaps more specifically regional. Today, severe competition is faced from China, India, Pakistan, Indonesia, Malaysia, Vietnam and Thailand. In addition, both Dubai and Singapore, which are larger players, can impact on the upper levels of the pricing. In view of these market pressures, it is essential that CDPLC focuses on providing competitive products and services, irrespective of the fact that our competitors continue to benefit from lower wage costs (in comparison with efficiency and productivity), flexible labor laws, supportive tariff structure, comparatively low energy costs and Government subsidies amongst others.

Our Impact

The pressure from international price competition on our Ship repairs, Shipbuilding and Offshore Engineering market share too will have a serious impact on business generation.

The absence of protectionism in the local market and severe competition on Heavy Engineering business by other local contenders too affect the generation of business volumes and price. The country risk, attributed by the security situation, though completely beyond the control of the company, is covered by financial instruments, satisfying and easing the prospective customers, where eventually, the payments made are refundable, on demand.

Our Response

Capitalizing on the current market circumstances and its futuristic forecasts, globally and regionally, the Company has adopted strategies to diversify its products portfolio and position itself in a niche market, based on competitive advantage.

We are adopting new marketing strategies focusing on new geographical markets, new market segments and new channels. Focused yard expansion projects are in the pipeline, to attract available opportunities as much as possible, conquering the space limitations.

Financial Risk Management

Financial risks relates to our ability to meet financial obligations and mitigate credit risks, liquidity risks, currency risks, interest rate risk and price risks.

To manage these risks, the Group's policies and financial authority limits are reviewed periodically. The Group's activities are exposed to a variety of financial risks, including changes in interest rates, foreign exchange rates and liquidity as well as credit risk.

Interest Rate Risk

Our Concern

The Group's objective is to maintain an efficient optimal interest cost structure to minimize the adverse effects on fluctuating interest rates.

Our Impact

Impacts the Company's interest earnings, costs, cash flow and profitability.

Our Response

The Group utilizes various financial instruments to manage exposures to interest rate risks arising from operational, financing and investment activities. Borrowing and investing interest rates are always being negotiated to the most feasible extent, in our favor.

Foreign Exchange Risk

Our Concern

Risk on foreign-currency fluctuation on sales and purchases, denominated primarily by the US dollar, Euros and the Singapore dollar, is high.

Our Impact

Exchange rates fluctuations make substantial impact on both revenue and cost structure leading to changes in final profitability.

Our Response

This risk is minimized by hedging the currency: either by forward foreign exchange contracts in respect of actual or forecasted currency exposures or hedged naturally by matching sales or purchase of matching assets or liability of the same currency and amount.

Where feasible, contracts are executed on a basket of currencies, minimizing the potential risks.

Liquidity Risk

Our Concern

The Group manages its working capital requirements with the view to minimize the cost and maintain a healthy level of liquidity appropriate to the operating environment and expected cash flow of the Group. Working capital requirements are maintained within the credit facilities

Risk Management

established and are adequate and available to the Group to meet its obligations.

Our Impact

Inadequate net working capital would lead to unnecessary financing costs to the bottom line.

Our Response

To measure liquidity risk, the Company closely monitors its net operating cash flow, maintains a level of cash and cash equivalents and secured committed funding facilities from financial institutions.

Credit Risk

Our Concern

The Group, has no significant concentration on credit risk exposure to sales and trade with any single counter party.

Our Impact

Possibility of incurring bad and doubtful debts and cost increases.

Our Response

Group credit exposure is closely monitored. Credit given is reviewed within the pre-determined approval procedures and contractual agreements made for long-term & high value transactions.

Product Risk Management

Our Concern

Our core business operations, of building ships, repairing ships, offshore and heavy engineering, is to acceptable quality and to international standards.

As such, we have to align ourselves continually with new technological developments and other requirements, rules and regulations, for our products to be marketable and services acceptable.

Our Impact

Failure and non-compliance of above factors would immediately lead to changing the market preference.

Our Response

To mitigate the potential risk, we have adopted a quality assurance approach, which ensures required levels of quality in our products and services: through the ISO 9001-2015 Quality Management System, certified by Lloyd's Register of Quality Assurance. Further, all our products and services are strictly subject to the approval and certification by Classification Societies, such as

- Det Norske Veritas-Germanischer Lloyd of Shipping (DNV-GL)
- Indian Register of Shipping
- American Bureau of Shipping
- Lloyd's Register of Shipping Ltd.
- Bureau Veritas
- Class NK

Moreover, Product & Technological Innovation is given high priority and relevant employees are trained overseas to remain competitive in an evolving market.

Shareholder Information

Our Shareholders

Colombo Dockyard PLC (CDPLC) takes a proactive approach in reaching out to its institutional and retail shareholders, by providing shareholders access to management and adopting a policy of regular, fair, timely and open communications with investors, the Group aims to improve the investing community's understanding of its business and strategies.

Investor Communication

The Group's investor relationship is an important and integral part of its commitment to high standards of corporate governance and transparency.

The Legal Consultant/Company Secretary have been dedicatedly assigned to maintain long-term relationships with the investors and analysts and address their queries on the Group's business activities.

CDPLC is committed to have a proper communication with its shareholders and other investors too. Thus, during the year 2018 the Company continued to provide, timely, accurate disclosures like quarterly financial announcements, press releases and interviews with media, publication of the Annual Report etc.

Encouraging the full participation of shareholders at the Annual General Meeting (AGM) adequate notice is given together with the Annual Report enabling them to prepare in advance.

Further, the company is very much concerned about its statutory commitments to society.

Thus, the Company audited the Financial Statement and Balance Sheet for the year 31st December 2018 has been made available to CSE within six months of the Balance Sheet date.

Financial Performance

During the year under review, the Company achieved total revenue of Rs. 13,169.0 Mn (2017 - Rs. 12,052.6 Mn) and net Profit of Rs. 144.6 Mn. (2017 - Net Loss Rs. 142.5 Mn) leaving the shareholders' value with Rs. 8,967.4 Mn (2017 - Rs. 8,838.3 Mn).

Dividend Approved

Directors have approved a first and final dividend of Rs. 1.50 per share (2017 - Rs. 1.50).

Dividend Pay Out Ratio

As per Colombo Stock Exchange Listing Rule No: 7.6 (xi), Company Dividend Payout Ratio was 74% during 2018 (2017 : -75%).

Financial Reporting

CDPLC is committed to adopting the best practices in financial reporting for both quarterly and annual financial performances to the shareholders.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2018	2017
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Revenue	2,358	3,071	3,502	4,238	13,169	12,053
Gross Profits	233	136	167	341	877	1,445
Profit after Tax	(166)	(217)	105	423	145	(143)
Shareholders' Fund	8,550	8,333	8,438	8,967	8,967	8,838
Total Assets	17,022	13,544	15,764	15,053	15,053	16,705

Shareholders Information Share Capital

	2018-12-31	2017-12-31
Stated Capital Rs.	718,589,242	718,589,242
Number of Shares	71,858,924	71,858,924
Number of Shareholders	5,008	4,922
Voting Rights	1 Vote per Share	1 Vote per Share
Class of Shares	Ordinary Share	Ordinary Share

Shareholder Information

Distributing of Shareholding as at 31st December 2018

(As per Rule No: 7.6 (x) of the Listing Rules of the Colombo Stock Exchange)

From	To	No of Share Holders	No of Shares	%
1	1,000	3,952	675,813	0.94
1,001	10,000	899	2,823,965	3.93
10,001	100,000	134	3,816,012	5.31
100,001	1,000,000	16	3,863,971	5.38
1,000,001 above		7	60,679,163	84.44
		5,008	71,858,924	100.00

List of Largest 20 Shareholders as at 31st December 2018

As per Rule No: 7.6 (iii) of Listing Rules of the Colombo Stock Exchange, twenty largest shareholders:

	Name	2018-12-31	%	2017-12-31	%
1	Onomichi Dockyard Company Ltd	36,648,051	51.000	36,648,051	51.000
2	Employees Provident Fund	11,744,009	16.343	11,744,009	16.343
3	Sri Lanka Insurance Corporation Ltd - General Fund	3,592,998	5.000	3,592,998	5.000
4	Sri Lanka Insurance Corporation Ltd - Life-Fund	3,536,548	4.922	3,592,548	4.999
5	Sri Lanka Ports Authority	2,186,191	3.042	2,186,191	3.042
6	Employees Trust Fund Board	1,736,660	2.417	1,736,660	2.417
7	National Savings Bank	1,234,706	1.718	1,234,706	1.718
8	Bank of Ceylon No. 1 Account	897,622	1.249	897,622	1.249
9	Mellon Bank N.A. Florida Retirement System	473,300	0.659	480,580	0.669
10	Bank of Ceylon No. 2 Account	335,900	0.467	335,900	0.467
11	Star Packaging (Pvt) Ltd	235,000	0.327	235,000	0.327
12	Lanka Milk Foods (CWE) Limited	219,948	0.306	219,948	0.306
13	Mr. S M B Obeysekera and Mrs. C N Obeysekera	200,000	0.278	200,000	0.278
14	Associated Electrical Corporation Ltd	175,210	0.244	154,210	0.215
15	Mercantile Investments and Finance PLC	169,050	0.235	169,050	0.235
16	E.W.Balasuriya & Co (Pvt) Ltd	165,123	0.230	-	-
17	DFCC Bank PLC A/C 1	160,000	0.223	160,000	0.223
18	Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	152,532	0.212	266,700	0.371
19	Harnam Holdings SDN BHD	150,026	0.209	-	-
20	Askold (Private) Ltd	150,000	0.209	-	-

Composition of Shareholding

The total number of shareholders of CDPLC is 5,008 as at 31st December 2018, which is 1.74% increase compared to 4,922 as at 31st December 2017

Category	No of Shareholders	No of Shares	%
Local Individuals	4,708	5,461,072	7.60
Local Institutions	212	28,339,835	39.44
Foreign Individuals	76	509,738	0.71
Foreign Institutions	12	37,548,279	52.25
Total	5,008	71,858,924	100.00

Market Value per Share

As per Rule No: 7.6 (xi) of the Listing Rules of the Colombo Stock Exchange, at the end of the year 2018, the share price of Colombo Dockyard PLC recorded a negative growth of 37.1% (Rs. 32.90) compare to the previous year's closing price.

Market price per Share	As at 2018-12-31	As at 31/12/2017
Highest during the year	93.50 (02/01/2018)	110.00 (26/07/2017)
Lowest during the year	50.50 (25/09/2018)	65.30 (21/02/2017)
As at end of the year	55.60 (31/12/2018)	88.50 (31/12/2017)

Market Capitalization

CDPLC has recorded its market capitalization as at the balance sheet date of 31st December 2018 as Rs. 3,995.3 Mn. (2017 – Rs. 6,359.5 Mn.). CDPLC represent 0.14% (2017 – 0.21%) of the total market capitalization.

Shares Trading	As at 31-12-2018	As at 31-12-2016
No of Transaction	1,834	4,766
No of Shares traded	972,891	3,674,381
Value of Share traded (Rs.)	69,676,041.20	313,523,478.06

Earnings per Share

The Earning per share (EPS) of Rs. 2.01 in the year 2018 recorded a growth of 202% compare to the last year EPS value of Rs. -1.98) EPS is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

The level of Stakeholder Satisfaction is the yardstick of our future sustainability. Thus Economic Progress, Environmental Concern, Customer and Supplier Relations, and Social Inclusiveness are our main business concerns.

Public Shareholding

As per Rule No: 7.6 (iv) of the Colombo Stock Exchange, percentage of shares held by the Public as at December 2018 is 48.94% (2017 – 48.94%). Number of public shareholders as at 31st December 2018 was 5,000.

Float Adjusted Market Capitalization

The float adjusted market capitalization as at 31st December 2018 was Rs. 1,955,411,301/- with reference to rule no. 7.6 (iv) of the Listing Rules of the Colombo Stock Exchange.

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Financial Calender 2018/2019

2018		
Approval of Financial Statements	February,27	2018
Interim Report - 4th Quarter-2017	February,28	2018
Despatch of Annual Report - 2017	March,06	2018
Ex-Dividend Date	March,09	2018
Payment of Dividend	March,20	2018
35th Annual General Meeting - 2017	March,27	2018
Interim Report - 1st Quarter-2017	May 15,	2018
Interim Report - 2nd Quarter-2017	August 15,	2018
Interim Report - 3rd Quarter-2017	November 15,	2018
Financial Year-end	December 31,	2018

2019		
Approval of Financial Statements	February,26	2019
Interim Report - 4th Quarter-2018	February,28	2019
Despatch of Annual Report - 2018	March,05	2019
Ex-Dividend Date	March,08	2019
Payment of Dividend	March,19	2019
36th Annual General Meeting - 2018	March,26	2019
Interim Report - 1st Quarter-2019	May 15,	2019
Interim Report - 2nd Quarter-2019	August 15,	2019
Interim Report - 3rd Quarter-2019	November 15,	2019
Financial Year-end	December 31,	2019

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

The Directors present their report to the members together with the audited Financial Statements of Colombo Dockyard PLC and Consolidated Financial Statements of the group for the year ended 31st December 2018, conforming to the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards. The Financial Statements were accepted and approved by the Board of Directors on 26h February 2019. The report also includes certain disclosures required to be made under Listing Rules of the Colombo Stock Exchange and are guided by the recommended best practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Colombo Stock Exchange.

Review of Business

A review of the operation of the Company during the financial year and results of those operations and future developments are stated in the Chairman's Review on page 06 to 08 and Managing Director/CEO's Review on page 09 to 11 in this Annual Report. These reports form an integral part of the Report of the Directors'.

Future Developments

An overview of the future prospects of the Company is covered in the Chairman's Review (page 06 to 08), and the Managing Director/CEO's Review (page 09 to 11).

Financial Statements

The Financial Statement of the Company and the Group for the year ended 31st December 2018 are duly certified by the Chief Financial Officer and approved by two Directors together with the Company Secretary in complying with the Companies Act No. 07 of 2007 are given on page 48 to 101 of this Annual Report.

Auditors' Report

Company Auditors, KPMG, performed the audit on the Consolidated Financial Statements for the year end 31st December 2018, and the Auditors' Report issued thereon is given on page 44 to 47 of this Annual Report as required by the Section 168 (1) (c) of the Companies Act No. 07 of 2007.

Accounting Policies and Changes

The Accounting Policies adopted in the preparation of Financial Statements of the Company and the Group are given on page 54 to 66 of the Annual Report as required by Section 168 (1) (d) of the Companies Act

Principal Activities

The principle activities of the Company and Group are presented below following the requirement by the section 168 (1) (a) of the Companies Act No. 07 of 2007. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

Company Principal Business Activities

Company	Principal Business Activities
Colombo Dockyard PLC	The core business activities of the Company continued to be the ship repairs, shipbuilding, heavy engineering, and offshore engineering
Subsidiaries	
Dockyard General Engineering Services (Pvt) Ltd	To cater to the country's needs in infrastructure development in civil, mechanical and electrical engineering areas while Providing excellent opportunity for discerning clients to procure High quality products and services in compliance with the appropriate and accepted standards.
Ceylon Shipping Agency (Pte) Ltd, Singapore	Supply channel for high-tech engineering items to the parent Company as well as other clients

Going Concern

The Board of Directors are satisfied that the Company has the adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared based on the Going Concern Basis.

Gross Income

The revenue of the Group during the year was Rs. 14,947 Mn (2017 - Rs. 12,929 Mn), while the Company's revenue was Rs. 13,169 Mn (2017 - Rs. 12,053) Mn. Analysis of the revenue is given in Note 05 to the Financial Statement on pages 67 to 68 of this Annual Report.

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

Profit for the year:	2018	2017
	Rs'000	Rs'000
Group post - tax profit	337,475	26,094
Amount attributable to Minority Interest	(5,875)	(740)
Profit attributable to the Shareholders of		
Colombo Dockyard PLC	331,600	25,354
Other Comprehensive Income	33,610	(50,455)
Retained Profit B/F	9,133,691	9,162,035
Available for sales of financial assets	-	12,352
Dividends Paid	(107,788)	-
Retained Profit C/F	9,391,113	9,149,286

Reserves

Total Group Retained Earning Reserves at 31st December 2018, was amounted to Rs. 9,391 Mn (2017 - Rs. 9,149 Mn). The movements of the Reserves during the year are shown in the Statements of Changes in Equity on pages 50 to 51 on this Annual Report.

Taxation

It is the Company policy to provide for deferred taxation based on the liability method, on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Further details are given in taxation note 09 on page 71.

Dividends

The Board of Directors have authorised the payment of the first and final Dividend of Rs. 1.50 per share for the year ended 31st December 2018 (2017 - Rs. 1.50).

As provided in the Articles of Association of the Company, the Directors may from time to time approve the payment of dividends, whether interim or final, without the need for approval by an ordinary resolution of the shareholders, provided always however that the same is from and out of the profits of the Company as determined by reference to the statute and as acceptable accounting practices.

At the balance sheet date, the Company was solvent and the net current assets was Rs. 5,065 Mn (2017 - Rs. 5,324 Mn) and the value of the Company's assets less liabilities and stated capital was Rs. 8,253 Mn (2017 - Rs. 8,124 Mn).

The Profit of the company attributable to the equity holders of the company was Rs. 144.6 Mn (2017 - Loss Rs. 142.5 Mn).

Amount set aside out of retained earnings for dividend has been Rs. 107.8 Mn (2017 - Rs. 107.8 Mn).

Shareholder Information

Information relating to earnings, dividends, and net assets per share and market value per share is given in from pages 31 to 33.

Property, Plant & Equipment

The Group's total capital expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 770 Mn (2017 - Rs. 209 Mn). The extent of the freehold lands held by the Group as at the balance sheet date is 1,103.7 perch (2016 - 1,103.7 perch) recorded at cost. The details of Property, plant and equipment are given in Note 11 to the Financial Statements on page 74.

Market Value of Freehold Properties

The net book value of freehold properties owned by the Group as at 31st December 2018 is included in the accounts at Rs. 4,247 Mn (2017 - Rs. 3,912 Mn).

An Independent Chartered Valuer/ Licensed Surveyors carried out a market value assessment of the Group's freehold lands as at 31st December 2017. The details of freehold lands owned by the Group are given in Note 11 of the financial statement.

Statutory Payments

The Directors, to the best of their knowledge and belief, confirmed that all payments in respect of statutory liabilities to Employees and the Government have been made within the stipulated period during the financial year 2018.

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

Pending Litigation

In the opinion of the Directors and the Company Lawyer, pending litigation against the Company is disclosed in Note 35 of the Financial Statements and will not have a material impact on the financial position of the Company or its future operations.

Corporate Donations

Total donations made by the group during the year was amounted to Rs. 242,500/- (2017 - Rs. 706,290/-) in terms of the resolution passed at the last Annual General Meeting

Company Records

The Directors have disclosed the nature and extent of their relevant interest in shares issued by the Company and interest in transactions or proposed transactions with the Company during the subject accounting period, to the Board of the Company and such information has been duly entered in the Interest Register of the Company which is a part and parcel of this Annual Report and is available for public inspection under the provisions of the Act.

All the Company Records that are required to maintain under the provisions of the Act are also available for public inspection.

The Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company and the Group for the year ended 31st December 2018 to reflect the true and fair view of the state of affairs. The Directors are of the view that Financial Statements, Accounting Policies and Note thereto appearing on pages 48 to 101 have been prepared in conformity with the requirement of the Sri Lanka

Accounting Standards (SLFRSs/LKASs), Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange.

The Board of Directors

The Board of Directors of the Company consist of Nine (2017-9) Directors with a wide range of Engineering, Financial, Legal and Commercial knowledge and experience. The following Directors held office as at the Balance Sheet date and their profiles appear on pages 12 to 14 of this Annual Report.

Executive Directors

Dr. T. Takehara - Chairman
Mr. D. V. Abeysinghe - Managing Director/CEO
Mr. Kiyohide Utsumi

Non-Executive Directors

Mr. Sarath De Costa - Vice Chairman
Mr. T. Nakabe
Mr. Lalith Ganlath
Mr. H. A. R. K. Wickramathilake
Mr. M. S. Abdul Wadood
Mr. H.A. Karunaratne
Alternate Directors
Mr. K. Kanaya

Directorate

The Board of Directors of Colombo Dockyard PLC as at the date of report are given on page 12 of the Annual Report. The change in the directorate from the date of the last report to this report is as follows.

- Mr. Norihiro Danjo who was appointed as an alternate director to Mr. T. Nakabe on 20/01/2016 resigned on 11/01/2018 and Mr. Kumpei Kanaya was appointed in place of Mr. N. Danjo as his alternate director with effect from 11/01/2018.

- Mr. C J P Siriwardana, Nominee Director of the Employees Provident Fund of Central Bank of Sri Lanka retired on 30/10/2018 and Mr. Harankaha Arachchillage Karunaratne, Deputy Governor, Central Bank of Sri Lanka was appointed as its new Nominee Director effective from 07/12/2018 in place of Mr. Siriwardana.

In terms of Article 87, Messrs. Lalith Ganlath and H. A. R. K. Wickramathilake, who retire at the close of the Annual General Meeting, being eligible for re-election, have offered themselves for re-election.

The Nominee Directors of Onomichi Dockyard Company Limited namely Dr. Toru Takehara, Messrs. Sarath de Costa, D.V. Abeysinghe, T. Nakabe and K. Utsumi and the Nominee Directors of Employees Provident Fund and Sri Lanka Insurance Corporation Ltd namely Mr. H A Karunaratne and Mr. M.S.A. Wadood respectively continue to hold office.

Board Sub-Committees

The Board of Directors have formed three Board subcommittees and attendances is given in page 22 to 26 under Corporate Governance of this Annual Report.

Director's Share Holdings

The Directors' and their spouses' holding of number of ordinary shares of the Company as at 31st December 2018:

	2018-12-31	2017-12-31
D. V Abeyasinghe	733	733
L. Ganlath	578	578
H. A. R. K. Wickramathilake	1,103	1,103
M. S. Abdul Wadood	231	-

Interest Register

The Interest Register is maintained by the Company as required under the Companies Act No. 07 of 2007 and Declarations made by all Directors during the year under review have been duly entered as required.

Human Resources

The Company continued to invest in Human Capital Development and implement effective human resource practices and policies to develop and build an efficient and effective workforce aligned with corporate objectives and to ensure that its employees are developing the skills and knowledge required for future success of the Company.

CDPLC training center is accredited by the Tertiary & Vocational Education Commission (TVEC) as A+ training center and we are providing training facility to NAITA, VTA, ATI, CGTTI, CINEC, NDT, COT and local and foreign university students etc. Annually we contribute approximately 450 qualified craftsmanship trainees (welder, fabricator, machinist, electrician etc.) to the nation. We comply with National Vocational Qualification (NVQ) framework and we develop internationally competitive workforce in CDPLC through NVQ framework. We introduced 5S methodology to the organization to develop clean and systematic working environment and it will be concluded at the end of March 2019.

Environmental Protection

The Company and Group, to the best of its knowledge have not engaged in activity, which is detrimental to the environment.

Following a satisfactory Technical Review, Colombo Dockyard PLC has been approved by LRQA (Lloyd's Register Quality Assurance Limited) as meeting the requirements of ISO 14001:2015 (Environmental Management System – EMS) to the scope detailed on the approved certificate.

Directors' Interest in Contracts and Related Party Transactions

Directors' interest in contracts of the Company is disclosed in Note 37 to the Financial Statement on page 100, and has been declared at meetings of the

Directors and entered in the Interest Register of the Company. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Directors' Meetings

Details of Directors' meetings which comprise of Board Meetings, and Board sub Committee meetings of the Audit Committee, Remuneration Committees and Related Party Transaction Review Committees are presented on pages 22 to 26 this Annual Report.

Corporate Governance

The Board of Directors of the Company have acknowledged the adoption of good governance practices; an essential factor in today's corporate culture. The policies followed by the Company are explained in the Corporate Governance Statement on page 22 of this Annual Report. The Company confirms the compliance with the Corporate Governance Rules of the Colombo Stock Exchange as at the date of this Annual Report.

Substantial Share Holdings

The twenty major shareholders of the Company and the percentage held by each as at 31st December 2018 are given on page 32 of this report.

Contingent Liabilities and Commitments

There are no contingencies or commitments other than those disclosed in the Note 35 to the Financial Statements.

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

Group Employment

The number of persons employed by Colombo Dockyard PLC and its Subsidiaries as at 31st December 2018 was as follows:

	2018-12-31	2017-12-31
Group	1,596	1,585
Colombo Dockyard PLC	1,549	1,553

Events after the Reporting Period

Please refer Note 38 for circumstances have arisen during the period between the Balance Sheet date and Directors signing of Accounts, that require disclosure or adjustment to the Financial Statements together with those disclosed in the Note 38 to the Financial Statements on page 101 of this Annual Report.

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Annual General Meeting

The Annual General Meeting of Colombo Dockyard PLC, will be held at the Grand Ballroom, Galadari Hotel, No. 64, Lotus Road, Colombo 01, Sri Lanka at 10.00 a.m. on the 26th day of March 2019. The Notice to the Annual General Meeting is given on page 103.

Auditors

In accordance with the Companies Act No. 07 of 2007, resolution proposing the reappointment of Messrs. KPMG Chartered Accountants, as Auditors to the Company will be submitted at the Annual General Meeting.

For and on behalf of the Board,
Colombo Dockyard PLC



Dr. T. Takehara
Chairman



D. V. Abeyasinghe
Managing Director/CEO



Manori Mallikarachchi
Company Secretary/Legal Consultant

26th February 2019
Colombo, Sri Lanka

Related Party Transactions Review Committee Report

Adoption of the Code of Best Practices on Related Party Transactions

The Committee & its Composition

The Company constituted the Related Party Transactions Review Committee (the Committee) as a Board Sub Committee with effect from 1st January 2016, to review "Related Party Transactions". The scope of the Committee covers the requirements of the Code of Best Practices on Related Party Transactions ("the Code") issued by the Securities and Exchange Commission of Sri Lanka (SEC).

The Composition of the Committee is as follows:

Mr. H. A. R. K. Wickramathilake -
Chairman

Mr. Lalith Ganlath

Mr. Sarath De Costa

Mr. D. V. Abeysinghe - (MD/CEO)

The Committee is assisted by the following Key Management Personnel (KMPs) of the Company who attend sittings on a regular basis.

Mr. P. D. Gihan Ravinatha -
Chief Financial Officer

Ms. Manori P. Mallikarachchi -
Company Secretary

In addition, the Committee summoned other relevant officials of the Company to participate in the committee proceedings when required.

Terms of Reference and Scope of Operations

The Committee operates in accordance with the guidelines set by the board of directors on monitoring Related Party Transactions.

The principal functions of the Committee are the scrutiny of all Related Party Transactions with Directors, Key Management Personnel (KMPs), substantial shareholders, Subsidiaries and Associate Companies of the Company and such other related parties as defined in the Code with a view to determining that they have not received any favorable nor preferential consideration vis a vis the other shareholders and customers of the Company as well as to ascertain that their transactions and dealings are in strict conformity with statutory and regulatory requirements which the Company is obliged to adhere to. The Committee relies on the integrity of periodically reportable Related Party Transactions data sourced via a comprehensive list of Related Parties based on latest available Declarations, signed off by the responsible Directors/KMPs. This review is carried out by comparing Related Party Transactions with benchmarked criteria applicable for comparable Non Related Party Transactions, to determine that Related Parties have not received any favorable nor preferential consideration.

Wherever necessary, the Committee resorts to obtaining legal, financial & technical advice from competent authorities in such fields, to review transactions. Further the Committee has the right of access as well as the power to call for clarification and explanation from Management & Auditors (External & Internal). In addition, the Committee will share information with the Board Audit Committee as necessary and appropriate to facilitate the Audit Committee to conduct its Statutory & Regulatory responsibilities with regard to Related Party Transactions

Meetings

Meetings are held mandatory, during 2018, 5 such meetings were held and the minutes were circulated to the Board of Directors for their information and review. In the opinion of the Committee there were no transactions with the related parties that were more favorable or preferential during the period under review and the Company had been compliant with the Code. Attendance details are given in the page 25.

Self-Appraisal of Committee Functions

A self-evaluation of the effectiveness of the Committee was conducted by the Chairman of the Committee with contributions from the individual assessments by the members of the committee, Managing Director/CEO, participating KMPs referred to at the outset of this Report and the review concluded that the Committee continues to operate effectively.

Review of TOR

The TOR/Policy on "Related Party" Transactions is subject to periodic review based on regulatory as well as operational requirements.



H. A. R. K. Wickramathilake
Chairman

Related Party Transaction Review Committee

Colombo, Sri Lanka
26th February 2019

Statement of Directors' Responsibilities

The Directors of the Company are responsible to ensure compliance with the provisions of the Companies Act No 07 of 2007 and applicable laws and other regulations in preparing the Company's and Group Financial Statements.

The Directors are equally responsible to maintain accounting records of the Company and its subsidiaries, with reasonable accuracy to disclose the financial position.

The Directors accept the responsibility for the integrity and objectivity of the Financial Statements presented and also confirms compliance in preparing each of the Group and Company's Financial Statements, which are based on:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (SLFRSs/LKASs).
- Appropriate accounting policies selected and applied consistently.
- Estimates and judgments relating to the Financial Statements made on a prudent and reasonable basis to reflect the true and fair view of the Financial Statements.
- Required information by the Listing Rules of the Colombo Stock Exchange

Stock Exchange

Further, the Board of Directors wishes to confirm that the Company has met all the requirements under the Section 07 Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange. Company has taken proper and sufficient internal controls and accounting records for safeguarding assets. The applications of the internal controls are monitored

through a independent Financial & Management System Review Team contracted with B. R. De Silva & Co, Chartered Accountants.

The Board also wishes to confirm that, as required by the Section 166(1) and 167(1) of the Company Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent every shareholder of the Company, who have expressed their desire to receive a hard copy or to other shareholders a soft copy in a CD containing the Annual Report within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange.

Company external auditors Messrs KPMG, appointed in accordance with the resolution passed at the last Annual General Meeting were provided with free access to undertake required inspection they considered appropriate to enable them to form their opinion on the Financial Statements.

The report of the Auditors, given on page 44, set out their responsibilities in relation to the Financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues and payable by the Company and its subsidiaries as at the Balance Sheet date have been paid or provided where relevant except as specified in Note No. 35 to the Financial.

Statements on Contingent Liabilities on page 99.

The Directors further confirm that after considering the Company's financial position, operational conditions, market environment, regulatory and other factors, the Directors have reasonable expectation that the Company and its subsidiaries possess adequate resources to continue in operation for the foreseeable future adopting the Going Concern basis in preparing the Financial Statements.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board



Manori P. Mallikarachchi
Company Secretary

26th February 2019
Colombo, Sri Lanka

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements of Colombo Dockyard PLC (Company) and the Consolidated Financial Statements of the Company and its Subsidiaries (Group) as at 31st December 2018 are prepared and presented in compliance with the following:

- Sri Lanka Accounting Standards (SLFRSs/LKASs) issued by The Institute of Chartered Accountants of Sri Lanka,
- Sri Lanka Accounting and Auditing Standards Act No: 15 of 1995,
- Companies Act No. 07 of 2007,
- Code of Best Practices on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka,
- Listing Rules of the Colombo Stock Exchange, and
- Other applicable statutes to the extent applicable to the affairs of the Company/Group.

There are no departures from the prescribed accounting standards in their adoption. The accounting policies used in the preparation of the Financial Statements are most appropriate and are consistently applied.

The Board of Directors and the management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs. In order to ensure

such compliance, the Company has taken proper and adequate interest in enabling internal controls and maintaining accounting records, for safeguarding assets and for preventing and detecting fraud as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. The Internal Audit function of the Company is carried out by the Internal Audit Team (Financial & System Review) provided by the, B R De Silva & Co., Chartered Accountants, who reports their findings directly to the Managing Director/CEO. All audit activities have been conducted periodically to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

The Financial Statements were audited by Messrs KPMG Chartered Accountants, the Company's External Auditors.

The Audit Committee of the Company meets periodically with the Internal Auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

It is also declared and confirmed that the Company has complied with and ensured compliance by the Auditor with the guidelines for the audit of listed companies where mandatory compliance is required. It is further confirmed that all the other guidelines have been complied with.

We confirm that:

- the Company and its Subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- there are no material non compliances; and
- there are no material litigations that are pending against the Group other than those disclosed in the Note No. 35 to the Financial Statements in the Annual Report.



D. V. Abeysinghe
Managing Director/CEO



P. D. Gihan Ravinatha
Chief Financial Officer

26th February 2019
Colombo, Sri Lanka

Independent Auditors' Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

To the Shareholders of Colombo Dockyard PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Colombo Dockyard PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, and a summary of significant accounting policies and other explanatory information set out in pages 48 to 101 of this Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st December 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

01. Revenue recognition on ship construction contracts

Refer note 05 to the consolidated financial statements

Risk Description

A major component of Group's revenue comprise of revenue from ship construction contracts amounting to LKR 6,870 Mn. for the year ended 31st December 2018.

Our Response

Our Audit procedures included,

- Understanding whether the management's process of recognising revenue is in line with the requirements of SLFRS 15 – Revenue from Contracts with Customers.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA



<p>The stage of completion on ship construction contracts was measured with reference to the proportion of the contract cost incurred for work performed at each reporting date against the estimated total contract cost.</p> <p>We considered the estimations made by the management relating to the stage of completion as a key audit matter because there is a high degree of risk and associated management judgment in estimating the amount of revenue and associated profit to be recognised by the Group up to the reporting date and changes to these estimates could give rise to material variances.</p>	<ul style="list-style-type: none"> For actual cost incurred by the company used in the determination of the stage of completion, we checked, on a sample basis, to contracts, invoices, project status reports and other relevant correspondence to evaluate the reasonableness of the same. Analysing the end of job forecasts cost to complete estimated by the company in the determination of the stage of completion, by challenging the appropriateness of the estimations made by the company the same against actual cost incurred subsequently. Inspecting a sample of project budgets, contract agreements with customers and subcontractors to identify key terms and assessing whether these key terms have been appropriately reflected in the amounts recognised in the financial statements. Assessing the adequacy of the disclosures in respect of contract accounting and the key risks relating to Financial Statements.
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<p>02. Recoverability of Deferred Tax Asset</p>	
<p>Refer note 16 to the consolidated financial statements</p>	
<p>Risk Description</p> <p>The Group has recognised deferred tax assets amounting to LKR 125 Mn on temporary differences which includes accumulated tax losses of LKR 2,721 Mn. as at 31st December 2018. The recognition of deferred tax assets relies on the exercise of significant judgement by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated and future reversals of existing taxable temporary differences.</p> <p>We identified the recognition of deferred tax assets as a key audit matter because of its significance to the consolidated financial statements and significant management judgement and estimation required in forecasting future taxable profits which could be subject to error or potential management bias.</p>	<p>Our Response</p> <p>Our Audit procedures among others included,</p> <ul style="list-style-type: none"> Evaluating the assumptions and judgements exercised by management in respect of the forecasts of future taxable profits by comparing the assumptions adopted by management with our understanding of the Group's business and the industry in which the Group operates. Evaluating the key assumptions underpinning the Group's financial projections against historical performance and estimates. Assessing whether the Group's disclosures in the consolidated financial statements of the application of judgement in estimating recognized and unrecognized deferred tax asset balances appropriately reflect the Group's deferred tax position with reference to the requirements of the prevailing accounting standards.

Independent Auditors' Report



Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our Auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2618.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

26th February 2019

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st December,	Note	Group		Company	
		2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)
Revenue	5	14,946,583	12,929,096	13,169,000	12,052,630
Cost of Sales		(13,602,250)	(11,162,224)	(12,292,132)	(10,607,143)
Gross Profit		1,344,333	1,766,872	876,868	1,445,487
Other Income	6	1,024,141	190,033	1,060,224	201,816
Distribution Expenses		(29,429)	(30,859)	(20,185)	(21,814)
Administrative Expenses		(2,187,751)	(2,050,177)	(1,967,067)	(1,866,251)
Other Operating Income/(Expenses)		1,095	(29,972)	1,095	(29,972)
Net Finance Income	7	308,500	289,767	220,631	197,631
Profit/(Loss) before Tax	8	460,889	135,664	171,566	(73,103)
Income Tax Expenses	9	(123,414)	(109,570)	(26,909)	(69,417)
Profit/(Loss) for the Year		337,475	26,094	144,657	(142,520)

Other Comprehensive Income

Items that will not be reclassified to profit or loss

Defined benefit plan actuarial gains/(losses)		37,307	(58,920)	33,968	(60,252)
Fair value change of investments valued at FVOCI		1,790	1,129	1,790	1,129
Tax on Other Comprehensive Income - Reversal/(Expenses)		(3,697)	8,465	(2,762)	8,839

Items that are or may be reclassified subsequently to profit or loss

Foreign currency translation differences - foreign operations		21,967	11,633	-	-
Cash flow hedges - changes in fair value		74,833	-	74,833	-
Other Comprehensive Income for the year, net of tax		132,200	(37,693)	107,829	(50,284)
Total Comprehensive Income/(Expense) for the year		469,675	(11,599)	252,486	(192,804)

Profits/(Losses) attributable to:

Owners of the Company		331,600	25,354	144,657	(142,520)
Non - Controlling interests		5,875	740	-	-
Profit/(Loss) for the year		337,475	26,094	144,657	(142,520)

Total Comprehensive Income attributable to:

Owners of the Company		453,036	(18,040)	252,486	(192,804)
Non - Controlling interests		16,639	6,441	-	-
Total Comprehensive Income/(Expense) for the year		469,675	(11,599)	252,486	(192,804)
Earnings/(Loss) per Share (Rs.)	10.1	4.61	0.35	2.01	(1.98)

The Accounting Policies and Explanatory Notes on pages 54 to 101 form an integral part of these Financial Statements.
(Figures in brackets indicate deductions)

Statement of Financial Position

As at 31st December,	Note	Group		Company	
		2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)
Assets					
Non-Current Assets					
Property, Plant and Equipment	11	4,246,805	3,912,488	4,048,756	3,806,437
Investment Property	12	-	-	2,865	2,865
Intangible Assets	13	11,233	25,039	9,677	22,886
Investment in Subsidiaries	14	-	-	4,747	3,816
Investments Classified as Fair Value through OCI	15.1	17,981	16,191	17,981	16,191
Deferred Tax Asset	16.1	125,088	107,006	125,088	107,006
Other Financial Assets Including Derivatives	19	549,117	465,689	534,837	454,568
		4,950,224	4,526,413	4,743,950	4,413,769
Current Assets					
Inventories	17	821,934	745,516	702,603	647,489
Trade and Other Receivables	18	5,823,456	7,179,216	5,103,343	6,755,487
Other Financial Assets Including Derivatives	19	243,155	164,764	241,473	159,999
Amounts due from Related Parties	20	-	-	147,238	86,052
Investments Classified as Fair Value through Profit or Loss	15.2	236,125	525,685	-	-
Cash and Cash Equivalents	21.1	4,914,690	5,060,826	4,115,043	4,642,295
		12,039,360	13,676,007	10,309,701	12,291,322
Total Assets		16,989,584	18,202,420	15,053,651	16,705,091
Equity And Liabilities					
Stated Capital	22	714,396	714,396	714,396	714,396
Exchange Equalization Reserve	22.1	21,993	10,790	-	-
Fair Value Through OCI Reserve	22.2	17,872	16,082	17,872	16,082
Cash flow Hedge Reserve	22.3	74,833	-	74,833	-
Retained Earnings		9,391,113	9,149,286	8,160,331	8,107,851
Equity Attributable to Equity holders of the Parent		10,220,207	9,890,554	8,967,432	8,838,329
Non-Controlling Interest		76,512	59,873	-	-
Total Equity		10,296,719	9,950,427	8,967,432	8,838,329
Non-Current Liabilities					
Deferred Tax Liability	16.2	12,561	1,053	-	-
Employee Benefits	25	859,965	915,103	841,832	899,062
		872,526	916,156	841,832	899,062
Current Liabilities					
Interest Bearing Borrowings	23	2,712,300	3,494,446	2,712,300	3,494,446
Other Financial Liabilities including Derivatives	24	-	-	930	675
Trade and Other Payables	26	3,008,839	3,778,412	2,351,434	3,333,156
Amounts due to Related Parties	27	-	-	164,571	113,271
Income Tax Payable	28	83,968	34,623	-	-
Dividend Payable	29	15,152	26,152	15,152	26,152
Bank Overdrafts	21.2	80	2,204	-	-
		5,820,339	7,335,837	5,244,387	6,967,700
Total Equity and Liabilities		16,989,584	18,202,420	15,053,651	16,705,091

The Accounting Policies and Explanatory Notes on pages 54 to 101 form an integral part of these Financial Statements. These Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.



P.D. Gihan Ravinatha
Chief Financial Officer

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 of Directors of Colombo Dockyard PLC.



Dr. Toru Takehara
Chairman



D.V. Abeyasinghe
Managing Director/CEO



Manori P. Mallikarachchi
Company Secretary

26th February 2019
Colombo, Sri Lanka.

Statement of Changes In Equity

Group	Attributable to equity holders of parent							Non Controlling Interest	Total equity
	Stated Capital	Retained Earnings	Fair Value Through OCI Reserve	Exchange Equalization Reserve	Cash Flow Hedge Reserve	Total			
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	
Balance as at 01st January 2017	714,396	9,162,035	27,305	4,857	-	9,908,593	53,432	9,962,025	
Total Comprehensive income for the year									
Profit for the year	-	25,354	-	-	-	25,354	740	26,094	
Other comprehensive income									
- Actuarial gain/(loss) on Retirement Benefit Obligations	-	(58,920)	-	-	-	(58,920)	-	(58,920)	
- Deferred tax effect on Actuarial gain/(loss) on Retirement Benefit Obligation	-	8,465	-	-	-	8,465	-	8,465	
- Fair Value gain/(loss) of Investments valued at FVOCI	-	-	1,129	-	-	1,129	-	1,129	
- Foreign Currency translation differences - Foreign operations	-	-	-	5,933	-	5,933	5,701	11,634	
- Investments valued at FVOCI - reclassified to profit or loss	-	12,352	(12,352)	-	-	-	-	-	
Transactions with owners of the Company Contributions by and distributions									
- Dividends Paid	-	-	-	-	-	-	-	-	
Balance as at 31st December 2017	714,396	9,149,286	16,082	10,790	-	9,890,554	59,873	9,950,427	
Balance as at 01st January 2018, as previously reported	714,396	9,149,286	16,082	10,790	-	9,890,554	59,873	9,950,427	
Adjustment on initial application of SLFRS 9 (Note 32)	-	(15,595)	-	-	-	(15,595)	-	(15,595)	
Adjusted Balance as at 01st January 2018	714,396	9,133,691	16,082	10,790	-	9,874,959	59,873	9,934,832	
Total Comprehensive income for the year									
Profit for the year	-	331,600	-	-	-	331,600	5,875	337,475	
Other comprehensive income									
- Actuarial gain/(loss) on Retirement Benefit Obligations	-	37,307	-	-	-	37,307	-	37,307	
- Deferred tax effect on Actuarial gain/(loss) on Retirement Benefit Obligation	-	(3,697)	-	-	-	(3,697)	-	(3,697)	
- Fair Value gain/(loss) of Investments valued at FVOCI	-	-	1,790	-	-	1,790	-	1,790	
- Foreign Currency translation differences - Foreign operations	-	-	-	11,203	-	11,203	10,764	21,967	
- Cash flow hedges - changes in fair value	-	-	-	-	74,833	74,833	-	74,833	
Transactions with owners of the Company Contributions by and distributions									
- Dividends Paid	-	(107,788)	-	-	-	(107,788)	-	(107,788)	
Balance as at 31st December 2018	714,396	9,391,113	17,872	21,993	74,833	10,220,207	76,512	10,296,719	

Company	Stated Capital (Rs.'000)	Retained Earnings (Rs.'000)	Fair Value Through OCI Reserve (Rs.'000)	Cash Flow Hedge Reserve (Rs.'000)	Total (Rs.'000)
Balance as at 01st January 2017	714,396	8,301,784	14,953	-	9,031,133
Total Comprehensive income for the year					
Profit/(Loss) for the year	-	(142,520)	-	-	(142,520)
Other comprehensive income					
- Actuarial gain/(Loss) on Retirement Benefit Obligation	-	(60,252)	-	-	(60,252)
- Deferred tax effect on Actuarial gain/(loss) on Retirement Benefit Obligation	-	8,839	-	-	8,839
- Fair Value gain/(loss) of Investments valued at FVOCI	-	-	1,129	-	1,129
Transactions with owners of the Company Contributions by and distributions					
- Dividends Paid	-	-	-	-	-
Balance as at 31st December 2017	714,396	8,107,851	16,082	-	8,838,329
Balance as at 01st January 2018, as previously reported	714,396	8,107,851	16,082	-	8,838,329
Adjustment on initial application of SLFRS 9 (Note 32)	-	(15,595)	-	-	(15,595)
Adjusted Balance as at 01st January 2018	714,396	8,092,256	16,082	-	8,822,734
Total Comprehensive income for the year					
Profit/(Loss) for the year	-	144,657	-	-	144,657
Other comprehensive income					
- Actuarial Gain/(Loss) on Retirement Benefit Obligation	-	33,968	-	-	33,968
- Deferred tax effect on Actuarial gain/(loss) on Retirement Benefit Obligation	-	(2,762)	-	-	(2,762)
- Fair Value gain/(loss) of Investments valued at FVOCI	-	-	1,790	-	1,790
- Cash flow hedges - changes in fair value	-	-	-	74,833	74,833
Transactions with owners of the Company Contributions by and distributions					
- Dividends Paid	-	(107,788)	-	-	(107,788)
Balance as at 31st December 2018	714,396	8,160,331	17,872	74,833	8,967,432

The Accounting Policies and Explanatory Notes on pages 54 to 101 form an integral part of these Financial Statements.

(Figures in brackets indicate deductions)

Statement of Cash Flows

For the Year Ended 31st December	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)
Cash Flow from Operating Activities				
Profit/(Loss) Before Tax	460,889	135,664	171,566	(73,103)
Adjustments for,				
Depreciation of Property, Plant and Equipment	432,759	420,232	406,880	401,376
Amortization of Intangible assets	13,806	13,883	13,209	13,357
Impairment of Property, Plant and Equipment	2,473	-	-	-
Provision for Retirement Benefit Obligations (Excluding Actuarial Gains/Losses)	150,896	148,128	145,465	143,602
Provision/(Reversal) for Bad and Doubtful Debts	75,765	(7,825)	68,636	-
Provision for/(Reversal) of Obsolete Stocks	(7,566)	29,101	(1,083)	29,972
(Profit)/Loss on Disposal of Property, Plant and Equipment	(1,610)	(5,244)	(1,608)	(5,659)
Provision for/(Reversal) of Warranty Provision	37,368	1,076	17,210	6,150
Net Change in Fair Value of Financial Instruments	(47,417)	(34,372)	(19,573)	(18,617)
(Profit) on sale of investments valued at FVOCI	-	(3,614)	-	-
Bad debts written off	8,153	6,861	-	3,686
Amortization of Corporate Guarantees	-	-	(675)	(639)
Interest Income	(269,958)	(320,886)	(210,540)	(244,911)
Dividend Income	(10)	-	(35,970)	(12,958)
Interest Expenses	39,972	91,788	39,965	91,740
Operating Profit/(Loss) Before Working Capital Changes	895,523	474,792	593,482	333,996
(Increase)/Decrease in Inventory	(68,852)	535,808	(54,031)	557,053
(Increase)/Decrease in Trade and Other Receivables	1,354,843	4,118,199	1,617,591	4,163,774
(Increase)/Decrease Amounts Due from Related Parties	-	-	(61,186)	(54,360)
Increase/(Decrease) Trade and Other Payables	(815,959)	1,723,073	(998,932)	1,733,132
Increase/(Decrease) Amounts Due to Related Parties	-	-	51,300	10,469
Cash Generated from/(used in) Operating Activities	1,365,552	6,851,872	1,148,224	6,744,064
Interest Paid	(39,972)	(91,788)	(39,965)	(91,740)
Gratuity Paid	(168,727)	(146,202)	(168,727)	(143,717)
Tax/ESC paid	(84,404)	(114,185)	(47,753)	(59,278)
Net Cash Generated from/(used in) Operating Activities	1,072,449	6,499,697	891,779	6,449,329

For the Year Ended 31st December	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)
Cash Flow from Investing Activities				
Acquisitions of Property, Plant and Equipment	(770,462)	(208,974)	(649,538)	(169,432)
Proceeds from Disposal of Property, Plant and Equipment	2,531	7,579	1,951	5,675
Interest Received	221,978	284,369	180,430	208,394
Staff Loans granted during the year	(300,829)	(248,851)	(298,354)	(241,357)
Staff Loans recovered during the year	213,843	186,249	211,444	183,694
Investments in FVTPL Financial Assets	-	(361,673)	-	-
Proceeds on Maturity of FVTPL Financial Assets	317,402	-	-	-
Proceeds on Maturity of investments valued at FVOCI	-	163,918	-	-
Acquisition of Intangible Assets	-	(709)	-	-
Dividend Received	10	-	35,970	11,788
Net Cash Generated from/(used in) Investing Activities	(315,527)	(178,092)	(518,097)	(1,238)
Cash Flow from Financing Activities				
Short Terms Loans Obtained during the period	6,752,188	6,489,451	6,752,188	6,489,451
Repayment of Short Term Loans	(7,534,334)	(10,404,748)	(7,534,334)	(10,404,748)
Dividend Paid	(118,788)	(39)	(118,788)	(39)
Net Cash Generated from/(used in) Financing Activities	(900,934)	(3,915,336)	(900,934)	(3,915,336)
Net Increase/(Decrease) in Cash and Cash				
Equivalents during the period	(144,012)	2,406,269	(527,252)	2,532,755
Cash and Cash Equivalents at the beginning of the period (Note 21)	5,058,622	2,652,353	4,642,295	2,109,540
Cash and Cash Equivalents at the end of the period (Note 21)	4,914,610	5,058,622	4,115,043	4,642,295

The Accounting Policies and Explanatory Notes on pages 54 to 101 form an integral part of these Financial Statements.
(Figures in brackets indicate deductions.)

Notes to the Financial Statements

1. REPORTING ENTITY

Colombo Dockyard PLC is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The Company's registered office is situated in Port of Colombo.

The consolidated financial statements of the Company as at and for the year ended 31st December 2018 comprise the Company and its Subsidiaries (together referred as the "Group").

The Group provides a vast variety of services with regard to ship repairs, shipbuilding and heavy engineering works.

Of the two subsidiaries within the Group, the Company has 100% holding of Dockyard General Engineering Services (Private) Limited (incorporated in Sri Lanka) and 51% holding of Ceylon Shipping Agency (Private) Limited (incorporated in Singapore).

Onomichi Dockyard Co. Ltd, incorporated in Japan is the parent company of Colombo Dockyard PLC.

All the companies in the group have a common financial year, which ends on 31st December.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The consolidated financial statements of the Group and the separate financial statements of the Company which comprise of the statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and

notes (the "financial statements") have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs / LKASs) as issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007.

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

2.2. Basis of Measurement

The financial statements of the Group and the Company haven been prepared on an accrual basis and under the historical cost basis except for the following items in the Statement of Financial Position.

- Derivative financial instruments measured at fair value
- Non derivative financial instruments measured at amortised cost.
- Financial assets measured at fair value through OCI.
- Liability for defined benefit obligation recognised based on actuarial valuation. (LKAS 19)

2.3. Functional and Presentation Currency

The consolidated financial statements are presented in Sri Lankan Rupees which is the Group's functional currency, except for the foreign subsidiary whose functional currency is different as it operates in a different economic environment (See Note 33). All financial information presented in Sri Lankan Rupees has been rounded

to the nearest thousand, unless stated otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these Financial Statements and have been applied consistently by the Company and its subsidiaries, unless otherwise stated.

3.1. Basis Of Consolidation

The consolidated financial statements (referred to as the "Group") comprise the Financial Statements of the Company and its subsidiaries.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions/events in similar circumstances and where necessary, appropriate adjustments have been made in the consolidated financial statements.

3.1.1. Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights or otherwise has a controlling interest. All financial statements of subsidiaries prepared for the same reporting period as the parent company which is for the twelve months ending 31st December. Subsidiaries are consolidated from the date on which control is transferred to the Company and commences until the date that control ceases.

There are no restrictions on the ability of the subsidiaries to transfer funds to

the Company (The Parent) in the form of cash dividends or repayment of loans and advances.

3.1.2 Transactions eliminated on consolidation

Inter group balances and transactions and any unrealised income and expenses arising from inter 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 unrealised gains, but only to the extent that there is no evidence of impairment.

3.2. Foreign Currency

3.2.1. Functional Currency and Presentation Currency

The individual Financial Statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sri Lankan Rupees, which is also the Company's functional currency.

3.2.2. Foreign Currency Transactions

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currency) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions.

At each reporting date, monetary assets and liabilities denominated in

foreign currencies are translated at the closing rate.

Non-monetary items measured at fair value are translated at the rates prevailing on the date when the fair value was determined.

Non-monetary items measured at historical cost are translated at the rates prevailing on the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for the Group's net investment in foreign operations/subsidiaries.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences which are recognised in other comprehensive income.

3.2.3. Foreign Operations/ Subsidiaries

The statement of financial position and income statement of overseas subsidiary which is deemed to be foreign operations are translated to Sri Lankan Rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognise in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

3.2.4. Foreign exchange forward contracts

Foreign exchange forward contract are fair valued at each reporting date. Gains and losses arising from changes in fair value are recognised in the income statement under finance income or finance cost respectively.

3.2.5. Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income statement (OCI). The gain or loss in relation to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

3.3. Assets and the Bases of Their Valuation

Assets classified as current assets in the statement of financial position are cash, bank balances and those which are expected to be realised in cash, during the normal operating cycle of the Company's business, or within one year from the reporting date, whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the reporting date.

Notes to the Financial Statements

3.3.1. Property, Plant & Equipment

3.3.1.1. Recognition and Measurement

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

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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.

3.3.1.2. Owned Assets

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 labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs that are directly attributable to the qualifying assets.

3.3.1.3. Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, using the production of supply of goods or services or for administrative purposes. Investment property is measured at cost. When the use of property changes from

investment property to owner occupied property it is reclassified as property, plant & equipment.

3.3.1.4. Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.3.1.5. Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition are recognised in the profit and loss when the asset is derecognised.

3.3.1.6. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives and depreciation rates are as follows:

Company – Colombo Dockyard PLC

Asset Category	Useful Life (Years)	Depreciation Rate (%)
Dry-docks	25-50	4% - 2%
Buildings	20-25	5% - 4%
Roadways	10	10%
Plant & Machinery	10 - 40	10% - 2.5%
Electrical Installations	10	10%
Furniture, Fittings & Office Equipment	6.6	15%
Motor Vehicles	5	20%
Boats & Launches	6.6	15%
Inventory Items	6.6	15%
Loose Tools	2	50%

Group – Dockyard General Engineering Services (Private) Limited

Asset Category	Useful Life (Years)	Depreciation Rate (%)
Buildings	10	10%
Plant & Machinery	10	10%
Motor Vehicles	4	25%
Furniture, Fittings & Office Equipment	6.6	15%
Loose Tools	6.6	15%
Office and Computer Equipment	2	50%

Ceylon Shipping Agency (Private) Limited

Asset Category	Useful Life (Years)	Depreciation Rate (%)
Office Equipment	10	10%
Computers	3	33.3%
Furniture and Fittings	10	10%
Office Renovation	5	20%

Depreciation of an asset begins when it is ready for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, when appropriate, if any.

3.3.2 Intangible Assets

An Intangible Assets is recognised if it is probable that economic benefits are attributable to the assets will flow to the entity and cost of the assets can be measured reliably. Intangible assets that are acquired by the Group/Company are measured at cost less accumulated amortisation and accumulated impairment losses.

3.3.2.1 Software

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the statement of financial position under the category of intangible assets.

3.3.2.2 Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

3.3.2.3 Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in the profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives and amortization rates are as follows:

Asset Category	Useful Life (Years)	Amortization Rate (%)
Computer Software	03	33.3%

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, where necessary.

3.3.3 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is comprised of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sales. The cost of the inventories is assigned by using specific identification of their individual costs and first-in-first out formulas.

Notes to the Financial Statements

Inventory items shipped, but not received by the Company as at the reporting date are treated as goods-in transit. In such situations, estimates are made for unpaid bills in order to value goods-in transit.

3.3.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits, demand deposits and short term highly liquid investments which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

3.4. Financial Instruments

(a) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) Classification and subsequent measurement

Financial assets - Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount of outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect

to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company

considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Notes to the Financial Statements

Financial assets - Policy applicable prior to 1 January 2018

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
 - held for trading
 - derivative hedging instruments; or
 - designated as at FVTPL

Financial assets - Subsequent measurement and gains and losses: Policy applicable prior to 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(c) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and

rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment policy: applicable from 1 January 2018

Non-derivative financial assets

Financial instruments and contract assets

Loss allowances for trade receivables is always measured at an amount equal to lifetime Expected Credit Loss (ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter

period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

Impairment Policy: applicable prior to 1 January 2018

Financial assets (including receivables)

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

Notes to the Financial Statements

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 (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company 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.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 reversed through profit or loss.

Impairment Policy: Non-financial assets

The carrying amounts of the Company's non-financial assets, other than 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. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset 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 risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of other assets, recognised in prior periods is 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 recognised.

3.5. Post-Employment Benefits

3.5.1. Defined Benefit Plan Company

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date, with the advice of an actuary, using the projected unit credit (PUC) method. Any actuarial gains or losses arise immediately recognise in other comprehensive income.

Local Subsidiary

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date, according to the formula method, using the projected unit credit (PUC) method. Any gain or losses are recognised in profit or loss when incurred.

Foreign Subsidiary

Provisions are made in the financial statements in accordance with the respective legislative enactments in force, in the country of incorporation.

3.5.2. Defined Contribution Plans – Employees' Provident Fund and Employee Trust Fund

All employees who are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions are covered by relevant contributions funds in line with the relevant statutes. Employer's contributions to the defined contribution plans are recognised as an expense in profit or loss when incurred.

3.6. Provisions

A provision is 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.

All known provisions have been accounted for in preparing the financial statements.

3.6.1. Provision for Warranty

Provision for warranty jobs is made for all construction contracts based on the contractual and projects estimated figures. However, warranty provision for Ship repair services is made based on historical experiences. The estimates are revised annually.

3.6.2. Provision for Slow Moving Stocks

Provision for slow moving stocks are made when the Company/Group identify the impairment in inventory through its regular assessments.

3.7. Income Statement

3.7.1. Revenue

The Group revenue represents revenue from ship building, ship repairing, heavy engineering and material sales to customers outside the Group.

3.7.1.1. Revenue Recognition

Revenue recognition

Revenue from contract with customers – Applicable from 1 Jan 2018

The company has initially applied SLFRS 15 from 1 January 2018. As there was no significant impact on adoption of this standards comparative information have not been re-stated. The effect of initially applying SLFRS 15 is described in Note 32.

SLFRS 15 established a comprehensive framework for determining whether, how much and when revenue recognised. Under SLFRS 15, revenue is recognise when a customer obtain control of the goods or services – Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

Under SLFRS 15, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognition will not occur.

The following specific criteria are used for the purpose of recognition of revenue.

3.7.1.1.1. Ship Repairs, Ship Building, Offshore Engineering and Heavy Engineering

When the outcome of a construction / service contract can be estimated reliably, revenue is recognised in the comprehensive income by reference to the stage of completion of the respective project (Percentage-of-Completion Method). When the outcome of a construction / service contract cannot be estimated reliably, revenue is recognised to the extent of cost incurred that are likely to be recoverable. When it is probable that total cost will exceed total revenue, the expected loss is recognised as an expense immediately. The Stage of Completion is measured by reference to the proportion that, costs incurred for work performed to date bear to the estimated total costs.

3.7.1.1.2. Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

3.7.1.1.3. Other Income

Revenue from dividends is recognised when the group's right to receive the payment is established.

Profits or losses from disposal of property, plant and equipment recognised 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.

Notes to the Financial Statements

Income from scrap sales are recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods.

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

Other income is recognised on an accrual basis.

3.7.2. Expenditure Recognition

3.7.2.1. Operating Expenses

All expenses incurred in day to day operations of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement in arriving at the profit or loss for the year. Provisions have also been made for impairment of financial assets, slow moving stocks, all known liabilities and depreciation on property, plant and equipment.

3.7.2.2. Warranty Claims/Provisions

Costs incurred by the Company under the terms of warranty entered with the customers are charged to the profit or loss only if the actual cost incurred is more than the provision already made.

3.7.2.3. Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received may be recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the

reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.7.2.4. Borrowing Costs

Borrowing costs directly attributable to acquisition, construction or production of assets that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that Group incurs in connection with the borrowing of funds.

3.7.3. Net Finance Income/ (Expenses)

Finance income comprises of interest income on funds invested and staff loans, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprises of interest expenses on borrowings (Not capitalised under LKAS – 23 'Borrowing Costs'), unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets (Other than trade receivable). Interest expenses are recognised in profit or loss using the effective interest method.

3.7.4. Taxation

As per Sri Lanka Accounting Standard – LKAS 12 on 'Income taxes', tax expense/(reversal) is the aggregate amount included in determination

of profit or loss for the period in respect of current and deferred taxes. Therefore, it consists of current and deferred tax. Income tax expense/ (reversal) is recognised in the comprehensive income except to the extent it relates to items recognised directly in equity or in Other Comprehensive Income. The group recognises liabilities for anticipated taxes, based on estimates of taxable income, where the final tax outcome of these matters may differ from the amounts that were initially recorded. Such differences will be adjusted in the current year's income tax charge and/deferred tax assets/liabilities as appropriate in the period in which such determination is made.

3.7.4.1 Current Taxes

Current Income tax liabilities (assets) 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 on Sri Lankan operation is based on the elements of income and expenditures reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act.

Income tax has been provided on overseas operations in accordance with the relevant statutes in force in the countries in which operations are carried out.

The relevant details are disclosed in the respective notes to the Financial Statements. (Note 09 and 28)

3.7.4.2 Deferred Taxation

Deferred taxation is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and carry forward of unused tax losses/credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

3.8. Segmental Information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group management committee (being the chief operating decision-maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Inter-segment transfers are based on fair market prices where the arm's length basis in manner similar to transaction with third parties is adopted. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

3.9. Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price has being charged or not.

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

3.10. Cash Flow Statement

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

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

Bank overdrafts and short term borrowings that are re payable on demand and forming an integral part of the Group's cash management are included as a component of cash and cash equivalent for the purpose of the Statement of Cash Flows.

3.11. Earnings Per Share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period.

3.12. Events Occurring After the Reporting Period

Events after the reporting period are those events favourable and unfavourable that occur between the end of the reporting period and the date when the financial statements are authorised 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.

3.13. Sri Lanka Accounting Standards (SLFRS) Issued But Not Yet Effective

New standards and amendments to standards which have been issued but not yet effective as at the Reporting date have not been applied in preparing these Financial Statements. Accordingly, these Accounting Standards have not been applied in preparing these financial statements. The Group intends to adopt those standards when they become effective.

Notes to the Financial Statements

New or amended Standard	Summary of the Requirement	Possible impact on consolidated financial statements
SLFRS 16 Leases	SLFRS 16 eliminates the current dual accounting model for leases which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead, there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting	The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16. This standard is not expected to have a significant impact on the financial statements of the Group.
	SLFRS 16 is effective for reporting periods beginning on or after 1 January 2019.	

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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:

3.13.1 Other standards

The following amended standards and the interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

Effective Date - 1 January 2019

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment features with negative compensation (Amendments to SLFRS 9).
- Long- term interests in Associates and Joint Ventures (Amendments to LKAS 28).
- Plan Amendment, Curtailment or settlement (Amendment to LKAS 19).
- Annual Improvements to SLFRS Standards 2015-2017 Cycle- various standards.
- Annual Improvements to SLFRS 3-Business combinations, SLFRS 11 – Joint Arrangements, LKAS12 Income Taxes.

Effective Date - 1 January 2020

- Amendments to References to Conceptual Framework in SLFRS standards
- Amendments to LKAS 1 and LKAS 8
- Amendments to SLFRS 3

Effective Date - 1 January 2022

- IFRS 17 Insurance Contracts

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with SLFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Critical accounting estimate/ judgement	Disclosure reference	
	Note	Page
Income tax expense	09	71-73
Property, plant and equipment	11	74-77
Intangible assets	13	78
Deferred tax assets / liabilities	16	80-81
Employee benefits	25	85-87
Provision for warranty claims	26.1	88

For the year Ended 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)
5. REVENUE				
Ship Repair	5,927,741	5,943,131	5,927,741	5,943,131
Shipbuilding	6,869,782	6,038,107	6,869,782	6,038,107
Heavy Engineering	1,548,136	678,680	371,477	71,392
Material & Other Sales	618,017	275,071	-	-
Gross Revenue (Note 5.1, 5.2)	14,963,676	12,934,989	13,169,000	12,052,630
Turnover Tax	(17,093)	(5,893)	-	-
Total Revenue	14,946,583	12,929,096	13,169,000	12,052,630
Less: Cost of Sales	(13,602,250)	(11,162,224)	(12,292,132)	(10,607,143)
Gross Profit/Segmental Results (Note 5.3)	1,344,333	1,766,872	876,868	1,445,487

5.1 Project Types Segment Revenue (Business Segment)

	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)
Ship Repair				
Tankers	1,767,469	1,175,695	1,767,469	1,175,695
General Cargo	510,137	649,084	510,137	649,084
Container Carriers	403,243	678,952	403,243	678,952
Passenger Vessels	268,032	116,426	268,032	116,426
Fishing Trawlers	47,461	13,999	47,461	13,999
Tugs	121,724	71,720	121,724	71,720
LPG Tankers	129,630	96,488	129,630	96,488
Dredgers	692,699	502,020	692,699	502,020
Navel Vessels	147,839	308,505	147,839	308,505
Cement Carriers	43,545	53,816	43,545	53,816
Motor Yacht	47,287	73,530	47,287	73,530
Offshore Support Vessels	186,431	891,203	186,431	891,203
Barge	116,186	10,256	116,186	10,256
Bulk Carriers	491,850	1,042,965	491,850	1,042,964
Research Vessel	610,121	199,165	610,121	199,165
Others	344,087	59,308	344,087	59,308
	5,927,741	5,943,131	5,927,741	5,943,131
Shipbuilding				
Specialized Vessels	6,544,284	578,832	6,544,284	578,832
Passenger Vessels	-	173,880	-	173,880
Supply Vessels	325,498	5,285,395	325,498	5,285,395
	6,869,782	6,038,107	6,869,782	6,038,107

Notes to the Financial Statements

For the year Ended 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)
Heavy Engineering				
Heavy Fabrication	1,121,189	405,801	270,750	15,600
Services	97,906	83,113	58,657	26,310
Repairs & Maintenance	160,629	29,482	42,030	29,482
Power Generation	168,412	160,284	41	-
	1,548,136	678,680	371,478	71,392
Material Sales				
Sales	618,017	275,071	-	-
	14,963,676	12,934,989	13,169,000	12,052,630

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5.2 Geographical Segement Revenue

India	3,590,811	4,097,015	3,590,811	4,097,015
France	-	117,745	-	117,745
Maldives	541,108	121,650	541,108	121,650
China	15,081	383,405	15,081	383,405
Iraq	98,608	-	98,608	-
UAE	60,945	12,410	60,945	12,410
Srilanka	1,774,104	1,552,175	966,371	684,910
Singapore	1,483,770	5,349,456	496,827	5,334,362
Japan	6,544,973	578,831	6,544,973	578,831
Germany	40,145	520	40,145	520
Greece	82,952	50,281	82,952	50,281
Hong Kong	56,563	45,033	56,563	45,033
USA	22,905	69,325	22,905	69,325
Seychelles	18,925	50,940	18,925	50,940
Norway	37,445	-	37,445	-
Cyprus	21,082	116,190	21,082	116,190
Belgium	-	147,720	-	147,720
Pakistan	141,680	-	141,680	-
Netherlands	289,551	-	289,551	-
Poland	40,120	-	40,120	-
Qatar	-	106,070	-	106,070
Others	102,908	136,223	102,908	136,223
	14,963,676	12,934,989	13,169,000	12,052,630

5.3 Segmental Results

Ship repairs	730,277	1,262,110	730,277	1,262,110
Shipbuilding	62,317	184,543	62,317	184,543
Heavy Engineering	376,455	201,301	84,274	(1,166)
Material & Other Sales	175,284	118,918	-	-
	1,344,333	1,766,872	876,868	1,445,487

For the year Ended 31St December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)
6. OTHER INCOME				
Exchange Gain (both realized and unrealized)	847,369	76,572	847,369	76,572
Scrap Sales	135,075	90,478	134,691	89,693
Dividend Income	10	-	35,970	12,958
Profit/(Loss) on disposal of Property, Plant and Equipment	1,610	5,244	1,608	5,659
Management Fees	-	-	918	918
Amortization of Corporate Guarantees	-	-	675	639
Lease Rental	-	-	1,751	1,751
Miscellaneous Income	40,077	14,125	37,242	13,626
Profit on sale of investments valued at fair value through OCI	-	3,614	-	-
	1,024,141	190,033	1,060,224	201,816

7. NET FINANCE INCOME/(EXPENSE)

Interest Expense

Interest on Bank Overdrafts and Short Term Loans (Note 7.1)	(39,972)	(91,788)	(39,965)	(91,740)
	(39,972)	(91,788)	(39,965)	(91,740)

7.1 In accordance with LKAS 23 Borrowing cost, Company has incurred an interest costs amounting to Rs.60.67 Mn (2017 - Rs.61.47 Mn) which was related to the shipbuilding projects which were fallen under the definition of 'qualifying assets'. Company treated interest cost on such loans, which were directly attributable to the acquisition, construction or production of a qualifying asset as part of project cost and not as an interest cost, and charge to the Cost of Sales.

Interest Income

Interest Income from Investments	214,658	272,924	156,106	197,207
Other Interest Income	55,300	47,962	54,434	47,704
Amortization of Pre paid staff cost (Note 19.2)	31,097	26,297	30,483	25,843
Net Change in fair value of financial instrument at FVTPL	47,417	34,372	19,573	18,617
	348,472	381,555	260,596	289,371
	308,500	289,767	220,631	197,631

Notes to the Financial Statements

For the year Ended 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

8. PROFIT BEFORE TAX

Is stated after charging all expenses including the following:

Directors' Emoluments	25,663	25,530	17,013	16,880
Auditors Remuneration - On statutory audit	3,963	3,690	2,345	2,190
- Audit related services	75	75	75	75
Business Promotion Expenses	29,429	30,859	20,185	21,814
Depreciation on Property Plant & Equipment	432,759	420,232	406,880	401,376
Amortization of Intangible Assets	13,806	13,883	13,209	13,357
Donations	243	706	243	706
Bad debt written-off	8,153	3,175	-	-
Impairment loss on Property Plant & Equipment	2,473	-	-	-
Provision for/(Reversal of)				
- Bad and Doubtful Debts	75,765	(7,825)	68,636	-
- Obsolete and Slow Moving Stocks	(7,566)	29,101	(1,083)	29,972
- Warranty Claims	37,368	1,076	17,210	6,150
Staff Related Cost				
- Salaries and Wages	3,698,186	3,459,492	3,520,515	3,347,162
- Defined Benefit Plan Cost - Gratuity	150,896	148,128	145,465	143,602
- Defined Contribution Plan Cost - EPF	180,553	170,917	170,882	164,593
ETF	45,138	42,729	42,721	41,148
Amortization of Pre-paid Staff Cost	31,097	26,297	30,483	25,843

For the year Ended 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

9. INCOME TAX EXPENSE

On the Current years Profit (Note 9.3)	86,266	41,947	-	533
Under/(Over) Provision in previous year	(334)	(8,163)	-	-
Unrecoverable ESC	47,753	39,255	47,753	39,255
Deferred Taxation (Note 16.3)	(6,574)	28,066	(18,082)	20,790
Tax expense on Total Comprehensive Income	127,111	101,105	29,671	60,578
Deferred tax on Other Comprehensive Income	(3,697)	8,465	(2,762)	8,839
Total Tax expense on profit/(loss)	123,414	109,570	26,909	69,417

9.1 Taxation on Profits

(i) Income Tax in Sri Lanka

Company

As per the Inland Revenue Act No. 24 of 2017 the Company is liable to pay income tax at following rates:

Business income	14% - 28%
Investment income	14% - 28%
Deduction of tax losses against total statutory income	100%
Tax losses - carrying forward	6 years

Group

Dockyard General Engineering Services (Pvt) Ltd

As per the Inland Revenue Act, the Company is liable to pay income tax at 28% on profits from construction contracts.

(ii) Income Tax on Overseas Operations

Ceylon Shipping Agency (Pte) Ltd. Singapore (CSA) is liable for taxation at the rate of 17% on its taxable profit and provision has been made in the accounts accordingly.

9.2 Economic Service Charge

Economic Service Charge (ESC) paid by Companies operating within Sri Lanka is available as Income Tax Credit. In instances where recoverability is not possible due to the tax status, sums paid are written off to the profit or loss.

Notes to the Financial Statements

For the year Ended 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

9.3 Reconciliation between current tax expense and the accounting profit

Profit/(Loss) before tax	460,889	135,664	171,566	(73,103)
Inter group adjustments	35,960	-	-	-
	496,849	135,664	171,566	(73,103)
Disallowable Expenses for Taxation	693,939	617,015	636,202	588,746
Allowable Expenses for Taxation	(439,745)	(385,432)	(375,331)	(312,392)
Profit Exempt from Tax	-	(534,222)	-	(517,348)
Statutory Profit/(Loss) from Business	751,043	(166,976)	432,437	(314,097)
Statutory Profit/(Loss) from Colombo Dockyard PLC	432,437	(314,097)	432,437	(314,097)
Statutory Profit/(Loss) from Dockyard General Engineering Services (Pvt)Ltd	306,043	158,567	-	-
Statutory Profit/(Loss) from Ceylon Shipping Agency (Pte) Ltd	12,563	-	-	-
Other sources of Income	-	2,931	-	2,931
Tax loss claimed during the year	(432,437)	(1,026)	(432,437)	(1,026)
Taxable Income	(113,831)	160,472	-	1,905
Tax at the Rate of 14%	-	2,246	-	-
Tax at the Rate of 17%	574	-	-	-
Tax at the Rate of 28%	85,692	39,701	-	533
Provision for Taxation on Current Year Profit	86,266	41,947	-	533

9.4 Reconciliation of Tax Loss

Tax Loss Brought Forward	2,720,765	3,867,663	2,720,765	3,867,663
Tax Loss for the year of assessment	-	314,097	-	314,097
Setoff against the current taxable income	(432,437)	(1,026)	(432,437)	(1,026)
Adjustment for the previous year of assessment	432,437	(414,344)	432,437	(414,344)
Unclaimable Tax Losses resulting due to Inland Revenue Act no 24 of 2017	-	(1,045,625)	-	(1,045,625)
Tax Loss Carried Forward	2,720,765	2,720,765	2,720,765	2,720,765

9.5 Deferred Taxation

Company

Since the Company's income is liable for income tax at different rates, the deferred tax asset is arrived at by applying the income tax rates of 28% and 14% applicable for different sources of profit. The effective tax rate (Weighted Average) applicable is 15.04%. (2017 - 14.67%)

Subsidiaries

Dockyard General Engineering Services (Pvt) Ltd.

The deferred tax asset is arrived at by applying the income tax rate of 28% to the temporary differences of Dockyard General Engineering Services (Pvt.) Ltd. as at 31st December 2018.

Ceylon Shipping Agency (Pte) Ltd. (CSA)

The deferred tax liability is arrived at by applying the income tax rate of 17% to the temporary differences of CSA as at 31st December 2018.

10. EARNINGS/(LOSS) PER SHARE AND FOREIGN CURRENCY TRANSLATIONS

10.1 Earnings/(Loss) Per Share

The calculation of the earnings/(loss) per share has been derived by dividing profit/(loss) attributable to equity shareholders of Company/Group by the weighted average number of ordinary shares in issue during the year and calculated as follows :

	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)
Amount used as the Numerator				
Profit/(Loss) for the period (Rs.'000)	337,475	26,094	144,657	(142,520)
Non Controlling Interest (Rs.'000)	(5,875)	(740)	-	-
Profit Attributable to Equity Shareholders of Colombo Dockyard PLC (Rs.'000)	331,600	25,354	144,657	(142,520)
Number of Ordinary Shares used as the Denominator				
Number of Ordinary Shares	71,858,924	71,858,924	71,858,924	71,858,924
Earnings/(Loss) Per Share (Rs.) based on weighted average number of shares in 2018	4.61	0.35	2.01	(1.98)

10.2 Foreign Currency Translations

The principle exchange rates used for conversion of foreign currency transactions and balances are as follows;

	Average Rate		Closing Rate (Spot)	
	2018 (Rs.)	2017 (Rs.)	2018 (Rs.)	2017 (Rs.)
U. S. Dollar	161.01	152.45	183.00	152.78
Euro	189.82	172.98	209.24	187.27
Singapore Dollars	119.53	111.06	134.08	114.38
Danish Kroners	25.53	23.29	28.06	24.52
Japanese Yen	1.46	1.36	1.66	1.36

*Company uses exchange rates (average) published by Bank of Ceylon (BOC), for the conversion of foreign currency transactions and balances.

Notes to the Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Group

FREEHOLD

	Drydocks	Land	Road ways	Building	Plant Machinery & Equipment	Electrical Installation	Motor Vehicles	Inventory Items	Office Furniture & Fittings	Loose Tools	Boats & Launches	Capital Work In Progress	Total
	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000
COST													
Balance as at 01st January 2018	1,159,195	62,950	14,190	1,319,244	5,099,869	293,893	238,090	75,633	397,345	317,827	6,494	83,989	9,068,718
Additions during the year	-	-	-	20,742	170,993	4,831	3,667	4,335	24,659	33,068	-	550,084	812,379
Transfers/Adjustments during the year	-	-	-	30,902	93,082	3,932	(8,670)	8,670	(467)	-	-	(169,366)	(41,917)
Disposals during the year	-	-	-	-	(23,111)	-	(1,969)	(14)	(12,717)	(30,953)	-	-	(68,764)
Exchange Gain/Loss	-	-	-	-	-	-	-	-	475	-	-	78	553
Balance as at 31st December 2018	1,159,195	62,950	14,190	1,370,888	5,340,833	302,656	231,118	88,624	409,295	319,942	6,494	464,785	9,770,969
ACCUMULATED DEPRECIATION													
Balance as at 1st January 2018	628,372	-	10,136	584,163	2,855,369	260,962	143,918	54,674	307,460	304,803	6,308	66	5,156,230
Charge for the year	23,750	-	1,042	52,810	271,618	9,802	27,033	4,343	27,731	14,444	186	-	432,759
Disposals	-	-	-	-	(23,102)	-	(1,969)	(10)	(12,345)	(30,417)	-	-	(67,843)
Exchange Gain/Loss	-	-	-	-	-	-	-	-	467	-	-	78	545
Balance as at 31st December 2018	652,122	-	11,178	636,973	3,103,885	270,764	168,982	59,007	323,313	288,830	6,494	144	5,521,691
IMPAIRMENT (Note A)													
Balance as at 01st January 2018	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss for the year	-	-	-	-	2,327	-	-	-	136	10	-	-	2,473
Balance as at 31st December 2018	-	-	-	-	2,327	-	-	-	136	10	-	-	2,473
CARRYING AMOUNT													
As at 31st December 2018	507,073	62,950	3,012	733,915	2,234,621	31,892	62,136	29,617	85,846	31,102	-	464,641	4,246,805
As at 31st December 2017	530,823	62,950	4,054	735,081	2,244,500	32,931	94,172	20,959	89,885	13,024	186	83,923	3,912,488

Note A Impairment of Property, Plant and Equipment

During the year ended 31st December 2018, Dockyard General Engineering Services (Pvt) Ltd recognised an impairment loss amounting to Rs. 2,474,087/- for items of Property, Plant and Equipment found to be damaged in the site situated in Mahawatte, Colombo 14, as follows:

Before Impairment	Cost	Carrying Value
	(Rs.'000)	(Rs.'000)
Plant, Machinery and Equipment	6,626	2,327
Loose Tools	461	10
Office Equipment, Furniture and Fittings	975	136
	8,062	2,473

11.2 Company

FREEHOLD

	Drydocks	Land	Road ways	Building	Plant Machinery & Equipment	Electrical Installation	Motor Vehicles	Inventory Items	Office Furniture & Fittings	Loose Tools	Boats & Launches	Capital Work In Progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January 2018	1,159,195	45,785	14,190	1,295,644	5,031,293	294,199	181,218	75,636	379,387	272,946	6,495	64,784	8,820,768
Additions during the year	-	-	-	-	130,394	4,524	3,350	4,374	21,255	19,350	-	508,213	691,455
Transfers/Adjustments during the year	-	-	-	30,902	93,082	3,932	(8,670)	8,670	(467)	-	-	(169,366)	(41,917)
Disposals during the year	-	-	-	-	(23,067)	-	(1,969)	(14)	(12,668)	(27,550)	-	-	(65,268)
Balance as at 31st December 2018	1,159,195	45,785	14,190	1,326,546	5,231,702	302,655	173,920	88,666	387,507	264,746	6,495	403,631	9,405,038

ACCUMULATED DEPRECIATION

Balance as at 01st January 2018	628,372	-	10,136	566,042	2,816,152	260,961	109,087	54,667	294,765	267,839	6,310	-	5,014,331
Charge for the year	23,750	-	1,042	52,810	261,938	9,802	18,856	4,343	25,867	8,287	185	-	406,880
Transfers/Adjustments during the year	-	-	-	-	-	-	(6,930)	6,930	-	-	-	-	-
Disposals during the year	-	-	-	-	(23,067)	-	(1,969)	(10)	(12,329)	(27,550)	-	-	(64,926)
Balance as at 31st December 2018	652,122	-	11,178	618,852	3,055,023	270,763	119,044	65,930	308,303	248,576	6,495	-	5,356,286

CARRYING AMOUNT

As at 31st December 2018	507,073	45,785	3,012	707,694	2,176,679	31,892	54,876	22,736	79,204	16,170	-	403,631	4,048,756
As at 31st December 2017	530,823	45,785	4,053	729,590	2,215,141	33,237	72,131	20,964	84,635	5,107	187	64,785	3,806,437

Notes to the Financial Statements

11.3 Valuation of Land

The lands of the Group have been revalued by an independent chartered valuation firm, Sunil Fernando & Associates (Pvt) Ltd, as at 31st December 2017. This valuation had been carried out for the purpose of disclosing the market value of lands owned by the Group. Valuation details of the lands of the Group are as follows,

(a) Land depicted as Lot No.01 in plan No.LS/P/223 at Colombo Dockyard PLC, Port of Colombo, Colombo 15. This land is situated within the Port of Colombo, adjoining the Sri Lanka Port Authority.

Extent of the Land	852.5 Perches
No. of Buildings	02
Cost	Rs.20,931,444/-
Valuation	Rs. 3,836,250,000/-

(b) Land depicted as allotment of land in Plan No.562 dated 27th August 1960 at Nuwara Eliya Holiday Bungalow of the Company is built on this land.

Extent of the Land	37.99 Perches
No. of Buildings	01
Cost	Rs.1,807,000/-
Valuation	Rs. 60,784,000/-

(c) Land depicted as Lot A in Plan No.1347 dated 6th June 1981 at Colombo 15. Executive quarters of the Company is built on this land.

Extent of the Land	89.62 Perches
No. of Buildings	01
Cost	Rs.3,219,000/-
Valuation	Rs. 85,100,000/-

(d) Land depicted as Lot No.01 in Plan No. 250 at Colombo 14, this land is leased to Dockyard General Engineering Services (Private) Limited as an operating lease.

Extent of the Land	103.75 Perches
No. of Buildings	02
Cost	Rs.2,865,000/-
Valuation	Rs. 77,800,000/-

Extent of the building is above freehold lands 25,134 sqm (2014 - 25,134 sqm)

(e) Land depicted as Lot No is plan No. 3347 at No. 2, Srimath Bandaranayaka Mawatha, Colombo 12. The land is used for Dockyard General Engineering Services (Private) Limited's Materials Sales Center.

Extent of the Land	7.15 Perches
No. of Buildings	01
Cost	Rs. 14,300,000/-
Valuation	Rs. 35,800,000/-

(f) Land depicted as Lot No. 3B in plan No. 2579 at Colombo 15. This land is kept for the purpose of constructing office spaces.

Extent of the Land	12.69 Perches
No. of Buildings	01
Cost	Rs. 19,829,000/-
Valuation	Rs. 27,600,000/-

11.4 Gross carrying amount of fully depreciated Property Plant and Equipment.

As at 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)
Freehold Drydocks	5,215	5,215	5,215	5,215
Freehold Buildings	320,276	156,999	302,121	138,844
Roadways	3,784	3,784	3,784	3,784
Plant, Machinery and Equipment	2,040,168	1,492,392	2,032,487	1,486,252
Electrical Installation	206,122	190,094	206,122	190,094
Motor Vehicles	122,728	94,840	95,699	72,411
Inventory Items	41,782	38,830	41,782	38,830
Office Equipment, Furniture and Fittings	236,952	225,185	232,207	218,920
Boats/Launches	6,495	2,717	6,495	2,717
	2,983,522	2,210,056	2,925,912	2,157,067

As at 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

12. INVESTMENT PROPERTY

Land rented to Dockyard General Engineering Services (Pvt) Ltd	-	-	2,865	2,865
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Land depicted as Lot No.01 in Plan No.250 at Mahawatte, Colombo 14, which is leased to Dockyard General Engineering Services (Pvt.) Limited, has been revalued by an independent Chartered Valuation firm, Sunil Fernando & Associates (Pvt.) Ltd., as at 31st December 2017. Valuation details of the land is as follows,

Extent of the Land	103.75 Perches
No. of Buildings	02
Cost	Rs. 2,865,000/-
Valuation	Rs. 77,800,000/-

Notes to the Financial Statements

As at 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

13. INTANGIBLE ASSETS

Cost

Balance at the beginning of the year	85,620	84,911	81,766	81,766
Additions during the year	-	709	-	-
Balance at the end of the year	85,620	85,620	81,766	81,766

Amortization

Balance at the beginning of the year	60,581	46,698	58,880	45,523
Charge for the year	13,806	13,883	13,209	13,357
Balance at the end of the year	74,387	60,581	72,089	58,880
Carrying Amount	11,233	25,039	9,677	22,886

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Company	Incorporated in	2018			2017		
		No of Shares	Percentage Holding	Cost (Rs.'000)	No of Shares	Percentage Holding	Cost (Rs.'000)

14. INVESTMENTS IN SUBSIDIARIES

Dockyard General Engineering Services (Private) Limited	Sri Lanka	61,999	100%	3,460	61,999	100%	2,785
Add: Fair Value of Financial Guarantees				930			675
Ceylon Shipping Agency (Private) Limited	Singapore	25,500	51%	357	25,500	51%	357
				4,747			3,816

14.1 The Director's assessment of the fair value of investments.

The Board of Directors' assessed the fair value of investments in subsidiaries as follows based on the net assets attributable for the respective investments.

	2018 (Rs.'000)	2017 (Rs.'000)
Dockyard General Engineering Services (Private) Limited	1,176,850	992,690
Ceylon Shipping Agency (Pte) Ltd	80,162	62,845
	1,257,012	1,055,535

As at 31st December,	Group				Company			
	2018		2017		2018		2017	
	No of Shares / Units	Fair Value (Rs.'000)	No of Shares / Units	Fair Value (Rs.'000)	No of Shares / Units	Fair Value (Rs.'000)	No of Shares / Units	Fair Value (Rs.'000)
15. OTHER INVESTMENTS								
15.1 Investments Classified as Fair Value through OCI								
15.1.1 Investments in shares								
Sri Lanka Port Management and Consultancy Services Limited	1,002	10 15,880	1,002	10 14,591	1,002	10 15,880	1,002	10 14,591
Associated Newspapers of Ceylon Limited	10,000	100 2,101	10,000	100 1,600	10,000	100 2,101	10,000	100 1,600
		110 17,981		110 16,191		110 17,981		110 16,191

15.2 Investments Classified as Fair Value through Profit or Loss

	Group				Company			
	2018		2017		2018		2017	
	No of Shares	Fair Value (Rs.'000)	No of Shares	Fair Value (Rs.'000)	No of Shares	Fair Value (Rs.'000)	No of Shares	Fair Value (Rs.'000)
15.2.1 Investment in Unit Trusts								
NDB Wealth Money Plus	2,953,621	54,109	56,633	6,214,384	100,000	106,838	-	-
First Capital Money Market Fund	15,760	23,082	23,342	131,012	132,054	140,303	-	-
Capital Alliance Money Market Fund	3,592,269	50,000	57,855	3,592,269	50,000	51,524	-	-
		127,191	137,830		282,054	298,665		
15.2.2 Investment in Quoted Debentures								
Sampath Bank PLC	500,000	50,000	50,475	500,000	50,000	50,630	-	-
Citizens Development Business Finance PLC	500,000	50,000	47,820	500,000	150,032	146,961	-	-
Merchant Bank of Sri Lanka & Finance PLC	-	-	-	140,800	14,326	14,254	-	-
People's Leasing & Finance PLC	-	-	-	150,000	15,262	15,175	-	-
		100,000	98,295		229,620	227,020		
		227,191	236,125		511,673	525,685		

Notes to the Financial Statements

As at 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

16. DEFERRED TAXATION

16.1 Deferred Tax Asset

Balance at the beginning of the year	107,006	134,019	107,006	127,796
(Provision)/Reversal during the year (Note No. 16.3)	18,082	(28,066)	18,082	(20,790)
Transferred from Deferred Tax liability	-	-	-	-
Transferred to Deferred Tax liability	-	1,053	-	-
Balance at the end of the year	125,088	107,006	125,088	107,006

16.2 Deferred Tax Liability

Balance at the beginning of the year	1,053	-	-	-
Provision/(Reversal) during the year (Note No. 16.3)	11,508	-	-	-
Transferred to Deferred Tax Asset	-	-	-	-
Transferred from Deferred Tax Asset	-	1,053	-	-
Balance at the end of the year	12,561	1,053	-	-

16.3 (Provision)/Reversal for the year

Provision/(Reversal) during the year recognized in Profit/(Loss)	10,271	(36,531)	20,844	(29,629)
Provision/(Reversal) during the year recognized in Other Comprehensive Income	(3,697)	8,465	(2,762)	8,839
Provision/(Reversal) during the year recognized in Comprehensive Income	6,574	(28,066)	18,082	(20,790)

	2018		2017	
	Temporary Difference (Rs.'000)	Tax Effect on Temporary Difference (Rs.'000)	Temporary Difference (Rs.'000)	Tax Effect on Temporary Difference (Rs.'000)
Group				
Temporary Difference on Property Plant & Equipment	(3,039,477)	(471,230)	(3,071,749)	(459,467)
Temporary Difference on Retirement Benefit Obligations	859,966	131,651	915,103	136,380
Temporary Difference on Stock Provision	83,407	13,458	88,368	14,422
Temporary Difference on Warranty Provision	93,787	19,248	73,181	15,493
Temporary Difference on Provision for Bad and Doubtful Debts	68,636	10,320	-	-
Temporary Difference on Tax Losses carried forward	2,720,765	409,080	2,720,765	399,125
	787,083	112,527	725,667	105,953

	2018		2017	
	Temporary Difference (Rs.'000)	Tax Effect on Temporary Difference (Rs.'000)	Temporary Difference (Rs.'000)	Tax Effect on Temporary Difference (Rs.'000)
Company				
Temporary Difference on Property Plant & Equipment	(2,929,711)	(440,496)	(3,005,325)	(440,869)
Temporary Difference on Retirement Benefit Obligations	841,832	126,573	899,062	131,889
Temporary Difference on Stock Provision	76,337	11,478	77,420	11,357
Temporary Difference on Warranty Provision	54,090	8,133	37,505	5,502
Temporary Difference on Provision for Bad and Doubtful Debts	68,636	10,320	-	-
Temporary Difference on Tax Losses carried forward	2,720,765	409,080	2,720,765	399,125
	831,949	125,088	729,428	107,006

Management has measured the deferred tax asset by applying the tax rates as per Inland Revenue Act No. 24 of 2017 as at 31st December 2018, in accordance with LKAS 12 paragraph 46.

As at, 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)
17. INVENTORIES				
Raw Materials	883,288	652,175	756,887	543,217
Goods in Transit	22,053	181,709	22,053	181,692
	905,341	833,884	778,940	724,909
Less: Provision for Inventories (Note 17.1)	(83,407)	(88,368)	(76,337)	(77,420)
	821,934	745,516	702,603	647,489

17.1 Movement in Provision for Inventories

Balance at the beginning of the year	88,368	62,707	77,420	50,888
Provision/(Reversal) made during the year	(7,566)	29,101	(1,083)	29,972
Amounts written off during the year	2,605	(3,440)	-	(3,440)
Balance at the end of the year	83,407	88,368	76,337	77,420

Notes to the Financial Statements

As at, 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

18. TRADE AND OTHER RECEIVABLES

Trade Receivables	2,978,692	1,986,752	2,710,069	1,825,528
Less: Provision for Bad and Doubtful Debts (Note No 18.1)	(87,190)	(19,578)	(68,636)	-
	2,891,502	1,967,174	2,641,433	1,825,528
Accrued Revenue	1,555,398	3,843,301	1,230,843	3,697,621
VAT Recoverable	222,507	239,652	221,303	239,652
Deposits and Prepayments	578,399	563,271	558,001	542,052
Economic Service Charges	238,749	207,883	238,749	206,471
Other Receivables	336,901	357,935	213,014	244,163
	5,823,456	7,179,216	5,103,343	6,755,487

82 18.1 Movement in Provision for Bad and Doubtful Debts

Balance at the beginning of the year	19,578	30,578	-	-
Provision made during the year	75,765	1,210	68,636	-
Reversals made during the year	-	(9,035)	-	-
Bad debts written off during the year	(8,153)	(3,175)	-	-
Balance at the end of the year	87,190	19,578	68,636	-

19. Other Financial Assets Including Derivatives

Non Current

Loans given to employees (Note No. 19.1)	467,400	414,813	455,021	404,337
Pre paid Staff Benefits (Not No. 19.2)	66,003	50,876	64,102	50,231
Forward exchange contracts used for hedging	15,714	-	15,714	-
	549,117	465,689	534,837	454,568

Current

Loans given to employees (Note No. 19.1)	160,944	145,309	159,836	142,319
Pre paid Staff Benefits (Note No. 19.2)	23,092	19,455	22,518	17,680
Forward exchange contracts used for hedging	59,119	-	59,119	-
	243,155	164,764	241,473	159,999
	792,272	630,453	776,310	614,568

19.1. Loans given to employees

Balance at the beginning of the year	630,453	567,851	614,567	556,904
Loans Granted during the year	300,829	248,851	298,354	241,357
Loans Recovered during the year	(213,843)	(186,249)	(211,444)	(183,694)
	717,439	630,453	701,477	614,567

Transfer to Pre Paid Staff Benefits	(89,095)	(70,331)	(86,620)	(67,911)
Balance at the end of the year	628,344	560,122	614,857	546,656

Non Current	467,400	414,813	455,021	404,337
Current	160,944	145,309	159,836	142,319

As at 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

19.2. Prepaid Staff Benefits

Balance at the beginning of the year	70,331	54,096	67,911	52,591
Additions during the year	49,861	42,532	49,192	41,163
Amortization	(31,097)	(26,297)	(30,483)	(25,843)
Balance at the end of the year	89,095	70,331	86,620	67,911
Non Current	66,003	50,876	64,102	50,231
Current	23,092	19,455	22,518	17,680

The loans given to employees are secured and interest is charged at the following rates:

	Housing Loans	Vehicle Loans	Wedding Loans
Colombo Dockyard PLC	6.5% -7.5%	10%	0%
Dockyard General Engineering Services (Private) Limited	7.5%	10%	-
Ceylon Shipping Agency (Private) Limited	3.0%	-	-

Relationship	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

20. AMOUNTS DUE FROM RELATED PARTIES

Dockyard General Engineering Services (Pvt) Ltd	Subsidiary	-	-	147,238	86,052
		-	-	147,238	86,052

21. CASH AND CASH EQUIVALENTS

21.1 Favourable Balances

Fixed Deposits	3,533,727	4,455,960	2,975,187	4,141,394
Repurchase Agreements	44,000	19,000	-	-
Call Deposits	1,039,469	400,051	1,039,469	400,051
Cash at Bank	288,097	177,398	91,647	93,167
Cash in Hand	9,397	8,417	8,740	7,683
	4,914,690	5,060,826	4,115,043	4,642,295

Notes to the Financial Statements

As at 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

21.2 Unfavourable Balances

Bank Overdrafts	(80)	(2,204)	-	-
Cash and Cash Equivalents for the purpose of the Cash Flow Statement	4,914,610	5,058,622	4,115,043	4,642,295

As at 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

22. STATED CAPITAL

Issued and Fully paid

71,858,924 Ordinary Shares (2017 - 71,858,924)	714,396	714,396	714,396	714,396
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The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meeting of the shareholders or one vote per share in the case of a poll.

22.1 Exchange Equalization Reserve

Exchange Equalization Reserve includes the exchange differences arising on translation of the Group's foreign operation - Ceylon Shipping (Pte.) Ltd.

22.2 Available-For-Sale Reserve

Available-for-sale reserve includes changes of fair value of financial instruments designated as available for sale financial assets.

22.3 Fair Value Through OCI Reserve

Fair value through OCI reserve includes changes of fair value of financial instruments designated as financial assets measured at fair value through OCI.

22.4 Cash Flow Hedge Reserve

The risk management objective of the cash flow hedge is to hedge the risk of variation in the foreign currency exchange rates associated with the Japanese Yen (JPY) denominated forecast sales.

The amount recognised in Other Comprehensive Income is transferred to the Income Statement when the hedge transaction occurs (when the forecast revenue is realised). If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in Other Comprehensive Income is transferred to the Income Statement.

Hedging instrument - Forward agreement to sell JPY and buy USD

Hedged item - JPY denominated forecast sales to incur till Feb. 2020

Risk management strategy - To secure the value of USD to be received by bank on conversion of JPY denominated forecast sales, against the future exchange rate movements.

As at 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

23. INTEREST BEARING BORROWINGS

Payable within one year

Short Term Loans (Note No. 23.1)	2,712,300	3,494,446	2,712,300	3,494,446
	2,712,300	3,494,446	2,712,300	3,494,446

23.1 Short Term Loans

Balance at the beginning of the year	3,494,446	7,409,743	3,494,446	7,409,743
Loans obtained during the year	6,752,188	6,489,451	6,752,188	6,489,451
Loan repayments during the year	(7,892,012)	(10,510,164)	(7,892,012)	(10,510,164)
Adjustment in respect of Exchange Rate Fluctuations	357,678	105,416	357,678	105,416
Balance at the end of the year	2,712,300	3,494,446	2,712,300	3,494,446

Note: Short term loans have been obtained for working capital financing from commercial banks and are repayable within 3 to 6 months. Majority of working capital facilities have been collateralized against stock in trade.

As at 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

24. OTHER FINANCIAL LIABILITIES INCLUDING DERIVATIVES

Current

Corporate Guarantees	-	-	930	675
	-	-	930	675

25. EMPLOYEE BENEFITS

Balance at the beginning of the year	915,103	854,257	899,062	838,925
Provision made in the profit/(loss) during the year (Note No. 25.3)	150,896	148,128	145,465	143,602
Payments made during the year	(168,727)	(146,202)	(168,727)	(143,717)
Actuarial (gain)/loss recognized in Other Comprehensive Income	(37,307)	58,920	(33,968)	60,252
Balance at the end of the year (Note Nos. 25.1, 25.2)	859,965	915,103	841,832	899,062

25.1 The amount recognized in the Statement of Financial Position are as follows:

Present value of unfunded obligations	859,965	915,103	841,832	899,062
Present value of funded obligations	-	-	-	-
Total present value of obligations	859,965	915,103	841,832	899,062
Fair value of plan assets	-	-	-	-
Present value of net obligations	859,965	915,103	841,832	899,062
Unrecognized net actuarial gains/(losses)	-	-	-	-
Recognized liability for defined benefit obligations	859,965	915,103	841,832	899,062

Notes to the Financial Statements

As at 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

25.2 Movement in the present value of defined benefit obligations

Liability for defined benefit obligations as at 1st January	915,103	854,257	899,062	838,925
Actuarial (gains)/losses	(37,307)	58,920	(33,968)	60,252
Benefit paid by the plan	(168,727)	(146,202)	(168,727)	(143,717)
Current service costs	54,877	53,957	51,063	50,615
Interest Cost	96,019	94,171	94,402	92,987
Liability for defined benefit obligations as at 31st December	859,965	915,103	841,832	899,062

25.3 Expense recognized in Profit or Loss for the year ended,

Current service costs	54,877	53,957	51,063	50,615
Interest on obligation	96,019	94,171	94,402	92,987
	150,896	148,128	145,465	143,602

25.4 Gain/(Loss) recognized in Other Comprehensive Income

	37,307	(58,920)	33,968	(60,252)
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Colombo Dockyard PLC

The actuarial valuations carried out by M/s Piyal S Goonetilleke and Associates for retiring gratuity for employees as at 31st December 2018 amounting to Rs. 842 Mn and used the following key assumptions.

	2018	2017
Rate of Interest	11.00%	10.50%
Rate of Salary Increment	8.00%	8%
Rate of COLA Increment	6%	6%
Staff Turnover Factor	1%	1%
Retiring Age (Years) - Male	55	55
- Female	50	50

Dockyard General Engineering Services (Pvt) Ltd

Dockyard General Engineering Services (Pvt)Ltd, applied the formula method and used the following key assumptions in arriving at the retirement benefit liability under Projected Unit Credit (PUC) method.

	2018	2017
Rate of Interest	10.50%	10.50%
Rate of Salary Increment	10.00%	13.00%
Staff Turnover Factor	1%	1%
Retiring Age (Years) - Male	60	60
- Female	50	50

25.5 Sensitivity of Assumptions Used

Colombo Dockyard PLC

A quantitative sensitivity analysis for significant assumptions used by the Company as at 31st December 2018 is as shown below:

Effect on the Employee Benefit Obligation	Discount Rate (Rs.'000)	Salary Escalation Rate (Rs.'000)
As per the current assumptions	841,832	841,832
Increase by one percentage point	799,549	886,811
Decrease by one percentage point	888,848	800,599

The sensitivity analysis above have been determined based on a method that extrapolates the impact on employee benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting date.

Dockyard General Engineering Services (Pvt) Ltd

A quantitative sensitivity analysis for significant assumptions used by the Company as at 31st December 2018 is as shown below:

Effect on the Employee Benefit Obligation	Discount Rate (Rs.'000)	Salary Escalation Rate (Rs.'000)
As per the current assumptions	18,134	18,134
Increase by one percentage point	17,403	17,889
Decrease by one percentage point	18,992	16,391

The sensitivity analysis above have been determined based on a method that extrapolates the impact on employee benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Notes to the Financial Statements

As at 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

26. TRADE AND OTHER PAYABLES

Trade Payables	594,346	509,731	378,125	396,154
Subcontract Payables	425,450	357,932	425,450	357,932
Progress Bills	950,221	2,023,905	950,221	2,023,905
Provision for Warranty Claims (Note 26.1)	93,787	73,181	54,090	37,505
Accrued Expenses and Other Provisions	631,527	541,655	431,455	382,586
Other Payables	274,050	244,630	72,635	108,264
ESC Payable	39,458	26,810	39,458	26,810
VAT Payable	-	568	-	-
	3,008,839	3,778,412	2,351,434	3,333,156

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26.1 Provision for Warranty Claims

Balance at the beginning of the year	73,181	75,023	37,505	34,273
Provision/(Reversals) made during the year	37,368	1,076	17,210	6,150
Claims made during the year	(16,762)	(2,918)	(625)	(2,918)
Balance at the end of the year	93,787	73,181	54,090	37,505

27. AMOUNTS DUE TO RELATED PARTIES

Ceylon Shipping Agency (Pvt) Ltd	-	-	121,790	99,131
Dockyard General Engineering Services (Pvt) Ltd	-	-	42,781	14,140
	-	-	164,571	113,271

As at 31st December,	Group		Company	
	2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

28. INCOME TAX PAYABLE

Balance at the beginning of the year	34,623	56,286	-	-
Provision for Income Tax on current year's profits	86,330	41,947	-	533
Under/(Over) provision of Income Tax in respect of prior year	(334)	(8,163)	-	-
Tax paid during the year	(36,651)	(55,447)	-	-
ESC Setoff	-	-	-	(533)
Balance at the end of the year	83,968	34,623	-	-

29. DIVIDEND PAYABLE

Balance at the beginning of the year	26,152	26,191	26,152	26,191
Dividends declared during the year	107,788	-	107,788	-
Payments during the year	(118,788)	(39)	(118,788)	(39)
Balance at the end of the year	15,152	26,152	15,152	26,152

As at 31st December,	Note	Group		Company	
		2018 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2017 (Rs.'000)

30. FINANCIAL INSTRUMENTS

30.1 Financial Instruments - Statement of Financial Position (SOFP)

The Financial Instruments recognize in the Statement of Financial Position are as follows:

Financial Assets

Fair value through profit and loss

SOFP Line Item:

Investments classified as fair value through profit or loss	15.2	236,125	525,685	-	-
Total		236,125	525,685	-	-

Amortised cost

SOFP Line Item:

Other financial assets including derivatives - Non Current	19	549,117	465,689	534,837	454,568
Trade and other receivables	18	3,228,403	2,458,072	2,854,447	2,056,974
Other financial assets including derivatives - Current	19	243,155	164,764	241,473	159,999
Amounts due from related parties	20	-	-	147,238	86,052
Total		4,020,675	3,088,525	3,777,995	2,757,593

Fair value through other comprehensive income

SOFP Line Item:

Investment in subsidiaries	14	-	-	4,747	3,816
Unquoted share investments	15	17,981	16,191	17,981	16,191
Total		17,981	16,191	22,728	20,007

Cash and cash equivalents	21	4,914,690	5,060,826	4,115,043	4,642,295
Total		9,189,471	8,691,228	7,915,766	7,419,895

Financial Liabilities

Other Financial Liabilities

SOFP Line Item:

Loans and borrowings - Current	23	2,712,300	3,494,446	2,712,300	3,494,446
Trade and other payables	26	2,019,160	1,478,529	1,361,755	1,033,841
Other financial liabilities including derivatives - Current	24	-	-	930	675
Amounts due to related parties	27	-	-	164,571	113,271
Income Tax payable	28	83,968	34,623	-	-
Dividend payable	29	15,152	26,152	15,152	26,152
Total		4,830,580	5,033,750	4,254,708	4,668,385

Bank overdrafts	21	80	2,204	-	-
Total		4,830,660	5,035,954	4,254,708	4,668,385

Notes to the Financial Statements

30.2 Financial Instruments Carried at Fair Value

The Group uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation techniques.

- Level 01 : Quoted (unadjusted) prices in active market for assets or liabilities.
 Level 02 : Other techniques for which all inputs with significant effect on the recorded fair values are observable either directly or indirectly.
 Level 03 : Techniques that use inputs that have significant effect on the recorded fair value that are not based on observable market data.

	Group			Company		
	Level 01 (Rs. '000)	Level 02 (Rs. '000)	Level 03 (Rs. '000)	Level 01 (Rs. '000)	Level 02 (Rs. '000)	Level 03 (Rs. '000)
As at 31.12.2018						
Financial Assets						
Unquoted equity investments - Unquoted shares	-	-	17,981	-	-	17,981
Fair value through profit or loss investments	-	236,125	-	-	-	-
	-	236,125	17,981	-	-	17,981
Financial Liabilities						
Corporate Guarantee	-	-	-	-	-	930
	-	-	-	-	-	930
As at 31.12.2017						
Financial Assets						
Unquoted equity investments - Unquoted shares	-	-	16,191	-	-	16,191
Fair value through profit or loss investments	-	525,685	-	-	-	-
	-	525,685	16,191	-	-	16,191
Financial Liabilities						
Corporate Guarantee	-	-	-	-	-	675
	-	-	-	-	-	675

Fair value through Profit or Loss investments consists of Investment in Quoted Debentures amounting to Rs. 98 Mn (2017 - Rs. 227 Mn) and Investment in Unit Trusts amounting to Rs. 138Mn (2017 - Rs.299 Mn)

30.3 Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques used in measuring level 1,2 & 3 fair value as well as the significant unobservable inputs used, including a sensitivity analysis on possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, on Profit & Loss.

Type	Valuation Technique	Significant unobservable inputs	Inter relationship between significant unobservable inputs and fair value measurement	Profit/(Loss) Increase Decrease
01. Unquoted equity instruments	Net Assets per share Basis In the absence of any other appropriate valuation technique, the unquoted investments have been valued using above method.	Not Applicable	Not Applicable	Not Applicable
02. Investment in Unit Trusts	Available quoted market trading prices for Unit trusts as at 31st December 2018	Not Applicable	Not Applicable	Not Applicable
03. Investment in Quoted Debentures	Available quoted market trading prices for Debentures as at 31st December 2018 adjusted using a price formula using similar treasury bond's yield, due to unavailability of subsequent trades after Debenture issue date.	Not Applicable	Not Applicable	Not Applicable

31. FINANCIAL RISK MANAGEMENT

In the course of its business, the Group is exposed to a number of risks arising from its use of financial instruments, including:

- Credit Risk
- Liquidity Risk
- Market Risk
 - (i) Currency risk
 - (ii) Interest Rate risk

The Group has trade and other receivables, other financial assets including loans given to employees and cash and short term investments that arise directly from its operations. The Group also holds investments valued at fair value through other comprehensive income and enter into derivative transactions. The Group's principal financial liabilities comprise of short term borrowings, trade and other payables and other financial liabilities.

This note represents qualitative and quantitative information about the Group's exposure to each of the above risks, the Group's objectives, policies and procedure for measuring and managing risks.

Notes to the Financial Statements

Risk Management Framework

The board of directors has the overall responsibility of establishing and overlooking the Group's Risk Management Framework. The Group's risk management policies are established to identify and analyse the risk 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 maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

31.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk from its operating activities and from its financing activities, including trade receivables, short term investments and other financial assets.

The Group trades only with recognized, creditworthy third parties. It is the group policy that all balances are monitored on an ongoing basis (approval procedures) and obtaining bank guarantees from third parties when required, result that the Group's exposure to bad debt is not significant. The Group limits its exposure to credit risk by investing only in short term liquid assets with the counter parties that have an existing business relationship. The maximum credit risk exposure of the financial assets, without considering collateral (if any) of the Company and the Group are approximately their carrying amounts as at statement of financial position date.

31.1.1 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;

As at 31st December,	Group		Company	
	2018 (Rs. '000)	2017 (Rs. '000)	2018 (Rs. '000)	2017 (Rs. '000)
Trade and other receivables	3,228,403	2,458,072	2,854,447	2,056,974
Other financial assets including derivatives	792,272	630,453	776,310	614,567
Investments classified as fair value through profit or loss	236,125	525,685	-	-
Cash at bank and in hand	4,914,690	5,060,827	4,115,043	4,642,295
Amount due from related parties	-	-	147,238	86,052
Investments classified as fair value through OCI	17,981	16,191	22,728	20,007
Total exposure to the credit risk	9,189,471	8,691,228	7,915,766	7,419,895

Impairment Losses

The Company and the Group establishes an allowance for impairment that represents its estimate of expected losses in respect of Trade Receivables. Since the Company and Group operates in an environment where each customer contract is different, developing an allowance matrix as a whole would be impracticable. Therefore the Board of Directors has decided to assess each receivable separately based on the segment, age of customer relationship, historical data of payment statistics as at every reporting date.

The aging of Trade receivables at the reporting date was:

Age	Group			Company		
	Gross Amount (Rs. '000)	Expected Credit Losses (Rs. '000)	Net Amount (Rs. '000)	Gross Amount (Rs. '000)	Expected Credit Losses (Rs. '000)	Net Amount (Rs. '000)
Within 180 Days	1,825,342	(187)	1,825,155	1,580,067	(187)	1,579,880
181-365 Days	1,060,740	(19,028)	1,041,712	1,051,310	(19,028)	1,032,282
More than 365 Days	92,610	(67,975)	24,635	78,692	(49,421)	29,271
	2,978,692	(87,190)	2,891,502	2,710,069	(68,636)	2,641,433

31.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or another financial asset.

To measure and mitigate liquidity risk, the Group monitor its net operating cash flow, maintain a sufficient level of cash and cash equivalents and secured committed funding facilities from financial institutions.

Followings are the contractual maturity of financial liabilities as at 31st December 2018:

Financial Liabilities	Group			Company		
	Less than one year (Rs. '000)	More than one year (Rs. '000)	Total (Rs. '000)	Less than one year (Rs. '000)	More than one year (Rs. '000)	Total (Rs. '000)
Other financial liabilities	4,830,580	-	4,830,580	4,254,708	-	4,254,708
Bank overdrafts	80	-	80	-	-	-
	4,830,660	-	4,830,660	4,254,708	-	4,254,708

Following are the contractual maturity of financial liabilities as at 31st December 2017:

Financial Liabilities	Group			Company		
	Less than one year (Rs. '000)	More than one year (Rs. '000)	Total (Rs. '000)	Less than one year (Rs. '000)	More than one year (Rs. '000)	Total (Rs. '000)
Other financial liabilities	5,033,750	-	5,033,750	4,668,385	-	4,668,385
Bank overdrafts	2,204	-	2,204	-	-	-
	5,035,954	-	5,035,954	4,668,385	-	4,668,385

31.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc.; will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns.

Notes to the Financial Statements

(i) Currency Risk

The risk that the fair value or future cash flows of a financial instrument fluctuation due to changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchases, borrowings and investments that are denominated in a currency other than the functional currency which is Sri Lankan Rupees (LKR).

The risk is minimized by hedging the currency either by forward foreign exchange contracts in respect of actual or forecasted currency exposures or hedge naturally by a matching sales and purchases or matching assets and liabilities of the same currency and amounts.

The principal exchange rates used by the Group for conversion of foreign currency balances and transactions, for the year as follows :

	Average Rate		Closing Rate (Spot)	
	2018 (Rs.)	2017 (Rs.)	2018 (Rs.)	2017 (Rs.)
U. S. Dollar	161.01	152.45	183.00	152.78
Euro	189.82	172.98	209.24	187.27
Singapore Dollars	119.53	111.06	134.08	114.38
Danish Kroners	25.53	23.29	28.06	24.52
Japanese Yen	1.46	1.36	1.66	1.36

Sensitivity Analysis

A strengthening or weakening of Sri Lankan Rupees as indicated below, against the major foreign currencies as at 31st December 2018 would have increased/(decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Increase/(Decrease) in Principal Exchange rates

(5% movement)	Effect on Profit before Tax	
	Strengthen (Rs. '000)	Weakening (Rs. '000)
As at 31.12.2018		
U. S. Dollar	270,839	(270,839)
Euro	24,486	(24,486)
Singapore Dollars	(5,240)	5,240
As at 31.12.2017		
U. S. Dollar	108,262	(108,262)
Euro	8,901	(8,901)
Singapore Dollars	(3,656)	3,656

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value of the future cash flows of financial instruments fluctuate because of changes in market interest rates. The group exposed to the risk of changes in market interest rates relates primarily to the Group's short term debt obligation and investments with variable interest rates. Group does not have any variable rate long term borrowings or investments as at the reporting date, which results material interest rate risk.

The Group utilise various financial instruments to manage exposures to interest rate risks arising due to financial instruments.

The following table demonstrates the Group sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Profit before tax:

Increase/(Decrease) in Variable Interest Rates

(100 Basis Points movement)	Effect on Profit before Tax	
	Increase (Rs. '000)	Decrease (Rs. '000)
As at 31.12.2018		
On Variable Rate Instruments - USD	26,335	(26,335)
- Euro	-	-
As at 31.12.2017		
On Variable Rate Instruments - USD	12,346	(12,346)
- Euro	(9,989)	9,989

32. INITIAL APPLICATION OF SLFRS 15 AND SLFRS 9

32.1 Impact on Adoption of New Standards

The Company and Group has initially applied SLFRS 15 (32.1.1) and SLFRS 9 (32.1.2) from 01st January 2018. A number of other standards are also effective from 01st January 2018 but they do not have a material effect on the Company and Group's financial statements.

Due to the transition methods chosen by the Company and Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

32.1.1 SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contract and related interpretations. Under SLFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control- at a point in time or over time- requires judgement.

The Company and Group has adopted SLFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 01st January 2018). Accordingly, the information presented for 2017 has not been restated- i.e. it is presented, as previously reported, under LKAS 18, LKAS 11 and related interpretations. Additionally, the disclosure requirements in SLFRS 15 have not generally been applied to comparative information.

However based on the Impact Analysis carried out by the Board of Directors they are of the view that there won't be any changes to the existing revenue recognition criteria of the Company and Group. Therefore adopting SLFRS 15 does not have any material impact on the Group's statement of financial position as at 31st December 2018 and its statement of profit or loss and OCI and statement of cash flows for the year then ended 31st December 2018.

Notes to the Financial Statements

32.1.2 SLFRS 9 - Financial Instruments

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

SLFRS 9 contains three principle classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale. Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Therefore adopting SLFRS 9 does not have any material impact on the Group's statement of financial position as at 31st December 2018 and its statement of profit or loss and OCI and statement of cash flows for the year then ended 31st December 2018.

32.1.2.1 Classification and measurement of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Group/Company's financial assets and financial liabilities as at 01st January 2018.

The effect of adopting SLFRS 9 on the carrying amounts of financial assets at 01st January 2018 relates solely to the new impairment requirements.

	Original classification under LKAS 39	New classification under SLFRS 9	Original carrying amount under LKAS 39	New carrying amount under SLFRS 9
Financial assets				
Trade and other receivables	Loans and receivable	Amortised cost	2,458,072	2,458,072
Amounts due from related parties	Loans and receivable	Amortised cost	86,052	86,052
Other financial assets including derivatives	Loans and receivable	Amortised cost	630,453	630,453
Total Financial assets			3,174,577	3,174,577
Financial Liabilities				
Other financial liabilities including derivatives	Other financial liabilities	Other financial liabilities	675	675
Trade and other payables	Other financial liabilities	Other financial liabilities	1,478,529	1,478,529

	Original classification under LKAS 39	New classification under SLFRS 9	Original carrying amount under LKAS 39	New carrying amount under SLFRS 9
Loans and borrowings	Other financial liabilities	Other financial liabilities	3,494,446	3,494,446
Amounts due to Related Parties	Other financial liabilities	Other financial liabilities	113,271	113,271
Income Tax payable	Other financial liabilities	Other financial liabilities	34,623	34,623
Dividend payable	Other financial liabilities	Other financial liabilities	26,152	26,152
Total Financial liabilities			5,147,696	5,147,696

32.1.2.2 Impairment of financial assets

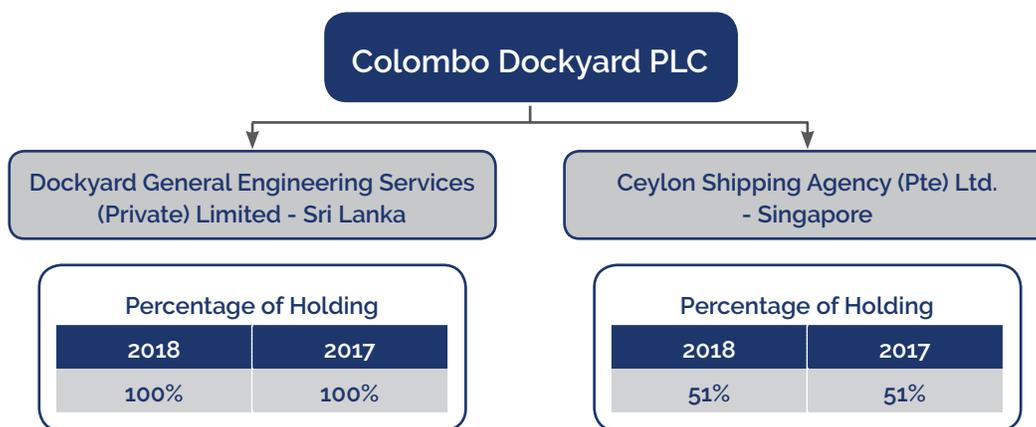
SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

The Company has determined the application of the impairment requirements of SLFRS 9 at 01st January 2018.

The following table summarises the impact, net of tax, of transition to SLFRS 9 on the opening balance of reserves and retained earnings

	Note	Impact of adopting SLFRS 9 on opening balance
Impairment of Trade Receivables		
Recognition of expected impairment loss under IFRS 9 for financial assets at amortised cost	18	15,595
Impact as at 01st January 2018		15,595
Retained earnings		
Impairment loss		15,595
Impact as at 01st January 2018		15,595

33. LIST OF SUBSIDIARIES



34. NON-CONTROLLING INTEREST

	Principal place of business	Operating segment	Ownership interest held by Non Controlling Interest	
			2018	2017
Ceylon Shipping Agency (Private) Limited	Singapore	Trading agent	49%	49%

The following is summarized financial information of Ceylon Shipping Agency (Private) Limited, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The information is before intercompany eliminations.

31st December,	2018 (Rs.'000)	2017 (Rs.'000)
Revenue	986,943	517,998
Profit	11,990	1,511
Profit attributable to Non Controlling Interest	5,875	740
Other comprehensive income	21,967	11,633
Total comprehensive income	33,957	13,144
Total comprehensive income attributable to Non Controlling Interest	16,639	6,441
Current assets	258,387	175,983
Non-current assets	31	112
Current liability	(102,271)	(53,904)
Non-current liability	-	-
Net asset	156,147	122,191
Net asset attributable to Non Controlling Interest	76,512	59,873

31st December,	2018 (Rs.'000)	2017 (Rs.'000)
Cash flow from operating activities	57,252	(39,463)
Cash flow from investing activities	85	77
Cash flow from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	57,337	(39,386)
Dividend paid to Non Controlling Interest during the year	-	-

35. CONTINGENT LIABILITIES

(a) On behalf of Colombo Dockyard PLC, banks have given Bank Guarantees to the Company's suppliers / customers amounting to Rs. 6,209,312,000/- (2017 - Rs. 451,075,000/-) as at the reporting date.

Bank	Letter of Credit	Performance & Bid Bonds	Miscellaneous Bonds	Total
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
Bank of Ceylon PLC	124,119	62,706	25,973	212,798
National Development Bank PLC	-	-	11,200	11,200
Commercial Bank PLC	-	79,378	-	79,378
Standard Chartered Bank	-	-	5,905,936	5,905,936
	124,119	142,084	5,943,109	6,209,312

(b) Colombo Dockyard PLC has issued Corporate Guarantees behalf of its Subsidiary amounting to Rs. 1,077,000,000/- (2017- Rs. 527,000,000/-) as at the reporting date.

Name of the Company	Relationship	Miscellaneous	Total
		(Rs.'000)	(Rs.'000)
Dockyard General Engineering Services (Private) Limited	Subsidiary	1,077,000	1,077,000
		1,077,000	1,077,000

(c) Legal Cases

- I Action filed to recover the cost incurred by the company from NMK Warehouse & Logistics (Pvt) Ltd during cleanup process due to oil spillage Pending Proceedings - Fixed for trial - DMR 1420/2017
- II Appeals filed against the High Court order to Supreme Court in respect of termination of employment -SC 49/2015 (Pending Proceedings)

The company's legal professionals are of the opinion that the Company will be able to defend against the these cases. Therefore no provision is made for contingent liabilities in the financial statements.

Notes to the Financial Statements

36. CAPITAL COMMITMENTS

There was no contracted capital expenditure approved by the Board of Directors as at 31st December 2018.

37. TRANSACTIONS WITH RELATED PARTIES

Company	Name of Common Directors	Nature of Interest	Particulars of Financial Dealings	Value of Transaction (Rs.'000')
Dockyard General Engineering Services (Pvt) Ltd	Dr. Toru Takehara Mr. D. V. Abeysinghe Mr. K. Utsumi	Subsidiary	Purchase of Material	102
			Management Services	918
			Lease Rental Received	1,751
			Subcontractor Services	35,460
			Heavy Engineering	71,378
			Dividend Received	35,960
			Bond Handling	1,300
			Transportation	4,704
Ceylon Shipping Agency (Pte) Ltd	Dr. Toru Takehara Mr. D.V. Abeysinghe Mr. C.S.W. De Costa	Subsidiary	Purchase of Material	836,310
Onomichi Dockyard Company Ltd	Mr. T. Nakabe	Parent	Technical services	96,607

This note should be read in conjunction with Note Nos. 14, 20, 27, and 37(A) to these Financial Statements.

The Board of Directors are of the opinion that the related party transactions of the Company and Group during the financial year have been reviewed by the Related Party Transaction Review Committee and are in compliance with Section 9 of the CSE Listing Rules.

During the year ended 31st December 2018, the Group only carried out related party transactions which were recurrent in nature, the aggregate of which did not exceed the threshold of 10% of the gross consolidated revenue or income, thereby being in compliance with Section 9 of the CSE Listing Rule.

(A) Transactions With Key Managerial Personnel

According to Sri Lanka Accounting Standard LKAS 24 - Related Party Disclosures, Key Management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive Directors), Chief Executive Officer and the General Managers of the Company who are in the very next level to the Board of Directors have been classified as Key Management Personnel of the Company/Group.

(i) Loans to the Directors

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

(ii) Compensation paid to Key Management Personnel

For the year Ended 31st December,	2018 Rs.'000	2017 Rs.'000
Short Term Employment Benefit	65,567	55,268
Total Employment Benefit	73,546	60,607

(iii) Other Transactions with Key Management Personnel

There were no other transactions with Key Managerial Personnel other than those disclosed in Note 37(A) to these Financial Statements.

38. EVENTS OCCURRED AFTER THE REPORTING PERIOD

The Directors of the Company have approved the payment of dividend of Rs 1.50/- per share on ordinary shares amounting to Rs. 107,788,386/- for the year ended 31st December 2018 at the meeting held on 26th February 2019.

Subsequent to the reporting date, no circumstances have arisen which would require adjustment to or disclosure in the Financial Statements, other than which are mentioned above.

39. COMPARATIVE INFORMATION

To facilitate comparison, relevant balances pertaining to the previous year have been re-classified to conform to current year's classification.

Ten Years Financial Summary

For the year ended 31st December	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	Rs. Mn									
Statement of Profit or Loss and Other Comprehensive Income										
Revenue	13,169	12,052	9,973	14,407	13,707	15,861	15,728	12,195	14,057	13,160
Cost of Production	(12,292)	(10,607)	(8,736)	(13,616)	(12,508)	(14,246)	(13,028)	(10,164)	(10,978)	(9,798)
Gross Profit	877	1,445	1,237	791	1,199	1,615	2,700	2,031	3,079	3,362
Other Expenses	(1,987)	(1,918)	(1,828)	(1,714)	(1,607)	(1,697)	(1,411)	(1,193)	(1,579)	(1,349)
Profit before Other Income	(1,110)	(473)	(591)	(923)	(408)	(82)	1,289	838	1,500	2,013
Other Income	1,060	202	143	170	347	536	470	641	147	128
Profit From Operation	(50)	(271)	(448)	(753)	(61)	454	1,759	1,479	1,647	2,141
Net Finance Income	221	197	10	59	281	279	144	(83)	174	183
Profit before Tax	171	(74)	(438)	(694)	220	733	1,903	1,396	1,821	2,324
Taxation	(27)	(69)	6	(14)	(11)	91	(14)	43	193	(199)
Net Profit For The Year	144	(143)	(432)	(708)	209	824	1,889	1,439	2,014	2,125
Retained Profit b/f	8,108	8,302	8,722	9,646	9,724	9,507	7,829	6,937	5,363	3,717
Profit available for Appropriation	8,252	8,159	8,290	8,938	9,933	10,331	9,718	8,376	7,377	5,842
Issue of Bonus Shares	-	-	-	-	-	-	(34)	-	-	-
Final Dividends/										
Other Comprehensive income	(92)	(51)	12	(216)	(287)	(575)	(411)	(547)	(547)	(479)
	8,160	8,108	8,302	8,722	9,646	9,756	9,273	7,829	6,830	5,363
As at 31st December	2018	2017	2016	2014	2014	2013	2012	2011	2010	2009
Statement of Financial Position										
Assets										
Property Plant & Equipment	4,049	3,806	4,038	4,328	4,281	4,147	3,900	2,514	2,254	2,051
Investments & Taxes	695	608	594	523	520	532	522	486	131	112
	4,744	4,414	4,632	4,851	4,801	4,679	4,422	3,000	2,385	2,163
Current Assets										
Inventories	703	647	1,235	985	956	753	1,202	638	624	754
Trade & Other Receivables	5,491	7,002	11,005	9,503	8,052	7,467	8,051	6,684	5,251	6,893
Cash & Short-term funds	4,115	4,642	2,110	1,870	2,631	3,329	3,864	3,892	5,933	3,880
	10,309	12,291	14,350	12,358	11,639	11,549	13,117	11,214	11,808	11,527
Total Assets	15,053	16,705	18,982	17,209	16,440	16,228	17,539	14,214	14,193	13,690
Equity & Liabilities										
Stated Capital	714	714	714	714	714	714	714	684	684	684
Available for Re-sale Reserves	93	16	15	15	15	14	10	9		
Revenue Reserves	8,160	8,108	8,302	8,722	9,646	9,756	9,362	7,829	6,830	5,363
Share Holders Fund (Net Worth)	8,967	8,838	9,031	9,451	10,375	10,484	10,086	8,522	7,514	6,047
Non-Current Liabilities										
Interest bearing Borrowings	-	-	-	-	-	-	52	161	61	94
Deferred Taxation	-	-	-	-	-	-	-	-	-	-
Retirement benefit Obligation	842	899	839	870	857	816	931	963	951	786
	842	899	839	870	857	816	983	1,124	1,012	880
Current Liabilities										
Trade & Other Payables	2,516	3,448	1,676	2,332	1,958	2,760	4,548	3,920	4,732	6,048
Interest bearing Borrowings	2,713	3,494	7,410	4,507	3,221	2,141	1,880	538	897	315
Income Tax Payable	-	-	-	-	-	-	16	46	-	305
Dividends Payable	15	26	26	40	27	23	19	17	15	13
Bank Overdraft	-	-	-	9	2	4	7	47	23	82
	5,244	6,968	9,112	6,888	5,208	4,928	6,470	4,568	5,667	6,763
	15,053	16,705	18,982	17,209	16,440	16,228	17,539	14,214	14,193	13,690

Notice of Annual General Meeting

COLOMBO DOCKYARD PLC

(Company Registration No. PQ 50)

P.O. Box 906, Graving Docks, Port of Colombo, Colombo 15

NOTICE IS HEREBY GIVEN that the Thirty Sixth Annual General Meeting of Colombo Dockyard PLC will be held at the Grand Ballroom, Galadari Hotel, No.64, Lotus Road, Colombo 1, Sri Lanka at 10.00 a.m. on the 26th day of March 2019 for the following purposes.

1. To receive the Report of the Board of Directors on the Affairs of the company, the Audited Accounts for the year ended 31st December 2018 and the Report of the Auditors.
2. To re-elect Mr. Lalith Ganlath in terms of Article 87 of the Articles of Association of the Company.
3. To re-elect Mr. H A R K Wickramathilake in terms of Article 87 of the Articles of Association of the Company.
4. To re-appoint Messrs. KPMG, the retiring Auditors and authorize the Directors to fix their remuneration.
5. To authorize the Directors to determine donations for the year 2019 and up to the date of the next Annual General Meeting.

By order of the Board

COLOMBO DOCKYARD PLC



Manori Mallikarachchi

Company Secretary

26th February 2019

Colombo, Sri Lanka

Notes

- 01) Any member, entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of him/her.
- 02) A proxy need not be a member of the Company.
- 03) The Form of Proxy is enclosed for this purpose.
- 04) The completed Form of Proxy must be deposited at the Registered Office of the Company Graving Docks, Port of Colombo, Colombo 15, Sri Lanka, not later than 45 hours prior to the time appointed for the holding of the meeting.

Please bring your National Identity Card when attending the meeting.

Form of Proxy

COLOMBO DOCKYARD PLC

(Company Registration No. PQ 50)

P.O. Box 906, Graving Docks, Port of Colombo, Colombo 15

I/We

(NIC No.) of

being a member/ members of Colombo Dockyard PLC, hereby appoint,

..... of

(or failing him/her)

Dr. T. Takehara	of Colombo (or failing him)
Mr. Sarath de Costa	of Colombo (or failing him)
Mr. D. V. Abeyasinghe	of Colombo (or failing him)
Mr. T. Nakabe	of Colombo (or failing him)
Mr. K Utsumi	of Colombo (or failing him)
Mr. Lalith Ganlath	of Colombo (or failing him)
Mr. H.A.R.K. Wickramathilake	of Colombo (or failing him)
Mr. H A Karunaratne	of Colombo (or failing him)
Mr. M. S. A. Wadood	of Colombo

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Thirty Sixth Annual General Meeting of the Company to be held on 26th March 2019 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereon.

In witness my/our* hands this day of Two Thousand Nineteen.

.....
Signature

Notes:

* Delete what is not applicable

Instructions as to completion appear overleaf.

Instructions for Completion

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company, Graving Docks, Port of Colombo, Colombo 15, Sri Lanka on or before forty five hours before the time appointed for the meeting.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your proxy, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointor is a Company/incorporated body, this Form must be executed in accordance with the Articles of Association/Statute.

Please fill the details :

Share Certificate No./CDS Account No :

Name :

Address :

Jointly with :

Corporate Information

Name of Company

Colombo Dockyard PLC

Legal Form

A Public Quoted Company with Limited Liability. Incorporated and domiciled in Sri Lanka.

Company Registration Number

PQ 50 Founded 1974

BOI Registration Number

A Licensed Enterprise under section 17 of the Board of Investment of Sri Lanka (formerly GCEC) Law No. 4 of 1978 Registration No. 91/17/03/1983.

Tax Registration Numbers

VAT - 124085896-7000
SVAT - SVAT 000846
Income tax - 124085896-0000
ESC - 124085896-8000
NBT - 124085896-9000

Directors

T. Takehara
- *Chairman*
Sarath de Costa
- *Vice-Chairman*
D. V. Abeysinghe
- *Managing Director/CEO*
T. Nakabe
K. Utsumi
Lalith Ganlath
H. A. R. K. Wickramathilake
H. A. Karunaratne
M. S. A. Wadood
K. Kanaya
- *Alternate Director*

Audit & Remuneration Committee

H. A. R. K. Wickramathilake (Chairman)
Lalith Ganlath
Sarath de Costa

Related Party Transaction Committee

H. A. R. K. Wickramathilake (Chairman)
Lalith Ganlath
Sarath de Costa
D. V. Abeysinghe

Company Secretary

Mrs. Manori P. Mallikarachchi
Graving Docks, Port of Colombo,
Colombo 15, Sri Lanka

Corporate Management

D. V. Abeysinghe
- *Managing Director/CEO*
K.B.P. Fernando
- *General Manager (Ship Repair Business)*
W. M. De Silva
- *General Manager (Human Recourse Redevelopment & Administration)*
R. M. V. Rathnayake
- *General Manager (Supply Chain Management)*
Lal Hettiarachchi
- *General Manager (Ship Building)*
M. Rohan De Silva
- *General Manager (Finance & System Implementation)*
T. S. Godakumbura
- *General Manager (New Construction)*
S. G. Senadheera
- *General Manager (Ship Repair Production)*
P. D. Gihan Ravinatha
- *Chief Financial Officer*
Manori P. Mallikarachchi
- *Legal Consultant/Company Secretary*

Auditors

KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar
Mawatha, Colombo 3, Sri Lanka.

Accounting Year End

31st December

Registrars

P & W Corporate Secretarial (Pvt) Ltd,
No.3/17,
Kynsey Road,
Colombo 8.

Subsidiary Companies

Dockyard General Engineering Services (Pvt) Ltd.
223, Jayantha Mallimarachchi
Mawatha, Colombo 14, Sri Lanka.
www.dges.lk

Ceylon Shipping Agency (Pte) Ltd

No. 35, Selegie Road # 09-16,
Parklane Shopping Mall
Singapore - 188307.

Bankers

Bank of Ceylon
People's Bank
Commercial Bank of Ceylon PLC
State Bank of India
Sampath Bank PLC
National Development Bank PLC
Hatton National Bank PLC
Standard Chartered Bank

Contact Details

P O Box 906 Port of Colombo
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Fax: 94 11 2446441,
94 11 2471335
Email: coldock@cdbl.lk
Internet: www.cdbl.lk

Concept & Designed by



Printed by Printel (Pvt) Ltd



www.cdl.lk



COLOMBO DOCKYARD PLC
"...an Odyssey of Excellence"