

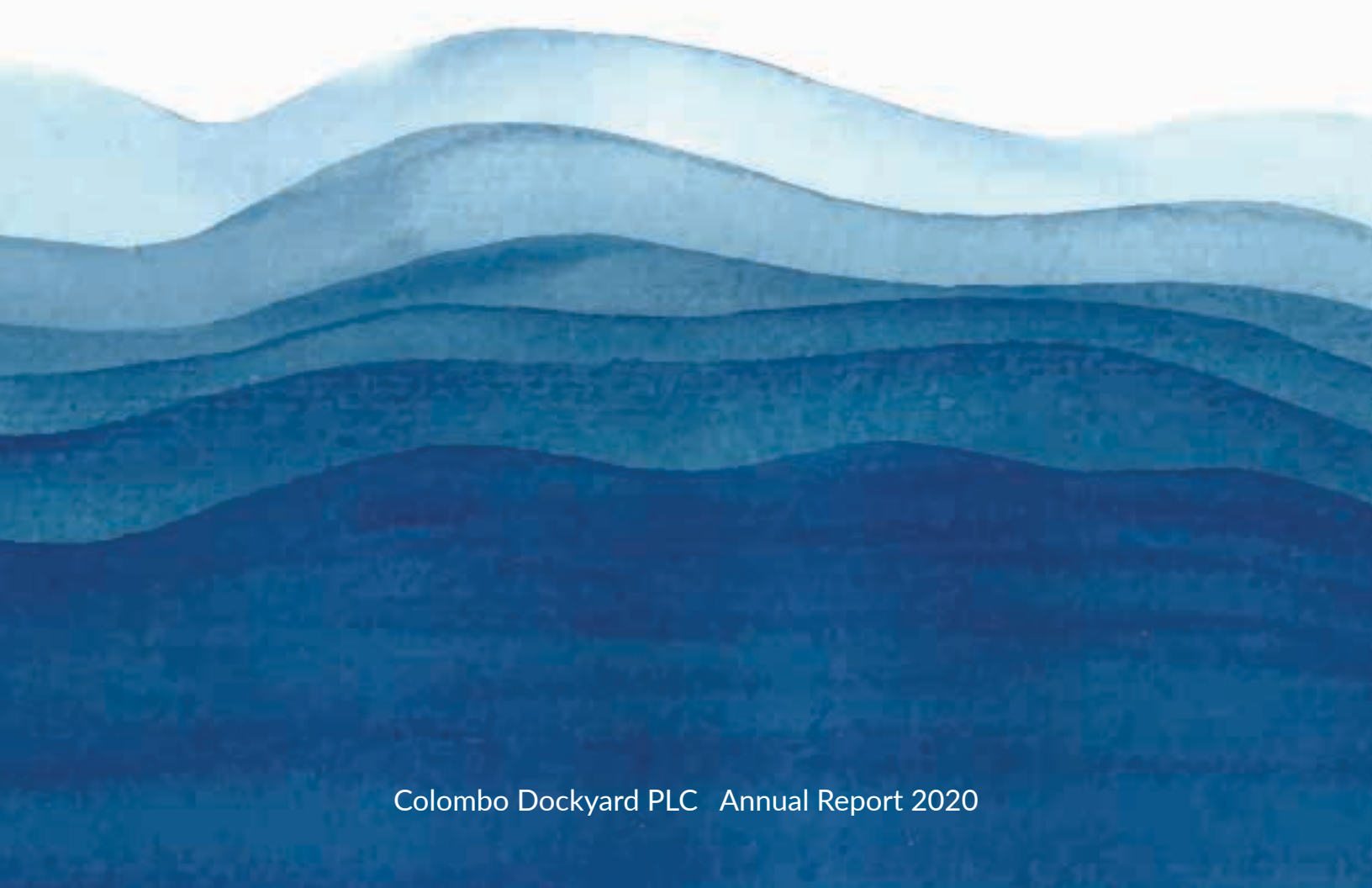


COLOMBO DOCKYARD PLC

"...an Odyssey of Excellence"

Focused Forward

navigating challenging waters



Focused Forward

navigating challenging waters

The year under review has been a challenging one for the shipping industry as a whole. In spite of the turbulent tides we set sail on at the start of the year, Colombo Dockyard PLC managed to retain a monomaniacal focus on new opportunities for growth with the year ahead in mind. Our focus on the future paid off resulting in our operations being further diversified as well as us signing contracts for a shipbuilding projects in the European region- a first for Colombo Dockyard PLC.

Our achievements in the past years are a testament to our inherent strength and resilience that saw us turn challenges into opportunities. We weathered innumerable macroeconomic upheavals and periods of uncertainty to emerge resilient, undeterred and future-focused. We've charted a more prosperous course for the year ahead and will continue to navigate towards new possibilities that will steer Colombo Dockyard PLC towards a brighter tomorrow.

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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, analyze 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 three subsidiaries namely Dockyard General Engineering Services (Pvt) Ltd, Dockyard Total Solutions (Pvt) Ltd and Ceylon Shipping Agency (Pte) Ltd in Singapore, to deal with heavy engineering for local customers, to provide skilled technical services 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, preempting 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)

Results for the Year	2020 Rs. Mn	2019 Rs. Mn	Change Rs. Mn	%
Revenue				
Ship Repairs	5,010	5,773	(763)	(13)
Shipbuildings	2,931	4,266	(1,336)	(31)
Heavy Engineering	138	106	33	31
	8,079	10,145	(2,066)	(20)
Export Revenue	7,477	8,710	(1,233)	(14)
Local Revenue	602	1,435	(833)	(58)
Gross Profit	598	107	491	458
Profit / (Loss) before Tax	(1,250)	(1,812)	562	31
Taxation	(98)	(123)	25	(20)
Net Profit after Tax	(1,347)	(1,935)	588	30
Company Value Addition	3,418	2,713	705	26
Company Value Addition %	41	26	15	57
Local Value Addition	5,126	5,651	(525)	(9)
Employees Salaries & Benefits	3,644	3,958	(314)	(8)
Financial Position				
Total Assets	15,597	14,626	971	6
Total Liabilities	10,377	7,800	2,577	33
Share Holders' Fund	5,220	6,825	(1,605)	(24)
Net Cash & Cash Equivalents	4,191	3,986	205	5
Information Per Ordinary Share				
Earnings (Rs.)	(19)	(27)	8	30
Net Assets (Rs.)	73	95	(22)	(23)
Market Value (Rs.)	85	62	23	37
Market Capitalization Rs. Mn	6,129	4,455	1,674	37
Financial Ratios				
Net Profit after Tax (%)	(17)	(19)	2	10
Return On Investment (%)	(26)	(47)	21	44
Return On Assets (%)	(6)	(13)	7	53
Interest Cover (Times)	(5)	(12)	7	58
Return On Equity (%)	(25)	(28)	3	10

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

Rs. 8 Bn

Total Revenue

The Company managed to reach total revenue of Rs. 8Bn as against Rs.10.1 Bn recorded for last year with the adverse widespread effects of the Coronavirus to the world economy and country's economy during the year 2020

93%

Foreign Revenue

Export earnings generated in 2020 was over 93% of the total Revenue. This represents 93% of foreign revenue generated from Shipbuilding & Ship Repairs during the year. Company contributed 0.2% to Sri Lankan annual industrial export earnings

101 Repairs

Completion of Ship Repairs

Successfully completed 101 ship-repair jobs during the year compared to 205 recorded for 2019. With the significant negative impact from Coronavirus on company's business operation.

Rs. 5,126 Mn

Local Value Addition

Company operation generates over 50% of local value additions.

3,000

Direct Employment

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

99.5%

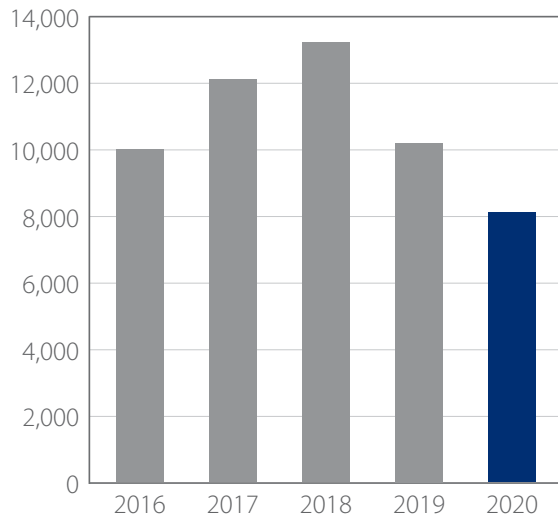
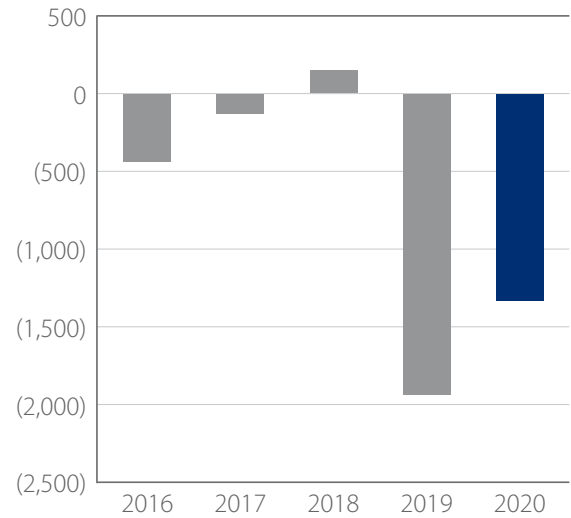
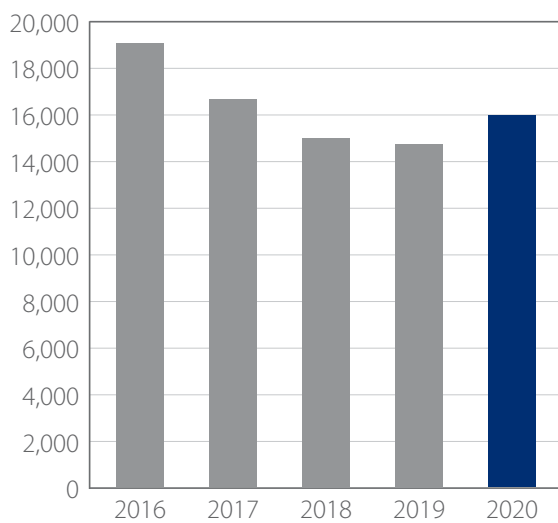
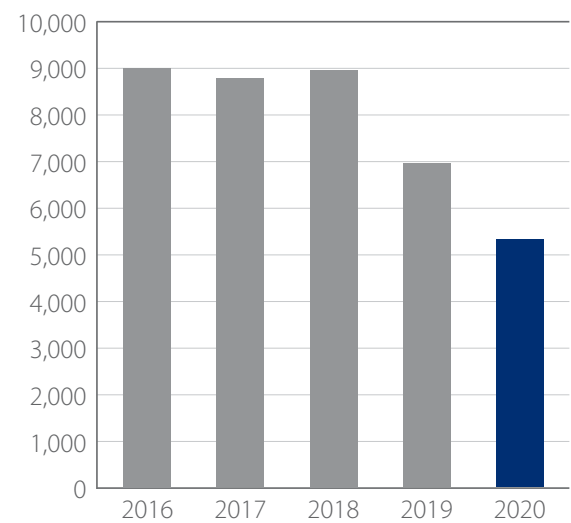
Employee Retention

Despite many economic downturns both locally and globally, we have had few employee resignations during 2020.

Rs. 981 Mn

Capital Expenditure

Company added Rs.981Mn capital values for yard productivity improvements and infrastructure development during 2020

Total Revenue (Rs. Mn)**Profit after tax (Rs. Mn)****Total Assets (Rs. Mn)****Shareholders Funds (Rs. Mn)**

Chairman's Review



Dear Shareholders,

I am pleased to place before you the Annual Report and Financial Statements of Colombo Dockyard PLC (CDPLC) for the financial year ended 31st December 2020. The downward trend experienced in the preceding unfortunately worsened during the year under review as the outbreak of the COVID-19 global pandemic unleashed havoc. Nations around the world were impacted by the enormity of the health crisis brought on by the pandemic which went on to have an adverse effect on economies and people's livelihoods and well-being.

Global Overview

Apart from causing a health crisis the likes of which has not been experienced in living memory, the pandemic had severe repercussions on economies which continued past 2020 and into 2021, with second and third waves in certain countries crippling economic recovery. Lockdowns and mobility restrictions still continue in various parts of the world as mitigation measures to stem the spread of the coronavirus.

As global supply chains were disrupted due to border closures and restrictions, in the global shipping industry a decrease in cargo movements was seen due to the recession spreading all over the world. As a result, ship owners adopted a 'wait and watch' approach when it came to investing in shipbuilding and ship repairs in a bid to delay capital expenditure.

Shipbuilders in Asia are facing the difficulties to survive, and some shipbuilders decided to close their businesses. As a result of all these negative developments, the global shipbuilding market performed very weakly through the year, while the price competition became even more pronounced with cutthroat competition. This scenario played out in the global ship repair industry as well, as most yards operate struggled for survival. Market competition too was extremely dire throughout the year.

Nevertheless, the global vaccination drives provide hope to the global economy and the sector. While it is undeniable that shipbuilders are facing a very difficult situation, at the same time, if they can survive through this most challenging period, they will have likely be in an ideal position to seize new opportunities as they emerge. The business of shipbuilding has always been cyclical in nature and we as a company have a strong balance sheet to tide over the crisis.

Financial Performance

Your Company commenced the year under consideration on a note of optimism as we recorded strong financial results in January and February 2020, based on our budgeted plan. Unfortunately, we were unable to consolidate the performance further after February, facing two lockdowns before the year ended. The yards had to shut down operations completely for two weeks in view of the rising infections and when we opened we had to operate with strict limitations in compliance with health guidelines. The yard strength remained well below 50% during the periods of lockdowns and had to cope with multiple cancellations in the ship repair segment of the business.

Shipbuilders globally suspended or delayed ship buildings plans as business activities were stopped by country lockdowns across Europe. CDPLC had to wait for six months to sign the contract for two new projects which further impacted our financial performance. Nevertheless, we remain optimistic that as the pandemic is brought under control and economies start up once again, business will return gradually, but in the meantime we remain focused on exercising stringent cost controls while enhancing productivity.

Shipbuilding sector

Despite the changes faced during the year under review, we were able to commence construction activities with the support of the government and the dedication of our employees. During the year, the Company mainly continued with the two vessels for General Company for Ports of Iraq (GCPI) as a JICA ODA project. Notwithstanding the high pressure market conditions, we signed two new projects from European owners – the first being with Three Eco-Bulks, which is a trend in eco-friendly vessels from Norway; while the other is for Cable Repair Vessels with a French company. These new partnerships reflect the soundness of CDPLC's global reputation as a shipbuilder of cable Layer Vessels (CLV) and we aim to further showcase our expertise and capability in this segment.

Ship-repair sector

During the year the company surmounted challenges posed by the pandemic and an increasingly price competitive market by distinguishing its status on the basis of quality, on-time delivery and agility as key competitive advantages.

CDPLC's Afloat ship repair business was launched successfully from Hambantota port in 2019 and we expect more business in this segment from global companies on the basis of our reputation. Our presence at Hambantota port augments our operations by expanding our capability and facilities to provide more flexible services to ship-owners.

Heavy Engineering sector

During the year we focused on constructing a slipway system with our Japanese partner for an African country as part of JICA ODA Projects funded by the Japanese Government. Considering the opportunity in this segment of the business, we are pursuing further such projects with established partners.

Unfortunately, due to the global disruption in commercial activities, other such big projects of ODA from the Japanese Government which we had anticipated were cancelled. However, we feel there is much potential in this segment and we will recalibrate our strategy to target new business opportunities. As part of our ambitious future plans, CDPLC will develop this niche business of building infrastructure in foreign markets with reputable partner including underwater restaurants etc.

Subsidiary Companies

Our fully-owned subsidiaries, DGES (Dockyard General Engineering Services Pvt Ltd) and 51% holding CSA (Ceylon Shipping Agency Pte Ltd - Singapore) recorded commendable results during the year under review. DGES focus mainly on local projects including government commissioned construction as well as rehabilitation of infrastructure. The company plans to respond futuristic projects proposed by the Government to diversify its portfolio. During the year, we relocated DTS as DGES's subsidiary to CDPLC's subsidiary to bolster CDPLC's group strength and develop new businesses in the Design sector and Training and IT sectors. The Design sector is expected to support not only CDPLC's design department, but also cater to designers and shipbuilders in foreign countries.

Looking into the future

All companies are struggled under the overwhelming impact of the COVID-19 pandemic and shipbuilders are facing severe price competition presently. However, CDPLC has successfully secured two new projects from European owners as a result of our focused marketing strategy. We consider this a tremendous success as it is a testimony of our capability and stature in world markets. Being awarded these projects in CLV places CDPLC at the forefront of the industry and catches the attention of ship-owners around the world. Our partners and clients have repeatedly appreciated the entire team's high technical level and quality on various occasions. We remain focused on the light at the end of the tunnel – growing our presence in the CLV market, adopting the latest technology, and enhancing skills of our workforce by leveraging on knowledge transfer and best practices from our valuable Japanese partners.

Acknowledgement

I would like to place on record my gratitude to the President of Onomichi Dockyard, Japan, and to the Board of Directors whose guidance and counsel was invaluable in a most challenging year. Despite challenges, the company was able to remain on an even keel thanks to the enormous efforts by our entire workforce. I would also like to thank our shareholders for their trust and confidence. In conclusion, I would like to express my thanks to the national authorities for their unstinted support.



Hideaki Tanaka
Chairman

12th April 2021
Colombo, Sri Lanka

Managing Director / CEO's Review



As we embark on a new year 2021, we are at a juncture to look back and reflect upon the year 2020, possibly the most tumultuous year of our lifetime which re-shaped the socio economic landscape dramatically elevating uncertainties and risks at every level both locally and globally.

The shipping connected industries have been challenged over the last decades while facing abrupt and frequent changes in the macro-economic context and the Covid 19 pandemic further aggravated the conditions during 2020. Colombo Dockyard PLC (CDPLC) had no escape from the conditions yet, company's proactive and timely strategic initiatives which were adaptive to the new macro-economic environment together with the experience and expertise counted over the past four and half decades, enabled CDPLC to be resilient and sail through the year 2020.

CDPLC's impactful presence in the offshore ship building industry being severely challenged after 2014, with the sudden decline in the sector contributed by significant reduction in fuel prices. Albeit regaining company's past momentum was extremely challenging, CDPLC's strategic shift towards new

market segments targeting a wider market scope blends with tighter internal operational controls, enabled the company for a gradual recovery until the unfortunate Easter attack in mid-2019 followed by the Covid 19 pandemic in 2020.

Challenges and Threats

The biggest internal challenge of the company during first and second quarters of 2020 was to re-commence the operations complying with the health guild lines introduced by the health authorities and to continue the business activities while ensuring the health and safety of employees. As such internal systems including employee behavior was systematically changed to align the operations with the new normal conditions. Since CDPLC's operation is being primarily labor intensive, arresting the spread of Covid 19 virus within the organization was the key focus in order to keep our employees safe and ensure uninterrupted services to our clients. The company developed required infrastructure and implemented several precautionary measures including re-designing of operational practices and procedures during the complete lockdown period of the country. This has resulted the company to manage the internal conditions quite successfully without any significant disturbances to the operation even during the second wave of Covid 19 occurred in early October 2020, although company did not reach the optimum production capacity levels which impacted the projected results during 2020.

The most crucial external challenge that company had to deal with, was the severe impact of Covid 19 to the countries where our main clients are based in, which include France, Norway and India. Albeit the situation appeared to be a significant loss of business opportunities, company managed to retain part of the volumes due to our shift towards agile and innovative methods of certain business transactions deviating from the traditional practices. The noteworthy transactions that CDPLC executed were the business contract which was predominantly handled by virtual means with a Norwegian ship owner and the foundation was laid for another shipbuilding contract with a French ship owner during the peak of the pandemic. The ship repair activities were also continued despite of ad-hoc disturbances while strictly controlling the interaction with foreign ship Crews.

Recovering with Challenges

We at CDPLC, believes that employees are the greatest asset of our organization thus amidst the challenging conditions, their health and safety are considered as top most priority while having their fullest contribution for an uninterrupted business

operation. The company managed to build up the employee confidence via series of measures taken within the organization to ensure the employee wellbeing under the circumstances and required infrastructure development, awareness programs and communication mechanisms, restricted working areas and commuting arrangements to name a few.

CDPLC did not limit the aforesaid health and safety measures only to the company employees and subcontract employees but expanded same to the external parties connected to the company including foreign ship owners, their representatives and other service providers who were also facing the consequences of the pandemic. Company maintained a safe house with required health guidelines for the occupancy of some of the aforesaid personnel to ensure that both internal and external parties of the company are within the restricted areas to minimize the risk of exposing to the Covid 19 virus.

Further CDPLC was working very closely with the Sri Lanka Ports Authority, Ministry of Health, Ministry of Defense, Ministry of Foreign Affairs and State Ministry of our industry and these governmental authorities were supporting the company in many ways to overcome the obstacles in continuing the business operation with Covid 19. CDPLC being a company generating much needed foreign revenue to the country, is another key motivator to the above governmental authorities to extend their fullest cooperation to continue our business activities although the harvest of company's efforts in 2020 would be reaped out in time to come.

Yard Capacity Expansions

Despite challenging macro- economic conditions in 2020 where most of the businesses were fully or partially disrupted, it created some breathing space for companies to spend some time to re-look at business strategies and think of new ways in achieving the objectives, which is a tiny silver line in the dark cloud. We at CDPLC, also capitalized this space to expedite the preplanned yard development activities, which included the procurement and installation of a 70 T dock side crane with a higher reach.

This 70T Crane project was just completed successfully and expected to use in full capacity from May 2021. This would directly contribute to enhance Ship repair volumes by improving the Dock turnaround time substantially.

Market Strategies

Ship Repair

CDPLC is a one of the largest companies in Sri Lanka and the only Ship Building and repairing company of this caliber. However, at the regional perspective CDPLC is comparatively a small player as there are number of larger companies operating in the industry. As such in comparison to those competitors, CDPLC's resources including capacities and other infrastructure are at a limited scale. Therefore, in order to compete in the industry with limited resources, CDPLC adopt certain set of unique strategies to capitalize certain market segments. Accordingly, one of our key focuses is on medium sized vessels with shorter repair duration for Ship repair sector. This strategy enables the company to increase the number of vessels per drydock and to enhance the volume of business which is more productive and beneficial compared to focusing on larger

vessels with longer repair duration. Given the inbuilt strengths of the company including high quality and timely delivery, flexibility and cost effectiveness, this strategic market space well suits the company's capabilities.

Further to the ship repairs within the local water, we continuously focus in attracting clients from across the globe capitalizing Sri Lanka's strategic location in the world marine rout map. Strengthening of the Afloat Repair sector has been continuously addressed to cater such demand conditions in main Ports in Sri Lanka.

Management also exploring the growing afloat ship repair opportunities in Hambanthota Port (HIPG) for investing a workshop facilities and land.

Ship Building

The ship building is always a challenging industry predominantly due to price competitiveness and high volatility of demand and supply. A good number of shipyards which were engaged only in ship building were bankrupted during the recession period, a clear reflection of the industry behavior. Under such circumstances, we at CDPLC, adopt a unique strategy, focusing on a niche market segment where we undertake new projects while maintaining a base load, which is proven to be a success today.

As a result, we were able to sign two major shipbuilding projects to Norway and France to build 3 Bulk Carriers and one Cable Repairing Vessel respectively. Significant volumes of works on these vessels are to be completed during 2022 and forecasting a highest recorded NC revenue since 2015.

Managing Director / CEO's Review

Heavy Engineering

Heavy Engineering is yet another area for development of the quality standards of our products in addition to the new shipbuilding. It also gives the knowledge to maintain the prevailing and to acquire future technologies to the company.

We are ready to capture heavy demand on Environmentally friendly projects and Rural Infrastructure Development projects under the present Government Plans. Further, underwater Restaurant projects is under negotiation with a Maldivian Client. Our fully owned Subsidiary, the Dockyard General Engineering Services (Pvt) Ltd (DGES) is guided on innovation and adherence to the highest quality standards to work jointly on mega scale projects. DGES engineering teams continually focus on introducing latest technological advances and explore avenues to provide 'cutting - edge' solutions and service excellence to our stakeholders.

Cost Management and Productivity Improvement

Cost management and productivity improvements are a primary key of success in any business especially under current circumstances where revenues are shrinking sharply. We at CDPLC have developed Internal management setups including strict monitoring and controlling systems and have deployed user-friendly production technologies for an effective cost management and productivity improvement process.

Special focused is made to keep the outsourcing workforce at minimum level whilst engaging CDPLC workforce to increase the overall Value Addition on all business segments. Special Committee has been appointed to advise to reduce overheads and to eliminate wastes.

Yard Standards and Compliances

Maintaining and up keeping the Yard standards with internationally accepted quality accreditation is a critically important aspect of CDPLC's business. As such continues improvement and development activities in enhancing such qualifications are frequently carried out to ensure that yard is complied with required international standards. The company has successfully enhanced the previous accreditation of ISO standards to ISO 9001:2015 for QMS, ISO 14001: 2017 and ISO 45001:2018 for Health, safety, and Environment.

Subsidiaries

Dockyard Total Solutions Pvt Ltd, was the newest subsidiary company formed with 100% ownership of CDPLC. The primary focus of this company is developing Engineering activities including the detailed shipbuilding design work to CDPLC and overseas projects. This company possesses a multi-skilled labor group specially to fill the manpower gaps of the parent company while meeting quality, reliability and cost effectiveness. Further, specialized & dedicated Afloat ship repair team also under this Company to serve CDPLC. In addition, the company also focuses on external business opportunities in the country including IT and project management.

Acknowledgment

The year 2020 was full of uncertainties and I wish to place on record my sincere gratitude to all those who contributed to the success of the company during the year. Firstly, I wish to thank Onomichi Dockyard, our main shareholder and all other shareholders for staying with us throughout this journey and we look forward to maximize the shareholders wealth in the years ahead.

I am also grateful to the Directors and our employees for their commitment towards the company probably during the most challenging year in the history of the company. I should also thank the Government entities including Board of Investment of Sri Lanka, Sri Lanka Ports Authority, Sri Lanka Navy, Department of Coast Guard, Export Development Board, Ministry of Heath, State Ministry of the boat building and our Bankers for their tremendous support and valuable cooperation extended during the year. A special thanking note to our loyal customers for being true partners in our journey and our team wish to ensure you that we are committed and dedicated to meet your expectations in future.



D.V. Abeyesinghe
Managing Director/ CEO

12th April 2021
Colombo, Sri Lanka

Board of Directors



Hideaki Tanaka
Chairman



Sarath De Costa
Vice Chairman



D. V. Abeysinghe
Managing Director/CEO



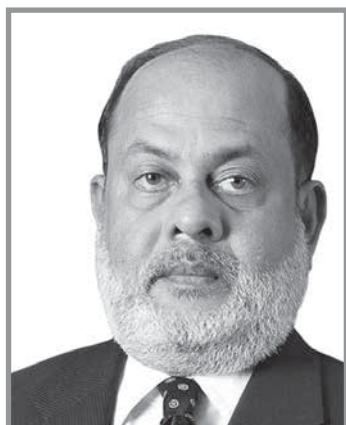
T. Nakabe
Director



K. Kanaya
Director/Technical Advisor



H. A. R. K. Wickramathilake
Director



Lalith Ganlath
Director



A. G. U. Thilakaratne
Director



V. G. L. A. Jayawardena
Director

Board of Directors

Hideaki Tanaka *Chairman*

Mr. Tanaka holds a Bachelor's Degree in Economics from Rikkyo University, Japan.

Appointed as the Chairman of Colombo Dockyard PLC on 26th March 2019.

Mr. Tanaka has also been appointed as a Director of Dockyard General Engineering Services (Pvt) Ltd, Dockyard Total Solutions (Pvt) Ltd and Ceylon Shipping Agencies (Pte) Limited, Singapore.

Currently holds the position as Vice Chairman/Director of Japanese Chamber of Commerce Manufacturing Division.

He has a wide working experience over 30 years at Mitsui Engineering & Shipbuilding Co. Ltd and its subsidiaries such as MES (Thailand) Ltd – Thailand and Mitsui Zosen Europe Ltd, etc., where he held top management positions in different sectors viz Port Cranes, Bridges, Steel Structures, Power Generation Plants, Electric Power Plants. During his service, he has pioneered in promoting Company business to Thailand, Myanmar, Denmark and other Asian Countries.

He has also served as the General of Manager of Naval Ship and Defense System Sales Dept. and Commercial Ship and Governmental Ship System Sales Dept. of the Mitsui Engineering & Shipbuilding Co. Ltd covering Naval Ships, Patrol Ships and Commercial Vessels including VLCC and Bulk Carriers. Mr. Tanaka has also worked as the Sales Manager at Tamano Shipyard, Japan.

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 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)

Managing Director/ CEO of Colombo Dockyard PLC since 8th November 2016. Graduated from the University of Moratuwa, Sri Lanka in the field of Mechanical Engineering in 1985 and joined Colombo Dockyard PLC on 2nd December 1985.

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

He is representing the Board of Directors of Dockyard General Engineering Services (Pvt) Ltd, Dockyard Total Solutions (Pvt) Ltd, Ceylon Shipping Agency Pte Ltd. (Singapore), Sri Lanka Port Management & Consultancy Services Ltd. and Ocean University of Sri Lanka.

He is a member of Lloyds Register South Asia Advisory Committee, DnV South Asia Committee, Class NK Indian Technical Committee and Advisory Committee on Boat Building of Export Development Board.

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

K. Kanaya**Director/Technical Advisor**

Mr. Kanaya holds a Civil Engineering and Architecture Degree from Hiroshima University, Japan.

Appointed to the CDPLC Board on 26th March 2019. He has also been appointed as a Director of Dockyard General Engineering Services (Pvt) Ltd and of Dockyard Technical Services (Pvt) Ltd.

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, 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.

A. G. U. Thilakaratne**Director**

Appointed to the CDPLC Board on 9th November 2020

Mr. A G U Thilakaratne is the Superintendent of Employees' Provident Fund (EPF) of the Central Bank of Sri Lanka since 2019 and he served as the Superintendent of Currency Department before his placement at the EPF. His 29-years' experience at the Bank includes the areas of Currency Management, Internal Audit, Regional Development, Rural Credit, Supervision of Non-Bank Financial Institutions and Economic Research and he has participated in many local and international programs in these areas. Mr. Thilakaratne has a wide range of experience in the fields of Small and Medium Sector Enterprise promotion,

project appraisal and micro finance. Further, ha has represented the Central Bank as a Member of the Board of Management of the Title Insurance Fund of Registrar General's Department, Supervisory Board of Universities Provident Fund and Pension Fund, National Coordinating Committee of Coconut Cultivation Board and National Coordinating Committee of KGIRDP. He has also served as a Director of Sabaragamuwa Development Bank and Trustee of Welisara Dedicated Economic Centre.

He holds a Bachelor's degree with honors in Monetary economics from the University of Peradeniya and a Masters degree in Economics from the University of Kelaniya. Also, he is a Trainer of Enterprise promotion and Micro Finance.

V. G. L. A. Jayawardena**Director**

Appointed to the CDPLC Board on 7th September 2020

Mr. V. G. L. A. Jayawardena is a professional Executive in the Information Technology, ERP and Project Management with 22 years of experience on business domains like Telecommunications, Manufacturing, Sales & Distributions, Capital Markets and Insurance. Currently serving as Chief Information Officer, Sri Lanka Insurance.

He holds BSc in Management Information Systems from University College Dublin, Ireland and MBA from University of Southern Queensland, Australia. Also obtained Post Graduate Diploma in Business and Finance from Institute of Chartered Accountants, Sri Lanka. He is a PMP certified Project Manager and CISM certified Information Security Manager, USA. Further he is a SAP certified Sales & Distribution Consultant. Currently reading for Doctoral in Business Administration at ASIA eUniversity, Malaysia

Corporate Management



D. V. Abeysinghe
Managing Director/CEO



K. B. P. Fernando
Chief Commercial Officer



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



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



Lal Hettiarachchi
*General Manager
(Projects & Engineering)*



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



Thimira S. Godakumbura
*General Manager
(Production)*



S.G. Senadeera
*General Manager
(Ship Repair Business)*



P. D. Gihan Ravinatha
Chief Financial Officer



Manori Mallikarachchi
*Legal Consultant/Company
Secretary*



N. M. K. B. Nayakarathne
Managing Director/CEO (DGES)

D. V. Abeysinghe
Managing Director/CEO

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

Managing Director/ CEO of Colombo Dockyard PLC since 8th November 2016. Graduated from the University of Moratuwa, Sri Lanka in the field of Mechanical Engineering in 1985 and joined Colombo Dockyard PLC on 2nd December 1985.

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

He is representing the Board of Directors of Dockyard General Engineering Services (Pvt) Ltd, Dockyard Total Solutions (Pvt) Ltd, Ceylon Shipping Agency Pte Ltd. (Singapore), Sri Lanka Port Management & Consultancy Services Ltd. and Ocean University of Sri Lanka.

He is a member of Lloyds Register South Asia Advisory Committee, DnV South Asia Committee, Class NK Indian Technical Committee and Advisory Committee on Boat Building of Export Development Board.

K. B. P. Fernando
Chief Commercial Officer

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

He is having over 35 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. Previously he holds the position of General Manager (Ship Repair Business) and Chief Operating Officer, prior to his appointment as Chief Commercial Officer in 2020.

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 30 years of experience at Colombo Dockyard PLC in the field 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). Qualified as a Lead Auditor certified by LRQA. Trained in Solving Human & Organizational Problems, under AOTS in Nagoya, Japan

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 24 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 (Projects & Engineering)
B.Sc. Eng (Hons), C.Eng, FIE (SL), MBA (PIM-USJ)

He has served over 25 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

Corporate Management

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 33 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 (Production)

B.Sc. Eng. (UoM), MBA (PIM-USJ),C.Eng.
MIE (SL), FRINA (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 a Trainee engineer. He has gained rich experience and knowledge in Ship Building and Ship Repairing industry 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 Jayewardenepura. He is a Chartered Mechanical Engineer and a corporate Member of the Institution of Engineers Sri Lanka and a Fellow 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 Business)

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 26 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, CIM (UK), MBA (PIM - USJ)

Over 18 years' experience in the field of Finance, with 8 years at audit sector and 10 years at Colombo Dockyard PLC. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and a member of the Chartered Institute of Marketing of United Kingdom. He Obtained Master's Degree in Business Administration (MBA) from the Post Graduate Institute of Management, University of Sri Jayewardenepura.

Manori Mallikarachchi

Legal Consultant/Company Secretary

Attorney-at-Law & Notary Public

Joined CDPLC in 1996. Has over 24 years of experience at CDPLC in the field of Legal, Secretarial & Compliance.

N. M. K. B. Nayakarathne

Managing Director/CEO (DGES)

B.Sc Eng (Hon)

He obtained his B.Sc Engineering (Hon) from University of Moratuwa in 1986. He has more than 30 years' experience in the fields of shipbuilding, ship repair, heavy engineering, general engineering and marketing. He has served in Colombo Dockyard PLC and its subsidiaries for 27 years, holding number of senior management positions and also he is having 2 years of foreign experience in the port maintenance sector.

Financial Review

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

With total assets of Rs. 18,056.0 Mn (2019 - Rs. 17,019.8 Mn) as at end 2020, 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.

Group Financial Highlights

For the Year (Rs. Mn)	2020	2019	Change	%
Income Statement				
Revenue	9,674.4	11,631.5	(1,957.1)	(17)
Gross Profit	1,017.1	608.4	408.7	67
Profit/(Loss) after Tax	(1,161.1)	(1,677.0)	515.9	31
Balance Sheet				
Total Assets	18,056.0	17,019.8	1,036.2	6
Total Liabilities	11,053.2	8,603.9	2,449.3	28
Shareholders' Funds	6,918.3	8,334.7	(1,416.4)	(17)
Net Cash & Cash Equivalent	4,539.5	4,326.9	212.6	5
Interest bearing borrowings	6,441.8	3,670.5	2,771.3	75
Financial Ratios				
Earnings Per Share (Rs.)	(16.1)	(23.3)	7.2	30
Dividend Per Share (Rs.)	0.0	0.0	-	0
Net Assets Per Share (Rs.)	73.0	95.0	(22.0)	(15)
Gearing Ratio (%)	0.0	0.0	-	0
Return on Total Assets (%)	(6.6)	(13.7)	7.1	52
Working Capital to Assets (%)	4.4	18.5	(14.1)	(76)

Financial Performance

Group Revenue

The Group achieved a total revenue of Rs. 9,674.4 Mn (2019 - Rs. 11,631.5 Mn) for the financial year 2020 showing a decline of 17% (Rs.1, 957.1 Mn) against last year. 31% declined of Shipbuilding revenue and 13% declined of Ship repairs revenue mainly affect the overall declined of total group revenue. The outbreak of Coronavirus disease (COVID-19) acted as a massive restraint on the ship building and ship repairing operations of the company during 2020 as supply chains were disrupted due to trade restrictions and consumption declined due to lockdowns imposed by governments locally and globally.

Heavy Engineering revenue increased by 14% and material and other sale revenue also declined by 18% compare to last year.

Financial Review

Segment Contribution to the Group Revenue

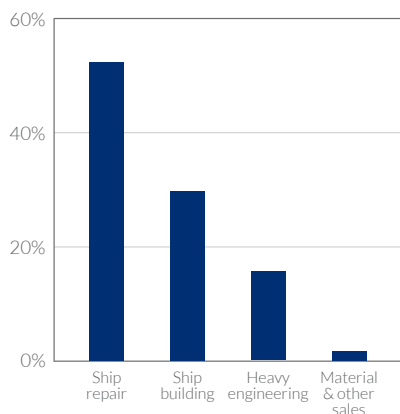
Group revenue includes the Company's core activity of ship repairs, shipbuilding, heavy engineering & material sales from subsidiary companies. The major revenue contributor for the group has become ship repairs with 52% compared to 49.6% recorded last year.

Export Revenue

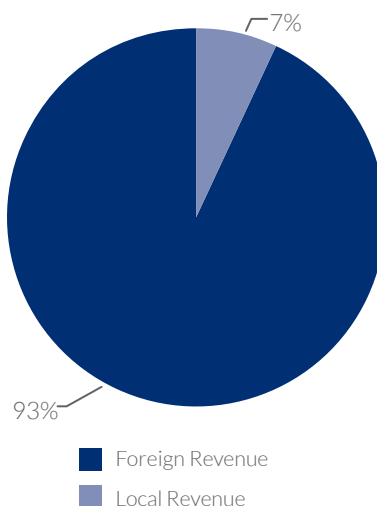
The group's export revenue includes the revenue generated mainly from shipbuilding and ship repair operations. Total export revenue of the company recorded for last year export revenue of 2020 was Rs. 7,477.3 Mn compared to Rs. 8,710.2 Mn showing a decline of 14.2%

The major overseas market of the Company during the year becomes India with 40.0% (Rs. 2,992.2 Mn) of the total export revenue followed by Japan with 36.8% (Rs. 2,755.4 Mn). The Indian market continued to be the major overseas market for the ship repair sector, with a contribution of 60% (Rs. 2,992.2Mn) of the total export ship repair revenue during the year 2020. The dominant currency for export continued 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.

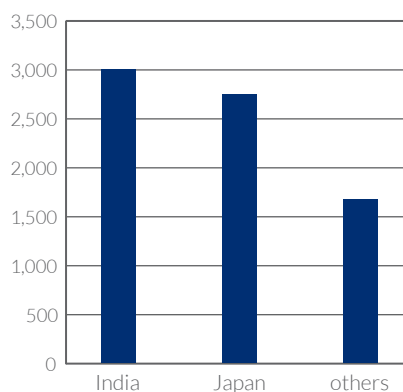
2020-Group Revenue Composition



2020-Total Export & Local Revenue Composition



2020-Major overseas Markets - Export Revenue (Rs.Mn)



Contribution to Sri Lankan Economy

The Colombo Dockyard PLC has generated direct foreign revenue of Rs.7,477.3 Mn (US\$ 40 Mn). The direct value addition generated by the Company was Rs. 3,418.3 Mn, (2019- Rs. 2,713.0 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. 5,126.1 Mn compared to Rs. 5,651.0 Mn recorded for 2019. 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 0.2% to Sri Lankan annual industrial export earnings.

Earnings before Tax and Depreciation

The Group's earnings before tax, depreciation and amortization recorded as (540.0 Mn) during the year 2020 compared to last year (Rs. 984.1 Mn). The group was able to reduce the loss by 45% compared to 2019 although there was a significant impact to the operation of the company from widespread effect Coronavirus during the year 2020.

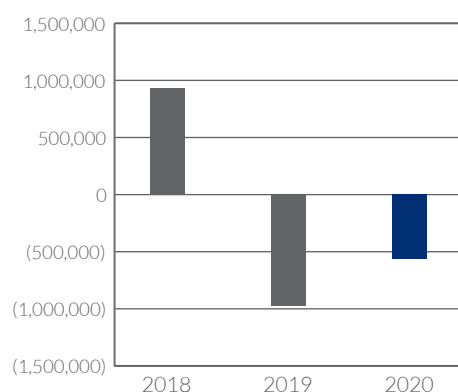
Other Income

Other income of the Group shows a marginal increase of 2% during the year 2020 compare to last year. The scarp sale income is the major contributor which represent 58% of the total other income.

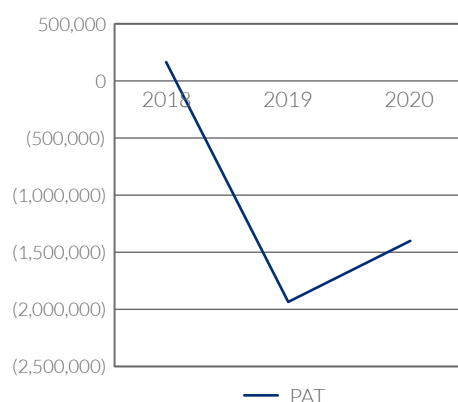
Profit (Loss) After Tax

The Company recorded a Loss after tax of Rs. 1,347.4 Mn during the year under review 2020. The loss incurred in 2020 has declined by 30% compared to the loss incurred in 2019 as a result of effective cost management strategies implemented by the management. The main reasons behind the above loss was the widespread effects of the Coronavirus during the year 2020. Company's all types of engineering activities got severely affected since the Company was not in a position to deploy adequate work force for production work. Travel embargoes between countries and closure of international ports and airports also had a significant negative impact on Company's business operations.

Earnings Before tax and Depreciation (Rs.Mn)



Profit(Loss) After Tax (Rs.Mn)



Financial Position

Total Assets

The Company's total assets as at 31st December 2020 were Rs. 15,597.2 Mn, as against Rs. 14,626.0 Mn in 2019 and shows an increase of 6.6%. The Company added Rs. 981 Mn capital assets for yard productivity improvements and infrastructure development during 2020

Current Assets

Current assets of the Company have increased to Rs. 9,881.0 Mn in 2020 compared to Rs. 9,474.2 Mn in 2019. The increased reported during the year was mainly from short term investments.

Working Capital

The net working capital of the Company shows a reduction during the year to stand at Rs. 705.7 Mn under review as against last year figure of Rs. 2,701.1 Mn. The working capital against the total asset was 4.4% in 2020

Cash flow

Cash used in the Group's operations before working capital changes stood at Rs. (18.2) Mn in 2020 compared with cash generated Rs. (984.2) Mn in the previous year. Cash generated from operations decreased due to the negative contribution recorded mainly from shipbuilding and ship repair operations compared to 2020.

Net cash used in investment activities was Rs. (957.1) Mn during 2020, as against Rs. (874.7) Mn for previous year. The Group invested a total of Rs. 1,326.7 Mn in yard development and productivity improvement related investments.

The Group's cash and cash an equivalent at the end of 31st December 2020 was Rs. 4,513.4 Mn, which is increased against last year figure of Rs. 4,311.4 Mn.

Net Assets Value per Share

The net assets value per share of the Company reduced to Rs.73 as at 31st December 2020 compared to Rs. 95 recorded for last year due to the loss incurred during the year under review.

Capital Structure

Total assets of the Group stands at Rs. 18,056.0 Mn as at 31st December 2020, compared with Rs. 17,019.8 Mn in the previous year. Assets were funded by shareholders funds 38%, non-current liabilities 7% and current liabilities 55%.

Debt

Group's short term debts as at balance sheet date was Rs. 6,441.8 Mn. Short term loans have been obtained for working capital financing. There was a 61% increase of short term loans obtained during the year but the repayment of loans also have been increased by 40% during the year 2020. Group's long-term debts continued to main at zero level as at 31st December 2020. 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 2020 recorded at Rs. 85, showing a positive growth of 37% compared to last year's closing price of 62.0 a 10.5% growth trend is noted in All Share Price Index in the Colombo Stock Exchange as at 2020-12-31 compared with 2019-12-31. The share price recorded the highest price of Rs. 94.50 on 18th December 2020 and lowest of price of Rs 30.0 on 11th May 2020.

Exchange Rates

The selling rate of the dollar has been reported as 193.05 at the end of December 2020, indicating a depreciation of about 5.4% during the year. The rupee surpassed Rs 190 against the US dollar during December and since then; it has been gradually depreciating from 190.37 to 193.05 against the US dollar at the end of the year. During the period from May to December 2020, the rupee was hovering around the range of Rs.186-189 against the US dollar. The currency started the year at Rs. 181.50 and witnessed a slight appreciation. The monthly depreciation rate of the rupee has escalated alarmingly in March 2020 with it dropping to Rs. 189.25 against US dollar. During the initial week of the lockdown due to widespread effects of the Coronavirus, the rupee recorded a significant drop of 1.2%, hitting Rs. 189.25 against the US dollar. Since then, the rupee remained well above 190 against the US dollar at end of 2020.

Financial Review

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 50 to 100 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 takeholders to make a fair assessment of the company's performance.

Subsidiaries Performance

The total revenue from subsidiary companies recorded as Rs. 2,402.9 Mn represented by Rs. 1,661.5 Mn from wholly owned Subsidiary Dockyard General Engineering Services (Pvt) Ltd. (DGES), Rs.39.6Mn from wholly owned subsidiary Dockyard Total Solutions (Pvt) Ltd (DTS) and Rs. 701.7 Mn (SGD 5.2 Mn) from Ceylon Shipping Agency (Pte) Ltd (CSA) Singapore with 51% holding.

DGES has recorded a net profit of Rs. 182.1 Mn for 2020 compared to Rs. 254.4 Mn profit reported for 2019, DTS recorded a net profit of Rs.1.1 Mn and the CSA recorded a net profit of SGD 11,140 against the profit of SGD 62,750/- for 2019.

Statement of Value Addition (Company)

	2020 Rs. 000	2019 Rs. 000
Offshore Marine	5,009,752	5,773,073
Shipbuildings	2,930,957	4,265,866
Heavy Engineering	138,564	106,611
Operating Revenue	8,079,273	10,145,550
Other Income	163,976	166,354
Total Revenue	8,243,249	10,311,904
Less: Cost of Materials & Services purchased from External Sources	4,824,875	7,598,827
VALUE ADDITION	3,418,374	2,713,077
Value Addition as a % on Revenue	41.5%	26.3%

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

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 2020 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.

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.

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

The current Board comprises of nine Directors; six of them are Non-Executive Directors. The Board's Chairman, Mr. H. Tanaka and Mr. K Kanaya 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.

Corporate Governance

Director	Position on the Board	Date of Appointment	Nature of Appointment
Mr. H. Tanaka	Chairman	26th March 2019	Executive/Nominee Director
Mr. Sarath De Costa	Vice Chairman	21th June 1993	Non-executive/Nominee Director
Mr. D. V. Abeysinghe	Managing Director/CEO	08th Nov 2016	Executive/Nominee Director
Mr. T. Nakabe	Director	24th March 2010	Non-executive/Nominee Director
Mr. K. Kanaya	Director	26th March 2019	Executive/Nominee Director
Mr. L. Ganlath	Director	21st June 1993	Non-executive/Public Director (Independent)
Mr. H. A. R. K. Wickramathilake	Director	28th April 1995	Non-executive/Public Director (Independent)
Mr. V. G. L. A. Jayawardena	Director	07th Sep 2020	Non-executive/Nominee Director
Mr. A. G. U. Thilakarathne	Director	09th Nov 2020	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. 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	May	July	Aug	Dec
Mr. H. Tanaka	✓	✓	✓	✓	✓	✓
Mr. Sarath De Costa	✓	✓	✓	✓	✓	✓
Mr. D. V. Abeysinghe	✓	✓	✓	✓	✓	✓
Mr. T. Nakabe (or Alternate)	✓	✓	✓	✓	-	✓
Mr. K. Kanaya	✓	✓	✓	✓	-	✓
Mr. L. Ganlath	-	✓	✓	✓	✓	✓
Mr. H. A. R. K. Wickramathilake	✓	✓	✓	✓	✓	-
Mr. V. G. L. A. Jayawardena (appointed 07/09/2020)	-	-	-	-	-	✓
Mr. A. G. U. Thilakarathne (appointed 09/11/2020)	-	-	-	-	-	-
Mr. M. S. A. Wadood (resigned 07/09/20)	✓	-	✓	-	✓	-
Mr. H. A. Karunaratne (resigned on 05/09/2020)	-	-	-	✓	-	-

Audit Committee

The Audit Committee comprises of three Non-Executive Directors of whom two Directors are independent, namely Mr. H. A. R. K. Wickramatilleka (Chairman), and Mr. Lalith Ganlath, who are Public Directors, and other Directors namely Mr. Sarath De Costa, who has 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 recommends 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. Accordingly, following areas were reviewed and shortcomings

were rectified and systems were improved by obtaining services of experts in relevant fields.

- Ship Building Contract Management and risk mitigation
- Buyers due diligence
- Covid related risk and operational issues
- Future marketing plan under new normal
- Cost Reduction strategies
- Debt and recovery management
- External Audit plan

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 03 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	Feb	Dec
Mr. H. A. R. K. Wickremathilake	✓	✓	✓
Mr. Sarath De Costa	✓	✓	✓
Mr. Lalith Ganlath	-	-	✓

Remuneration Committee

The Remuneration Committee comprises of three Non Executive 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 8 to the Financial Statements.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee comprises of three Non Executive 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.

Corporate Governance

During the period under review the Committee met on 02 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	Dec
Mr. H. A. R. K. Wickremathilake	✓	✓
Mr. Sarath De Costa	✓	✓
Mr. Lalith Ganlath	-	✓
Mr. D. V. Abeysinghe	✓	✓

Annual General Meeting

The Company's 37th Annual General Meeting (AGM) was held on 25th August 2020 At the AGM 95 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 2019 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 2020 and to authorize the Directors to approve their remuneration
- To authorize the Directors to determine donations for the year 2020 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 Audit Committee 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., Dockyard Total Solutions (Pvt) Ltd and Ceylon Shipping Agency (Pte) Ltd., Singapore and monitors the performance of such companies, by the following means:

- The Board of Directors reviews Financial Statements Monthly/ Quarterly.
- 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 ISO 9001-2015 (Quality Management Systems), ISO 14001:2015 (Environmental Management System) and ISO 45001:2018 occupational health and safety (OH&S) management to the scope detailed on the approved certificate.

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.cdl.lk) 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 arranged 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, ISO 14001, 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 ISO 45001:2018

(occupational health and safety (OH&S) management system) standard the yard has taken several initiatives to educate the respective Mangers on new risk management principals. In par conducted a Gap assessment of ISO 45001: 2018 and training with awareness are given accordingly.

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(Quality Management Systems).

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 transform to ISO 45001:2018. 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- 2021 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 Ship repair 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.

Risk Management

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 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.

Risk Management relating to Coronavirus Disease (COVID-19)

Our Concern & impact

The outbreak of the COVID-19 pandemic and the resultant disruption to business and economic activities across the global,

together with the impact created by various quarantine measures adopted by different countries, significantly affected the ship repairing and Ship building sector.

With the enforcement of island wide curfew during 1st wave of Covid 19 pandemic from Mid-March 2020, Company's (and group's) all types of engineering activities got severely hampered since the Company was not in a position to deploy adequate work force for production work. Travel embargoes between countries and closure of international ports and airports also had a significant negative impact on Company's business operations.

The company performed only essential ship repair works with 10% to 35% attendance of the work force and ship building operation was temporarily closed from April to May 2020. A shift based attendance system was introduced by the company from June 2020 to August 2020 and it was gradually increased the work force attendance up to 70% to improve the operation of the company. The shift based attendance system was discontinued at the end of September 2020. The employees were reported to work as normal practice from September 2020 onwards strictly adhering to the health guidelines issued by government authorities and the operational guidelines issued by the Board of Investment (BOI) for export-oriented companies. Management continued with its marketing, design and finance activities during the lockdown period providing its staff the necessary facilities to work from home. The Company operated all business segments at around 70% - 75% of its normal capacity during June to August 2020, strictly adhering to all the health guidelines issued by government authorities.

The 2nd wave of the Covid 19 pandemic was occurred end of October 2020; the company had to close the operations for two weeks periods due to few Covid positive cases. The operation was resumed with 15% work force attendance and it was gradually increased up to 60% with hotel accommodations provided for the employees. The company was able to operate with full capacity from December 2020 onwards. The Company evaluated the guidelines issued by the Government and WHO and developed individual health and safety guidelines to ensure appropriate working arrangements and safe environment for employees and other stakeholders.

Our Response- Covid 19 Prevention Strategy

The Company adopted "Selection and Concentration" approach to proactively fight against the COVID-19, with limited resources.

1. Selection - Set the priority target

Six main risks areas were identified for which the Company need to take immediate actions

2. Concentration - Give the priority

The Six risky areas identified were prioritized and implemented action plans with target dates

The main Six issues were selected based on the lessons learned and the guidelines issued by WHO and the Government. Accordingly, Six risk factors inside the yard and the highest risk factor which the Company has less control over were identified. Strategies and action plans were then set against the issues identified.

Risk Management

Six high risk factors were identified which will affect the operation of the company due to Covid 19

1. Usage of Locker rooms by the employees
2. Bathing Facility provided
3. Usage of Meal rooms during breakfast/lunch/ dinner by the employees
4. Same work location used, Tea room and Standby room
5. Accommodations / Dormitory Provided for employees
6. Community / Public Transport

Company's plan was based on WHO 's basic guideline of "Avoid 3C's". The Company implemented several actions and provided several facilities as primary measures as stated below.

C's to be Avoided		Actions Taken
C1 - Crowded Places	C1.1 - Avoid Crowded places	1. Making proper queues at exit gates
		2. Employees are advised not to participate in any crowded events
		3. No employee was allowed to use public transport
		4. Changing facilities rearranged
		5. Accommodations rearranged as per CMC PHI recommendations
		6. Public transport prohibited
	C1.2 - Eliminate the reasons for overcrowding	1. Stop buffet meals and provide lunch packets – employees were encouraged to dine at different locations
		2. Remove in-between chairs / marked "not to use" in meal rooms and meeting rooms
		3. Limit no of participants for meetings
		4. Increased the gap between lockers
C2 - Close-contact Settings	C2.1 - Social distance (at least 1 m)	5. Seating Capacity limited to 27 – 32 pax for a 54 seated bus. driver compartment isolated.
		1. No employee was allowed to use public transport
	C2.2 - Hand washing	2. In Principle, social distancing was compulsory to maintain inside the yard at every location.
		1. Provided at yard entrance and checking by PHI/ Occupy an compliance Officer
		2. Provided at Work Locations / Offices
		3. Self-sanitizing
		4. Busses will not use for any other purpose and park inside the yard to avoid contamination
		5. Face mask compulsory during transport
	C2.3 - Face masks	1. Face masks were provided to all employees on a daily basis
		2. A faceguard was provided to all employees
		3. Awareness to stop talking while bathing / Washing
C3 - Confined and Enclosed Spaces	C3.1 - Open doors and windows for ventilation when possible	1. All windows were kept opened in some tea rooms
		2. on-AC busses provided and windows open while travelling
	C3.2 - Limit time in enclosed places	Meetings were limited to a maximum of 1 hour

The Company has taken proactive measures to understand COVID-19 impact, against the economic drop and the unprecedented challenges that COVID-19 presents globally. Our utmost priority is safeguarding our employees. Additionally, the Company revisited budgets including capital expenditure budgets and adopted monitoring of weekly cash flows while freezing non-essential expenditure. The Company will continue adapting to new ways of working to sustain in the 'new normal' through risk management processes and business continuity plans.

Looking beyond the short-term impacts stemming from the COVID-19 pandemic, Company will continue to monitor the impacts of COVID-19 to its operations and proactively take measures to ensure the Company continues as seamlessly as possible.



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 has 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 2020 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

Financial Performance

During the year under review, the Company achieved total revenue of Rs. 8,079.2 Mn (2019 - Rs. 10,145.5 Mn) and net loss of Rs. 1,347.4 Mn. (2019 - Net loss Rs. 1,935.4 Mn) leaving the shareholders' value with Rs. 5,220.3 Mn (2019 - Rs. 6,825.9 Mn).

Dividend Approved

No Dividend has been approved for the financial year end 2020.12.31(2019 - Nil) considering the net loss recorded for the year 2020

Dividend Pay Out Ratio

As per Colombo Stock Exchange Listing Rule No: 7.6 (xi), Company Dividend Payout Ratio was zero during 2020 (2019 : -0%).

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	2020	2019
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Revenue	2,079	1,335	2,438	2,227	8,079	10,145
Gross Profit/(Loss)	254	(276)	365	255	598	106
Profit/(Loss) after Tax	(167)	(610)	(99)	(471)	(1,347)	(1,935)
Shareholders' Fund	6,640	6,031	5,931	5,503	5,220	6,825
Total Assets	15,981	15,503	16,319	15,913	15,597	14,626

Shareholders Information

Share Capital

	2020-12-31	2019-12-31
Stated Capital Rs.	714,395,757	714,395,757
Number of Shares	71,858,924	71,858,924
Number of Shareholders	5,190	5,178
Voting Rights	1 Vote per Share	1 Vote per Share
Class of Shares	Ordinary Share	Ordinary Share

Distributing of Shareholding as at 31st December 2020

(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	4,094	709,028	0.99
1,001	10,000	941	3,078,067	4.28
10,001	100,000	133	3,998,762	5.57
100,001	1,000,000	15	3,416,283	4.75
1,000,001 above		7	60,656,784	84.41
		5,190	71,858,924	100.00

List of Largest 20 Shareholders as at 31st December 2020

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

	Name	2020-12-31	%	2019-12-31	%
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	3,536,548	4.922
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	1,212,327	1.687	1,212,327	1.687
8	Bank of Ceylon No. 1 Account	897,625	1.249	897,625	1.249
9	Bank of Ceylon No. 2 Account	335,900	0.467	335,900	0.467
10	Star Packaging (Pvt) Ltd	245,000	0.341	235,000	0.327
11	Lanka Milk Foods (CWE) Limited	219,948	0.306	219,948	0.306
12	Harnam Holdings SDN BHD	217,044	0.302	210,026	0.292
13	Seylan Bank Plc/Mr.B D J C Suchendra	216,000	0.301	204,500	0.285
14	Mr. S M B Obeysekera and Mrs. C N Obeysekera	200,000	0.278	200,000	0.278
15	E.W.Balasuriya & Co (Pvt) Ltd	165,123	0.230	165,123	0.230
16	DFCC Bank PLC A/C 1	160,000	0.223	160,000	0.223
17	People's Leasing & Finance PLC / MRs. H C Kalansooriya	151,500	0.211	-	-
18	Sri Lanka Export Development Board	138,760	0.193	138,760	0.193
19	Confifi Management Services (Private) Ltd	131,250	0.183	131,250	0.183
20	Commercial Bank of Ceylon PLC /Andaradeniya Estate (pvt) Ltd	115,243	0.160	-	-

Composition of Shareholding

The total number of shareholders of CDPLC is 5,190 as at 31st December 2020, which is 0.23% increase compared to 5,178 as at 31st December 2019

Category	No of Shareholders	No of Shares	%
Local Individuals	4,895	5,805,729	8.08
Local Institutions	213	28,444,423	39.58
Foreign Individuals	73	516,760	0.72
Foreign Institutions	9	37,092,012	51.62
Total	5,190	71,858,924	100.00

Shareholder Information

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 2020, the share price of Colombo Dockyard PLC recorded a positive growth of 37.58% (Rs.23.3) compare to the previous year's closing price

Market price per Share	As at 2020-12-31	As at 2019-12-31
Highest during the year	94.50 (18/12/2020)	68.00 (29/11/2019)
Lowest during the year	30.00 (11/05/2020)	47.90 (21/05/2019)
As at end of the year	85.30	62.00

Market Capitalization

CDPLC has recorded its market capitalization as at the balance sheet date of 31st December 2020 as Rs. 6,129.5Mn (2019 – Rs. 4,455.2Mn.). CDPLC represent 0.16% (2019 – 0.16%) of the total market capitalization

Shares Trading	As at 2020-12-31	As at 2019-12-31
No of Transaction	8,079	3,425
No of Shares traded	4,254,346	2,448,521
Value of Share traded (Rs.)	279,230,138.90	136,663,505.70

Earnings per Share

The Earning per share (EPS) of (Rs. 18.75) in the year 2020 recorded a increase of 30% compare to the last year EPS value of Rs. (26.93) 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 2020 is 48.94% (2019 – 48.94%). Number of public shareholders as at 31st December 2020 was 5,190.

Float Adjusted Market Capitalization

The float adjusted market capitalization as at 31st December 2020 was Rs. 2,999,965,429.90/- with reference to rule no. 7.6 (iv) of the Listing Rules of the Colombo Stock Exchange.

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Financial Calendar 2020/2021

2020		
Approval of Financial Statements 2019	04th August	2020
Interim Report - 4th Quarter-2019	28th February	2020
Dispatch of Annual Report - 2019	04th August	2020
Ex-Dividend Date	-	2020
Payment of Dividend	-	2020
37th Annual General Meeting - 2019	25th August	2020
Interim Report - 1st Quarter-2020	10th August	2020
Interim Report - 2nd Quarter-2020	17th September	2020
Interim Report - 3rd Quarter-2020	23rd November	2020
Financial Year-end	31st December	2020

2021		
Approval of Financial Statements 2020	12th April	2021
Interim Report - 4th Quarter-2020	4th March	2021
Dispatch of Annual Report - 2020	12th April	2021
Ex-Dividend Date	-	2021
Payment of Dividend	-	2021
38th Annual General Meeting - 2020	4th May	2021
Interim Report - 1st Quarter-2021	13th May	2021
Interim Report - 2nd Quarter-2021	15th September	2021
Interim Report - 3rd Quarter-2021	15th November	2021
Financial Year-end	31st December	2021

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 2020, 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 12th April 2021. 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 future developments are stated in the Chairman's Review on page 08 to 09 and Managing Director/CEO's Review on page 10 to 12 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 08 to 09), and the Managing Director/CEO's Review (page 10 to 12).

Financial Statements

The Financial Statement of the Company and the Group for the year ended 31st December 2020 are duly certified by the General Manager (Finance)/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 50 to 100 of this Annual Report.

Auditors' Report

Company Auditors, KPMG, performed the audit on the Consolidated Financial Statements for the year end 31st December 2020, and the Auditors' Report issued thereon is given on page 46 to 49 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 56 to 68 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
Dockyard Total Solutions (pvt) Ltd	Provide skilled technical services

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. 9,674.4 Mn (2019 - Rs. 11,631.5 Mn), while the Company's revenue was Rs. 8,079.2 Mn (2019 - Rs. 10,145.5Mn) Analysis of the revenue is given in Note 05 to the Financial Statement on pages 69 to 70 of this Annual Report.

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

Profit for the year:	2020	2019
	Rs'000	Rs'000
Group post - tax profit	(1,161,136)	(1,677,047)
Amount attributable to Minority Interest	(735)	(4025)
Profit / (Loss) attributable to the Shareholders of Colombo Dockyard PLC	(1,161,871)	(1,681,072)
Other Comprehensive Income/(Expense)	(152,945)	(3,060)
Retained Profit B/F	7,599,193	9,391,113
Available for sales of financial assets	-	-
Dividends Paid -	-	(107,788)
Retained Profit C/F	6,284,377	7,599,193

Reserves

Total Group Retained Earning Reserves at 31st December 2020, was amounted to Rs. 6,284.3 Mn (2019 - Rs. 7,599.1 Mn). The movements of the Reserves during the year are shown in the Statements of Changes in Equity on pages 52 to 53 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 9 on page 72.

Dividends

No dividend has been declared for the year ended 31st December 2020

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. 705.7 Mn (2019 - Rs. 2,701 Mn) and the value of the Company's assets less liabilities and stated capital was Rs. 4,505.9 Mn (2019 - Rs. 6,111.5 Mn).

The Loss of the company attributable to the equity holders of the company was Rs. 1,347.4 Mn (2019 - Rs. 1,935.4 Mn).

Shareholder Information

Information relating to earnings, dividends, and net assets per share and market value per share is given in from pages 34 to 36

Property, Plant & Equipment

The Group's total capital expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 1,326.7 Mn (2019 - Rs. 754 Mn). The extent of the freehold lands held by the Group as at the balance sheet date is 1,103.7 perch (2019 - 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 75.

Market Value of Freehold Properties

The net book value of freehold properties owned by the Group as at 31st December 2020 is included in the accounts at Rs. 5,407.0 Mn (2019 - Rs. 4,546.06 Mn). An Independent Chartered Valuer/ Licensed Surveyors carried out a market value assessment of the Group's freehold lands as at 31st December 2020. 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 2020.

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. 2,266,070/- (2019 - Rs. 384,000/-) 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 2020 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 50 to 100 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 (2019- 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 13 to 15 of this Annual Report.

Executive Directors

Mr. H. Tanaka - Chairman
Mr. D. V. Abeysinghe - Managing Director/CEO
Mr. K. Kanaya

Non-Executive Directors

Mr. Sarath De Costa-Vice Chairman
Mr. T. Nakabe
Mr. H. A. R. K. Wickramathilake
Mr. Lalith Ganlath
Mr. V. G. L. A. Jayawardena
Mr. A. G. U. Thilakaratne
Mr. S. Asai (Alternate Director)

Directorate

The Board of Directors of Colombo Dockyard PLC as at the date of report are given on page 13 of the Annual Report. The change in the directorate from the date of the last report to this report is as follows.

- Mr. H A Karunaratne who was appointed as Nominee Director of Employees Provident Fund of Central Bank of Sri Lanka resigned on 05/09/2020 and Mr. A G U Thilakaratne, Superintendent of Employees Provident Fund was appointed in place of Mr. Karunaratne with effect from 09/11/2020.
- Mr. M S A Wadood who was appointed as Nominee Director of Sri Lanka Insurance Corporation Ltd resigned on 07/09/2020 and Mr. V G L A Jayawardena, Chief Information Officer of SLIC was appointed in place of Mr. Wadood with effect from 07/09/2020.
- Mr. Y Saki who has been appointed as Alternate Director to Mr. T. Nakabe on 05/04/2019 resigned on 25/09/2020 and Mr. S. Asai was appointed in place of Mr. Y. Saki as his Alternate Director with effect from 25/09/2020.

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 Mr. Hideaki Tanaka, Mr. Sarath de Costa, Mr. D.V. Abeysinghe, Mr. T. Nakabe and Mr. K Kanaya and the Nominee Directors of Employees Provident Fund and Sri Lanka Insurance Corporation Ltd namely Mr. A G U Thilakaratne and Mr. V G L A Jayawardena respectively continue to hold office.

Board Sub-Committees

The Board of Directors have formed three Board subcommittees and attendances is given in page 23 to 27 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 2020:

	2020-12-31	2019-12-31
D. V Abeysinghe	733	733
L. Ganlath	578	578
H. A. R. K. Wickramathilake	1,103	1,103

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

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

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

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 ISO 9001:-2015 (Quality Management Systems), ISO 14001:2015 (Environmental Management System) and ISO 45001:2018 occupational health and safety (OH&S) management 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 98, 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 23 to 27 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 23 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 2020 are given on page 35 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

Group Employment

The number of persons employed by Colombo Dockyard PLC and its Subsidiaries as at 31st December 2020 was as follows:

	2020-12-31	2019-12-31
Group	1,548	1,596
Colombo Dockyard PLC	1,445	1,509

Events after the Reporting Period

Please refer Note 39 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 99 of this Annual Report.

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 10.00am. on the 04th May 2021. The Notice to the Annual General Meeting is given on page 102.

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



H. Tanaka
Chairman



D. V. Abeysinghe
Managing Director/CEO



Manori Mallikarachchi
Company Secretary/Legal Consultant

12 April 2021
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. Abeyasinghe - (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 - General Manager(Finance)/CFO

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 2020, 3 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 26.

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 Term of Reference

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

12 April 2021
Colombo, Sri Lanka

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 to every shareholder of the Company, who have expressed their desire to receive a printed copy or to other Shareholders a soft copy each shared by way of a web link containing the Annual Report within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) of Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange.

Company external auditors Messrs KPMG, Chartered Accountants 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 46, 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 97. 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

12 April 2021
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 2020 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. Abeyasinghe
Managing Director/CEO



P. D. Gihan Ravinatha
General Manager (Finance)/CFO

12 April 2021
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 31 December 2020, 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, including a summary of significant accounting policies and other explanatory information as set out on pages 50 to 100 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 31 December 2020, and of their financial performance and its 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 Auditors' 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 Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the company financial statements and 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.

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



01. Revenue recognition on ship construction contracts

Refer the note 5 to the financial statements

Risk Description	Our Response
<p>A major component of the Group's revenue comprise of revenue from ship construction contracts amounting to Rs. 2,931 Mn. for the year ended 31 December 2020.</p> <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>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> • Understanding whether the management's process of recognising revenue is in line with the requirements of SLFRS 15 – Revenue from Contracts with Customers. • 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 expected costs to complete estimated by the company in the determination of the stage of completion. • 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.

02. Management assessment of the potential impacts of the Corona virus (COVID-19) on the Group's ability to continue as going concern

Refer the note 2.5 and 3.1.1 to the financial statements

Risk Description	Our Response
<p>The Group has incurred a net loss of Rs. 1,161 Mn for the year ended 31st December 2020.</p> <p>As disclosed in note 2.5 and 3.1.1 in the financial statements describes the impact of the COVID-19 outbreak on the current year financial statements and the possible effects of the future implications of the COVID-19 outbreak on the Group financial statements especially future prospects, performance and cash flows.</p> <p>We identified the management assessment of the potential impact of COVID-19 to the company's ability to continue as a going concern as a key audit matter because the cash flow projections referred to above involves consideration of future events and circumstances which are inherently uncertain and involves significant management judgement in assessing future projections.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> • Obtaining the cashflow projections covering a period of not less than twelve months from the reporting period end date and challenging these key assumptions used in preparing the projections. • Inspecting the facility agreements for the long-term loans to identify any financial covenants or similar terms and assessing the implication of these. • Assessing the adequacy of disclosures in the financial statements in relation to the potential impact of COVID- 19 on the Company's ability to continue as a going concern with reference to the requirements of the prevailing accounting standards.

Independent Auditors' Report



03. Recoverability of deferred tax asset	
Refer the note 17 to the financial statements	
Risk Description	Our Response
<p>The Group has recognised deferred tax assets amounting to Rs. 155 Mn on temporary differences which includes accumulated tax losses of Rs. 2,718 Mn. as at 31 December 2020. The recoverability of recognized deferred tax assets is in part dependent on the Group's ability to generate future taxable profits sufficient to utilized deductible temporary differences and tax losses.</p> <p>We identified the recognition of deferred tax assets as a key audit matter due to the inherent uncertainty in forecasting the amount of timing of future taxable profits and the reversal of temporary difference which could be subject to error or potential management bias.</p>	<p>Our audit procedures 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, tax losses expiry dates 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 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.

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 Auditors' 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.



Auditors' 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 auditors' 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 auditors' 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 auditors' 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 relevant ethical requirements in accordance with Code of Ethics regarding independence, and 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 auditors' 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 2599.

Chartered Accountants
Colombo, Sri Lanka

12 April 2021

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December,	Note	Group		Company	
		2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Revenue	5	9,674,445	11,631,547	8,079,273	10,145,550
Cost of sales		(8,657,320)	(11,023,136)	(7,480,782)	(10,038,764)
Gross profit		1,017,125	608,411	598,491	106,786
Other income	6	168,697	164,744	163,976	166,354
Distribution expenses		(15,196)	(67,515)	(13,335)	(57,914)
Administrative expenses		(2,044,407)	(2,332,671)	(1,800,640)	(2,076,358)
Other operating income / (expenses)		7,624	(141,598)	7,624	(141,598)
Net finance income / (expenses)	7	(140,356)	292,390	(205,720)	190,392
Profit / (loss) before tax	8	(1,006,513)	(1,476,239)	(1,249,604)	(1,812,338)
Income tax expenses	9	(154,623)	(200,808)	(97,800)	(123,150)
Profit / (loss) for the year		(1,161,136)	(1,677,047)	(1,347,404)	(1,935,488)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Defined benefit plan actuarial gains / (losses)	26	(177,620)	(3,325)	(178,983)	(4,761)
Tax on other comprehensive income		24,675	265	25,057	667
Fair value change of instruments valued at FVOCI		(57)	39	(57)	39
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences - foreign operations		5,153	1,223	-	-
Cash flow hedges - effective portion of changes in fair value		(104,143)	(94,180)	(104,143)	(94,180)
Other comprehensive income / (expense) for the year, net of tax		(251,992)	(95,978)	(258,126)	(98,235)
Total comprehensive income / (expense) for the year		(1,413,128)	(1,773,025)	(1,605,530)	(2,033,723)
Profits / (losses) attributable to;					
Owners of the company		(1,161,871)	(1,681,072)	(1,347,404)	(1,935,488)
Non - controlling interests		735	4,025	-	-
Profit / (loss) for the year		(1,161,136)	(1,677,047)	(1,347,404)	(1,935,488)
Total comprehensive income / (loss) attributable to;					
Owners of the company		(1,416,388)	(1,777,649)	(1,605,530)	(2,033,723)
Non - controlling interests / (loss)		3,260	4,624	-	-
Total comprehensive income / (loss) for the year		(1,413,128)	(1,773,025)	(1,605,530)	(2,033,723)
Earnings per share (Rs.)	10.1	(16.17)	(23.39)	(18.75)	(26.93)

The accounting policies and explanatory notes from pages 56 to 100 form an integral part of these Financial Statements. Figures in brackets indicate deductions

Statement of Financial Position

As at 31 December,		Group		Company	
	Note	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
ASSETS					
Non current assets					
Property, plant and equipment	11	5,407,003	4,546,651	4,802,965	4,230,855
Investment property	12	-	-	2,865	2,865
Intangible assets	13	2,302	1,175	135	101
Right - of - use asset	14.1	243,362	232,910	243,362	185,354
Investment in subsidiaries	15	-	-	7,881	5,949
Investments classified as fair value through OCI	16.1	17,964	18,020	17,964	18,020
Deferred tax asset	17.1	154,854	158,989	145,811	151,872
Other financial assets including derivatives	20	502,681	671,919	495,265	556,771
		6,328,166	5,629,664	5,716,248	5,151,787
Current assets					
Inventories	18	1,144,194	712,862	877,917	504,710
Trade and other receivables	19	5,576,996	5,542,167	4,527,971	4,585,666
Other financial assets including derivatives	20	354,961	566,068	195,747	313,481
Amounts due from related parties	21	-	-	88,280	83,933
Investments classified as fair value through profit or loss	16.2	112,250	242,168	-	-
Cash and cash equivalents	22.1	4,539,504	4,326,918	4,191,116	3,986,477
		11,727,905	11,390,183	9,881,031	9,474,267
Total assets		18,056,071	17,019,847	15,597,279	14,626,054
EQUITY AND LIABILITIES					
Stated capital	23	714,396	714,396	714,396	714,396
Exchange equalization reserve	23.1	25,245	22,617	-	-
Fair value through OCI reserve	23.2	17,854	17,911	17,854	17,911
Cash flow hedge reserve	23.3	(123,490)	(19,347)	(123,490)	(19,347)
Retained earnings		6,284,377	7,599,193	4,611,631	6,112,961
Equity attributable to equity holders of the parent		6,918,382	8,334,770	5,220,391	6,825,921
Non-controlling interest		84,396	81,136	-	-
Total equity		7,002,778	8,415,906	5,220,391	6,825,921
Non current liabilities					
Lease liability	14.2	186,266	198,069	186,266	166,921
Employee benefits	26	1,040,610	883,069	1,015,329	860,410
		1,226,876	1,081,138	1,201,595	1,027,331
Current liabilities					
Interest bearing borrowings	24	6,441,816	3,670,553	6,441,816	3,670,553
Other financial liabilities including derivatives	25	199,141	-	200,573	1,203
Trade and other payables	27	3,050,159	3,714,381	2,377,074	2,855,447
Lease liability	14.2	26,696	29,030	26,696	17,704
Amounts due to related parties	28	-	-	107,087	211,145
Income tax payable	29	71,537	82,031	-	-
Dividend payable	30	10,991	11,365	10,991	11,365
Bank overdrafts	22.2	26,077	15,443	11,056	5,385
		9,826,417	7,522,803	9,175,293	6,772,802
Total equity and liabilities		18,056,071	17,019,847	15,597,279	14,626,054

The accounting policies and explanatory notes from pages 56 to 100 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
General Manager (Finance)/CFO

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.



H. Tanaka
Chairman



D. V. Abeysinghe
Managing Director/CEO



Manori P. Mallikarachchi
Company Secretary

12 April 2021
Colombo, Sri Lanka.

Statement Of Changes In Equity

Group	Attributable to equity holders of parent							
	Stated	Retained	Fair Value	Exchange	Cash Flow	Total	Non-	Total
	Capital	Earnings	Through	Equalization	Hedge		Controlling	equity
	(Rs.'000)	(Rs.'000)	OCI Reserve (Rs.'000)	Reserve (Rs.'000)	Reserve (Rs.'000)	(Rs.'000)	Reserve (Rs.'000)	(Rs.'000)
Balance as at 01 January 2019	714,396	9,391,113	17,872	21,993	74,833	10,220,207	76,512	10,296,719
Total comprehensive income for the year								
Profit / (loss) for the year	-	(1,681,072)	-	-	-	(1,681,072)	4,025	(1,677,047)
Other comprehensive income								
- Actuarial gain/(loss) on retirement benefit obligations	-	(3,325)	-	-	-	(3,325)	-	(3,325)
- Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation	-	265	-	-	-	265	-	265
- Fair value gain/(loss) of investments valued at FVOCI	-	-	39	-	-	39	-	39
- Foreign currency translation differences - foreign operations	-	-	-	624	-	624	599	1,223
- Cash flow hedges - changes in fair value	-	-	-	-	(94,180)	(94,180)	-	(94,180)
Transactions with owners of the company contributions by and distributions								
- Dividends paid	-	(107,788)	-	-	-	(107,788)	-	(107,788)
Balance as at 31 December 2019	714,396	7,599,193	17,911	22,617	(19,347)	8,334,770	81,136	8,415,906
Balance as at 01 January 2020	714,396	7,599,193	17,911	22,617	(19,347)	8,334,770	81,136	8,415,906
Total comprehensive income for the year								
Profit / (loss) for the year	-	(1,161,871)	-	-	-	(1,161,871)	735	(1,161,136)
Other comprehensive income								
- Actuarial gain/(loss) on retirement benefit obligations	-	(177,620)	-	-	-	(177,620)	-	(177,620)
- Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation	-	24,675	-	-	-	24,675	-	24,675
- Fair Value gain/(loss) of investments valued at FVOCI	-	-	(57)	-	-	(57)	-	(57)
- Foreign currency translation differences - foreign operations	-	-	-	2,628	-	2,628	2,525	5,153
- Cash flow hedges - changes in fair value	-	-	-	-	(104,143)	(104,143)	-	(104,143)
Transactions with owners of the company contributions by and distributions								
- Dividends paid	-	-	-	-	-	-	-	-
Balance as at 31 December 2020	714,396	6,284,377	17,854	25,245	(123,490)	6,918,382	84,396	7,002,778

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 01 January 2019	714,396	8,160,331	17,872	74,833	8,967,432
Total comprehensive income for the year					
Profit / (loss) for the year	-	(1,935,488)	-	-	(1,935,488)
Other comprehensive income					
- Actuarial gain/(loss) on retirement benefit obligation	-	(4,761)	-	-	(4,761)
- Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation	-	667	-	-	667
- Fair value gain/(loss) of investments valued at FVOCI	-	-	39	-	39
- Cash flow hedge - changes in fair value	-	-	-	(94,180)	(94,180)
Transactions with owners of the company Contributions by and distributions					
- Dividends paid	-	(107,788)	-	-	(107,788)
Balance as at 31 December 2019	714,396	6,112,961	17,911	(19,347)	6,825,921
Balance as at 01 January 2020	714,396	6,112,961	17,911	(19,347)	6,825,921
Total comprehensive income for the year					
Profit / (loss) for the year	-	(1,347,404)	-	-	(1,347,404)
Other comprehensive income					
- Actuarial gain/(loss) on retirement benefit obligation	-	(178,983)	-	-	(178,983)
- Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation	-	25,057	-	-	25,057
- Fair value gain/(loss) of investments valued at FVOCI	-	-	(57)	-	(57)
- Cash flow hedge - changes in fair value	-	-	-	(104,143)	(104,143)
Transactions with owners of the company Contributions by and distributions					
- Dividends paid	-	-	-	-	-
Balance as at 31 December 2020	714,396	4,611,631	17,854	(123,490)	5,220,391

The accounting policies and explanatory notes on pages 56 to 100 form an integral part of these Financial Statements.
(Figures in brackets indicate deductions)

Statement of Cash Flow

For the year ended 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Cash flow from operating activities				
Profit/(loss) before tax	(1,006,513)	(1,476,239)	(1,249,604)	(1,812,338)
Adjustments for,				
Depreciation of property, plant and equipment	466,143	481,476	409,035	445,296
Amortization of intangible assets	293	10,058	12	9,576
Impairment of property, plant and equipment	-	-	-	-
Provision for retirement benefit obligations (excluding actuarial gains/losses)	164,024	152,604	158,352	146,642
Provision/(reversal) for bad and doubtful debts	13,115	2,467	7,918	9,109
Provision for/(reversal) of obsolete stocks	(6,004)	23,821	(7,624)	20,625
(Profit)/loss on disposal of property, plant and equipment	(8,300)	(9,455)	(7,537)	(9,046)
Provision for/(reversal) of warranty provision	(56,289)	72,145	(41,000)	58,540
Foreign exchange (gain)/loss (unrealized)	190,571	(74,402)	190,571	(74,402)
Net change in fair value of financial instruments	180,771	(53,332)	190,850	(31,248)
Amortization of corporate guarantees	-	-	(1,432)	(930)
Interest expense on lease	23,711	27,720	23,601	21,938
Amortisation of right-of-use assets	43,691	44,778	41,062	27,583
Amortization of prepaid staff benefits	20,316	41,009	18,964	40,248
Interest income	(244,810)	(320,666)	(190,723)	(234,685)
Dividend income	-	(197)	-	(197)
Interest expenses	201,001	93,967	200,956	93,941
Operating profit/(loss) before working capital changes	(18,280)	(984,246)	(256,599)	(1,289,348)
(Increase)/decrease in inventory	(425,328)	(46,934)	(365,583)	35,974
(Increase)/decrease in trade and other receivables	275,384	322,048	92,910	532,972
(Increase)/decrease amounts due from related parties	-	-	(4,347)	63,305
Increase/(decrease) trade and other payables	(677,613)	604,145	(476,186)	416,232
Increase/(decrease) amounts due to related parties	-	-	(104,058)	46,574
Cash generated from/(used in) operating activities	(845,837)	(104,987)	(1,113,863)	(194,291)
Interest paid	(201,001)	(93,967)	(200,956)	(93,941)
Gratuity paid	(184,103)	(132,825)	(182,416)	(132,825)
Tax paid / ESC Write off	(136,307)	(248,942)	(66,681)	(149,267)
Net cash generated from/(used in) operating activities	(1,367,248)	(580,721)	(1,563,916)	(570,324)

For the year ended 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Cash flow from investing activities				
Purchases of property, plant and equipment	(1,326,715)	(753,147)	(981,310)	(599,160)
Proceeds from disposal of property, plant and equipment	8,081	10,542	7,372	10,057
Interest received	159,799	266,931	143,105	208,047
Staff loans granted during the year (Note 20.1)	(73,162)	(294,611)	(72,106)	(289,061)
Staff loans recovered during the year (Note 20.1)	144,902	239,101	136,147	235,485
Net investments with banks and other institutions	-	(390,848)	-	(9,000)
Net proceeds on maturity of FVTPL financial assets	129,919	47,289	-	-
Dividend received	-	197	-	197
Net cash generated from/(used in) investing activities	(957,176)	(874,546)	(766,792)	(443,435)
Cash flow from financing activities				
Short terms loans obtained during the period (Note 24.1)	8,723,072	5,414,557	8,723,072	5,414,557
Repayment of short term loans (Note 24.1)	(6,142,380)	(4,381,902)	(6,142,380)	(4,381,902)
Dividend paid	(374)	(111,575)	(374)	(111,575)
Payment of lease liability (Note 14)	(53,942)	(68,948)	(50,642)	(41,272)
Net cash generated from/(used in) financing activities	2,526,376	852,132	2,529,676	879,808
Net increase/(decrease) in cash and cash equivalents during the period	201,952	(603,135)	198,968	(133,951)
Cash and cash equivalents at the beginning of the period (Note 22)	4,311,475	4,914,610	3,981,092	4,115,043
Cash and cash equivalents at the end of the period (Note 22)	4,513,427	4,311,475	4,180,060	3,981,092

The accounting policies and explanatory notes on pages 56 to 100 form an integral part of these Financial Statements.
(Figures in brackets indicate deductions.)

Notes to the Financial Statements

1. REPORTING ENTITY

1.1. Corporate Information

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.

1.2. Consolidated Financial Statements

The consolidated financial statements of the Company as at and for the year ended 31st December 2020 comprise the Company and its Subsidiaries (together referred as the "Group").

The Group provides a variety of services in relation to ship repairs, shipbuilding, heavy engineering, general engineering and supply chain management.

1.3. Group Information

Of the three subsidiaries within the Group, the company has 100% holding of Dockyard General Engineering Services (Private) Limited (Incorporated in Sri Lanka) and Dockyard Total Solutions (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 profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of

cash flows, together with the significant accounting policies and explanatory 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.

2.2. Responsibility of the Financial Statements

The board of the Directors is responsible for 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)

2.3. Basis of Measurement

The financial statements of the Group and the Company have 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 amortized cost.
- Financial assets measured at fair value through OCI.
- Liability for defined benefit obligation recognized based on actuarial valuation. (LKAS 19)

2.4. Functional and Presentation Currency

The consolidated financial statements are prepared 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 different economic environment. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless stated otherwise.

2.5. Going Concern

In preparing these financial statements, the management has assessed the existing and anticipated effects of the COVID -19 on the Group and the use of going concern basis of preparation giving special attention to highly impacted sectors such as shipbuilding and ship repairs based on available information and the short to medium term economic outlook. The Group has been evaluating the resilience of its businesses, considering a wide range of factors such as expected revenue streams, profitability, cost management initiatives implemented by the Group, working restrictions, travel restrictions, working capital management, capital expenditure, debt repayments, cash reserves and available sources of financing including unutilized facilities and in order to be able to continue business under current global economic conditions.

Having evaluated the presentations made by the Group of companies on their future outlook, the Directors are satisfied that the Company and its Subsidiaries have adequate resources to continue its operations at least, but not limited to 12 months from the reporting date, to justify adopting the going concern basis in preparing these financial statements.

3. Significant Accounting Policies

3.1. Summary of Significant Accounting Policies

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages.

Those accounting policies presented with each note, have been applied consistently by the Group.

3.1.1. COVID-19 Pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in preparation of these Financial Statements.

The Group has developed various accounting estimates in these Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions in December 2020 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgements involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions are likely to be different from those forecasts since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The Company and the group is gradually getting its normal operations from January 2021, while adhering to stringent health guidelines.

3.2. Basis of Consolidation

The consolidated Financial Statements (referred to as "Group") comprise the Financial Statements of the Company and its subsidiaries for the year ended 31st December 2020.

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

3.2.1. 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.

3.2.2. 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.

When group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest when retained in the former subsidiary is measured at fair value control is lost.

3.3. Foreign Currency

3.3.1. 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.

3.3.2. Foreign Currency Transactions

In preparing the Financial Statements of the individual entities, transactions in currencies other than the reporting 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.

Notes to the Financial Statements

3.3.3. Foreign operations/ Subsidiaries

The statement of financial position and statement of comprehensive income 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.

3.3.4. Foreign exchange forward contracts

Foreign exchange forward contract that are which not designated as hedge instruments are fair valued at each reporting date. Gains and losses arising from changes in fair value are recognised in income statement under finance income or finance cost respectively.

3.3.5. Materiality and aggregation

In compliance with the Sri Lanka Accounting Standard – LKAS 1 – “Presentation of Financial Statements”, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

3.4. 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 (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.

3.5. 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 realized 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.

3.5.1. Property, Plant & Equipment

3.5.1.1. 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.

3.5.1.2. Owned Assets

The cost of an item of property, plant and equipment comprise its acquisition 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.

3.5.1.3. 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 replaced part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized once the new replacement is done.

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

3.5.1.4. 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.

3.5.1.5. 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 statement of comprehensive income 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 & Equipment	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	4	25%

Ceylon Shipping Agency (Private) Limited

Asset Category	Useful Life (Years)	Depreciation Rate (%)
Office Equipment	10	10%
Computers	3	33%
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.

3.5.2. 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 the business, use in the production or supply of goods or services or administrative purposes. Investment properties are initially measured at its cost including related transaction costs and subsequently at fair value with any change there in recognized in profit or loss.

Investment properties are derecognized when disposed or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal is recognized in the profit or loss in the year of retirement or disposal.

3.5.3. Intangible Assets

An Intangible Asset 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, if any.

3.5.3.1. Software

Cost incurred for computer software, 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.

3.5.3.2. 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.

Notes to the Financial Statements

3.5.3.3. 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%

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

3.5.4. Right to use assets

3.5.4.1. Basis of recognition

The Group applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all lease hold rights except for leases due to expire during the financial year and leases on which implications to the financial statements are not considered to be material. The Group uses its judgment to determine whether an operating lease contract qualifies for recognition of right-of-use assets. The Group applies judgements in evaluating the level of certainty whether the option of renewing the lease exists or otherwise. That is, it considers all relevant factors that create an economic benefits for it to exercise either the renewal or termination.

3.5.4.2 Basis of measurement

The Group recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-Use assets are measured at cost less any accumulated amortization and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are amortised on the straight line basis over the lease term.

3.5.5. 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.

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.

3.5.6. Cash & 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.

3.6. 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 Group 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

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 Group 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 Group 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 fair value.

Financial assets - Business model assessment:

The Group 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 - eg., 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 Group'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:

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 (eg. 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 Group 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 Group 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 (eg., 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.

Notes to the Financial Statements

Financial assets - Subsequent measurement and gains and Losses

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.

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

The Group 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 Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in 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 Group 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.

Determination of Fair Values

A number of Group's accounting policies and disclosures require the determination of fair values for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

If input used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

(d) Impairment policy

Non-derivative financial asset's Financial instruments and contract assets

Loss allowances for trade receivables are 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

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

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

- the borrower is unlikely to pay its credit obligations to the Group 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 Group expects to receive).

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

Credit-impaired financial assets

At each reporting date, the Group 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 Group on terms that the Group 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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group 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 Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a

Notes to the Financial Statements

reasonable expectation of recovery. The Group 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 Group's procedures to recovery of amounts due.

Impairment Policy: Non-financial assets

The carrying amounts of the Group'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.

3.7. Post-Employment Benefits 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.

3.7.1. Defined Contribution Plans - Employees' Provident Fund and Employees' 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 statement of comprehensive income when incurred.

3.8. 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.

3.8.1. 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.

3.8.2. 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.

3.9. Income Statement

3.9.1. Revenue

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

3.9.1.1. Revenue Recognition

Revenue represents the amounts derived from the construction contracts, sale of goods and provision of services, which fall within the Group's ordinary activities net of trade discounts and turnover-related taxes.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods

or services. Timing of transferring the goods and services to the customer is determined based on judgments taking into the consideration of the nature of the goods and services that are offer to the customers.

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

Construction contracts

Revenue from construction related contracts is recognised upon satisfaction of a performance obligation agreed in the contract. At contract inception, the Group determines whether it satisfies the performance obligation over time or at a point in time. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer. For each performance obligation satisfied over time, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

The progress is assessed based on surveys of work performed. When the outcome of construction contract can not be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Sale of goods

The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally, on delivery of the goods. Sales are measured at the fair value of the consideration received or receivable excluding amounts collected on behalf of third parties (e.g. Sales taxes) and variable consideration (e.g. discounts and rebates).

Rendering of services

Revenue from rendering of services is recognised in the Statement of Profit or Loss when each performance obligations are satisfied by transferring promised service to the customer.

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.

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.

3.9.2. Expenditure Recognition

3.9.2.1. 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.

3.9.2.2. Warranty Claims/Provisions

Costs incurred by the Group 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.

3.9.2.3. 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 capitalized 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.

3.9.3. 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 (which are not capitalized 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 receivables). Interest expenses are recognised in profit or loss using the effective interest method.

3.9.4. 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

Notes to the Financial Statements

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.

3.9.4.1. 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 29)

Transfer Pricing

As prescribed in the Inland Revenue Act No. 24 of 2017 and the Gazette notifications issued on transfer pricing, companies in the Group have complied with the arm's length principles relating to transfer pricing.

3.9.4.2. 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 utilized.

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.

3.10. 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.

3.11. 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 been charged or not.

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

3.12. 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 equivalents 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 repayable on demand and forming an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.13. 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.

3.14. Events Occurring After the Reporting Period

Events after the reporting period are those events favorable and unfavorable that occurs between the end of the reporting period and the date when the financial statements are 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.

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.

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:

Critical accounting estimate/ judgement	Disclosure Reference	
	Note	Page
Income tax expense	9	72 - 74
Property, plant and equipment	11	75 - 78
Intangible assets	13	79
Deferred tax assets / liabilities	17	82
Employee benefits	26	87 - 89
Provision for warranty claims	27.1	89
Revenue on ship building	5	69
Impact on COVID 19	38	99 - 100

4.1. Sri Lanka Accounting Standards not yet effective as at 31st December 2020

Several new standards and amendments to standards and amendments are effective for annual periods beginning after the current financial year and earlier application is permitted; however, the Company has not early adopted those in preparing these financial statements.

The following amended standards are not expected to have a significant impact on the Company's financial statements.

4.1.1. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

4.1.2. Reference of Conceptual Framework (Amendments to LKAS 3)

The amendments update an outdated reference to the Conceptual Framework in LKAS 3 without significantly changing the requirements in the standard.

4.1.3. Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Notes to the Financial Statements

4.1.4. Onerous Contracts - Cost of fulfilling the contract (Amendments to LKAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

4.1.5. Interest benchmark reform phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16)

The amendments in Interest Rate Benchmark Reform clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

4.1.6. COVID-19 related concessions (Amendments to SLFRS 16)

Introduces an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance.

The practical expedient applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

5. REVENUE

For the year ended 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Ship repair	5,009,752	5,773,073	5,009,752	5,773,073
Ship building	2,930,957	4,265,866	2,930,957	4,265,866
Heavy engineering	1,463,833	1,282,143	138,564	106,611
Material & other sales	269,903	327,414	-	-
Gross revenue (Note 5.1, 5.2)	9,674,445	11,648,496	8,079,273	10,145,550
Turnover tax	-	(16,949)	-	-
Total revenue	9,674,445	11,631,547	8,079,273	10,145,550
Less: Cost of sales	(8,657,320)	(11,023,136)	(7,480,782)	(10,038,764)
Gross profit / operating results (Note 5.3)	1,017,125	608,411	598,491	106,786

5.1 Project types segment revenue (Business segment)

Ship repair				
Tankers	2,047,464	1,888,146	2,047,464	1,888,146
General cargo	349,907	537,762	349,907	537,762
Container carriers	300,230	238,567	300,230	238,567
Passenger vessels	30,625	192,016	30,625	192,016
Fishing trawlers	21,782	62,408	21,782	62,408
Tugs	37,181	48,339	37,181	48,339
LPG tankers	122,628	572,559	122,628	572,559
Dredgers	705,601	302,347	705,601	302,347
Navel vessels	94,311	491,834	94,311	491,834
Cement carriers	8,930	99,700	8,930	99,700
Livestock carriers	-	1,384	-	1,384
Offshore support vessels	127,014	131,506	127,014	131,506
Barge	19,309	124,527	19,309	124,527
Bulk carriers	972,689	684,800	972,689	684,800
Research vessel	3,481	38,260	3,481	38,260
Others	168,600	358,918	168,600	358,918
	5,009,752	5,773,073	5,009,752	5,773,073

Ship building

Specialised vessels	194	2,170,014	194	2,170,014
Passenger vessels	1,178,072	294,314	1,178,072	294,314
Bulk Carrier	1,515,367	1,307,657	1,515,367	1,307,657
Launching Vessels	237,324	493,881	237,324	493,881
	2,930,957	4,265,866	2,930,957	4,265,866

Heavy engineering

Heavy fabrication	641,893	779,549	124,707	79,237
Services	635,347	93,081	8,507	9,532
Repairs & maintenance	186,593	307,597	5,350	17,842
Power generation	-	101,916	-	-
	1,463,833	1,282,143	138,564	106,611

Material and other sales

Material and other sales	269,903	327,414	-	-
Total revenue	9,674,445	11,648,496	8,079,273	10,145,550

Notes to the Financial Statements

For the year ended 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
5.2 Geographical segment revenue				
India	2,992,270	2,974,436	2,992,270	2,974,436
Maldives	8,308	439,494	8,308	439,494
UAE	295,850	18,932	295,850	18,932
Srilanka	2,179,347	2,074,792	601,874	1,435,330
Singapore	454,021	1,199,814	436,322	336,330
Japan	2,755,445	3,808,724	2,755,445	3,808,724
Germany	4,287	21,575	4,287	21,575
Greece	127,901	45,895	127,901	45,895
Hong Kong	31,528	12,340	31,528	12,340
USA	-	780	-	780
Seychelles	-	59,232	-	59,232
Norway	105,766	219,632	105,766	219,632
Cyprus	-	1,051	-	1,051
Thailand	-	187,669	-	187,669
Pakistan	421,026	161,818	421,026	161,818
Netherlands	-	47,268	-	47,268
Liberia	129,494	-	129,494	-
Qatar	-	101,000	-	101,000
Others	169,202	274,044	169,202	274,044
	9,674,445	11,648,496	8,079,273	10,145,550

5.3 Segmental Operating Results

Ship repairs	192,020	713,083	192,020	713,083
Ship building	350,707	(576,604)	350,707	(576,604)
Heavy engineering	362,558	318,239	55,764	(29,693)
Material & other sales	111,840	153,693	-	-
	1,017,125	608,411	598,491	106,786

6. OTHER INCOME

For the year ended 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Exchange gain (both realized and unrealized)	39,409	-	39,409	-
Scrap sales	98,591	126,177	98,591	126,177
Dividend income	-	197	-	197
Profit/(loss) on disposal of property, plant and equipment	8,300	9,455	7,537	9,046
Management fees	-	-	900	917
Amortization of corporate guarantees	-	-	1,432	930
Lease rental	-	203	1,716	1,748
Miscellaneous income	22,397	28,712	14,391	27,339
	168,697	164,744	163,976	166,354

7. NET FINANCE INCOME/(EXPENSE)

For the year ended 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Finance cost				
Interest on bank overdrafts and short term loans (Note 7.1)	(201,001)	(93,967)	(200,956)	(93,941)
Amortization of guarantee benefit	-	(930)	-	-
Interest on lease liability (Note 14.2)	(23,711)	(27,720)	(23,601)	(21,938)
Net change in fair value of financial instrument at FVTPL	(190,850)	-	(190,850)	-
	(415,562)	(122,617)	(415,407)	(115,879)
<hr/>				
For the year ended 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Finance income				
Interest income from investments	210,806	249,447	156,315	165,099
Other interest income	34,005	71,219	34,408	69,676
Amortization of pre paid staff cost (Note 20.2)	20,316	41,009	18,964	40,248
Net change in fair value of financial instrument at FVTPL	10,079	53,332	-	31,248
	275,206	415,007	209,687	306,271
	(140,356)	292,390	(205,720)	190,392

7.1 In accordance with LKAS 23 Borrowing cost, Company has incurred an interest costs amounting to Rs 39.46 Mn (2019 - Rs.67.48 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.

Notes to the Financial Statements

8. PROFIT / (LOSS) BEFORE TAX

Is stated after charging all expenses / (reversals) including the following;

For the year ended 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Directors' emoluments	26,221	26,999	17,371	18,149
Auditors remuneration - on statutory audit	4,284	4,262	2,520	2,520
Business promotion expenses	15,196	67,515	13,335	57,914
Depreciation on property, plant & equipment	466,143	481,476	409,035	445,296
Amortization of intangible assets	293	10,058	12	9,576
Donations	2,266	384	2,266	384
Provision for/(reversal of)				
- Bad and doubtful debts	13,115	2,467	7,918	9,109
- Obsolete and slow moving stocks	(6,004)	23,821	(7,624)	20,625
- Warranty claims	(56,289)	72,145	(41,000)	58,540
Staff related cost				
- Salaries and wages	3,244,378	3,737,292	3,244,378	3,547,935
- Defined benefit plan cost - gratuity	164,024	152,604	158,352	146,642
- Defined contribution plan cost - EPF	190,279	193,543	178,279	179,212
ETF	47,570	48,385	44,570	44,803
Amortization of pre-paid staff cost	20,316	41,009	18,964	40,248

9. INCOME TAX EXPENSE

For the year ended 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
On the current years profit (Note 9.3)	73,756	97,738	-	-
Additional tax liability Write off	(14,625)	-	-	-
Unrecoverable ESC	66,682	149,267	66,682	149,267
Deferred taxation (Note 17.3)	28,810	(46,197)	31,118	(26,117)
Tax expense on profit or (loss)	154,623	200,808	97,800	123,150

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%
Investment income	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% (2019 : 28%) on profits from construction contracts.

Dockyard Total Solutions (Pvt) Ltd.

As per the Inland Revenue Act, the Company is liable to pay income tax at 28% (2019 : 28%) on profits from construction contracts.

(ii) Income tax on overseas operations

Ceylon Shipping Agency (Pte) Ltd., Singapore is liable for taxation at the rate of 17% (2019 : 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.

For the year ended 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)

9.3 Reconciliation between current tax expense and the accounting profit

Profit / (loss) before tax	(1,006,513)	(1,476,239)	(1,249,604)	(1,812,338)
Impact of allowable and disallowable expenses	(48,958)	352,206	(69,281)	339,239
Statutory profit/(loss) from business	(1,055,471)	(1,124,033)	(1,318,885)	(1,473,099)
Statutory profit/(loss) from Dockyard General Engineering Services (Pvt) Ltd	263,414	349,066	-	-
Tax at the rate of 14%	-	-	-	-
Tax at the rate of 17%	-	-	-	-
Tax at the rate of 28%	73,756	97,738	-	-
Provision for taxation on current year profit	73,756	97,738	-	-

The group has evaluated the recoverability of unclaimed tax losses (as at each reporting date) through taxable profits forecast. Deferred tax assets have been recognized only up to recoverable amount. Tax losses as at 31st December 2020, as per the income tax return (estimated), was Rs. 9,950 Mn (2019 -Rs. 8,632). In reviewing the recoverability of unclaimed tax losses, the group has evaluated the impact of COVID-19 pandemic on the future taxable profits.

Notes to the Financial Statements

9.4 Deferred taxation

Company

The deferred tax liability is arrived at by applying the effective income tax rate of 14% (2019 : 14%) applicable for the year of assessment 2020/2021 to the temporary difference as at 31 December 2020.

Subsidiaries

Dockyard General Engineering Services (Pvt) Ltd.

The deferred tax asset is arrived at by applying the income tax rate of 28% (2019 : 28%) to the temporary differences of Dockyard General Engineering Services (Pvt.) Ltd. as at 31 December 2020.

Dockyard Total Solutions (Pvt) Ltd.

The deferred tax asset is arrived at by applying the income tax rate of 28% (2019 : 28%) to the temporary differences of Dockyard Total Solutions (Pvt) Ltd.. as at 31 December 2020.

Ceylon Shipping Agency (Pte) Ltd.

The deferred tax liability is arrived at by applying the income tax rate of 17% (2019 : 17%) to the temporary differences of Ceylon Shipping Agency (Pte) Ltd. as at 31 December 2020.

10. EARNINGS/(LOSS) PER SHARE

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:

For the year ended 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Amount used as the numerator				
Profit/(loss) for the period (Rs. '000)	(1,161,136)	(1,677,047)	(1,347,404)	(1,935,488)
Less : Non controlling interest (Rs. '000)	(735)	(4,025)	-	-
Profit/(Loss) attributable to equity shareholders of Colombo Dockyard PLC (Rs. '000)	(1,161,871)	(1,681,072)	(1,347,404)	(1,935,488)
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 2020	(16.17)	(23.39)	(18.75)	(26.93)

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Group

	Drydocks	Land	Road ways	Building	Plant, Machinery & Equipment	Electrical Installation	Motor Vehicles	Inventory Items	Office Equipment, Furniture & Fittings	Loose Tools	Boats & Launches	Capital Work In Progress	Total
COST	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 01 January 2020	1,184,661	62,950	14,190	1,623,613	5,630,663	337,809	260,477	101,028	436,890	341,672	6,494	482,630	10,483,077
Additions during the year	-	-	-	37,199	-	-	8,911	3,035	33,981	24,043	-	121,954	1,326,715
Transfers/adjustments during the year	-	-	-	49,924	238,762	-	-	-	26,171	1,020	-	(315,877)	-
Disposals during the year	-	-	-	-	(11)	-	(8,891)	(7)	(11,728)	(5,581)	-	-	(26,218)
Balance as at 31 December 2020	1,184,661	62,950	14,190	1,673,537	5,906,613	337,809	260,497	104,056	485,314	361,154	6,494	1,386,299	11,783,573
Accumulated Depreciation													
Balance as at 01 January 2020	676,930	-	12,219	689,015	3,373,983	282,853	167,631	79,929	348,508	296,391	6,494	-	5,933,953
Charge for the year	12,957	-	1,040	62,038	273,772	12,606	32,594	7,084	26,106	37,946	-	-	466,143
Transfer/adjustments during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(10)	-	(8,891)	(7)	(11,563)	(5,528)	-	-	(25,999)
Balance as at 31 December 2020	689,887	-	13,259	751,053	3,647,745	295,459	191,334	87,006	363,051	328,809	6,494	-	6,374,097
Balance as at 01 January 2020	-	-	-	-	2,327	-	-	-	136	10	-	-	2,473
Impairment loss for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2020	-	-	-	-	2,327	-	-	-	136	10	-	-	2,473
Carrying Amount													
As at 31 December 2020	494,774	62,950	931	922,484	2,256,541	42,350	69,163	17,050	122,127	32,335	-	1,386,299	5,407,003
As at 31 December 2019	507,731	62,950	1,971	934,598	2,254,353	54,956	92,846	21,099	88,246	45,271	-	482,630	4,546,651

Notes to the Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

11.2 Company

FREEHOLD													
	Drydocks	Land	Road ways	Building	Plant, Machinery & Equipment	Electrical Installation	Motor Vehicles	Inventory Items	Office Equipment, Furniture & Fittings	Loose Tools	Boats & Launches	Capital Work In Progress	Total
COST	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 01 January 2020	1,184,661	45,785	14,190	1,579,271	5,512,517	337,808	199,292	101,070	411,910	248,585	6,495	323,142	9,964,726
Additions during the year	-	-	-	-	17,482	-	313	3,035	27,910	480	-	932,090	981,310
Transfers/adjustments during the year	-	-	-	44,498	224,128	-	-	-	262	-	-	(268,888)	-
Disposals during the year	-	-	-	-	-	-	(8,891)	(7)	(11,728)	-	-	-	(20,626)
Balance as at 31 December 2020	1,184,661	45,785	14,190	1,623,769	5,754,127	337,808	190,714	104,098	428,354	249,065	6,495	986,344	10,925,410
Accumulated Depreciation													
Balance as at 01 January 2020	676,930	-	12,219	669,504	3,320,631	282,852	111,918	79,852	331,438	242,032	6,495	-	5,733,871
Charge for the year	12,957	-	1,040	60,105	260,264	12,606	24,740	7,084	23,383	6,856	-	-	409,035
Transfers/adjustments during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	(8,891)	(7)	(11,563)	-	-	-	(20,461)
Balance as at 31 December 2020	689,887	-	13,259	729,609	3,580,895	295,458	127,767	86,929	343,258	248,888	6,495	-	6,122,445
Carrying Amount													
As at 31 December 2020	494,774	45,785	931	894,160	2,173,232	42,350	62,947	17,169	85,096	177	-	986,344	4,802,965
As at 31 December 2019	507,731	45,785	1,971	909,767	2,191,886	54,956	87,374	21,218	80,472	6,553	-	323,142	4,230,855

(Group / Company)

Notes:

- A. No property plant and equipment have been pledged as security for liabilities and also there are no restrictions on titles.
- B. There is no temporally idle property plant and equipment as at the reporting date.

11.3 Valuation of land

The lands of the Group have been revalued by an independent chartered valuation firm, Siri Nissanka Associates, as at 31 December 2020. 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, The fair value measurement for the lands have been categorised as level 3 fair value hierarchy.

- (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. 5,115,000,000 |
- (b) Land depicted as allotment of land in Plan No.1562 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. 94,975,000 |
- (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. 201,645,000 |
- (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. 415,000,000 |
- Extent of the building is above freehold lands 25,134 sqm (2014 - 25,134 sqm)
- (e) Land depicted as Lot No is plan No. 3247 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. 55,055,000 |
- (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. 29,002,500 |

Notes to the Financial Statements

11.4 Gross carrying amount of fully depreciated property, plant and equipment.

As at 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Freehold dry-docks	5,215	5,215	5,215	5,215
Roadways	8,019	3,784	8,019	3,784
Freehold buildings	309,582	300,587	291,427	264,277
Plant, machinery and equipment	1,890,126	1,894,412	1,870,186	1,869,656
Electrical installation	240,937	206,122	240,937	206,122
Motor vehicles	128,630	151,914	79,108	75,262
Inventory items	59,652	48,426	59,652	48,426
Office equipment, furniture and fittings	298,243	275,849	259,717	255,691
Boats / launches	6,495	6,495	6,495	6,495
	2,946,899	2,892,804	2,820,756	2,734,928

12. INVESTMENT PROPERTY

As at 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Land rented to Dockyard General Engineering Services (Pvt) Ltd.	-	-	2,865	2,865

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, Siri Nissanka Associates (Pvt.) Ltd., as at 31 December 2020. Valuation details of the land is as follows, The fair value measurement for the investment property has been categorised as level 3 fair value hierarchy.

Extent of the land	103.75 Perches
No. of buildings	02
Cost	Rs. 2,865,000
Valuation	Rs. 415,000,000

Note:

Rental income from investment property

2020 - Rs. 1,716,000

2019 - Rs. 1,748,100

(There was no operating expenses for both years)

13. INTANGIBLE ASSETS

	Group		Company	
	2020	2019	2020	2019
Cost	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
Balance at the beginning of the year	85,620	85,620	81,766	81,766
Additions during the year	1,420	-	46	-
Balance at the end of the year	87,040	85,620	81,812	81,766
Amortization				
Balance at the beginning of the year	84,445	74,387	81,665	72,089
Charge for the year	293	10,058	12	9,576
Balance at the end of the year	84,738	84,445	81,677	81,665
Carrying amount	2,302	1,175	135	101

14. RIGHT-OF-USE ASSETS/LEASE LIABILITY

	Group		Company	
	2020	2019	2020	2019
14.1 Assets held under lease have been recognised as right-of-use assets under SLFRS 16.				
Balance as at 1 January /adjustment on initial application of SLFRS 16	232,910	249,640	185,354	184,889
Additions for during the year	96,694	28,048	96,694	28,048
Lease Modification	2,376	-	2,376	-
Termination of Leases	(44,927)	-	-	-
Amortisation charge for the year	(43,691)	(44,778)	(41,062)	(27,583)
Balance as at 31 December	243,362	232,910	243,362	185,354
14.2 Corresponding liability for the right- of-use assets has been recognised under other liabilities.				
Balance as at 1 January /adjustment on initial application of SLFRS 16	227,099	246,358	184,625	181,992
Additions for the year	53,002	21,968	53,002	21,967
Accretion of interest	23,711	27,720	23,601	21,938
Lease Modification	2,376	-	2,376	-
Termination of Leases	(39,283)	-	-	-
Lease payments	(53,942)	(68,948)	(50,642)	(41,272)
Balance as at 31 December	212,962	227,099	212,962	184,625
Non-current	186,266	198,069	186,266	166,921
Current	26,696	29,030	26,696	17,704

Notes to the Financial Statements

	Group		Company	
	2020	2019	2020	2019
14.2.2 Amounts recognised in profit or loss				
14.2.2.1 Lease under SLFRS 16 for the year ended 31 December 2020				
Interest on lease liabilities	23,711	27,720	23,601	21,938
Right - of - use asset amortisation	43,691	44,778	41,062	27,583
Opearting leases under LKAS 17 for the year ended 31 December 2019				
Rent expense		72,498		49,521
14.2.2.2 Amounts Recognised in statement of cash flows under SLFRS 16				
Lease rent paid	(53,942)	(68,948)	(50,642)	(41,272)

15. INVESTMENTS IN SUBSIDIARIES

		2020			2019		
	Incorporated in	No of shares	Percentage holding	Cost (Rs. '000)	No of shares	Percentage holding	Cost (Rs. '000)
15.1 Investments Of Colombo Dockyard PLC							
Dockyard General Engineering Services (Pvt) Ltd.	Sri Lanka	61,999	100%	5,592	61,999	100%	4,389
Add: Fair value of financial guarantees		-	-	1,432	-	-	1,203
Ceylon Shipping Agency (Pte) Ltd.	Singapore	25,500	51%	357	25,500	51%	357
Dockyard Total Solutions (Pvt) Ltd.							
(Previously, Dockyard Technical Services (Pvt) Ltd)	Sri Lanka	500	100%	500	-	-	-
		-	-	7,881	-	-	5,949

With effect from 21 December 2020, the share holding of Dockyard Technical Services (Pvt) Ltd has transferred to the Colombo Dockyard PLC on carrying amount of the investment Rs. 500,000.

15.2 Investments of Dockyard General Engineering Services (Pvt) Ltd.

Dockyard Technical Services (Pvt) Ltd.	Sri Lanka	-	-	-	49,999	100%	500
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16. OTHER INVESTMENTS

As at 31 December,	Group				Company			
	No. of shares	2020		No. of shares	2019		No. of shares	2019
		Cost (Rs. 000)	Fair value (Rs. 000)		Cost (Rs. 000)	Fair value (Rs. 000)		Cost (Rs. 000)
16.1 Investments classified as fair value through OCI								
16.1.1 Investments in shares								
Sri Lanka Port Management and Consultancy Services Limited	1,002	10	16,838	1,002	10	16,309	1,002	10
Associated Newspapers of Ceylon Limited	10,000	100	1,126	10,000	100	1,711	10,000	100
	-	110	17,964	-	110	18,020	-	110
								18,020

	Group				Company			
	No of units	2020		No of units	2019		No of units	2019
		Cost (Rs. 000)	Fair value (Rs. 000)		Cost (Rs. 000)	Fair value (Rs. 000)		Cost (Rs. 000)
16.2 Investments classified as fair value through profit or loss								
16.2.1 Investment in Unit Trusts								
NDB wealth money plus	1,071,269	25,000	25,122	3,456	73,388	74,051	-	-
First capital money market fund	16,199	30,508	30,728	32	53,919	54,491	-	-
Capital alliance money market fund	312,561	6,353	6,400	3,464	62,510	63,151	-	-
	-	61,861	62,250	-	189,817	191,693	-	-
16.2.2 Investment in quoted debentures								
Sampath Bank PLC	500,000	50,000	50,000	500	50,000	50,475	-	-
	-	50,000	50,000	-	50,000	50,475	-	-
	-	111,861	112,250	-	239,817	242,168	-	-

Notes to the Financial Statements

17. DEFERRED TAXATION

As at 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
17.1 Deferred Tax Asset				
Balance at the beginning of the year	158,989	125,088	151,872	125,088
Provision /(reversal) during the year (Note 17.3)	(4,135)	47,987	(6,061)	26,784
Transferred to deferred tax liability	-	(14,086)	-	-
Balance at the end of the year	154,854	158,989	145,811	151,872
17.2 Deferred Tax Liability				
Balance at the beginning of the year	-	12,561	-	-
Provision/(reversal) during the year (Note 17.3)	-	1,525	-	-
Transferred to deferred tax asset	-	(14,086)	-	-
Balance at the end of the year	-	-	-	-
17.3 Provision /(reversal) for the year				
Provision/(reversal) during the year recognized in profit/(loss)	(28,810)	46,197	(31,118)	26,117
Provision/(reversal) during the year recognized in other comprehensive income	24,675	265	25,057	667
Provision/(reversal) during the year recognized in comprehensive income	(4,135)	46,462	(6,061)	26,784

	2020 Temporary difference (Rs.'000)	2020 Tax effect on temporary difference (Rs.'000)	2019 Temporary difference (Rs.'000)	2019 Tax effect on temporary difference (Rs.'000)
Group				
Temporary difference on property, plant & equipment	(2,937,071)	(411,190)	(2,804,542)	(400,437)
Temporary difference on retirement benefit obligations	1,040,610	149,222	883,069	126,802
Temporary difference on stock provision	101,224	15,835	107,228	16,450
Temporary difference on warranty provision	53,115	12,800	131,754	25,908
Temporary difference on provision for bad and doubtful debts	85,663	11,993	89,657	10,884
Temporary difference on tax losses carried forward	2,717,500	380,450	2,720,765	380,907
Temporary difference on right-of-use asset	(30,400)	(4,256)	(5,811)	(1,525)
	1,030,641	154,854	1,122,120	158,989
Company				
Temporary difference on property, plant & equipment	(2,851,313)	(399,185)	(2,748,808)	(384,832)
Temporary difference on retirement benefit obligations	1,015,329	142,146	860,410	120,457
Temporary difference on stock provision	89,338	12,507	96,962	13,575
Temporary difference on warranty provision	15,102	2,156	78,452	10,983
Temporary difference on provision for bad and doubtful debts	85,663	11,993	77,745	10,884
Temporary difference on tax losses carried forward	2,717,500	380,450	2,720,765	380,907
Temporary difference on right-of-use asset	(30,400)	(4,256)	(729)	(102)
	1,041,219	145,811	1,084,797	151,872

Management has measured the deferred tax asset by applying the tax rates as per Inland Revenue Act No. 24 of 2017 as at 31 December 2020, in accordance with LKAS 12 paragraph 46.

18. INVENTORIES

As at 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Raw materials	1,179,462	759,715	901,310	546,433
Goods in transit	65,956	60,375	65,945	55,239
	1,245,418	820,090	967,255	601,672
Less: Provision for inventories (Note 18.1)	(101,224)	(107,228)	(89,338)	(96,962)
	1,144,194	712,862	877,917	504,710

18.1 Movement in provision for inventories

Balance at the beginning of the year	107,228	83,407	96,962	76,337
Provision/(reversal) made during the year	(6,004)	23,821	(7,624)	20,625
Amounts written off during the year	-	-	-	-
Balance at the end of the year	101,224	107,228	89,338	96,962

Please refer note 38.2.2

19. TRADE AND OTHER RECEIVABLES

As at 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Trade receivables	2,327,279	3,418,077	2,108,702	3,176,255
Less: Provision for bad and doubtful debts (Note 19.1)	(102,772)	(89,657)	(85,663)	(77,745)
	2,224,507	3,328,420	2,023,039	3,098,510
Accrued revenue	2,232,287	864,043	1,632,273	349,229
VAT recoverable	211,666	28,525	202,495	28,525
Deposits and prepayments	565,829	655,982	543,281	648,098
Economic service charges	36,937	281,355	36,937	281,355
Other receivables	305,770	383,842	89,946	179,949
	5,576,996	5,542,167	4,527,971	4,585,666

Impact due to COVID-19 pandemic on trade and other receivables are explained in under Note 38.2.3

19.1 Movement in provision for bad and doubtful debts

Balance at the beginning of the year	89,657	87,190	77,745	68,636
Provision made during the year	13,115	2,467	7,918	9,109
Reversals made during the year	-	-	-	-
Bad debts written off during the year	-	-	-	-
Balance at the end of the year	102,772	89,657	85,663	77,745

Notes to the Financial Statements

20. Other financial assets including derivatives

As at 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Non current				
Loans given to employees (Note 20.1)	450,282	502,034	443,705	491,347
Pre paid staff benefits (Note 20.2)	52,399	67,570	51,560	65,424
Securitised papers	-	102,315	-	-
	502,681	671,919	495,265	556,771
Current				
Loans given to employees (Note 20.1)	177,738	179,665	175,369	174,983
Pre paid staff benefits (Note 20.2)	20,791	23,680	20,378	23,299
Guarantee benefit assets	1,432	-	-	-
Securitised papers	155,000	128,356	-	-
Fixed deposits	-	119,168	-	-
Forward exchange contracts used for hedging	-	115,199	-	115,199
	354,961	566,068	195,747	313,481
	857,642	1,237,987	691,012	870,252
20.1 Loans given to employees				
Balance at the beginning of the year	772,949	717,439	755,053	701,477
Loans granted during the year	73,162	294,611	72,106	289,061
Loans recovered during the year	(144,902)	(239,101)	(136,147)	(235,485)
	701,210	772,949	691,012	755,053
Transfer to pre paid staff benefits	(73,190)	(91,250)	(71,938)	(88,723)
Balance at the end of the year	628,020	681,699	619,074	666,330
Non current	450,282	502,034	443,705	491,347
Current	177,738	179,665	175,369	174,983
20.2 Prepaid staff benefits				
Balance at the beginning of the year	91,250	89,095	88,723	86,620
Additions during the year	2,256	43,164	2,179	42,351
Amortization	(20,316)	(41,009)	(18,964)	(40,248)
Balance at the end of the year	73,190	91,250	71,938	88,723
Non current	52,399	67,570	51,560	65,424
Current	20,791	23,680	20,378	23,299

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%	10%	0%
Dockyard General Engineering Services (Pvt) Ltd.	6.5% - 7.5%	10%	-
Ceylon Shipping Agency (Pte) Ltd.	3.0%	-	-

21. AMOUNTS DUE FROM RELATED PARTIES

As at 31 December,	Relationship	Group		Company	
		2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Dockyard General Engineering Services (Pvt) Ltd	Subsidiary	-	-	57,014	64,846
Dockyard Total Solutions (Pvt) Ltd.	Subsidiary	-	-	31,266	19,087
Ceylon Shipping Agency Pte Ltd	Subsidiary	-	-	-	-
		-	-	88,280	83,933

22. CASH AND CASH EQUIVALENTS

As at 31 December,	Relationship	Group		Company	
		2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)

22.1 Favourable balances

Fixed deposits	3,776,362	2,860,721	3,776,362	2,769,892
Securitized papers	153,481	61,546	-	-
Repurchase agreement	25,000	-	-	-
Call deposits	299,778	1,149,740	299,778	1,149,740
Cash at bank	164,897	245,354	106,123	58,150
Cash in hand	119,986	9,557	8,853	8,695
	4,539,504	4,326,918	4,191,116	3,986,477

22.2 Unfavourable balances

Bank overdrafts	(26,077)	(15,443)	(11,056)	(5,385)
Cash and cash equivalents for the purpose of the cash flow statement	4,513,427	4,311,475	4,180,060	3,981,092

23. STATED CAPITAL

As at 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Issued and fully paid				
71,858,924 Ordinary shares (2019 - 71,858,924)	714,396	714,396	714,396	714,396

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.

Notes to the Financial Statements

23.1 Exchange equalization reserve

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

23.2 Fair 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.

23.3 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 Euro / JPY denominated forecast sales.

The amount recognised in Other Comprehensive Income is transferred to the Income Statement when the hedge transaction occurs (when the forecasted 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 Euro / JPY and buy USD

Hedged item - Euro / JPY denominated forecasted sales to incur till May 2022

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

24. INTEREST BEARING BORROWINGS

As at 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Payable within one year				
Short term loans (Note 24.1)	6,441,816	3,670,553	6,441,816	3,670,553
	6,441,816	3,670,553	6,441,816	3,670,553

24.1 Short term loans

Balance at the beginning of the year	3,670,553	2,712,300	3,670,553	2,712,300
Loans obtained during the year	8,723,072	5,414,557	8,723,072	5,414,557
Loan repayments during the year	(6,142,380)	(4,381,902)	(6,142,380)	(4,381,902)
Adjustment in respect of exchange rate fluctuations	190,571	(74,402)	190,571	(74,402)
Balance at the end of the year	6,441,816	3,670,553	6,441,816	3,670,553

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 collateralised against stock in trade.

25. OTHER FINANCIAL LIABILITIES INCLUDING DERIVATIVES

As at 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Current				
Corporate guarantees	-	-	1,432	1,203
Forward exchange contracts (Derivatives)	66,361	-	66,361	-
Cross Currency swap contracts (Derivatives)	9,290	-	9,290	-
Forward exchange contracts used for hedging	123,490	-	123,490	-
	199,141	-	200,573	1,203

26. EMPLOYEE BENEFITS

As at 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Balance at the beginning of the year	883,069	859,965	860,410	841,832
Provision made in the profit / (loss) during the year (Note 26.3)	164,024	152,604	158,352	146,642
Payments made during the year	(184,103)	(132,825)	(182,416)	(132,825)
Actuarial (gain)/loss recognized in Other Comprehensive Income	177,620	3,325	178,983	4,761
Balance at the end of the year (Note 26.1 and 26.2)	1,040,610	883,069	1,015,329	860,410

Please refer note 38.2.5

26.1 The amount recognized in the Statement of Financial Position are as follows;

Present value of unfunded obligations	1,040,610	883,069	1,015,329	860,410
Present value of funded obligations	-	-	-	-
Total present value of obligations	1,040,610	883,069	1,015,329	860,410
Fair value of plan assets	-	-	-	-
Present value of net obligations	1,040,610	883,069	1,015,329	860,410
Unrecognized net actuarial gains/ (losses)	-	-	-	-
Recognized liability for defined benefit obligations	1,040,610	883,069	1,015,329	860,410

26.2 Movement in the present value of defined benefit obligations

Liability for defined benefit obligations as at 01 January	883,069	859,965	860,410	841,832
Actuarial (gains)/ losses	177,620	3,325	178,983	4,761
Benefit paid by the plan	(184,103)	(132,825)	(182,416)	(132,825)
Current service costs	53,842	58,356	49,950	54,040
Interest cost	110,182	94,248	108,401	92,602
Liability for defined benefit obligations as at 31 December	1,040,610	883,069	1,015,329	860,410

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

Current service costs	53,842	58,356	49,950	54,040
Interest on obligation	110,182	94,248	108,402	92,602
	164,024	152,604	158,352	146,642

26.4 Gain / (loss) recognized in Other Comprehensive Income	(177,620)	(3,325)	(178,983)	(4,761)
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Notes to the Financial Statements

Colombo Dockyard PLC

The actuarial valuations carried out by M/s Piyal S Goonetilleke and Associates for retiring gratuity for employees as at 31 December 2020 amounting to Rs. 1,015 Mn and used the following key assumptions.

	2020	2019
Rate of interest	8.00%	11.00%
Rate of salary increment	7%	8%
Rate of COLA increment	5%	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.

	2020	2019
Rate of interest	8.00%	10.50%
Rate of salary increment	10.00%	12.00%
Staff turnover factor	1%	1%
Retiring age (years) - Male	60	60
- Female	50	50

26.5 Sensitivity of assumptions used

Colombo Dockyard PLC

A quantitative sensitivity analysis for significant assumptions used by the Company as at 31 December 2020 is as shown below:

Effect on the employee benefit obligation	Discount rate (Rs.'000)	Salary escalation rate (Rs.'000)
As per the current assumptions	1,015,329	1,015,329
Increase by one percentage point	957,473	1,065,891
Decrease by one percentage point	1,080,487	969,502

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 31 December 2020 is as shown below:

Effect on the employee benefit obligation	Discount rate (Rs.'000)	Salary escalation rate (Rs.'000)
As per the current assumptions	25,280	25,280
Increase by one percentage point	22,130	29,000
Decrease by one percentage point	29,175	22,130

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.

27. TRADE AND OTHER PAYABLES

As at 31 December,	Group 2020 (Rs.'000)	Group 2019 (Rs.'000)	Company 2020 (Rs.'000)	Company 2019 (Rs.'000)
Trade payables	484,229	684,099	305,208	501,155
Subcontract payables	522,741	507,615	522,741	507,615
Progress bills	1,113,541	1,337,658	1,113,541	1,337,658
Provision for warranty claims (Note 27.1)	53,115	131,754	15,102	78,452
Accrued expenses and other provisions	559,469	660,844	249,628	356,894
Other payables	313,990	392,402	170,854	73,673
VAT payable	3,074	9	-	-
	3,050,159	3,714,381	2,377,074	2,855,447

27.1 Provision for warranty claims

Balance at the beginning of the year	131,754	93,787	78,452	54,090
Provision/(reversals) made during the year	(56,289)	72,145	(41,000)	58,540
Claims made during the year	(22,350)	(34,178)	(22,350)	(34,178)
Balance at the end of the year	53,115	131,754	15,102	78,452

28. AMOUNTS DUE TO RELATED PARTIES

As at 31 December,	Group 2020 (Rs.'000)	Group 2019 (Rs.'000)	Company 2020 (Rs.'000)	Company 2019 (Rs.'000)
Ceylon Shipping Agency (Pte) Ltd.	-	-	68,144	174,565
Dockyard General Engineering Services (Pvt) Ltd	-	-	14,035	30,803
Dockyard Total Solutions (Pvt) Ltd.	-	-	24,908	5,777
	-	-	107,087	211,145

Notes to the Financial Statements

29. INCOME TAX PAYABLE

As at 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Balance at the beginning of the year	82,031	83,968	-	-
Provision for income tax on current year's profits	73,756	97,738	-	-
Over provision of income tax in respect of prior year	-	(639)	-	-
Tax paid during the year	(69,626)	(99,036)	-	-
ESC Setoff	-	-	-	-
Additional provision write off	(14,624)	-	-	-
Balance at the end of the year	71,537	82,031	-	-

30. DIVIDEND PAYABLE

As at 31 December,	Group		Company	
	2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Balance at the beginning of the year	11,365	15,152	11,365	15,152
Dividends declared during the year	-	107,788	-	107,788
Payments during the year	(374)	(111,575)	(374)	(111,575)
Balance at the end of the year	10,991	11,365	10,991	11,365

31. FINANCIAL INSTRUMENTS

As at 31 December,	Note	Group		Company	
		2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)

31.1 Financial instruments - Statement of Financial Position (SOPF)

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

Financial assets

Fair value through profit and loss

SOPF Line Item:

Investments classified as fair value through profit or loss	16.2	112,250	242,168	-	-
Total		112,250	242,168	-	-

Amortised cost

SOPF line Item:

Other financial assets including derivatives - Non Current	20	502,681	671,919	495,265	556,771
Trade and other receivables	19	3,409,124	3,712,262	2,944,424	3,278,459
Other financial assets including derivatives - Current	20	354,961	566,068	195,747	313,481
Amounts due from related parties	21	-	-	88,280	83,933
Total		4,266,766	4,950,249	3,723,716	4,232,644

As at 31 December,	Note	Group		Company	
		2020 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)	2019 (Rs.'000)
Fair value through other comprehensive income					
SOFP Line Item:					
Investment in subsidiaries	15	-	-	7,881	5,949
Investments clasifed as FVTPNL	16.1	17,964	18,020	17,964	18,020
Total		17,964	18,020	25,845	23,969
Cash and cash equivalents	22.1	4,539,504	4,326,918	4,191,116	3,986,477
		8,936,484	9,537,355	7,940,677	8,243,090

Financial liabilities Note**Other financial Liabilities****SOFP line Item:**

Loans and borrowings - Current	24	6,441,816	3,670,553	6,441,816	3,670,553
Trade and other payables	27	1,883,505	2,337,256	1,248,431	1,478,331
Other financial liabilities including derivatives - Current	25	199,141	-	200,573	1,203
Amounts due to related parties	28	-	-	107,087	211,145
Income tax payable	29	71,537	82,031	-	-
Dividend payable	30	10,991	11,365	10,991	11,365
Bank overdrafts	22.2	26,077	15,443	11,056	5,385
		8,633,067	6,116,648	8,019,954	5,377,982

31.2 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 December 2020						
Financial assets						
Unquoted equity investments - unquoted shares	-	-	17,964	-	-	17,964
Fair value through profit or loss investments	-	112,250	-	-	-	-
	-	112,250	17,964	-	-	17,964
Financial liabilities						
Forward exchange contracts (Derivatives)	-	66,361	-	-	66,361	-
Corporate guarantee	-	-	-	-	-	1,432
	-	66,361	-	-	66,361	1,432

Notes to the Financial Statements

	Level 01 (Rs. '000)	Group Level 02 (Rs. '000)	Level 03 (Rs. '000)	Level 01 (Rs. '000)	Company Level 02 (Rs. '000)	Level 03 (Rs. '000)
As at 31 December 2019						
Financial assets						
Unquoted equity investments - unquoted shares	-	-	18,020	-	-	18,020
Fair value through profit or loss investments	-	242,168	-	-	-	-
	-	242,168	18,020	-	-	18,020
Financial liabilities						
Corporate guarantee	-	-	-	-	-	1,203
	-	-	-	-	-	1,203

31.3 Valuation technique and significant unobservable inputs

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the Financial Statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Involvement of external valuers is decided upon annually by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

32. 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.

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.

32.1 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.

32.1.1 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;

	Group		Company	
	2020	2019	2020	2019
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Trade and other receivables	2,327,279	3,712,262	2,108,702	3,278,459
Other financial assets including derivatives	857,642	1,237,987	691,012	870,252
Investments classified as fair value through profit or loss	112,250	242,168	-	-
Cash at bank and in hand	4,419,518	4,317,361	4,182,263	3,977,782
Amount due from related parties	-	-	88,280	83,933
Investments classified as fair value through OCI	17,964	18,020	17,964	18,020
Total exposure to the credit risk	7,734,653	9,527,798	7,088,221	8,228,446

Notes to the Financial Statements

32. FINANCIAL RISK MANAGEMENT (CONTD.)

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 and other receivable at the reporting date was:

Age	Group Net Amount (Rs'000)	Company Net Amount (Rs'000)
Within 180 Days	4,647,033	3,642,832
181-365 days	501,722	494,955
More than 365 days	428,241	390,184
	5,576,996	4,527,971

32.2 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 31 December 2020:

Financial liabilities	Less than one year	Group (Rs. '000) More than one year	Total	Less than one year	Company (Rs. '000) More than one year	Total
Lease Liability	26,696	186,266	212,962	26,696	186,266	212,962
Other financial liabilities	9,004,667	-	9,004,667	8,387,928	-	8,387,928
Bank overdrafts	26,077	-	26,077	11,056	-	11,056
	9,057,440	186,266	9,243,706	8,429,680	186,266	8,611,946

32.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc.; will effect 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.

(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:

Currency	Average rate		Closing rate	
	2020	2019	2020	2019
U. S. Dollar	185.37	178.90	186.75	181.50
Euro	210.90	200.43	229.52	203.26
Singapore Dollars	134.60	131.20	138.93	134.80
Japanese Yen	1.74	1.64	1.81	1.67

Sensitivity analysis

A strengthening or weakening of Sri Lankan Rupees as indicated below, against the major foreign currencies as at 31 December 2020 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 December 2020		
U. S. Dollar	(3,882)	3,882
Euro	(4,821)	4,821
Singapore Dollars	(1,512)	1,512
As at 31 December 2019		
U. S. Dollar	275,028	(275,028)
Euro	23,428	(23,428)
Singapore Dollars	(6,599)	6,599

(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.

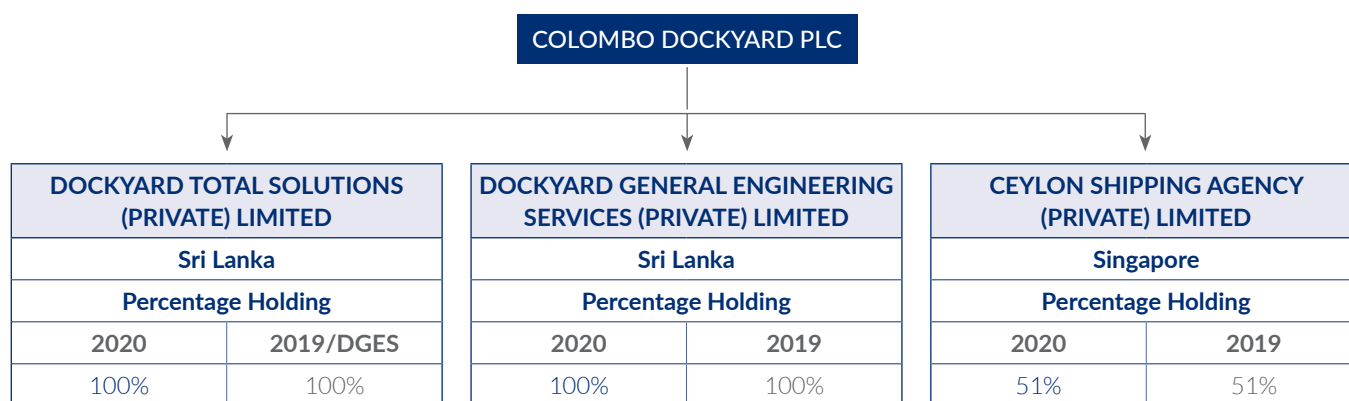
The following table demonstrates the Group sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Profit before tax:

Notes to the Financial Statements

32. FINANCIAL RISK MANAGEMENT (CONTD.)

Increase/(decrease) in principal exchange rates (100 basis points movement)	Effect on Profit before Tax	
	Strengthen (Rs. '000)	Weakening (Rs. '000)
As at 31 December 2020		
On variable rate instruments -USD	(992)	992
As at 31 December 2019		
On variable rate instruments -USD	182	(182)

33. LIST OF SUBSIDIARIES



34. NON-CONTROLLING INTEREST

	Principal place of business	Operating segment	Ownership interest held by Non Controlling Interest	
			2020	2019
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.

31 December,	2020 (Rs.'000)	2019 (Rs.'000)
Revenue	701,738	863,483
Profit	1,499	8,214
Profit attributable to Non Controlling Interest	735	4,025
Other comprehensive income	5,154	-
Total comprehensive income	6,653	8,214
Total comprehensive income attributable to Non Controlling Interest	3,260	4,025
Current assets	223,198	261,325
Non-current assets	101	195
Current liability	(50,030)	(94,903)
Non-current liability	-	-
Net asset	173,269	166,617
Net asset attributable to Non Controlling Interest	84,902	81,642
Cash flow from operating activities	1,456	49,149
Cash flow from investing activities	23	52
Cash flow from financing activities	1	-
Net increase in cash and cash equivalents	1,480	49,201
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.8,290 Mn (2019 - Rs. 7,036 Mn) as at the reporting date.

Bank	Letter of credit (Rs.'000)	Performance & bid bonds (Rs.'000)	Advance and Retention Bonds (Rs.'000)	Miscellaneous Bonds (Rs.'000)	Total (Rs.'000)
Bank of Ceylon PLC	137,027	85,036	18,675	58,450	299,188
Commercial Bank PLC	-	123,752	-	-	123,752
National Development Bank PLC	-	-	-	11,200	11,200
Standard Chartered Bank	-	-	-	7,855,986	7,855,986
	137,027	208,788	18,675	7,925,636	8,290,126

Notes to the Financial Statements

(b) Colombo Dockyard PLC has issued Corporate Guarantees on behalf of its Subsidiary amounting to Rs. 1,077,000,000 (2019 - Rs. 1,077,000,000) as at the reporting date.

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

(c) Legal Cases

- i) Appeal filed against the High Court orders to Supreme Court in respect of termination of employment – SC 49/2015 (Pending proceedings)
- ii) Applications filed against termination of employment before Labour Tribunal – LT1/54/2020, LT1/55/2020, LT2/983/2020 (Pending proceedings)
- iii) Actions filed to recover the ship repair dues – 05/2020 Rem, 10/2020 Rem, OP 3272, DC/DC 1434 (Pending proceedings)

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

36. CAPITAL COMMITMENTS

There was no contracted capital expenditure approved by the Board of Directors as at 31 December 2020.

37. TRANSACTIONS WITH RELATED PARTIES

The company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard No:24 Related party Disclosure, the details of which are reported below:

Company	Name of Common Directors	Nature of Interest	Particulars of Financial Dealings	Value of Transaction (Rs.'000')
Dockyard General Engineering Services (Pvt) Ltd	Mr. D.V. Abeysinghe	Subsidiary	Heavy Engineering Income	34,350
	Mr. H. Tanaka		Fees for management services	900
	Mr. K. Nayakarathne		Lease rental income	1,716
			Purchase of materials	3,037
			Obtaining sub contracting services	41,699
			Transport cost	4,980
Ceylon Shipping Agency (Pte) Ltd	Mr. H. Tanaka	Subsidiary	Purchase of Material	684,030
	Mr. D.V. Abeysinghe			
	Mr. Sarath De Costa			
Dockyard Total Solutions (Pvt) Ltd.	Mr. D.V. Abeysinghe	Subsidiary	Supply of multi skilled labour	39,663
	Mr. H. Tanaka			
	Mr. K. Nayakarathne			
	Mr. K. Kanaya			
Onomichi Dockyard Company Ltd	Mr. T. Nakabe	Parent	Obtaining technical services	111,225

This note should be read in conjunction with Note Nos. 21 and 28 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 31 December 2020, 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

	2020 Rs.'000	2019 Rs.'000
Short Term Employment Benefit	68,947	73,107
Total Employment Benefit	68,947	73,107

(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. Impact of COVID-19 on Colombo Dockyard PLC and its subsidiaries.

38.1 The impact of COVID-19 pandemic on the business/operations of the Company and its subsidiaries

With the COVID first wave from March to May and second wave from October to December, Company's (and group's) all types of engineering activities got severely hampered since the Company was not able to deploy adequate workforce for production work. Travel embargoes between countries and closures of international ports and airports also had a significant negative impact on Company's business operations.

The Company only performed essential ship repair and maintenance activities during the first wave and, continued with both shipbuilding and ship repairing activities during the second wave strictly adhering to the health guidelines issued by government authorities and the operational guidelines issued by the Board of Investment (BOI) for export-oriented companies. During these periods of lockdowns Company's operations were carried out at very lower level.

Management continued with its marketing, design and finance activities during the lockdown period providing its staff the necessary facilities to work from home. The Company started normalizing its business operations from January 2021, strictly adhering to all the health guidelines issued by government authorities.

Notes to the Financial Statements

38.2 Impact on COVID-19 Pandemic on significant accounting policies and estimates

38.2.1 Property, plant and equipment (Impairment)

The Company does not foresee any indications of impairment of property plant and equipment as at the reporting date due to the COVID-19 pandemic, and Group of Companies functions under the business continuity plans as per the Company risk management strategy, allowing operations to function through alternate working arrangements, whilst strictly adhering to and supporting government directives.

38.2.2 Inventory

The management has assessed the necessities of adjusting the carrying value of the inventory due to the COVID-19 Pandemic. It was decided that there were no requirements to adjust the carrying value of inventories considering the types and nature of inventories available as at the reporting date.

38.2.3 Trade and Other Receivable

The Company's Expected Credit Loss model (Simplifies) is based on the provision metrics which allowed to use under the practical expedient of SLFRS 9. As part of the Company's spending control and cash management efforts to manage the COVID-19 impact on working capital and collections, the individual receivable balances were re-assessed, specific provisions were made wherever necessary, existing practice on the provisioning of trade receivables were re-visited and adjusted to reflect the different ways in which the COVID-19 outbreak affects different types of customers. The Company assessed how the timing and amount of cash flows generated by outstanding trade receivables might be affected and decided that the existing provisioning levels are adequate even considering the new risks come along with the COVID-19 pandemic, consider the types and nature of its receivables.

38.2.4 Non- Controlling Interests

Having evaluated the business continuity plans and the cash flows (where necessary) of Ceylon Shipping Agency Pte Ltd (Singapore), the Company determined that no impairment provision is not required for the carrying value of non-controlling interests due to the COVID-19 pandemic as at the reporting date.

38.2.5 Employee Benefits

There was sudden fall in capital markets and the decline in high-quality corporate bond rates that has occurred as a result of government measures taken to cope with COVID-19 pandemic. Therefore, the Group has considered the impact on the defined benefit obligations with the independent actuarial specialists as at the reporting date. Considering all facts and with the consultation of the professional actuarial valuers and management decided to lower the discount rate to 8% from the 10.5%, previously used.

38.2.6 Currency Risk

The Group has been closely monitoring the impact of the COVID-19 pandemic on the exchange rates and its exposure to currency risk arising from the unanticipated fluctuations aftermath of the outbreak. Risk management strategies are formulated by taking into consideration the revised foreign currency denominated cash flow forecasts and aligning with recovery strategies employed by the Group. Attention is also given to measures taken by the regulatory bodies to manage the exchange rates.

39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

40. COMPARATIVE INFORMATION

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

Ten Years Financial Summary

Income Statement

For the year ended 31st December	2020 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn	2013 Rs. Mn	2012 Rs. Mn	2011 Rs. Mn
Revenue	8,079	10,145	13,169	12,052	9,973	14,407	13,707	15,861	15,728	12,195
Cost of Production	(7,480)	(10,038)	(12,232)	(10,607)	(8,736)	(13,616)	(12,508)	(14,246)	(13,028)	(10,164)
Gross Profit	598	107	937	1,445	1,237	791	1,199	1,615	2,700	2,031
Other Expenses	(1,806)	(2,274)	(1,986)	(1,918)	(1,828)	(1,714)	(1,607)	(1,697)	(1,411)	(1,193)
Profit / (Loss) before Other Income	(1,208)	(2,167)	(1,049)	(473)	(591)	(923)	(408)	(82)	1,289	838
Other Operating Income	164	166	1,060	202	143	170	347	536	470	641
PROFIT / (LOSS) FROM OPERATION	(1,044)	(2,001)	11	(271)	(448)	(753)	(61)	454	1,759	1,479
Net Interest Costs	(206)	190	160	197	10	59	281	279	144	(83)
Profit before Tax	(1,250)	(1,811)	171	(74)	(438)	(694)	220	733	1,903	1,396
Taxation	(97)	(123)	(27)	(69)	6	(14)	(11)	91	(14)	43
NET PROFIT / (LOSS) FOR THE YEAR	(1,347)	(1,935)	144	(143)	(432)	(708)	209	824	1,889	1,439
Retained Profit b/f	6,112	8,160	8,108	8,302	8,722	9,646	9,724	9,507	7,829	6,937
Profit available for Appropriation	4,765	6,225	8,252	8,159	8,290	8,938	9,933	10,331	9,718	8,376
Issue of Bonus Shares	-	-	-	-	-	-	-	-	(34)	-
Final Dividends/Other Comprehensive Income	(154)	(113)	(92)	(51)	12	(216)	(287)	(575)	(411)	(547)
	4,611	6,112	8,160	8,108	8,302	8,722	9,646	9,756	9,273	7,829

Balance Sheet

For the year ended 31st December	2020 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn	2013 Rs. Mn	2012 Rs. Mn	2011 Rs. Mn
ASSETS										
Property Plant & Equipment	4,803	4,231	4,049	3,806	4,038	4,328	4,281	4,147	3,900	2,514
Investments & Taxes	913	920	695	608	594	523	520	532	522	486
	5,716	5,151	4,744	4,414	4,632	4,851	4,801	4,679	4,422	3,000

Current Assets

Inventories	878	505	718	647	1,235	985	956	753	1,202	638
Trade & Other Receivables	4,812	4,984	5,491	7,002	11,005	9,503	8,052	7,467	8,051	6,684
Cash & Cash Equivalent	4,191	3,986	4,115	4,642	2,110	1,870	2,631	3,329	3,864	3,892
	9,881	9,475	10,324	12,291	14,350	12,358	11,639	11,549	13,117	11,214
TOTAL ASSETS	15,597	14,626	15,068	16,705	18,982	17,209	16,440	16,228	17,539	14,214

EQUITY & LIABILITIES

Stated Capital	714	714	714	714	714	714	714	714	714	684
Other Reserves	(105)	(6)	93	16	15	15	15	14	10	9
Revenue Reserves	4,611	6,118	8,160	8,108	8,302	8,722	9,646	9,756	9,362	7,829
Share Holders Fund (Net Worth)	5,220	6,826	8,967	8,838	9,031	9,451	10,375	10,484	10,086	8,522

Non-Current Liabilities

Interest bearing Borrowings	186	167	-	-	-	-	-	-	52	161
Retirement benefit Obligation	1,015	860	842	899	839	870	857	816	931	963
	1,201	1,027	842	899	839	870	857	816	983	1,124

Current Liabilities

Trade & Other Payables	2,712	3,086	2,531	3,448	1,676	2,332	1,958	2,760	4,548	3,920
Interest bearing Borrowings	6,442	3,671	2,713	3,494	7,410	4,507	3,221	2,141	1,880	538
Income Tax Payable	-	-	-	-	-	-	-	-	16	46
Dividends Payable	11	11	15	26	26	40	27	23	19	17
Bank Overdraft	11	5	-	-	-	9	2	4	7	47
	9,176	6,773	5,259	6,968	9,112	6,888	5,208	4,928	6,470	4,568
	15,597	14,626	15,068	16,705	18,982	17,209	16,440	16,228	17,539	14,214

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 Eighth** 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 **4th May 2021** for the following purposes.

1. To receive the Report of the Directors on the Affairs of the Company, the Audited Accounts for the year ended 31st December 2020 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 2021 and up to the date of the next Annual General Meeting.

By order of the Board
COLOMBO DOCKYARD PLC



Manori Mallikarachchi
Company Secretary

12th April 2021
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.

NOTES

NOTES

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)

Mr. H. Tanaka	of Colombo	(or failing him)
Mr. Sarath de Costa	of Colombo	(or failing him)
Mr. D. V. Abeysinghe	of Colombo	(or failing him)
Mr. T. Nakabe	of Colombo	(or failing him)
Mr. A. Horibe	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. V G L A Jayawardena	of Colombo	(or failing him)
Mr. A G U Thilakaratne	of Colombo	

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Thirty Eighth Annual General Meeting of the Company to be held on **4th May 2021** 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 Twenty One.

.....
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

DIRECTORS

H. Tanaka
Chairman

Sarath de Costa
Vice-Chairman

D. V. Abeysinghe
Managing Director/CEO

T. Nakabe

K. Kanaya

H. A. R. K. Wickramathilake
Lalith Ganlath

A. G. U. Thilakaratne

V. G. L. A. Jayawardena

S. Asai (Alternative 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
Chief Commercial Officer

W. M. De Silva
*General Manager (Human Recourse
Redevelopment & Administration)*

R. M. V. Rathnayake
*General Manager
(Supply Chain Management)*

Lal Hettiarachchi
General Manager (Projects & Engineering)

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

T. S. Godakumbura
General Manager (Production)

S. G. Senadheera
General Manager (Ship Repair Business)

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.

Dockyard Total Solutions (Pvt) Ltd
223, Jayantha Mallimarachchi Mawatha,
Colombo 14, Sri Lanka.

BANKERS

Bank of Ceylon
People's Bank
Commercial Bank of Ceylon PLC
State Bank of India
Sampath Bank PLC
National Development Bank PLC
Standard Chartered Bank
Hatton National Bank PLC
DFCC

CONTACT DETAILS

P O Box 906 Port of Colombo
Colombo 15 Sri Lanka
Tele : 94 112 429 000,
Fax : 94 112 446 441,
94 112 471 335
Email : coldock@cdl.lk
Internet : www.cdl.lk

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