



COLOMBO DOCKYARD PLC  
"...an Odyssey of Excellence"

# PERSEVERANCE AMIDST CHALLENGES







*The social and economic crisis created an unforeseen upheaval for all which tested the grit of many of us. We too had to overcome many obstacles but by working as a team we were able to absolve all our hardships.*

*Based on a foundation built with sustainable processes and strategic thinking, ensured a steady growth and has equipped us to face these hurdles head on. By choosing relatedly diversified we were able to accept and complete projects that were considered impossible for many which resulted in achieving a remarkable turnaround.*

*Along with a desire to always keep moving ahead we are also aware that each mission will be accompanied with its own set of tasks. Breathing the principles of being resilient has ingrained in us the power of perseverance amidst any challenges.*

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## WHO WE ARE

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.

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.



## VISION AND MISSION



### 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:



# HEALTH, SAFETY AND ENVIRONMENTAL POLICY

## 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

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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)

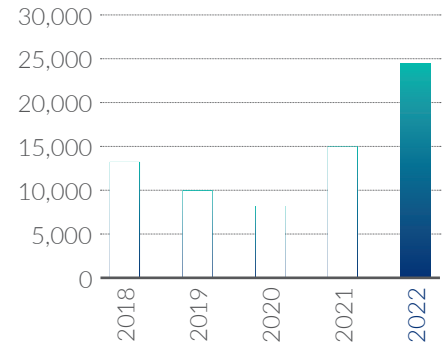
Results for the Year	2022 Rs. Mn	2021 Rs. Mn	Change Rs. Mn	%
<b>Revenue</b>				
Ship Repairs	14,585	9,211	5,374	58
Shipbuildings	9,669	5,285	4,384	83
Heavy Engineering	279	389	(110)	(28)
	<b>24,533</b>	<b>14,885</b>	<b>9,648</b>	<b>65</b>
Export Revenue	23,311	13,924	9,387	67
Local Revenue	1,222	961	261	27
Gross Profit	2,055	1,836	219	12
Profit /Loss before Tax	587	318	269	85
Taxation	71	(147)	(76)	(51)
Net Profit after Tax	516	171	345	202
Company Value Addition	8,317	5,108	3,209	63
Company Value Addition %	29	33	(4)	(12)
Local Value Addition	13,808	9,714	4,094	42
Employees Salaries & Benefits	5,410	4,145	1,265	31

Results for the Year	2022 Rs. Mn	2021 Rs. Mn	Change Rs. Mn	%
<b>Financial Position</b>				
Total Assets	48,422	24,081	24,341	101
Total Liabilities	42,541	18,571	23,970	129
Share Holders' Fund	5,881	5,511	370	7
Net Cash & Cash Equivalents	18,165	6,827	11,338	166

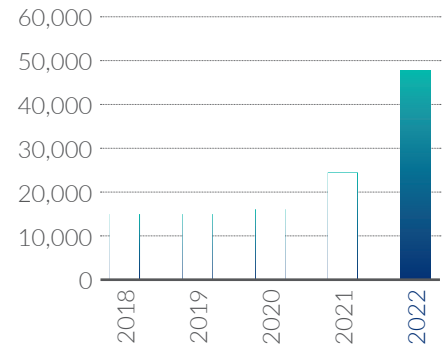
<b>Information Per Ordinary Share</b>				
Earnings (Rs.)	7	2	5	250
Net Assets (Rs.)	82	77	5	6
Market Value (Rs.)	59	79	(20)	(25)
Market Capitalization Rs. Mn	4,239	5,705	(1,466)	(26)

<b>Financial Ratios</b>				
Net Profit after Tax (%)	2	1	1	100
Return On Investment (%)	1	0.8	0.2	25
Return On Assets (%)	3	0.1	2.9	2,900
Interest Cover (Times)	1	0.08	0.92	1,150
Return On Equity (%)	9	3	6	200

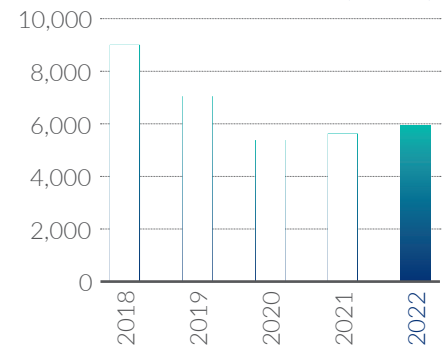
**Total Revenue (Rs.Mn)**



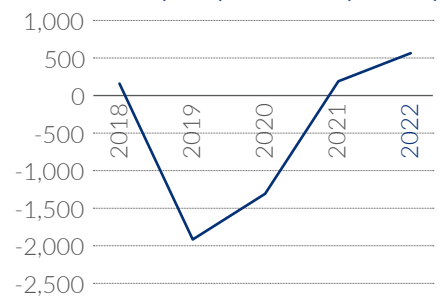
**Total Assets (Rs.Mn)**



**Shareholders Funds (Rs.Mn)**



**Profit (Loss) After Tax (Rs. Mn)**



# 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 Figure.

## TOTAL REVENUE

Rs. **24,533** Mn

The Company managed to reach total revenue of Rs. 24Bn as against Rs.14Bn recorded for last year with the adverse effects of the country's economy during the year 2022.

## DELIVERY OF NEW VESSELS

**1** Nos

Successfully built and deliver 1st Hybrid Vessel to Norway

## FOREIGN REVENUE

**95** %

Export earnings generated in 2022 was 95% of the total Revenue.

## COMPLETION OF SHIP REPAIRS

**160** Repairs

Successfully completed 160ship repair jobs during the year compared to 162 recorded for 2021.

## EMPLOYMENT

**3,000**

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

## EMPLOYEE RETENTION

**99** %

Despite many economic downturns both locally and globally, we have had few employee resignations during 2022

## LOCAL VALUE ADDITION

Rs. **8,317** Mn

Company' operation generates over 50% local value addition

## CAPITAL EXPENDITURE

Rs. **469** Mn

Company added above capital values for yard productivity improvements and infrastructure development during the year 2022



**LEADERSHIP**

## CHAIRMAN'S REPORT



Resilience was the cornerstone of Colombo Dockyard PLC's efforts in the year 2022 to navigate one of the most turbulent external pressures in recent times. Sri Lanka's balance of payment crisis and the fiscal crisis which led to a loss of faith in the country's banking system in the international market negatively impacted CDPLC's ability to maintain operations. Meanwhile, the economic crisis and food, fuel and medicine shortages directly affected our employees. However, CDPLC implemented proactive measures to ensure business continuity and assist the workforce to commit to their professional lives in order to sustain operations and build a platform for growth in the medium and long term.

### THE EXTERNAL ENVIRONMENT

Even though the global economy showed signs of recovering from the spillover effects of the COVID-19 pandemic, a number of factors including geopolitical tension, Russia's war on Ukraine, supply chain disruptions, high global inflation triggered a decrease in growth. A combination of global pressure as well as local challenges caused Sri Lanka's economy to go into a crisis of immense proportions. The weak investment environment and exchange rate challenges led to a fiscal

crisis which in turn led to a forex liquidity crisis. As the international financial market lost faith in the country's banking system, international banks requested 100% cash deposits to issue bank guarantees for letters of credit approval. In this context, CDPLC faced a myriad of difficulties in continuing operations, particularly as ship building material cost rose and Suppliers demanding payment upfront. As such, we had to cancel two New Construction projects commissioned by a Norwegian client in the Ship Building sector.

Nevertheless, we succeeded in attracting business from the Norwegian owner Misje Eco Bulk AS and our strong marketing strategy and technological capability combined with the trust we have built over the years enabled us to continue operations. In addition, we are confident of continuing business with the same client and attracting more clients from the same region.

During the year under review, our Ship Repairing business performed exceptionally well amidst challenges. Our consistent communication with clients and strong delivery of work commitments attracted clients to engage CDPLC to complete Ballast Water Management System (BWMS) installations in 2022, following a lull in this particular segment during the pandemic. During the year under review, we also penetrated a new market segment (Spanish trawler repair) which has a promising growth potential.

Our new business arm for afloat repairs or Rapid Response Afloat Repairs (RRAR) too performed well in 2022 with CDPLC handling a greater volume of work during the year.

Our Heavy engineering sector faced difficulties in view of the high cost of material. However, we nurtured

our relations with local clients, and sustained operations catering to their requirements both in the Port and Airport sectors. Meanwhile, we made progress in the Under Water Restaurant Structure for Aanugandu Falhu Island Resort, in the Maldives successfully completing the project by March 2022.

### NAVIGATING CHALLENGES

Our robust communication strategy as well as our pragmatic efforts to ensure that our employees were able to fulfill work obligations without great difficulties enabled CDPLC to successfully face the external challenges and ensure the sustainability of our business operations.

Our various stakeholders including our parent company, Onomichi Dockyard, the Embassy of Japan, the Embassy of Norway and the Embassy of France in Sri Lanka extended considerable support towards CDPLC during the volatile year 2022. Moreover, we received backing from the Government of Sri Lanka, the Board of Investments of Sri Lanka, Export Development Board, Sri Lanka Navy, Sri Lanka Ports Authority as well as Sri Lanka Customs to weather the crisis. This support network facilitated our concentrated efforts to sustain operations in a timely and prudent manner.

Our employees stood by CDPLC during this extremely difficult period in spite of their own personal challenges. This was a strong contributing factor to our business continuity and performance in 2022.

CDPLC concluded the financial year 2022 on a positive note with the Ship Repair sector posting a revenue growth of Rs 14,585. Our overall revenue growth stood at Rs 24,533 Mn as at the end of the financial year.

### ACKNOWLEDGEMENT

We could not have faced the daunting challenges of the year 2022 without the consistent support of our stakeholders. On behalf of CDPLC, I would like to extend my sincere gratitude to our main shareholder Onomichi Dockyard Company Ltd of Japan for the inspiring support they extended to us. I am also grateful to the Government of Sri Lanka, Board of Investment, Export Development Board, Sri Lanka Ports Authority, , the Sri Lanka Navy and our Bankers for the unwavering support extended to us. The diplomatic missions of Japan, France and Norway stood by us during the year under review to assist us in difficult situations. I am grateful for their support. I would also like to thank our employees for their strong work ethics and commitment. I would also like to express my gratitude and appreciation to our clients for their confidence in our abilities.

### LOOKING AHEAD

The next two financial years will prove to be extremely challenging and critical not only for CDPLC'S growth but also that of the country's economy. At CDPLC, we are well-equipped to manage the difficulties and bottlenecks employing pragmatic and far-seeing strategies and solutions. As we succeeded in surmounting the challenges of the year 2022 with great business acumen, I am confident that we will face the future in the same spirit of resilience ,forethought and will perform as a stronger shipyard in the international market by exploiting the market opportunities



**Hideaki Tanaka**  
Chairman

23 March 2023  
Colombo, Sri Lanka

## MANAGING DIRECTOR / CEO'S REVIEW



The financial year 2022 tested our resilience and perseverance in the face of the economic, political and financial crisis that prevailed in the country. Having weathered the COVID-19 pandemic, CDPLC faced fresh challenges from the economic downturn, particularly with the workforce finding it difficult to meet their day today necessities food, medicine, fuel, gas and electricity. Nevertheless, the Company adopted a proactive and prudent approach to foresee challenges, manage risks and assist employees to create a foundation for operational integrity and growth in the long-term. As such, CDPLC succeeded in maintaining operational efficiency and earned commendable revenue in the Ship Repair (SR) and New Construction (NC) sectors. The Company recorded the highest revenue in the recent years in the Ship Repair sector in 2022 and successfully delivered the first Eco Bulk Carrier in September and launched the first Cable Repair Vessel to the European market in November 2022.



### A challenging external environment and navigating difficulties.

In addition to the country's economic, social and financial obstacles, CDPLC had to contend with the European, Chinese and Korean downturn which triggered supply chain disruptions as well as an inflationary impact on the cost of material, machinery and equipment. Moreover, the non-acceptance of Sri Lankan banks in the international market following the fiscal crisis posed the biggest hurdle for CDPLC. New Construction sector experienced difficulties as a result and, the Company had to cancel two Commissioning Service Operations Vessel projects in the year 2022.

Meanwhile, in response to the local challenges such as transport for employees stemming from the fuel shortage, CDPLC arranged transport options for employees and work continued amidst daunting pressure.

In this backdrop, the support extended by our parent company, Onimichi Dockyard, the Embassy of Japan, the Embassy of Norway and the Embassy of France in Sri Lanka provided the Company with the necessary tools to continue operations. Further, the support received from Government institutions such as the Board of Investments of Sri Lanka, Export Development Board, Sri Lanka Navy, Sri Lanka Ports Authority as well as Sri Lanka Customs was integral in navigating the challenging circumstances in 2022.

CDPLC's workforce continued to be our backbone in facing external challenges with strength and forethought. The Company did not resort to salary or benefit reductions of employees in spite of financial pressure.

We further enhanced our standards through achieving the accreditation necessary to implement the ISO 9001:2015 for QMS, ISO 14001:2015 for Environment, ISO 45001:2018 for Health & Safety and ISO 50001:2018 standards for energy management.

### FINANCIAL PERFORMANCE

The year 2022 proved to be an eventful year. While the USD and LKR exchange rate behaviour helped the Company to meet local expenses, unprecedented inflation levels reflected an all-time high as reflected in our utility cost and general expenses and employee services.

CDPLC had to forego the USD to LKR exchange rate benefit to cushion the rising cost of shipbuilding material, in particular steel cost which experienced almost an increase of 100% compared to previous levels. The volatile situation in Europe and steel price increase impacted the prices of other machinery, main engine, crane and structural equipment which represent a large proportion of heavy metal requirements. The scarcity of semiconductor materials in the international market on the other hand raised long term delays for electrical drive systems and control panel supply which strained our vessel delivery schedules. In the meantime, some of our European suppliers experienced setbacks from the war between Russia and Ukraine as well as the global economic recession which led them to declare bankruptcy, which in turn made CDPLC turn to costly operations at the last minute.

Sri Lanka's fiscal crisis caused OEMs (Original Equipment Manufacturers) to demand higher

percentages of advance payments for equipment purchase, which impacted our cash flow and financial management. CDPLC also had to bear the cancellation cost of two New Construction orders in 2022.

Nevertheless, we recorded the highest revenue growth year on year in the recent past at Rs.24,533 million for the year 2022 as well as the highest recorded Ship Repair business revenue at Rs 14,585 million

### SHIPBUILDING BUSINESS

Our strategic decision to focus on the Cable Layer and Cable Repair vessel market with the momentum gained by delivering the Cable Laying Vessel to KCS Japan in 2019, resulted in CDPLC securing the construction of the Cable Repair Vessel for Orange Marine France. CDPLC is in a strong position in this particular market with the execution and beginning of two projects within the span of 5 years.

CDPLC has already reached an agreement to build 5000 DWT Eco bulkers with DNV classification and Wartsila Design plus propulsion for the Norwegian Owner Misje Eco Bulk AS. We are confident of the continuation of projects with the same owner, and we already have four more projects lined up with them through our dock slot allocation agreement.

In September 2022, CDPLC successfully delivered the vessel "Misje Vita" (Yard No. NC250) to our European client, marking a historic milestone. In addition, we ceremonially launched the 100m Cable Repair Vessel to Orange Marine France as planned in November 2022.

## MANAGING DIRECTOR / CEO'S REVIEW

The year 2022 marked several other milestones with CDPLC laying the keel for the third (Yard number NC252) and fourth (Yard number NC253) of the 5000 DWT eco bulker series in March 2022 and November 2022 respectively.

Unfortunately, the country's fiscal crisis triggered a loss of faith in Sri Lanka's banking system in the international market, which restricted our capacity to sign fresh New Contracts with new owners.

Moving forward, CDPLC will look to explore growth opportunities in the offshore wind industry cable laying. We are well-positioned to serve this industry given our proven track record for excellence in the segment and Japanese technology. CDPLC plans to position CDPLC's services in this market segment with the tagline "Made in Sri Lanka, Blending Sri Lankan Technology with Japanese Quality."

### SHIP REPAIR BUSINESS

The Ship Repair sector performed exceptionally well in 2022, repairing 160 vessels including 68 dry dock repairs and 92 afloat repairs. The ship repair sector revenue passed the US \$ 44 million mark in a turbulent year, as against the US \$ 43.2 million in 2021.

CDPLC adopted a strong communication strategy to reassure our existing clients about our capacity to maintain operational excellence in spite of external challenges (economic and social crisis in the country), and followed through with professionalism to ensure timely delivery of solutions and services to earn their trust.

Majority of our clients required Ballast Water Management System (BWMS) installations in the aftermath of a work suspension following the COVID-19 pandemic. Ballast Water Management System (BWMS) installations were essential projects for our clients to ensure business continuity following stringent regularity requirements. As such, CDPLC secured a number of such projects in 2022.

Meanwhile, during the year under review, we managed to reach a new market segment, namely, the 'Spanish trawlers.' In 2022, we secured two commissions for this market segment.

Our new business arm for afloat repairs or Rapid Response Afloat Repairs (RRAR) performed well in 2022, securing business worth 4.7Mn USD. The Trincomalee, Hambantota, Galle and Colombo premises undertook the repairs. Even though the number of projects we handled in this segment remained on a similar level to the previous year, the volumes handled exceeded those of the year 2021.

In line with CDPLC's growth targets, the marketing team reached out to European clients by taking part in the international marine exhibitions such as Posidonia 2022 in Athens Greece, the SMM 2022 Hamburg Germany and Navalia 2022 held in Vigo Spain. CDPLC plans to explore new market opportunities including the European market to decrease heavy dependency on the subcontinent market.

### HEAVY ENGINEERING BUSINESS

The Heavy Engineering sector witnessed a dearth in opportunities in the face of increased material

costs as well as costly local services. Nevertheless, the Company managed to sustain operations serving local clients such as CICT and Sri Lankan Airlines. In 2022, CDPLC secured CICT fender repairs and Sri Lankan Airlines lifting appliance servicing and load test business opportunities, and we expect to continue offering our services to both companies in the near future.

In February 2022, CDPLC successfully delivered the 440T steel structure for the Under Water Restaurant Structure for Aanugandu Falhu Island Resort, in the Maldives. As at mid-March, we successfully positioned the unit in the Maldivian waters. The super luxury restaurant is now operative.

Furthermore, CDPLC achieved considerable progress in the slipway project commissioned by the Bujumbura port in the Republic of Burundi during the year under review. The work will continue in 2023.

### YARD DEVELOPMENTS

In a strategic move to preserve resources and remain prudent, CDPLC postponed all capacity expansion projects during the year under review. However, the installation of 70 T crane facilitated repair projects on double banked vessels at the Dock 4 North Pier.

In response to the fuel crisis, CDPLC built a petrol station within the premises in 2022 and awaiting Ministry approval for fuel supply. In addition, we took operational risk mitigation measures in response to the energy crisis that the country faced in 2022.

## ACKNOWLEDGEMENT

I would like to conclude my message by thanking all our shareholders, in particular the main shareholder Onomichi Dockyard Company Ltd of Japan for their consistent support. I am grateful to our Chairman and the Board of Directors for their inspirational guidance during a challenging period. Our employees and subsidiary contractors placed their trust in us, and I am sincerely grateful of their contribution. I would also like to express my appreciation towards the Government of Sri Lanka, BOI, EDB, Sri Lanka Ports Authority, the Department of Customs, the Sri Lanka Navy and our Bankers for their continued cooperation during the year. CDPLC could not have navigated the crisis without the assistance extended by the diplomatic missions of Japan, France and Norway. I am also grateful to our loyal clients for their confidence our abilities.

## CONCLUSION

As Sri Lanka enters the tough road towards recovery, we expect a daunting time ahead. But, we are well-prepared to meet the challenges through employing a sound risk management strategy and exploring growth opportunities in tune with changing market dynamics. Let us continue to seek viable growth together with resilience and unity.



**D.V. Abeysinghe**  
*Managing Director/CEO*

23 March 2023  
Colombo

## BOARD OF DIRECTORS 2022



### 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 the Chairperson of Japanese Chamber of Commerce and Industry in Sri Lanka (JCCISL).

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 and joined Dockyard in 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 the Ocean University of Sri Lanka.

He is a South Asia Committee member of Lloyds Register, DNV, Class NK and appointed Member of the Advisory Committee on Boating Industry of Export Development Board and Member of the Advisory Committee of Boat Building and Allied Industry Sector of Ministry of Industries.



#### **T. NAKABE**

##### **Director**

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

Appointed to CDPLC Board in March 2010. The President of Onomichi Dockyard Co., Ltd in Japan He has worked for Fuji Xerox from 1994-2001 and Joined Onomichi Dockyard as Deputy Branch Manager in 2001. During his overall carrier in Onomichi Dockyard he has served as Deputy Branch Manager (2001), Director/ Branch Manager (2003), Managing

Director (2005), Senior Managing Director (2007) and finally as the President of Onomichi Dockyard Co., Ltd from 2009 to up to date.

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

## BOARD OF DIRECTORS 2022



### A HORIBE

#### Director

Mr.Horibe holds a Bachelor's Degree in Law from Hiroshima Shudo University, Japan and Bachelor's Degree in language from Beijing Capital Normal University, China.

Appointed to CDPLC board on 29th March 2021. He has also been appointed as a Director of Dockyard General Engineering Services (Pvt) and Dockyard Total Solutions ( 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 and director of National Livestock Development Board.



### 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.





#### **D L NIHAL**

##### ***Additional Superintendent***

***Employees' Provident fund Department  
Central Bank of Sri Lanka***

***Appointed to CDPLC Board on 29th  
November 2022***

Mr. Nihal D Liyanage is the Additional Superintendent attached to the Employees' Provident Fund Department of the Central Bank of Sri Lanka. He has also served to the Economic Research Department, Public Debt Department and Regional Development Department during his 22-year service in the Central Bank of Sri Lanka. Mr. Nihal served as

the SAARCFINANCE Coordinator of Sri Lanka from year 2015 to 2018 and represented the CBSL in several national level steering committees. He served as a lecture at the Mathematics Department of the University of Colombo before joining the Central Bank in 2000.

Mr. Nihal graduated from the University of Colombo with a First-Class honours degree in Mathematics. He received a Postgraduate Diploma in Business Statistics from the University of Sri Jayewardenepura and Master of Arts Degree in Policy Economics, from Williams College.



#### **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 Corporation.

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 TEAM



### **D. V. ABEYSINGHE**

#### ***Managing Director/CEO***

***B Sc Eng (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 and joined Dockyard in 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 the Ocean University of Sri Lanka.

He is a South Asia Committee member of Lloyds Register. DNV. Class NK and appointed Member of the Advisory Committee on Boating Industry of Export Development Board and Member of the Advisory Committee of Boat Building and Allied Industry Sector of Ministry of Industries.



### **THIMIRA S. GODAKUMBURA**

#### ***Chief Operating Officer***

***BSc Eng (UoM) MBA(PIM-USJ) C Eng .  
FIE(SL). FRINA(UK)***

Mr. Godakumbura obtained BSC. Eng. Degree in Mechanical Engineering from the University of Moratuwa, Sri Lanka in 1999 and started career in 2000 as Trainee Engineer at Colombo Dockyard PLC (CDPLC). He has gained vast 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 Masters Degree in Business Administration (MBA) from the Post Graduate Institute of Management, University of Sri Jayawardenepura.

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



### **K. B. P. FERNANDO**

#### **Chief Commercial Officer**

**MBA (University of Colombo). DOT Class 11 (Singapore)**

He is having over 37 years of exposure in the Marine Industry. Having started his carrier as a Marine Engineering Apprentice at Colombo Dockyard PLC 1985, he joined Ceylon Shipping Corporation as a Junior Engineer in 1989. Since then, 07 years had been spent at sea as a qualified Marine Engineer on foreign going vessels. He rejoined Colombo Dockyard PLC in 1996 as an Engineer & had the opportunity of serving

in various segments/ranks in the Company from Ship Repair Production, Ship Management, Invoicing to Commercial. Previously he has held the positions of General Manager (Ship Repair Business) and Chief Operating Officer of the Company, prior to assuming duties as the Chief Commercial Officer of the Company in 2020. Apart from his Marine Engineering qualifications, he holds an MBA in Finance from the University of Colombo. He has presented papers at International Forums in Marine Industry & has represented the Company in Classification Society Committee Meetings.



### **MANGALA DE SILVA**

#### **General Manager (Group Legal & Compliance)**

**PhD (PIM-USJ), MBA (PIM-USJ), M.LRHRM (Colombo), Dip.M(CIM-UK), Adv Dip in Bus. Admin (ABE-UK), MCPM, MISM (SL), Attorney-at-Law.**

He has over 32 years of experience serving in the fields of Legal and Compliance, Human Resources Management, and Business Administration within the CDPLC group. He has completed professional post graduate/advanced diplomas in Marketing (1994) from Chartered Institute of Marketing (United Kingdom), and Business Administration (1995) from the Association of Business Executives (United Kingdom). He took oaths as an Attorney at Law from the

Supreme Court of Sri Lanka in the year 2000. He completed his MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura in 2003 and the Masters in Labour Relations & HRM from the University of Colombo in 2016. Being a life member of the Bar Association of Sri Lanka and PIM Alumni Association, he possesses full memberships in the Institute of Chartered Professional Managers and Sri Lanka Institute of Service Management. He has been trained in Japan under AOTS programs in Solving Human & Organizational Problems (Nagoya, 2004) and Industrial Relations & HRM (Tokyo, 2019). He obtained his PhD in Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura in 2022.

## CORPORATE MANAGEMENT TEAM



### R. M. VAJIRA RATHNAYAKE

#### *General Manager (Yard Development)*

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

He obtained his Bachelor of Science degree from the University of Kelaniya, Sri Lanka, in 1995 and his Master of Business Administration (MBA) from the University of Southern Queensland, Australia, in 2011. Additionally, he obtained a Graduate Diploma in Marketing Management from the Singapore Institute of Management in 2002 and a Diploma in Shipping Law and Practice from the Institute for the Development of Commercial Law & Practice (ICLP) & Ceylon Chamber of Commerce (CCC), Sri Lanka, in 2015.

He joined Colombo Dockyard PLC in 1996 and During his tenure spanning over 27 years at Colombo Dockyard PLC, he held several responsible

positions, including Executive (Hull Treatment), Manager (Ceylon Shipping Agency (Pvt) Ltd., Singapore a subsidiary of the company located in Singapore, Assistant Manager (Technical Planning), Head of Project Procurement, Acting General Manager (Logistics) in the Supply & Material Control Division of CDPLC before being appointed as General Manager (Logistics) in 2014. Later he was re-appointed as General Manager (Supply Chain Management) in 2016 and as General Manager (Yard Development) in March 2022.

He currently holds a position of an external board member of the Faculty of Computing and Technology of the University of Kelaniya, Sri Lanka and a member of the Industry Advisory Board of the same faculty. He is also an Associate Member of the Singapore Institute of Management. He is a member of the Chartered Professional Managers, Sri Lanka



### LAL HETTIARACHCHI

#### *General Manager (Supply Chain Management)*

*B.Sc. Eng. (Hons). CEng. FIE (SL). MBA(PIM-USJ)*

After completion of BSc Engineering degree at University of Moratuwa, joined the Colombo Dockyard Ltd on 1995- He has served over 27 years in the fields of Ship Repair, Ship Design and Ship Building through the ranks of an Engineer, Senior Manager as well as a General

Manager before the current position of General Manager (Supply Chain Management). In addition, he oversees the Heavy Engineering function of the company. He Underwent a 10 months training at Onomichi Shipyard Co.,Ltd. Japan in 1999 on ship design and manufacturing. He is a fellow member of the Institution of Engineers Sri Lanka and completed the Master of Business administration (MBA) from the post graduate Institute of Management, University of Sri Jayewardenepura.



### **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 tearing from JASTECA in Japan (one month). He is having 28 years of exposure in this field including more than two years" service as Manager of the Ceylon Shipping Agency (PVD Ltd.. Singapore.



### **P. D. GIHAN RAVINATHA**

**General Manager (Finance) / Chief Financial Officer**

*FCA. CIM (UK). MBA (PIM - USJ)*

Over 19 years' experience in the field of Finance, with 8 years at audit sector and 11 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.



### **MANJULA HETTIARACHCHIE**

**Actg. General Manager (Human Resources Development & Administration) /**

**Management Representative**

*B.Sc, MSc, MBA, FIIRSM(UK), C.Eng, MIE(SL), MRINA, RSP, Assoc. CIPD*

He obtained his first degree from University of Kelaniya in the field of Physical science in 1999 and completed his National Diploma in Engineering Sciences in same year and started his career at Colombo Dockyard PLC in 2000. He has completed Engineering Council Examination (UK) in 2005. He got his MBA from University of Colombo in 2006 and obtained his MSc in Maritime Affairs from World Maritime University,

Sweden. He obtained PG Diploma in Safety Management Systems in 2007. He completed the Executive Diploma in Employment Relations in 2021 and Chartered Qualification in Human Resource Management (CQHRM) in 2022.

He is a Chartered Mechanical Engineer and a corporate member of Institute of Engineers, Sri Lanka. He is a Fellow Member of International Institute of Risk and Safety Management (UK) and a Recognized Safety Practitioner. He is also a Member of Royal Institute of Naval Architects (UK). He has served over 22 years in different departments of the Company.



## CORPORATE MANAGEMENT TEAM



### P. S. ABEYSINGHE

**Actg. General Manager (Production)**

**MSc. Eng. (USSR), MBA (PIM- USJ)**

Actg. General Manager (Production) from 2022 managing overall production in both New Construction and Ship Repair sectors. Had served in wide range of roles including Maintenance, Business Department, Production Workshops, Quality Control, Ship Repair. Having joined the company in 1995 as a Trainee Engineer after graduating from USSR, he successfully obtained MBA from PIM, University of Sri

Jayewardenepura. Underwent overseas and local training in multiple disciplines including JASTECA Program on Quality Management (Yokohama- Japan), Lead Auditor course in OHSAS-18000 under Lloyd's Registry, NDT Level II courses in RT, UT, MT & PT in NCNDT of Sri Lanka. Internally awarded as best internal auditor in 2011, Role Model in Engineering Versatility in 2012 and externally felicitated by TVEC in 2017 for contributions in setting up of National Competency Standards.



### MANORI MALLIKARACHCHI

**Legal Consultant/Company Secretary**

**Attorney-at-Law & Notary Public**

Joined CDPLC in 1996. Has over 26 years of experience at CDPLC in the field of Legal, Secretarial & Compliance.



### N. M. K. B. NAYAKARATHNE

**Managing Director/CEO (Dockyard General Engineering Service (Pvt) Ltd) 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.



### M. ROHAN DESILVA

**General Manager**

**(Dockyard Total Solutions (Pvt) Ltd) 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 (U K). Member of Certified Professional Managers. Trained in General Management at National University of Singapore (NUS).

He has served in Colombo Dockyard PLC and its subsidiary for 34 years, holding number of senior management positions in Finance and Administration activities.



# OPERATIONAL REVIEW



## MANAGEMENT DISCUSSION AND ANALYSIS

### INTRODUCTION

Exceptional engineering and technological prowess drive the Colombo Dockyard PLC, a ship repairing and building company located strategically at one of the main marine hubs close to main sea lanes. Our core service offering consists of ship repair, design, building and related services to cater to the trade, energy, recreation and marine transportation industries. Currently, we operate four graving dry-docks with maximum capacity up to 125,000 DWT located inside the port of Colombo, in joint collaboration with Onomichi Dockyard Co. Ltd. Japan. During the past 29 years of operation, Colombo Dockyard has paved the way for growth through consistent knowledge enhancement, standardization and inventiveness.

### BUSINESS STRATEGY

Operating in a rapidly evolving industry within a volatile global economy, Colombo Dockyard PLC consistently strives to remain resilient and adopt a sustainable approach to growth. While our business offering remains sensitive to external market dynamics, supply chain and exchange rate issues, we reinforce our focus on technological edge, expertise and exceptional work ethics. Our business strategy stems from data driven insights and a visionary approach that takes long-term growth into consideration. Over the past 29 years, Colombo Dockyard PLC (CDPLC) has repaired and refurbished 3,840 of ships and built 250 of vessels.

Figure 01-

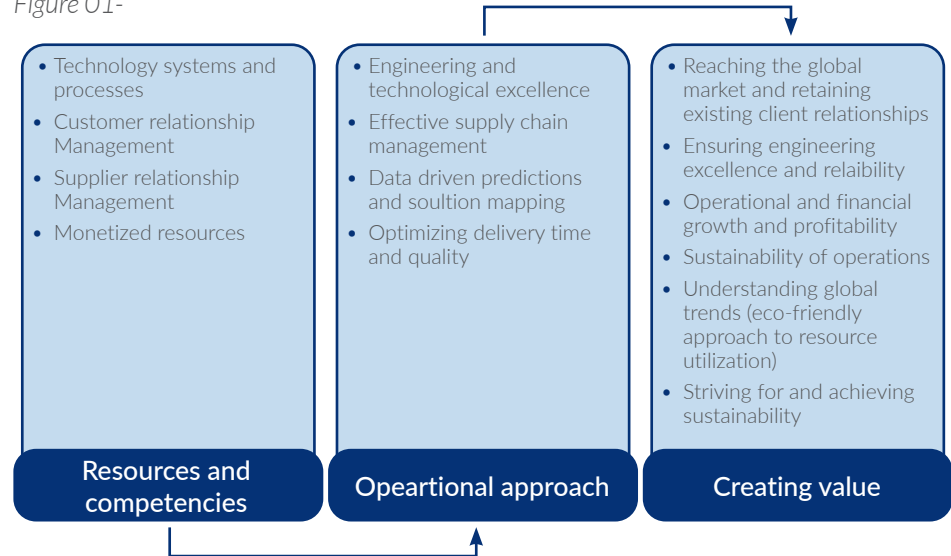


Figure 02 - Colombo dockyard shipyard aerial view

### GROWTH STRATEGY FOR 2022 AND RISK-MANAGEMENT

Our risk management strategy for the year 2022 hinged on forethought, anticipation of potential risks and proactive engagement of strategies to navigate the overwhelming challenges with resilience and create a robust platform for future growth. CDPLC implemented both overarching and specific risk mitigation tactics to face the volatile economic, geopolitical, and social pressure that prevailed during the year under review. While, the year 2022 was one of most difficult years that the Company experienced in the recent years, our risk strategy allowed us to forge ahead with confidence and pave the way for future growth.

The below illustration depicts the Company's risk management framework for the year 2022:

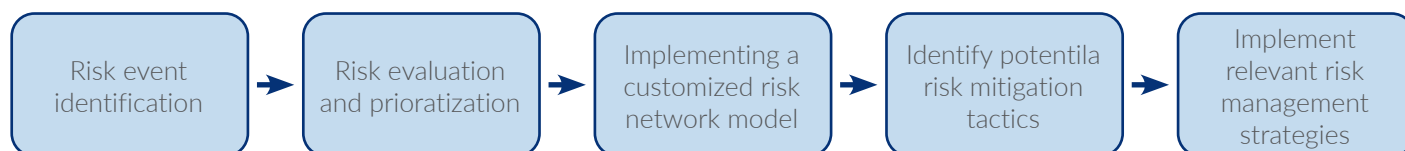


Figure 03 – Risk Management Framework

## OPERATING ENVIRONMENT

### Global economy

The Global economy continued to face a period of instability in 2022 with geo-political tension, environmental changes, supply chain disruptions and global inflation dampening economic growth prospects. The World Economic Forum revealed in a recent report by the International Monetary Fund that global growth forecast contracted from 6.0 in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 with the exception of the acute phase of the COVID-19 pandemic.

During the first half of the year 2022, there was a considerable slowdown of larger economies with GDP contractions recorded in the US economy as well as in the Euro area. Prolonged COVID-19 outbreaks in China coupled with a growing property sector crisis also contributed to the less than desirable global status quo, while constricted tight monetary conditions impacted financial and debt stability.

Approximately, a third of the world economy continues to battle for two consecutive quarters of negative growth. Global inflation predictions record an increase of 4.7 percent in 2021 to 8.8 percent in 2022. However, the forecasts indicate a

decline of 6.5 percent in 2023 and to 4.1 percent by 2024.

Meanwhile, global monetary policy tightening, household budgeting challenges and dwindling financial aid in the aftermath of the COVID-19 crisis continued to pose deeper financial and economic repercussions in low-income countries.

Source : IMF, World Economic Outlook Oct 2022

### OVERVIEW OF THE SRI LANKAN ECONOMY

The Sri Lankan economy faced a turbulent period with global growth contractions and internal challenges triggering a crisis. While the country's economy faced challenges from the COVID-19 pandemic and its aftermath, the weak investment environment, administered exchange rate as well as the expansionary fiscal policy further fuelled the crisis.

Global inflation, supply chain disruptions and the foreign currency liquidity crisis dampened the outlook for business operations in Sri Lanka. The nation lost access to global financial markets in 2020, following a credit rating downgrade. In this backdrop, the country met external debt obligations and import expenses with official reserves and loans from

the banking sector. The outcome was a decrease in official reserves amounting to less than US\$400 million by June 2022, from US\$7.6 billion in 2019. This figure excluded a currency swap equivalent to US\$1.5 billion with China. Meanwhile, the banking system had to reckon with a net foreign asset drop to US\$ -5.9 billion by June 2022. The balance of payment crisis resulted in the Sri Lankan rupee downgrading from 200 to 360 to the US dollar during the year under review. This status quo drove the nation to experience a forex liquidity crisis of greater proportions.

As the crisis unfolded, the country's economy declined by 11.8 in the third quarter of 2022, triggering all key sectors to experience negative repercussions. Supply chain issues and shortages were also contributing factors to the crisis. Driven by food price inflations to a large extent, the country's year on year inflation rose to 53.20 according to the NCPI (National Consumer Price Index).

### SHIP REPAIR SECTOR ACHIEVEMENT DURING 2022

#### Proportionate revenue contribution to the total revenue of the company.

Mirroring a similar pattern across dockyards in the globe, CDPLC's ship repair business grew by 58 percent surpassing the growth of the ship building business.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Key Operational Initiatives and achievements

The ship repair operations remained on a steady trajectory, year on year with only a marginal difference between ships repaired in 2021 (163) and 2022 (153). The difference between the Dead Weight handled in 2021 stood at 4,355,706 tons while the number was 4,142,194 tons in 2022, indicating a similar range in operations and demand.

The total number of vessels repaired in dry-dock during the year under review was 68 (1,287,654 DWT against 73 (1,551,713DWT) in 2021.

The 125,000 dwt drydock No.04 continued to accommodate various types of vessels with the majority of the projects involving Ballast Water Management System installations.



Figure 04: Maintaining 100% Dock occupation in Dock No. 4 and Dock No. 1 during year 2022.

Following the commissioning of the 70 tonne crane in 2021, we were able to optimize the use of Dock No. 04 North Pier, which facilitated additional berthing space with the provision of a double banking slot.

The below table illustrate the performance of the ship repair sector during the last three years:

		2020	2021	2022
Afloat	No. of Projects	59	90	92
	DWT	2,206,745	2,803,993	2854540
	GRT	1,386,835	2,436,182	2094914
	Revenue (USD)	3,031,944	2,960,503	4,712,166
DD	No. of Projects	42	73	68
	DWT	922,395	1,551,713	1287654
	GRT	568,592	938,747	864718
	Revenue (USD)	22,641,984	40,256,518	39,326,763
Total	No. of Projects	101	163	160
	DWT	3,129,140	4,355,706	4,142,194
	GRT	1,955,427	3,374,929	2,959,632
	Revenue (USD)	25,673,928	43,217,021	44,038,929

Table 01 – Ship Repair Sector Performance

Amidst a turbulent economic and social backdrop, the revenue generated from the ship repair sector passed the USD 44 million mark in comparison to the USD 43.2 million recorded in 2021.

### STRATEGIC DRIVE TO NAVIGATE THROUGH TOUGH ECONOMIC CRISIS AND THE “ARAGALAYA” MOVEMENT

Having weathered the COVID-19 pandemic with resilience, the Ship Repair sector had to navigate the prevalent economic crisis as well as the 'Aragalaya' (occupy Galle Face) movement which lasted for 8 to 9 months during the year 2022. CDPLC faced numerous challenges in managing client relations, in particular new client relations amidst this backdrop. However, we adopted a comprehensive communication plan to facilitate transparent communication lines with our client base to ease their concerns amidst global media reports which painted a gloomy picture of the situation. We consistently

provided real-time updates about the ground situation to clients. This clear communication strategy enabled CDPLC to retain client confidence and attract new clients in spite of the crisis.

While the economic crisis warranted a number of clients to cancel conformed bookings at the last minute, the marketing team effectively eased the burden on the Company through finding appropriate solutions. As such, the Ship Repair sector was able to venture into new avenues during the year under review.

### Aggressive approach to spread the afloat repair footprint.

During the year under review, CDPLC reinforced the marketing network with the appointment of dynamic agents to territories that have been dormant. This combined with targeted promotional activities contributed to the viable growth witnessed in the Ship repair sector, in particularly the afloat repair section in 2022.



CDPLC's afloat repair locations of Trincomalee, Hambantota and Colombo witnessed a considerable growth of revenue generation year on year, recording revenue of USD 4.7 million in 2022 in comparison to USD 2.9 million recorded during the previous financial year. The Company achieved commendable growth following the intensified promotional activities carried out during the year under review. In 2022, CDPLC participated in a series of international marine exhibitions including the Posidonia 2022 in Athens, Greece and SMM 2022 held in Hamburg, Germany. We are confident that our consistent promotional activities have been instrumental in business growth – a trend that we are confident will continue in the year 2023.



Figure 5: MV MSS Chrome from State Trading Organisation PLC, Maldives undergoing extensive afloat repairs at yard berth.

Meanwhile, the revenue generated from the Maldivian market in this sector has been significant along with revenue generated from key dry-docking projects carried out within the period under review. CDPLC strengthened the stronghold as a proved and trusted repair partner to the Maldivian marine fraternity with visits from prominent clients

from the nation as well as a unique dry docking project. The fleet in the Maldives continued to expand during the year under review, and CDPLC will continue to provide dry-docking and ship repair services to the entire fleet.

#### **Focused approach to enter selected new markets and implement strategies.**

The guidance and leadership provided by CDPLC's chairman Mr H Tanaka directed the Company to penetrate new markets segments such as Spanish trawlers, with focus on developing robust rapport with the Spanish trawler market to establish CDPLC as a reliable repair centre. In 2022, CDPLC secured two projects from the aforementioned market, and we have already laid out plans to further explore this market. To this end, we carried out promotional activities at the "Navalia 2022" event held in Vigo Spain, which paved the way to secure new business in this market segment.



Figure 6: FT Albacora Cuatro in her 10th Special Survey at Colombo Dockyard.

#### **Ship Repair sector looking at ambitious challenges to continue!**

The indicators for the year 2023 remains promising with trade and transport conditions returning to pre-pandemic levels gradually, in spite of geopolitical tension.

The bulker and tanker market continue to manage well, while the container market shows signs of returning to pre-pandemic rates. In addition, oil prices have been on an upward trajectory, propelling the offshore oil industry to start investing in their assets.

The upward trend in the shipping markets, held across the 2022, but continues to gradually return to pre-pandemic rates in 2023.

The key impetus of CDPLC in 2022 has been on nurturing relationships with clients to encourage them to remain loyal to Colombo Dockyard, in spite of external pressure. Meanwhile, we also sought to expand our foot print into identified and selected markets. Having performed well during the year, amidst a chaotic external environment, the ship repair sector is ready to pursue long-term growth through following a robust strategy.

#### **SHIP BUILDING SECTOR ACHIEVEMENT DURING 2022**

##### **Global market status of the Ship Building Sector**

As the global population continues to increase along with demand for power and enhanced living standards, the demand for transportation too grows in tandem. Since maritime transport enables large volumes of goods to be transported at lower costs when compared to road, rail or air transport, there is space for growth. Rising seaborne trade is expected to contribute to the growth of the shipbuilding market which is close to 200 Bn USD in year 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

Nevertheless, climate change and resulting environmental regulations can slow down growth of the ship building sector.

While bulkers, tankers, containers, cruises, ferries represent main types of shipbuilding traditionally, evolving requirements has created a demand for other specialized vessels such as vessels used for offshore windfarms, construction, operation and maintenance activities etc. In addition, the demand for wind turbine installation vessels (WTIV), Service operation Vessels (SOV), Commissioning Service operation vessels (CSOV), Cable layer vessels (CLV) has increased in the recent years. This trend is mainly driven by the global drive for green energy and the regional commitment by many parts of the world for carbon free economies in the near future. As such, CDPLC is currently exploring the market segment for specialized vessels such as Cable Laying vessels and Cable repair vessels.

The year 2022 proved to be a challenging one for shipbuilders given the lingering impact of the post COVID-19 pandemic repercussions, as well as geopolitical tension arising from the war between Russia and Ukraine. Meanwhile, steel prices have almost doubled over the past few years and semiconductor shortages are delaying delivery of most electric propulsion systems and components, causing a bottleneck to the shipbuilding sector across the world.

Ship owners are looking into decarbonization and adhering to environmental regulations such as

the Carbon Intensity Indicator (CII). This status quo largely contributes to their decision making process in fleet renewal with considerations of alternative fuel such as LNG, ammonia, methanol and batteries among the energy sources. On the other hand many engine manufactures have come up with new dual fuel engine options in the year 2022. Nearly 22% of vessels commissioned in 2022 are capacitated to burn alternative fuel.

### Ship Building Sector achievement during 2022

The year under review has been difficult for the ship building sector amidst the foreign exchange crisis as well as the overall economic crisis which generated a social and political crisis, triggering a state of instability across the nation.

Nevertheless, CDPLC continued to maintain operational integrity through adopting strategic planning to face specific issues as well as continuous support from the Government as well as the Embassy of Japan and our parent company Onomichi Dockyard.

In this backdrop, the delivery of the first vessel "Misje Vita" - 5000DWT Eco Bulk Carrier to European market was a breakthrough achievement in year 2022 by CDPLC.

Successful delivery took place on September 21st with the participation of owners, DNV class surveyors, CDPLC management and employees and it is with great pride that we see that the vessel is sailing the European waters as a vessel Made in Sri Lanka.

Norwegian company Misje Eco Bulk AS became CDPLC's first European customer for a shipbuilding project and the delivery of the vessel marks a historic milestone in the Sri Lankan shipbuilding sector which demonstrate CDPLC's ability to undertake different types of vessels with varying and modern technologies. CDPLC is pleased to be able to deliver the ship on schedule despite many disruptions both domestically and internationally.

Designed to be sustainable and climate friendly with lower emissions compared to conventional bulk carriers of the same size, the aforementioned vessels signal a new phase of growth for CDPLC. Each vessel is equipped with a 4-stroke diesel engine and a Hybrid-Electric Drive system incorporated with Active Front End (AFE) technology allowing bi-directional power flow. The battery unit can be mainly used for peak shaving and remains capable of supplying constant power for a certain time period in steaming mode as well. A separate Power and Energy Management System (PMS/EMS) with inbuilt controls manage the surveillance of the electric power production and consumption taking into account the generating set, hybrid drive system, battery system, switchboards and consumers.

This state-of-the-art bulk carrier concepts is in line with the owner's vision of providing Norwegian and European industrial customers with the most profitable, predictable, safe, and most environmentally friendly maritime transport services. In the meantime, the specific design provided CDPLC the privilege of being one of the few Shipyards in the world to have built eco-bulk carriers of this nature across the globe.



While Wartsila Ship Design Norway AS designed the concept and the primary features, CDPLC's design team created the detailed design in following the DNV classification rules.



Figure 07 - Mr. Roald Misje -Chairman of Misje and Mr.D.V Abeyasinghe -MD/CEO Colombo Dockyard Exchanging Delivery Protocols

The ceremonial keel laying of the third vessel of the series-NC252 and 4th vessel - NC253 also took place at the CDPLC premises on 16th of March 2022 and 16th of November 2022 respectively with the participation of owners



Figure 08 - NC252 Keel Laying



Figure 09 NC253 Keel Laying

Following the successful commission of the above bulk carriers, the same owner is looking to place four more vessel orders of the same 5000DWT Eco-Bulk Carriers within year 2023 and 2024.

During the year under review, in pursuit of the high value and high tech vessels, Colombo Dockyard PLC (CDPLC) signed and executed '2 firm vessels plus 2 options' shipbuilding contracts in January 2022 to build Commissioning Service Operation

Vessels (CSOVs/ vessel) for a Norwegian, large pure-play operator in the offshore wind industry.

However, CDPLC and the client agreed to mutually cancel these nearly 100Mn Euro worthy contracts due to the sudden collapse of Sri Lanka's economy and the banking system – a factor that made it difficult to secure an acceptable bank guarantee from Sri Lanka to the client's bank based in Norway.

However, CDPLC continued other projects, ceremonially launching the Cable Laying and Repair Vessel (CRV) for Orange Marine France on 3rd November 2022 with the participation of both Japanese and French missions in Sri Lanka, Owners, Designers, BV Class Surveyors, Government Officials of SLPA, Merchant Shipping Secretariat, SLN, EDB, BOI, Customs and Banking sector officials.



Figure 10 NC256 Launching Ceremony Group Photo

## MANAGEMENT DISCUSSION AND ANALYSIS

**Table 2: Projects Completed During the year 2022**

Project Name	Yard No	customer	Delivered	Country
5000 DWT Bulk Carrier I	NC 250	Misje Eco Bulk AS	22nd September 2022	Norway

**Table 3: Projects to be Completed and Delivered in 2023**

Project Name	Yard No	customer	Delivered	Country
5000 DWT Bulk Carrier II	NC 251	Misje Eco Bulk AS	April 2023	Norway
5000 DWT Bulk Carrier III	NC 252	Misje Eco Bulk AS	June 2023	Norway
Cable Laying and Repair Vessel (CLRV)	NC 256	FT Marine SAS	April 2023	France

In the near future, the Ship Building sector will look to upgrade our technological acumen to stay abreast of the competition and prepare to build the next generation of vessels at Colombo Dockyard.

While CDPLC's strategic business plan focuses on conventional basic vessel building for optimum utilization of the yard resources, we currently take on highly complex and specialized vessels such as cable repair vessels to enhance our technological progress and knowledge base to promote sustainable growth.

### HEAVY ENGINEERING SECTOR ACHIEVEMENT DURING 2022

#### Construction, Transportation and sea bed placing of the largest capacity Under Water Restaurant Structure (UWRS) of Maldives in year 2022.

CDPLC's Heavy Engineering sector marked a milestone development in March 2022 with the successful project completion and transportation of Underwater Restaurant Structure

(constructed in 2021) to Aanugandu Falhu Island and by placing the same on the sea bed.

This UWRS with 48 seating capacity and equal viewing facilities to all guests is considered to be the largest capacity UWRS in the Maldives as at the end of 2022.



*Figure 11 Under water restaurant structure*

### Establishing Market Opportunities for Construction of Under Water Restaurant Structures For Heaving Engineering Sector

The Heavy Engineering sector is looking to secure similar projects, targeting the tourism sector in a number of countries. Our marketing efforts ultimately aim to establish CDPLC as the market leader in the Under Water Restaurant building in the region.

#### Maldives

Currently, CDPLC is in discussions with yet another upmarket Resort Developer for design, material supply, fabrication, towing to the Maldives as well as installation of an UWRS at a well-established Resort. In 2022, we reinforced our direct marketing efforts to explore further opportunities in the same arena.



### Seychelles

CDPLC initiated preliminary discussions with a client based in the Seychelles to explore opportunities in the country for ship building projects.

### Servicing and Proof Load Testing of Special Aircraft Maintenance Lifting Appliances.

During the year under review, Dockyard Heavy Engineering sector continued to cater to the Srilankan Airlines Ltd as a credible service provider in continuation of servicing and proof load testing of Airbus A 330 and A 320 aircraft lifting hydraulic jacks and servicing and proof loading of related lifting appliances.

Previously, the aforementioned projects involved foreign stakeholders. The new development has contributed to reducing the outflow of foreign currency from Sri Lanka.

Having gained a considerable reputation in this regard, the Heavy Engineering sector is in the process of expanding services to other organizations engaged in the Aircraft maintenance field.



Figure 12

### Specialized Dynamic Balancing

CDPLC engaged in complex dynamic balancing work that couldn't be carried out by outside local parties.

In this case, in addition to normal dynamic balancing process, more engineering involvement had to be deployed to overcome the imbalance of the impeller by reducing its weight in different ways as much as possible to achieve the original impeller weight.





## MANAGEMENT DISCUSSION AND ANALYSIS



### Fender Repair Project

The Heavy Engineering Department continued to provide services to Colombo International Container Terminal (CICT) in removal, repair and re-installation of Fenders during the year under review.

The entire process posed numerous challenges as we were compelled to carry out the work on a tight deadline to match the CICT berthing schedule. We also had to take into consideration factors such as tide level forecasting, rain forecasting and wind forecasting.

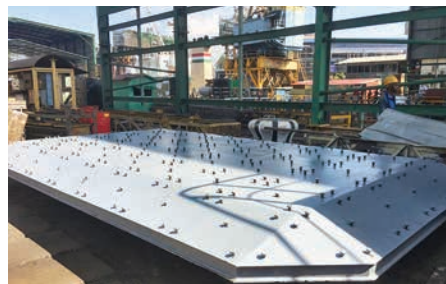


Figure 13



Figure 14

### OCCUPATIONAL HEALTH AND SAFETY / PREVENTION MEASURES

The Ship Building, Ship Repair and Heavy industrial industries consistently need to maintain and upgrade optimal optimum Health, Safety and Environment standards. In 2022, CDPLC recorded a declining trend in accidents particularly in number, frequency, and severity rates.

CDPLC has taken several steps to further improve yard HSE standards during the year 2022.

### OSH week, October 2022

CDPLC conducted the Safety Week 2022 from 17th October 2022 to 22nd October 2022 with a series of Occupational Safety & Health

activities and Fire prevention activities. The Company carried these activities parallel to the National OSH week 2022/10 carried out by the Labour department of GOSL. We combined daily activities such as distribution of leaflets, displaying of various OSH related placards in the yard, awareness, and education programmes targeting all employees via electronic media as well TBM/Talks at the Gangways /Yard/Workshops/ with in-house programmes in collaboration with Labor department officials. We also carried out fire prevention activities with the help of the Colombo Municipal Fire brigade etc. The Safety Week lineup also included promotional activities such as dramatic performances to enhance awareness about OSH for all sub contractor employees, giving away a small souvenir ( OSH key tag) for all employees of the yard, courtesy of the Sri Lanka Insurance Corporation and selecting the best SAFE workshop among the yard workshops through an independent audit evaluation team assisted by yard management. The Safety Week concluded with increased awareness amongst the workforce on international standard Health and Safety practices.



### OSH Training and Awareness

Providing comprehensive safety training to employees is considered as a top priority by the CDPLC management. In this context

the organization identified the training needs associated with our Occupational Health and Safety risks and management system. During the year under review, we conducted a number of OSH training and awareness programmes. We also engaged outside resource personnel to carry out a number of training and awareness building programmes.



### Fire training and rescue drill

CDPLC conducted fire training exercises throughout the year for yard employees to enhance their practical knowledge and application in case of an emergency. The fire unit also conducted fire and rescue drills onboard vessels and the yard on a monthly drill schedule. Looking to evaluate the effectiveness of the combined fire drills – we carried out fire demonstration with the participation of Sri Lanka Navy, and Colombo port fire brigade.



### Toolbox Meetings in New construction

The Safety Toolbox Meetings programme has proved to be an effective tool in improving safety awareness on the ground. During the year under review, line management of each department conducted, regular discussions (20 minutes per week) with the participation of supervisors and workers on specific safety issues such as CDPLC management concerns, their expectation about OSH, Client observations of OSH in new construction as well other stake holders' observations in relation to OSH. The discussions preceded daily work commencement, thus helping to reduce accidents and assisting employees to comply with regulations.





## MANAGEMENT DISCUSSION AND ANALYSIS

### Sea trail awareness of Newly constructed ships

CDPLC organized periodical Sea trail awareness programmes detailing guidelines such as lifesaving safety tips in the sea, lifesaving equipment on board (life jackets, life ring as well lifeboat) as well as how to behave in the case of emergency on board during a sea trail. We carry our sea trail awareness programmes prior to starting new vessel construction.



### Safety Patrol/Safety Inspections and Audits

Safety Patrols are key elements in our Hazard Identification and Risk Assessment process. As such, the relevant audit teams comprise of all levels of employees, from managers to subcontract employees who make yard visits weekly under the direct guidance of Chairman, Managing Director/CEO and Company directors to fulfill the above requirements. Meanwhile, MD/CEO and Chairman provide vital leadership by participating and advising on safety patrols. Total time allocation per visit is approximately 30 minutes to one hour for observing unsafe conditions while we allocate further 30 minutes to observe behavioural aspects of employees at the site for unsafe acts. The total man-hour involvement on safety patrols for the year 2022 was 480.

We frequently monitor the outcome of Safety patrol and its preventive measures/Operational controls to ensure that the relevant departments implement preventive measures timely manner.



### SYSTEM AND PROCESS IMPROVEMENT

CDPLC marked another vital achievement in 2022, establishing an Energy Management System within the organization and obtaining accreditation from the renowned SGS. The SGS is the world's leading inspection, verification, testing and Certification Company and the fact that we obtained the ISO 50001:2018 standard certification from this entity allowed us to optimize energy consumption.

This strategic move will create dual benefits to the Company; namely reducing the energy bill and contributing to better managing our carbon footprint through minimizing the severity of the environmental impact.

The latter point is a vital aspiration to further improve as we are responsible for the preservation of natural resources which are depleting and scarce. This new certification

CDPLC carried out OSH Audits and Inspections at workshops and other general areas in line with the Safety Inspections/Audit calendar to identify potential hazards and risks in the working environment. In addition, we conducted an Occupational and an Environmental Noise survey and monitoring of Dust levels across the yard premises.

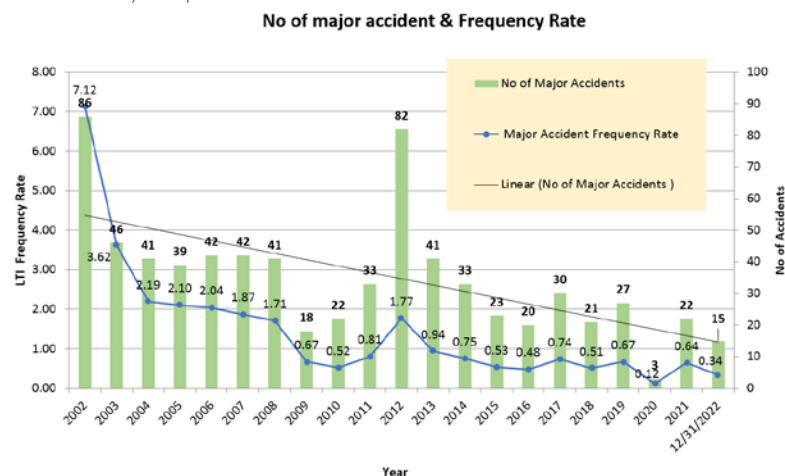


Figure 15 – Accidents & Frequency rate



would encourage the organization to review our energy consumption and research for alternative methodologies and avenues to better manage energy consumption. The organization recorded a 7.8% reduction of the electricity bill in 2022 with the guidance provided by new Management System.

Meanwhile, during the year under review, the Company continued our total management practices aligning with the stipulated international standards, laws and regulations of the country. The Quality Management system framework of the Company facilitates the management to systematically review and ensure Compliance with the requirements of ISO 9001:2015. In June 2022, by an accredited International Agency; namely, Lloyd's Register of Quality Assurance audited and certified the framework under ISO 9001: 2015 Quality Management System. The quality management system 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 across the Organization.

Assuring Occupational Health & Safety for all people engaged in the yard, including visitors, is the prime concern of the Company. As such our internal Health, Safety & Environment Management consistently carry out education, compliance, and audit activities. Moreover, we carried out Occupational Health & Safety (ISO 45001:2018) and Environmental management systems (ISO 14001:2015) certification renewal in April, 2022 April.

## HUMAN RESOURCE MANAGEMENT

Human resource development and administration process of the Company continued during the year

under review with various continuous and continual improvement strategies. In 2020, we made key structural changes in the higher managerial scopes to develop future leadership while expanding the leadership capacities of the higher managerial positions to make a more resilient and a versatile organization to face the challenges to come in the highly competitive international market.

The Company took steps to improve workplace cooperation among employees while facilitating employee work life balance and job satisfaction through introducing a "Social Dialog and Workplace Cooperation" programmes to our employees in 2022. The Department of labour of Sri Lanka conducted the Social Dialog and Workplace Cooperation programme in a collective approach with the Management, employees, and trade unions of the Company. We conducted a series of programmes in 2022, targeting all employees across the Company.



providing resources to employees to engage in sport and recreational activities. In 2022, CDPLC employees participated in the Annual Mercantile Athletic Meet conducted by Mercantile Athletic Federation – Sri Lanka. The Company achieved the 6th place among 52 corporates while securing 23 medals including 13 gold medals during the tournament. Moreover, in an attempt to build team spirit and friendship among employees, the Company conducted our annual inter departmental cricket tournament at the NCC ground Colombo, with the active participation of 43 teams.



*Picture of Sport Team*

In line with our employee appreciation initiatives, CDPLC evaluated and awarded 48 best employees for the year in different capacities



*Picture of Best Employee Awards*

We also held yet another annual blood donation campaign in 2022, which encouraged employees to donate blood to the Blood Bank of Sri Lanka.

## MANAGEMENT DISCUSSION AND ANALYSIS

In spite of the challenging economic backdrop that prevailed and the fuel crisis that followed the economic downturn, CDPLC carried out annual benefits schemes toward employees and implemented additional financial grants to support younger employees whose earning capacity is yet to reach a higher level.

In response to the fuel crisis, we organized a special employee transportation bus services covering 30 bus routes, from various destinations in Sri Lanka. Further, CDPLC granted special leave facilities to employees to fuel their vehicles from the fuel stations close to the Company premises. We also facilitated work from home to employees to enable them to support key operational work. As such, the IT, HR, Designing and material and service

procurement work forces engaged in work from home.

Meanwhile, during the year under review, the annual training calendar focused on soft skill development of employees as well as direct job-related skill training in various job scopes. Our training programmes matched and fulfilled identified skills and competency gaps.

### Corporate Social Responsibility

Our CSR activities and stakeholder engagement endeavours hinged on facilitating employees to visit remote villages, needy families and schools to donate essential items. This synergic approach resulted in CDPLC being able to back numerous social philanthropy activities across the island in 2022.

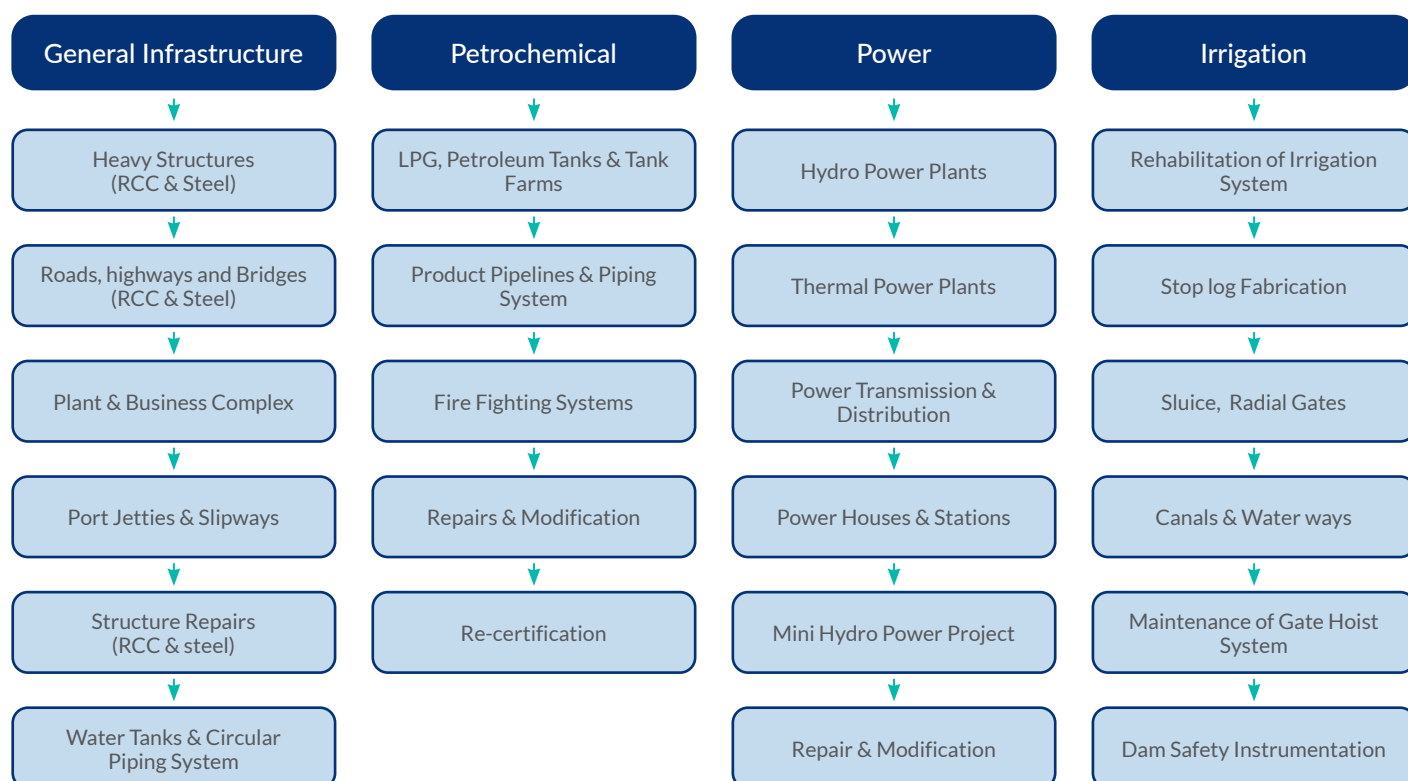
### SUBSIDIARY ENGAGEMENT

#### Dockyard General Engineering Services (Pvt) Ltd (DGES)

Dockyard General Engineering Services (Pvt) Ltd (DGES) is a fully owned subsidiary of the Colombo Dockyard PLC and a leading engineering entity in Sri Lanka which engages in national and international projects covering the scope of designing, fabrication installation, repair and maintenance in mechanical, civil and electrical engineering arena.

As a reputed engineering Organization, we have developed a trusted and reliable construction company by building lasting relationships with our clients, suppliers, and contractors to ensure that every project meets and exceeds the expectation of our clients.

Engineering and Construction services we are expertise in.



As a C1 and EM 1 Contractor, we have been well acquainted with market opportunities and concentrate intensely on repair works of projects since 2015.

### Road Projects

The Road Development Authority (RDA) has identified that traffic congestion in the area could be eased by providing a connecting road with three flyovers in the Slave Island area. As a result, for the first time in Sri Lanka, we initiated a project to construct a 360 meter long steel flyover which will comprise two 3.5 m wide lanes carriageway for one-way traffic and 2.0 meter wide two pedestrian ways. The flyover will be built on pile foundations with six span steel superstructures. DGES-CDPLC Joint venture together with Access Engineering successfully completed the project for supplying and fabrication of steel bridge superstructure and other steel component for the Flyover connecting Baladaksha Mawatha and Chittampalm a Gardiner Mawatha over railway track and Beira lake in Slave Island.

DGES engages in a wide spectrum of road-related construction services for the improvement of rural roads in Jaffna, Kilinochchi and Vavuniya Districts in Northern Province (approximately 50KM). The relevant projects are currently in progress including asphalt paving, concrete paving, sand/chip sealing, road drains, culvert bridges and road furnitures offered by the Ministry of Provincial Council and Local Government Affairs; funded by the JICA and World Bank.

### Workshop building complex for Sri Lanka Ports Authority

An ADB funded project, the above is a major project that the Company

is currently carrying out to construct a 800MT steel workshop building, accommodation and office building (Total floor area 8220 sqm). The work involved includes floor decking, masonry work, roofing and wall covering, steel erection and fabrication, waterproofing, electrical works, mechanical work, plumbing works, fire protection system, ICT works, landscaping works.

### Repair Work of Surface Preparation and Painting

DGES is the leading company which has the greatest know-how in the area of surface preparation and application of industrial paints, guaranteeing a higher life time more than 10-15 years.

Recognizing DGES as the most trusted construction entity in Sri Lanka, government entities awarded the below projects.

### Fabrication of steel Components of Pneumatically Operated Self-Regulated water controlling crest gates system

We completes the fabrication of steel Components of Pneumatically Operated Self-Regulated water controlling crest gates system including erection, Commissioning and Testing for Castlereagh Dam of Laxapana Complex; offered by the Ceylon Electricity Board in 2022.

### Petrochemical Sector - Repair work at Litro Gas Terminal Lanka Ltd Gas Terminals and new installation at Hombantota Gass Terminal

In 2009, the company led the construction of the Shell Gas Terminal at Muthurajawela (presently called Litro Gas Terminal). The project involved the construction of an LPG plant with 4 nos of 4000 m2 LPG

spheres, a 7500 m3 Fire water tank and an entire piping and firefighting system. Since then, DGES has become a trustworthy partner and continually carries out recertification and repair work.

Our qualified and experienced professional team provides the highest quality of services and the Company's business operates in diverse sectors including technical sales, Dealerships, Distributorship. Accordingly, we are strategically positioned to realize opportunities for international construction projects.

### FUTURE OUTLOOK

The year 2022 called for extraordinary resilience, risk management and strategy adoption to meet the challenges and lay a viable foundation for future growth. As the country is hopefully headed towards a path of recovery, we are hopeful of leveraging on the foundation we were able to lay during the year to pursue enhanced growth objectives. However, both global economic and geopolitical pressure as well as local challenges will continue to create difficulties in achieving our growth objectives.

Nevertheless, we will continue to adopt an insightful and data driven market strategy to cater to the changing needs of the ship building, repair and heavy engineering industries with particular focus on green energy constructions.

Meanwhile, we will incorporate a more over-arching strategy to incorporate environmental sustainability and business continuity in line with changing dynamics in the medium and long term to create value for all stakeholders.

## 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. 51,379.8 Mn (2021 - Rs. 27,189.3Mn) as at end 2022, 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)	2022	2021	Change	%
<b>Income Statement</b>				
Revenue	27,291.8	17,232.1	10,059.7	58
Gross Profit	2599.8	2,343.6	256.2	11
Profit/(Loss) after Tax	687.9	262.1	425.8	162
<b>Balance Sheet</b>				
Total Assets	51,379.8	27,189.3	24,190.5	89
Total Liabilities	43,256.6	19,790.2	23,466.4	119
Shareholders' Funds	7,915.6	7,295.8	619.8	8
Net Cash & Cash Equivalent	16,059.5	6,906.2	9,153.3	133
Interest bearing borrowings	24,038.5	11,025.2	13,013.3	118
<b>Financial Ratios</b>				
Earnings Per Share (Rs.)	9.6	3.5	6.1	174
Dividend Per Share (Rs.)	0.0	1.0	(1.0)	(100)
Net Assets Per Share (Rs.)	110.2	77.0	33.2	43
Gearing Ratio (%)	0.0	0.0	0.0	0
Return on Total Assets (%)	4.0	0.2	3.8	1900
Working Capital to Assets (%)	7.0	5.0	2.0	40

### FINANCIAL PERFORMANCE OF THE GROUP

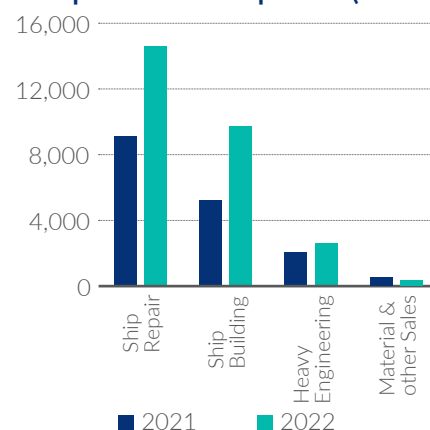
#### Group Revenue

The Group achieved a total revenue of Rs. 27,291.7 Mn (2021 - Rs. 17,232.1 Mn) for the financial year 2022 showing a significant improvement of 58% (Rs.10,059.6 Mn) against last year. The Shipbuilding revenue has been increased by 83% and the Ship repairs revenue increased by 58% during the year 2022. The ship repair revenue achieved a Rs.14.5bn revenue during the year 2022 showing a significant improvement compared to previous year. Although there was a significant impact from country's economic crisis during the year 2022, the group was able to improve revenue as a result of proper management strategies adopted.

Dockyard General Engineering (Pvt) Ltd contributed 11%, Dockyard Total Solutions (pvt) Ltd contributed 1% and Ceylon Shipping Agency contributed 8% to the total group revenue during the year 2022.

Heavy Engineering sector contributed Rs.2,575.8Mn revenue to the group revenue during the year 2022.

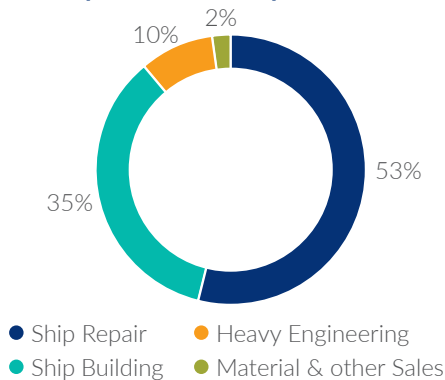
#### Group Revenue Comparison (Rs.Mn)



#### Segments Contributed to the Group Revenue

The Group revenue includes the revenue from the core activities of the group such as ship repairs, shipbuilding, heavy engineering & material sales from subsidiary companies. The major revenue contributor for the group revenue during the year 2022 was ship repair sector which represent 53% of the total group revenue. The ship building sector has contributed 35% to the group revenue during the year 2022. The other two sectors heavy engineering and material sales have contributed 10% and 2% to group revenue respectively.

### Group Revenue Composition 2022

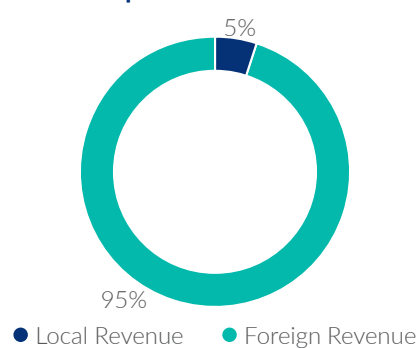


### Group Export Revenue

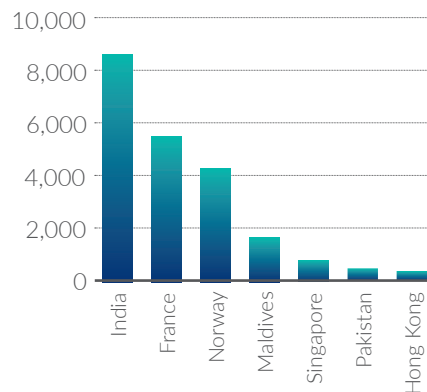
The group's export revenue includes the revenue generated mainly from shipbuilding and ship repair operations. Total export revenue recorded by the group for the year 2022 was Rs. 23,311.4 Mn compared to Rs. 13,924.0Mn in last year showing an improvement of 67%.

The major overseas market of the group during the year 2022 was India with 37% (Rs. 8,589.9 Mn) contribution to the total export revenue followed by France with 24% (Rs. 5,525.0 Mn) and Norway by 18% (Rs.4,130.1Mn). The Indian market continued to be the major overseas market for the ship repair sector, with a contribution of 59% (Rs. 8,589.9Mn) of the total ship repair revenue during the year 2022. The dominant currency for export continued to be the US dollar, accounting for 100% of total exports. The depreciation & appreciation of the Sri Lankan Rupee continued to impact on the conversion of US dollar proceeds. Out of total group revenue 95% represents export revenue.

### 2022 Export and Local Revenue



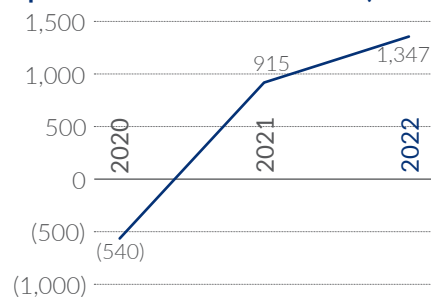
### 2022-Major overseas Markets -Export Revenue (Rs.Mn)



### Group Earnings before Tax and Depreciation

The Group's earnings before tax, depreciation and amortization recorded as 1,347.7 Mn during the year 2022 compared to last year Rs.915.3Mn. The group was able to increase the earnings by 47% compared to 2022 although there was a significant impact to the operation of the company from economic crisis of the country.

### Group's Earnings Before Tax, Depreciation and Amortization (Rs.Mn)



### Group Other Income

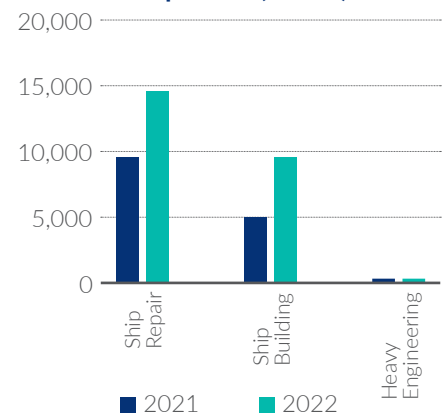
Other income of the Group shows a significant increase of 1103% during the year 2022 compared to last year. The exchange gain has been significantly increase during the year 2022 due to heavy foreign currency depreciation

## FINANCIAL PERFORMANCE OF THE COMPANY

### Company's Revenue

The company achieved a total revenue of Rs. 24,533.1 Mn for the financial year 2022 compared to the last year total revenue Rs. 14,884.7Mn which shows an 65% increase compared to last year. The ship repair revenue of the company was Rs.14,585.1Mn for the year 2022 which shows 58% of growth compared to last year. The ship building revenue of the company was Rs.9,668.51mn which has increased by 83% during the year 2022 compared to last year.

### Company Revenue Comparison (Rs.Mn)

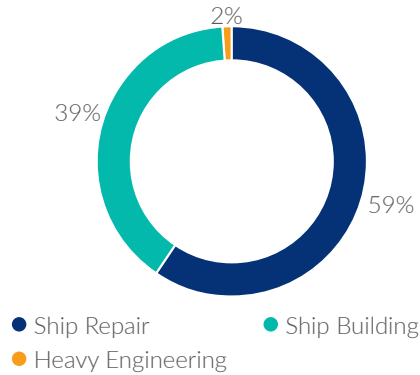


Out of total revenue of the company, 59% represents revenue from Ship repair business and 39% represents revenue from Ship Building and 2% from Heavy engineering.



## FINANCIAL REVIEW

### Company Revenue Composition 2022

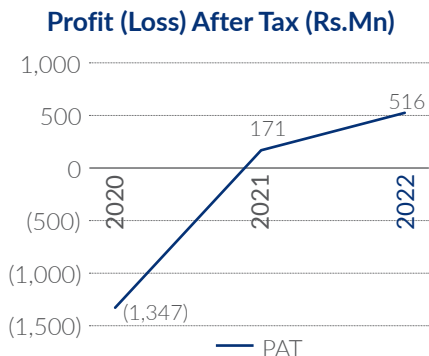


### Company Contribution to Sri Lankan Economy

The Colombo Dockyard PLC has generated direct foreign revenue of Rs. 23,311.4 Mn (US\$ 65 Mn). The direct value addition generated by the Company was Rs. 8,317 Mn, (2021- Rs.5,108.0Mn). This is mainly comprised of revenue generated from shipbuilding, ship repairs, heavy engineering and other nonoperating income

### Company's Profit /(Loss) After Tax

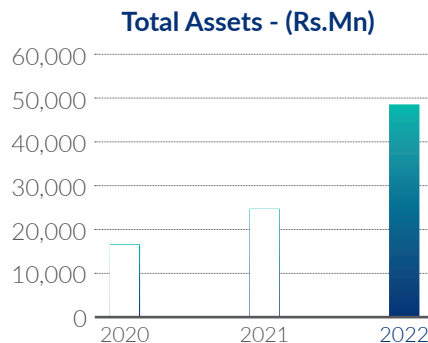
The Company recorded a Profit after tax of Rs. 516.5 Mn during the year under review 2022. The company was able to increase the total revenue by 65% in 2022 compared to last year although there was an adverse impact from economic crisis of the country. The company was able to deploy adequate work force for production works to continue the business operation.



### FINANCIAL POSITION OF THE COMPANY

#### Total Assets

The Company's total assets as of 31st December 2022 were Rs. 48,422.1 Mn, as against Rs. 24,081.0Mn in 2021 and shows an increase of 101% compared to last year. Although there was no significant improvement in the fixed assets during the year 2022, the current assets have been increased by 131% in 2022 compared to last year. The Company has added Rs. 469 Mn capital assets for yard productivity improvements and infrastructure development during 2022.



#### Current Assets

Current assets of the Company have increased to Rs. 43,182.2 Mn in 2022 compared to Rs. 18,662.2 Mn in 2021. The inventories have been increased by 204% due to the purchase of new inventories for ongoing ship building projects. The trade receivable has been increased by 67% at the end of the year 2022 and it represents mostly from receivable of ship repair and ship building projects completed during the year. The deposit and prepayments have been increased by 250% during the year 2022 due to the advance payments released to local and foreign suppliers to purchase materials of new ship building projects.

### Working Capital

The net working capital of the Company was at Rs. 1,976.3 Mn at the end of year 2022 and it has increased by 68% compared to last year. The current ratio in 2022 stood at 1.05 indicating availability of current assets to serve the current liabilities of the company. The quick ratio of the company was also stood at 0.9 indicating the availability of current assets without inventories to pay current liabilities of the company. The working capital against the total asset was 4% in 2022

### GROUP CASH FLOW

Cash generated from the Group's operations before working capital changes stood at Rs. 3064.9 Mn in 2022 compared with cash generated Rs. 1,887.1 Mn in the previous year. Cash generated from operations increased due to significant contribution recorded mainly from shipbuilding and ship repair operations compared to 2021. Net cash used in investment activities was Rs. 263.4 Mn during 2022, as against Rs.110.4 cash generated in previous year. The Group invested a total of Rs. 500.8 Mn in yard development and productivity improvement related investments. The Group's cash and cash an equivalent at the end of 31st December 2022 was Rs. 16,059.5 Mn, which is increased against last year figure of Rs. 6,906.2 Mn

### Net Assets Value per Share

The net assets value per share of the Company has increased to Rs. 82 as of 31st December 2022 compared to Rs. 77 recorded for last year the growth of the net assets per share was due to the growth of the revenue increased profit earned during the year under review.



## GROUP CAPITAL STRUCTURE

Total assets of the Group stand at Rs. 51,379.8 Mn as at 31st December 2022, compared with Rs. 27,189.2 Mn in the previous year. Assets were funded by shareholders funds 15%, non-current liabilities 3% and current liabilities 82%. Out of total assets of the group, 88% represent current assets which is funded by short term loans and current liabilities.

## GROUP DEBTS

Group's short term debts as at balance sheet date was Rs. 24,038.5 Mn. Short term loans have been obtained for working capital financing. There was a 93% increase of short term loans obtained during the year but the repayment of loans also have been increased by 107% during the year 2022. Group's long-term debts continued to main at zero level as at 31st December 2022. The Group's 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 2022 recorded at Rs. 59, showing a decline of 25% compared to last year's closing price of Rs. 79. The share price recorded the highest price of Rs. 91 on 21st January 2022 and lowest of price of Rs. 55 on 28th November 2022.

## 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 81 to 131 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 stakeholders to make a fair assessment of the company's performance.

## SUBSIDIARIES PERFORMANCE

The total revenue from subsidiary companies recorded as Rs. 5,505.3 Mn represented by Rs. 2,986.4 Mn from wholly owned Subsidiary Dockyard General Engineering Services (Pvt) Ltd. (DGES), Rs. 349.9 Mn from wholly owned subsidiary Dockyard Total Solutions (Pvt) Ltd (DTS) and Rs. 2,168.8 Mn (SGD 8.1 Mn) from Ceylon Shipping Agency (Pte) Ltd (CSA) Singapore with 51% holding.

DGES has recorded a net profit of Rs. 132 Mn for 2022 compared to Rs. 151.4 Mn profit reported for 2022 showing a decline of 13%, The net profit reported by DTS at the end of year 2022 was Rs. 9.7 Mn The CSA recorded a net profit of SGD 107,386 against the profit of SGD 177,652/- for 2021.

## STATEMENT OF VALUE ADDITION (COMPANY)

	2022 Rs. 000	2021 Rs. 000
Offshore Marine	14,585,106	9,211,402
Shipbuildings	9,668,515	5,284,567
Heavy Engineering	279,543	388,708
Operating Revenue	24,533,164	14,884,677
Other Income	4,428,628	467,046
<b>Total Revenue</b>	<b>28,961,792</b>	<b>15,351,723</b>
Less: Cost of Materials & Services purchased from External Sources	20,644,334	10,423,688
<b>VALUE ADDITION</b>	<b>8,317,458</b>	<b>5,108,035</b>
Value Addition as a % on Revenue	28.7%	33.3%

## CORPORATE MILESTONES

year	Event
1974	Incorporation of Colombo Dockyard Limited (CDL) and started operation of a Ship repair facility with three drydocks: 1 x 30,000 DWT and 2 x 8,000 DWT; Docks Nos. 1, 2 & 3.
1975	Commencement of steel Shipbuilding in Sri Lanka. Yard No. 1: Mooring Barge for Colombo Port Commission (CPC). Yard No. 4: First naval vessel - 14 M Patrol Boat for Sri Lanka Navy.
1976	Incorporation of Ceylon Shipping Agency Pte Limited in Singapore, jointly with Ceylon Shipping Corporation.
1977	First vessel to Colombo Port Commission. Yard No. 13:100 T Barge.
1978	First Tug Boat built in Sri Lanka. Yard No. 25:365 BHP Towing Tug for Colombo Port Commission.
1981	Incorporation of Ceylon Bulk Carriers Limited, as a wholly owned subsidiary of CDL, which was renamed as Dockyard General Engineering Services (Pte) Limited in 1981.
1982	Incorporation of Colombo Drydocks Limited(CDD) as a Private Limited Liability Company.  First Offshore Patrol Vessel (OPV) built in Sri Lanka. Yard Nos. 40/41:40 M Offshore Patrol Vessels for Sri Lanka Navy.
1983	Incorporation of Galle Slipway & Engineering(Private) Limited.
1983	CDD was converted into a Public Limited Liability Company and established as a Licensed Enterprise under the GCEC Laws (now BOI). First export order in Shipbuilding. Yard Nos. 57/58 Split Hopper Barges for Burma Ports Corporation, Myanmar.
1987	First Shipbuilding project to the Republic of Maldives. Yard No. 78/81: Fish Collector Vessels for State Trading Organization (STO)
1988	CDD commences operation of the 125,000 DWT Newly Built Drydock and CDL functions as the Managers for CDD
1992	Commencement of Aluminium Shipbuilding in Sri Lanka. Yard No. 106: Fast Patrol Boat for Sri Lanka Navy
1993	Major re-structuring of CDL & CDD and Collaboration with Onomichi Dockyard, Japan.
1997	Diversification of business activities - Commencement of Heavy Engineering Sector. HE/0001: Sapugaskanda Power Plant Extension Project; Client - MAN B&W Diesel AG, Germany/Ceylon Electricity Board.
1998	First Aluminium Vessel to the Republic of Maldives and the first vessel to the National Security Services: Yard Nos. 122/123 - Coastal Surveillance Vessels (CSV).
1999	International Quality Accreditation – Certified to ISO 9001: Lloyds Register of Quality Assurance (LRQA).
2002	Upgrading the Quality Management System to ISO 9001: 2000.
2004	Commencement of Offshore Engineering Activities - Diversification:
2005	Internationalization of Shipbuilding Activities & Breakthrough to Middle Eastern Market. Expansion of the entrance to the Dock No. 2 for enhancing the capacity for Shipbuilding.
2006	The largest Aluminium Hull built in Sri Lanka (NC 200) - 40 M Fisheries Protection Vessel for the Republic of Maldives. Building of first Tug Boat to an International Client (NC202, NC203 & NC204)
2007	Completed number of major yard expansion projects during the year with over Rs. 462 Mn investment. <ul style="list-style-type: none"> <li>• Delivery of 6 New Constructed ships during the year 2007.</li> <li>• In house designed state of the art, Aluminum Hull for Fisheries Protection Vessel.</li> <li>• Building of first Anchor Handling Tug/ Supply Vessel (AHTSV) of 80 T BP (NC207, NC208) for Greatship (India)Ltd.</li> </ul>
2008	Structural adjustments: Shifting to a New Head Office Building, Expansion of shipbuilding facilities up to total land area of 2,575 square meters, Building of Deck Barge for enhance of Shipbuilding capacity. New technological adaptation: Use of “line heating” technology, Computer Aided Designs (CAD) and Computer-Numerically Controlled Plate Marking and Cutting technologies for Steel aluminum, MIG, TIG and Submerged Arc welding techniques.

year	Event
2009	<p>The year of Success despite the global Economic Crisis.</p> <ul style="list-style-type: none"> <li>Enhancing crane capacity by 20 tonnes and operation capacity of Dry Dock No 03 concentrating more on Offshore Supply Vessels and Drill Ships repairs.</li> <li>Completion of first ever 250 passengers cum 100 tonnes cargo vessel “Arabian Sea” built for the government of India.</li> <li>Outsource of Heavy Engineering activities to the subsidiary of Dockyard General Engineering Services DGES.</li> </ul>
2010	<p>The year of Economic Prosperity</p> <ul style="list-style-type: none"> <li>Completions of five largest vessels in the history 2010 (NC209, NC210, NC215, NC216 and NC217).</li> <li>Start operation of Kelani River Yard (KRY site) and built first passenger vessel (NC221) to RDA in the Site.</li> <li>Implementation of Performance Standard for Protective Coating (PSPC) process based on IMO resolution.</li> <li>Upgrading the Quality Management System to ISO 9001:2008.</li> </ul>
2011	<p>The year of Market Pressure</p> <ul style="list-style-type: none"> <li>Construction of intermediate Dock gate Dry-Dock 01 to enhance efficiency and effectiveness of Ship repair and Shipbuilding activities with an investment of Rs. 152 Mn.</li> <li>Commencement of repairing LPG carriers and establishment of related infrastructural facility “Cryogenic Workshop”.</li> <li>Construction of 250 tonnes bollard in the Port Trincomalee to enhance the bollard pull testing facilities for new shipbuilding projects.</li> </ul>
2012	<p>The year of Sustainability in Stormy Waters</p> <ul style="list-style-type: none"> <li>Keel laying of largest Vessel to be built by Colombo Dockyard PLC, yard No NC/0229-0230 400 Passenger Cum 250T Cargo Vessels to India.</li> <li>Installation of largest Crane Lifting facility with 160 Ton capacity.</li> <li>Commissioning of 2nd Plasma Cutting Machine at KRY Site.</li> <li>Export revenue generated over 98% of total revenue for the first time.</li> <li>Highest capital investment of Rs. 1,889 Mn in one financial year</li> </ul>
2013	<p>The year of Operational Environment Risk</p> <p>Commissioning of largest crane lifting facility with Dockyard - this is a major breakthrough into this high end repair sector.</p> <p>Successfully delivery and handing over 3 shipbuilding contracts namely “Greatship Ragini”, “Executive Valour” and “Executive Courage” to owners meeting all contractual and technical</p> <p>Award of 4 new shipbuilding contracts to a Singapore Customer.</p> <p>Celebrations of 20 years Management collaboration with Japanese Shipyard, our Parent Company Onomichi Dockyard Co Ltd. Japan.</p> <p>Keel laying of last vessel of the 4 series vessels to a Singapore customer.</p> <p>Commissioning of ultrasonic cooler cleaning plant with waste water treatment</p>

## CORPORATE MILESTONES

year	Event
2014	<p>Celebrated 40 years anniversary of the Company</p> <p>Completed and delivered biggest ship ever built by the Company, at 99 meters in length NC 229 - 400 passenger cum 250 ton cargo vessel “ MV Corals” to India</p> <p>Completed and delivered NC 227- Multipurpose Platform Supply Vessel “Executive Tide” to Singapore.</p> <p>Completed and delivered NC 228 - Multipurpose Platform Supply Vessel “Executive Sprite” to Singapore</p>
2015	<p>Completed and delivered newly built vessel NC 230 - 400 Passenger cum 250 Ton Cargo Vessel “MV Lagoons” to India</p> <p>Completed and delivered newly built two vessels NC 231 “Executive Brilliance” &amp; NC 232 “Executive Balance” Multipurpose Platform Supply Vessel to Singapore</p>
2016	Completed and Delivered newly build vessels NC 233 - 78M multi purpose platform supply vessel to Singapore and NC 239- 13 M Harbour tug , NC 240 -45 M barge to Maldives
2017	Completed and delivered newly build vessels NC 234 - 78M multipurpose platform supply vessel Singapore and NC 235/236- 78 M (9000Kw) anchor handling / offshore support vessel To Singapore
2018	Completed and Delivered newly build vessel Nc 237 - 78 M ( 9000Kw) Anchor Handling/Offshore Support Vessel, to Singapore
2019	Completed and delivered newly built vessel Nc 243 - 2x2500 kw cable laying vessel to Japan
2020	<p>Completed and delivered newly built vessels NC 246, NC 247 - 19 M Fast Pilot Boat I, to Sri Lanka Port Authority.</p> <p>Entered in to European market securing a contract to build 5000DWT Eco Bulk Carrier (NC 250) for Norway</p>
2021	Completed and delivered newly built vessels NC 244-buoy tender vessel, NC 245- pilot station vessel to IRQA and NC 248- 19 M Fast Pilot Boat III to Sri Lanka Port Authority
2022	Completed and Delivered NC 250 5000DWT Bulk carrier 1 to Norway which was the 1st hybrid vessel constructed by the company for Europe market.

## 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 practises and activities for the financial year 2022 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

#### Board Responsibilities

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

#### Composition of the Board

The current Board comprises of nine Directors; six of them are Non-Executive Directors.

The Board's Chairman, Mr. H. Tanaka and Mr. A. Horibe 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. G A D L H 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 provide under the Listing Rules of CSE, subject to the shareholders approving the Resolutions as set out in item 3 & 4 of the Notice of Annual General Meeting. The Board so determined based on the annual declarations submitted by the non-executive directors. They have been duly re-elected by the shareholders at the Annual General Meeting of each year.

## 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. 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 Horibe	Director	29th March 2021	Executive/Nominee Director
Mr. D. L. Nihal	Director	29th November 2022	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	June	June	July	July	Aug	Oct
Mr. H. Tanaka	✓	✓	✓	✓	✓	✓	✓
Mr. Sarath De Costa	✓	✓	✓	✓	✓	✓	✓
Mr. D. V. Abeysinghe	✓	✓	✓	✓	✓	✓	✓
Mr. T. Nakabe (or Alternate)	-	✓	✓	✓	✓	✓	✓
Mr. L. Ganlath	✓	-	-	✓	✓	✓	-
Mr. H. A. R. K. Wickramathilake	✓	✓	✓	✓	✓	✓	✓
Mr. V. G. L. A. Jayawardena	✓	✓	✓	✓	✓	✓	-
Mr. A. Horibe	-	✓	✓	✓	✓	✓	✓
Mrs. W. L. S. W. Jayasundera (resigned 10/11/2022)	-	✓	✓	✓	✓	✓	✓
Mr. D. L. Nihal ( appointed 29/11/2022)	-	-	-	-	-	-	-



### Roles of Chairman and Chief Executive Officer (CEO)

The Chairman leads the Board and ensure that it works effectively and acts in the best interest of the Company.

CEO is accountable to the Board for the exercise of authorities delegated by the Board and for the performance of the Company.

Chairman's Responsibilities	CEO's Responsibilities
<ul style="list-style-type: none"> <li>• Setting agenda for board meetings in consultation with CEO, Directors, and the Company Secretary considering the matters relating to strategy, performance, resource allocation, risk management and compliance.</li> <li>• Provide sufficient details included in the agenda to directors in a timely manner.</li> <li>• Ensure effective participation of both Executive and Non-Executive directors.</li> <li>• Ensure the balance of power between Executive and Non-executive Directors.</li> <li>• Ensure the board is in complete control of the company's affairs and alert to its obligations to all shareholders and stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop the Company's strategy and obtain approval by the Board.</li> <li>• Developing and recommending to the Board budgets supporting the Company's long-term strategy.</li> <li>• Monitoring and reporting to the Board on the performance of the Company and its compliance with applicable laws and corporate governance principles.</li> <li>• Establishing an organizational structure for the Company which is appropriate for the execution of strategy.</li> <li>• Ensuring a culture that is based on the Company's values. Ensuring that the Company operates within the approved risk appetite.</li> </ul>

### Financial Acumen

The Board comprises a fellow member of Chartered Accountant of Sri Lanka and serve as members of the Audit Committee and the Related Party Transactions Review Committee.

### AUDIT COMMITTEE

The Audit Committee comprises of three Non-Executive Directors of whom two Directors are independent, namely Mr. H. A. R. K. Wickramatileka (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.

- Recruitment process, performance evaluation, and promotions of CDPLC employees.
- Evaluating efficiency and effectiveness of loose tool management system.
- Reviewing the proposed Risk assessment process procedure for defining payment terms for ship repair projects.
- Reviewing Audit Plans of external and internal auditors
- Reviewing/Recommending Quarterly Financial performance for board approval.
- Reviewing/Recommending the Budget for board approval.

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 General Manager (Finance)/Chief Financial Officer on our request

## CORPORATE GOVERNANCE

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)/ Chief Financial Officer and General 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	Nov	Nov
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. Abeyasinghe, Managing Director/CEO who has been nominated to the Board by a major shareholder.

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	Nov
Mr. H. A. R. K. Wickremathilake	✓	✓
Mr. Sarath De Costa	✓	✓
Mr. Lalith Ganlath	✓	✓
Mr. D. V. Abeyasinghe	✓	✓

## ANNUAL GENERAL MEETING

The Company's 39th Annual General Meeting (AGM) was held on 28th June 2022 at the AGM 68 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 2021 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 2022 and to authorize the Directors to approve their remuneration
- To authorize the Directors to determine donations for the year 2022 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) 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:

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

## CORPORATE RESPONSIBILITY FOR SUSTAINABLE BUSINESS PERFORMANCE

Sustainability at Colombo Dockyard PLC is about striving for excellence and continuous improvement in identifying, understanding and responding to evolving environmental, social and governance challenges facing our business today. Corporate responsibility towards society and the environment is regarded as a fundamental aspect of our strategy execution and decision making process and is prominently placed in the Company's corporate priorities and core values. The Company

ensures that it does not compromise this responsibility even at the expense of its economic performance. One of the most important developments of sustainability at Colombo Dockyard is the formation of our "Health, Environment, Safety and Productivity Improvement" (HESPI) Committee representing organization wise employees headed by the ACTG. General Manager (Human Resource Development and Administration).

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 Management System (OH & SMS). 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.

## CORPORATE GOVERNANCE

### 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](http://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.

Compliance with the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka in 2017

Subject	Rule / Code No.	Compliance requirement	Compliance status	Section	Page No
The Board of Directors	A 1	Company to be headed by an effective Board to direct and control the Company	Complied	Profile of the Board	16
	A 1.1	Regular Board meetings	Complied	Composition of the Board	47
	A 1.2	Responsibilities	Complied	board responsibilities	47
	A 1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	Complied	Annual Report of the Board of Directors on affairs of the Company	69
	A 1.4	Access to Company Secretary	Complied	Communication with Shareholders	52
	A 1.5	Bring Independent judgement on various business issues and standards of business conduct	Complied	The Directors are permitted to get professional advice when necessary	48
Chairman and Chief Executive Officer (CEO)	A 2	Chairman and CEO's division of responsibilities to ensure a balance of power and authority	Complied	The Chairman does not involve himself in day-to-day operations of the company and  The CEO executes powers given by the Chairman and the Board to run the operation	49
Chairman's Role	A 3	Facilitate the effective discharge of Board functions	Complied	The chairman is responsible for conducting meetings effectively and he preserves order and implements board decisions taken	49
	A 3.1	Ensure Board proceedings are conducted in a proper manner	Complied	The Chairman is responsible for the effective participation of both executive and Non Executive Directors, their contribution for the benefit of the company, balance of power between Executive and Non Executive Directors and control of Group's affairs and communicate to stakeholders	49

Subject	Rule / Code No.	Compliance requirement	Compliance status	Section	Page No
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Financial Acumen	49
Board Balance	A 5	Board Balance	Complied	Composition of the board	47
	A 5.1	Non-Executive Directors	Complied	Out of 9 directors, 6 directors are Non-executive directors	48
	A 5.2	Independent Non-Executive Directors	Complied	2 Independent non executive directors	48
	A 5.4	Annual Declaration	Complied	Submitted the declarations as prescribed	47
	A 5.5	Determination of independence of the Directors	Complied	The independence of Directors is determined based on declarations submitted by the Non-Executive Directors	48
Supply of Information	A 6.1	Provide appropriate and timely information to the Board	Complied	Directors are provided quarterly performance reports, minutes of review meetings and other relevant documents in advance to the Board meeting	48
	A 6.2	Adequate time for effective conduct of Board meeting	Complied	The minutes, agenda and reports for the Board meeting are provided well before the meeting date	48
Appointments to the Board	A 7	Formal and transparent procedure for Board appointments	Complied	Appointment, re-election and resignation	47
	A 7.2	Assessment of the capability of the Board to meet strategic demands of the company	Complied	Appointment, re-election and resignation	47
	A 7.3	Disclosure of New Board member profile and interests	Complied	Appointment, re-election and resignation.	47
Re-election	A 8 – 8.2	Board members should be subject to election, and reelection by shareholders	Complied	Appointment, re-election and resignation	47
Disclosure of information in respect of Directors	A 10 – 10.1	Profiles of Directors, Directors' interests, Board meeting attendance, Board committee memberships	Complied	Profile of the Board	16
Directors' Remuneration	B 1	Establishment of the Remuneration Committee.	Complied	Remuneration Committee Report	50
	B 1 – 1.3	Membership of the remuneration committee to be disclosed and should only comprise Non Executive Directors	Complied	Remuneration Committee Report	50



## CORPORATE GOVERNANCE

Subject	Rule / Code No.	Compliance requirement	Compliance status	Section	Page No
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Remuneration Committee Report	50
Relations with Shareholders	C 1	Constructive use of the AGM and other General Meetings	Complied	Annual General Meeting	51
	C 1.2	Separate resolution to be proposed for each item	Complied	The Company propose a separate resolution at the AGM on each significant issue	51
	C 1.4	Heads of Board subcommittees to be available to answer queries	Complied	Subcommittee Chairmen are present at the AGM	47
Major Transactions	C 3 – 3.2	Disclosure of all material facts involving any proposed acquisition, sale or disposal of assets	Complied	Major transactions of the Group were disclosed to all stakeholders through the Colombo Stock Exchange.	52
Accountability and Audit	D 1.1	Balanced Annual Report	Complied	Communication with shareholders	52
	D 1.2	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	Complied	Communication with shareholders	52
	D 1.4	Directors Report declaration	Complied	Annual Report of the Board of Directors on the Affairs of the Company	69
	D 1.5	Financial reporting statement on board responsibilities	Complied	Statement of Directors' Responsibility	75
Risk Management and Internal Control	D 2.1	Annual review of effectiveness of the system of internal control	Complied	Internal Auditors carry out an independent review, and report directly to the Audit Committee	51
	D 2.2	Confirm assessment and risks identified and mitigated	Complied	Risk Management	57
	D 2.3	Internal Audit Function	Complied	Report of the Audit Committee	49
Audit Committee	D 3.1	Audit Committee composition	Complied	Audit Committee	49
	D 3.2	Terms of reference, duties and responsibilities	Complied	Report of Audit Committee	49
Related Party Transactions review Committee	D 4	Composition, Terms of reference, duties and responsibilities	Complied	Related Party Transactions Review Committee report	50

Levels of Compliance with the Colombo Stock Exchange's Listing Rules Section 07 – Rules on Corporate Governance are given in the following table.

Subject	Rule No	Applicable requirement	Compliance status	Details	Page No
Non-Executive Directors	7.10.1	At least one third of the total number of Directors should be Non-Executive Directors	Complied	Six Non-Executive Directors	47
Independent Directors	7.10.2 (a)	Two or one-third of Non-Executive Directors, whichever is higher should be independent	Complied	Two Non-Executive Directors are independent.	47
Independent Directors	7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/ Non Independence in the prescribed format	Complied	Non-Executive Directors have submitted these declarations	47
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Composition of the Board	47
Disclosure relating to Directors	7.10.3 (b)	The basis for the Board to determine a director is independent, if criteria specified for independence is not met	Complied	Board balance	47
Disclosure relating to Directors	7.10.3 (c)	A brief resume of each director should be included in the Annual Report and should include the Director's areas of expertise	Complied	Profile of Directors	16
Disclosure relating to Directors	7.10.3 (d)	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (d) to the Colombo Stock Exchange	Complied	Profile of Directors	16
Remuneration Committee	7.10.5	A listed company shall have a Remuneration Committee	Complied	Remuneration Committee	50
Composition of Remuneration Committee	7.10.5 (a)	Shall comprise Non Executive Directors a majority of whom will be independent	Complied	All members are Non-Executive and Two out of three directors are independent	50

## CORPORATE GOVERNANCE

Subject	Rule No	Applicable requirement	Compliance status	Details	Page No
Remuneration Committee Functions	7.10.5 (b)	Shall recommend the remuneration of the CEO and the Executive Directors, if any.	Complied	Remuneration Committee	50
Disclosure in the Annual Report relating to Remuneration Committee	7.10.5 (c)	The Annual Report should set out Names of Directors comprising the Remuneration Committee	Complied	Report of Remuneration Committee	50
		Statement of Remuneration Policy	Complied	Remuneration Committee	50
		Aggregated remuneration paid to Executive and NonExecutive Directors	Complied	Aggregated remuneration paid to Executive and NonExecutive Directors	102
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Report of the Audit Committee	49
Composition of Audit Committee	7.10.6 (a)	Shall comprise Non-Executive Directors, majority of whom will be independent	Complied	All members are Non-Executive and Two out of three directors are independent	50
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an Independent Non-Executive Director.	50
		Chief Executive Officer and Chief Financial Officer should attend Audit Committee meetings	Complied	Chief Executive Officer and Chief Financial Officer attend meetings by invitation	49
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Complied	The chairman of the Audit Committee is a Fellow Member of Chartered Accountant of Sri Lanka.	49
Audit Committee functions	7.10.6 (b)	Should be as outlined in the Section 7.10 of the Listing Rules.	Complied	The terms of reference of the Audit Committee have been ratified by the Board	49
Disclosure in the Annual Report relating to Audit Committee	7.10.6 (c)	Names of the Directors comprising the Audit Committee.	Complied	Audit Committee Report	49
		The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Complied	Audit Committee Report	49
		The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions	Complied	Audit Committee Report	49

## 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 to prevent most likely threats.

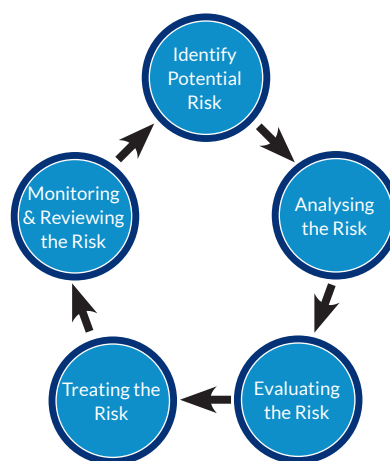
The Group manages risks under an overall strategy determined by the Board of Directors, supported by the aboard level sub Committees and the General Management team who reviews and enhances the effectiveness of the Group's risk management plans, systems, processes and procedures giving especial attention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

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

### 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. 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.



**Figure 1 Risk Management Process**

Each division is required to maintain risk registers to record significant uncertainties of each business division as required by the Quality Management System of the Company. The head of each division is required to identify and record significant risk and uncertainties which will have a significant impact to the company. Once the risks are identified, the risks are analyzed, evaluated, and implement strategies to avoid the risk or reduce the impact of the risk to the business operation of the company. The strategies implemented for the risks are monitored closely and reviewed. The risks that have significant impact are discussed in the Management Committee Meeting and review the impact. All employees are encouraged to identify the risks, uncertainties and communicate them to relevant divisional heads of the company.

The Audit Committee reviews the effectiveness of the risk management process, which includes all aspects from determining risks at Board level to measurement and feedback at operational level.

Internal control, internal audit and independent assurance provide comfort and assurance to risk management. While internal controls focus on operations, the assurance provided by external audit and independent parties deals with any gaps in the process of identifying and managing risk.

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

## RISK MANAGEMENT

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 position of a particular risk on the risk map indicates whether the risk falls below or beyond the company's risk appetite. The extent to which risk mitigation actions are required is then determined.

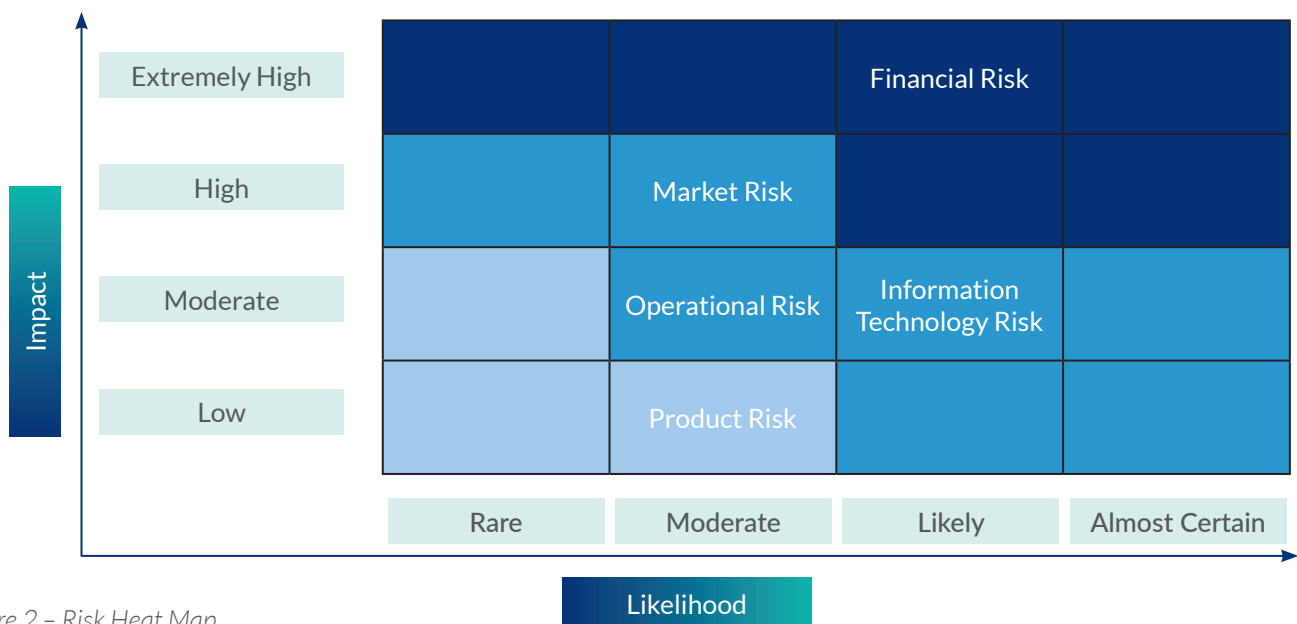


Figure 2 – Risk Heat Map

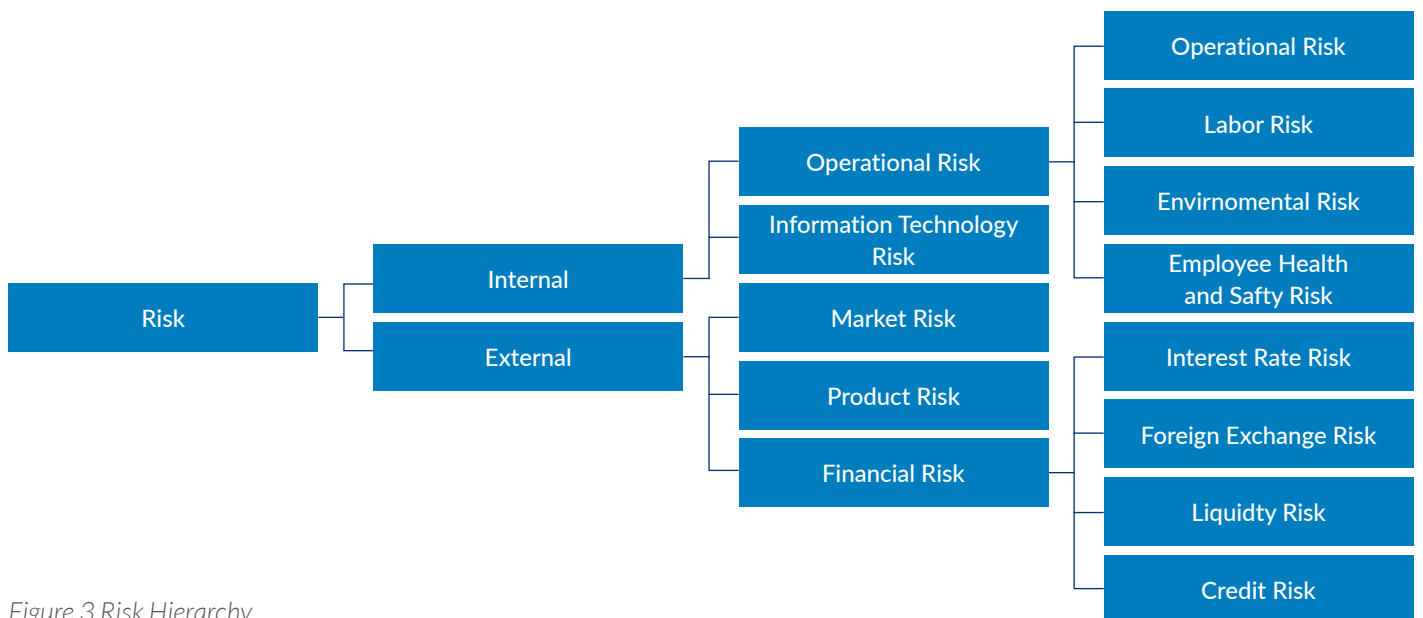


Figure 3 Risk Hierarchy



## INTERAL RISK

### Operational Risk Management

#### 1. Operational Risk

Our Concern	Out Impact	Our Response
<p>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.</p> <p>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</p> <p>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).</p> <p>QMS provides for management at various levels in CDPLC to systematically review and ensure Compliance with the requirements.</p>	<p>Failure to address these risks promptly and prudently will have a serious negative impact to its operations and the principle of “going concern”.</p>	<p>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</p> <p>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.</p> <p>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.</p> <p>The measures taken are updating operating manuals &amp; standard operating procedures, checking regularly on the accuracy of functionality of tools, equipment &amp; machinery, delegation of authority, work system permits, guidelines and a regular reporting framework, creating awareness and consciousness and accountability in the operational activities.</p> <p>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</p>

## RISK MANAGEMENT

Our Concern	Out Impact	Our Response
		<p>The assignment of the internal audit to a third party is another step taken to improve transparency and accountability.</p> <p>Thus, both the Quality Management Systems Procedures are subject to independent, competent auditors improving the overall control over these processes and transparency.</p> <p>In addition, where applicable, the risk mitigation actions are supported by risk transfer mechanisms such as insurance.</p> <p>Safety &amp; 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 &amp; Safety Advisory Committee, the importance of which is now ingrained in to each individual</p>

### 2. Labour Related Risk

Our Concern	Out Impact	Our Response
Risks arising from unionized labour, political motivations, need for change, dearth of skilled labour and low productivity	Labour unrest Industrial action Lower productivity Impact of wage negotiations	Training and development, Grievance handling procedure , Engagement with unions, Consultative committee, welfare facilities for employees

### 3. Environmental impact of Operation

Our Concern	Out Impact	Our Response
Environmental impact from operations such as emissions, effluents and waste	Loss of business reputation Negative impact on social license Potential litigation	<p>The Health, Safety and Environmental policy of the company create a safety work environment, maintaining a high standard in occupational health and also of protecting the environment.</p> <p>Obtained ISO 14001:2015 Environmental Management system certificate from LRQA Obtain ambient air measurement and stack emission certificates from government authorities.</p>

### 4. Risk on employees' health and safety

Our Concern	Out Impact	Our Response
The employees may exposed to health and safety issue while working in the ship yard This can interrupt business operations and yard operation.	<p>Reduce productivity, revenue, cash flow and profitability.</p> <p>Immobility of labour for operation</p> <p>High operations costs</p>	<p>The Health, Safety and Environmental policy of the company create a safety work environment, maintaining a high standard in occupational health and also of protecting the environment</p> <p>Obtained ISO 45001-2018 Health and Safety Certificate.</p>

### Information Technological Risk & Management

Our Concern	Out Impact	Our Response
Company sustainability depends on accurate information generated through an Integrated Management Information System for prudent and timely decision making.	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.	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 Road Map to eFuture, where they identified to conduct ICT Business Continuity and Disaster Recovery Examination every month.

### EXTERNAL RISK

#### Market Risk & Management

Our Concern	Out Impact	Our Response
Both 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.	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.	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.

## RISK MANAGEMENT

### Financial Risk Management

Financial risks relate 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.

#### 1. Interest Rate Risk

Our Concern	Out Impact	Our Response
The Group's objective is to maintain an efficient optimal interest cost structure to minimize the adverse effects on fluctuating interest rates.	Impacts the Company's interest earnings, costs, cash flow and profitability.	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.

#### 2. Foreign Exchange Risk

Our Concern	Out Impact	Our Response
Risk on foreign-currency fluctuation on sales and purchases, denominated primarily by the US dollar, Euros and the Singapore dollar, is high.	Exchange rates fluctuations make substantial impact on both revenue and cost structure leading to changes in final profitability.	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.

#### 3. Liquidity Risk

Our Concern	Out Impact	Our Response
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.	Inadequate net working capital would lead to unnecessary financing costs to the bottom line.	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.

## 4. Credit Risk

Our Concern	Out Impact	Our Response
The Group has no significant concentration on credit risk exposure to sales and trade with any single counter party	Possibility of incurring bad and doubtful debts and cost increases	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	Out Impact	Our Response
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.	Failure and non-compliance of above factors would immediately lead to changing the market preference.	<p>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</p> <ul style="list-style-type: none"> <li>• Det Norske Veritas-Germanischer</li> <li>• Lloyd of Shipping (DNV-GL)</li> <li>• Indian Register of Shipping</li> <li>• American Bureau of Shipping</li> <li>• Lloyd's Register of Shipping Ltd.</li> <li>• Bureau Veritas Class NK</li> </ul> <p>Moreover, Product &amp; Technological Innovation is given high priority and relevant employees are trained overseas to remain competitive in an evolving market.</p>



## 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 2022 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. 24,533.1 Mn (2021 - Rs. 14,885.7 Mn) and net profit of Rs. 516.5 Mn. (2021 - Net Profit Rs. 171.2 Mn) leaving the shareholders' value with Rs. 5,880.9 Mn (2021 - Rs. 5,510.5 Mn).

### DIVIDEND APPROVED

No Dividend has been approved for the year end 2022. 12.31. (2021 - Rs. 1.00)

### DIVIDEND PAY OUT RATIO

As per Colombo Stock Exchange Listing Rule No: 7.6 (xi), Company Dividend Payout Ratio was 0.0 during 2022 (2021 : 42%).

### 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 Rs. Mn	2nd Quarter Rs. Mn	3rd Quarter Rs. Mn	4th Quarter Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Revenue	4,060	4,604	7,891	7,978	24,533	14,885
Gross Profit/(Loss)	629	275	446	705	2,055	1,836
Profit/(Loss) after Tax	85	192	43	196	516	171
Shareholders' Fund	5,576	5,716	5,758	5,918	5,880	5,510
Total Assets	30,115	38,920	41,618	48,495	48,422	24,081

### SHAREHOLDERS INFORMATION

#### Share Capital

	2022-12-31	2021-12-31
Stated Capital Rs.	714,395,757	714,395,757
Number of Shares	71,858,924	71,858,924
Number of Shareholders	5,043	4,914
Voting Rights	1 Vote per Share	1 Vote per Share
Class of Shares	Ordinary Share	Ordinary Share

#### Distributing of Shareholding as at 31st December 2022

(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	1000	4,006	656,565	0.91
1,001	10,000	863	2,804,338	3.91
10,001	100,000	151	4,368,383	6.08
100,001	1,000,000	17	4,585,181	6.38
1,000,001 above		6	59,444,457	82.72
		5,043	71,858,924	100.00

### List of Largest 25 Shareholders as at 31st December 2022

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

	Name	12/31/2022	%	12/31/2021	%
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	Bank of Ceylon No. 1 Account	897,625	1.249	897,625	1.249
8	Seylan Bank Plc/Mr.B D J C Suchendra	657,147	0.914	408,140	0.568
9	J. B. Cocoshell (pvt) Ltd	308,478	0.429	315,692	0.439
10	Bank of Ceylon No. 2 Account	302,900	0.422	335,900	0.467
11	Harnam Holdings SDN BHD	265,123	0.396	265,123	0.396
12	Sandwave Limited	264,377	0.368	-	-
13	Star Packaging (Pvt) Ltd	245,000	0.341	245,000	0.341
14	Mr.M.A.Jafferjee	223,464	0.311	223,464	0.311
15	Lanka Milk Foods (CWE) Limited	219,948	0.306	219,948	0.306
16	Peoples' Leasing & Finance Plc/L.P.Hapangama	207,383	0.289	-	-
17	Hatton National Bank PLC/Arumapurage Peter Lasantha Fernando	177,000	0.246	175,000	0.244
18	E.W.Balasuriya & Co (Pvt) Ltd	165,123	0.230	165,123	0.230
19	Mr. S M B Obeysekera and Mrs. C N Obeysekera	146,479	0.204	146,479	0.204
20	Sri Lanka Export Development Board	145,698	0.203	138,760	0.193
21	Mr.A. S. A Fernando	127,636	0.178	-	-
22	Confif Management Services (pvt) Ltd	121,550	0.169	131,250	0.183
23	Gold Investment Limited	110,250	0.153	110,250	0.153
24	Akbar Brothers pvt Ltd A/C NO 01	98,910	0.138	98,910	0.138
25	Mrs. J,K P. Singh	95,922	0.133	91,814	0.128

### Composition of Shareholding

The total number of shareholders of CDPLC is 5,043 as at 31st December 2022, which is 3% increase compared to 4,914 as at 31st December 2021.

Category	No of Shareholders	No of Shares	%
Local Individuals	4,785	5,930,232	8.25
Local Institutions	184	28,007,218	38.98
Foreign Individuals	63	467,006	0.65
Foreign Institutions	11	37,454,468	52.12
<b>Total</b>	<b>5,043</b>	<b>71,858,924</b>	<b>100.00</b>

## 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 2022, the share price of Colombo Dockyard PLC recorded a reduction of 26% (Rs.20.4) compared to the previous year's closing price

Market price per Share	As at 2022-12-31	As at 2021-12-31
Highest during the year	Rs. 91.00 (21/01/2022)	95.00 (25/01/2021)
Lowest during the year	Rs. 55.00 (28/11/2022)	67.00 (10/05/2021)
As at end of the year	59.00	79.40

### Market Capitalization

CDPLC has recorded its market capitalization as at the balance sheet date of 31st December 2022 as Rs. 4,239.6 Mn (2021 – Rs. 5,705.6 Mn.). CDPLC represent 0.10% (2021 – 0.10%) of the total market capitalization

Shares Trading	As at 2022-12-31	As at 2021-12-31
No of Transaction	3,423	4,525
No of Shares traded	3,001,939	3,250,577
Value of Share traded (Rs.)	210,974,340.60	263,662,754.20

### Earnings per Share

The Earning per share (EPS) of Rs. 7.19 in the year 2022 recorded an increase of 202% compared to the last year EPS value of Rs. 2.38 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 2022 is 48.94% (2021 – 48.94%). Number of public shareholders as at 31st December 2022 was 5,037.

### Float Adjusted Market Capitalization

The float adjusted market capitalization as at 31st December 2022 was Rs. 2,075,010,176.00 with reference to rule no. 7.6 (iv) of the Listing Rules of the Colombo Stock Exchange.



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## FINANCIAL CALENDAR 2022/2023

2022		
Approval of Financial Statements 2021	30 <sup>th</sup> May	2022
Interim Report - 4th Quarter-2020	7 <sup>th</sup> March	2022
Publishing of Annual Report - 2021	3 <sup>rd</sup> June	2022
Ex-Dividend Date	9 <sup>th</sup> May	2022
Payment of Dividend	26 <sup>th</sup> May	2022
39th Annual General Meeting - 2021	28 <sup>th</sup> June	2022
Interim Report - 1st Quarter-2022	23 <sup>rd</sup> May	2022
Interim Report - 2nd Quarter-2022	15 <sup>th</sup> August	2022
Interim Report - 3rd Quarter-2022	15 <sup>th</sup> November	2022
Financial Year-end	31 <sup>st</sup> December	2022

2023		
Approval of Financial Statements 2022	23 <sup>rd</sup> March	2023
Interim Report - 4th Quarter-2022	7 <sup>th</sup> March	2023
Publishing of Annual Report - 2022	30 <sup>th</sup> March	2023
Ex-Dividend Date	-	2023
Payment of Dividend	-	2023
40th Annual General Meeting - 2022	19 <sup>th</sup> April	2023
Interim Report - 1st Quarter-2023	15 <sup>th</sup> May	2023
Interim Report - 2nd Quarter-2023	15 <sup>th</sup> August	2023
Interim Report - 3rd Quarter-2023	15 <sup>th</sup> November	2023
Financial Year-end	31 <sup>st</sup> December	2023



# 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 2022, 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 23rd March 2023. 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 10 to 11 and Managing Director/CEO's Review on page 12 to 15 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 10 to 11), and the Managing Director/CEO's Review (page 12 to 15).

## Financial Statements

The Financial Statement of the Company and the Group for the year ended 31st December 2022 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 81 to 131 of this Annual Report.

## Auditors' Report

Company Auditors, KPMG, performed the audit on the Consolidated Financial Statements for the year end 31st December 2022, and the Auditors' Report issued thereon is given on page 78 to 80 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 87 to 99 of the Annual Report as required by Section 168 (1) (d) of the Companies Act

## Principal Activities of the Company and the Group

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, detail design engineering, ship repair, ship building, heavy engineering and ICT solutions

## Going Concern of the Company

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 of the Group and the Company

The revenue of the Group during the year was Rs. 27,291.7 Mn (2021 - Rs. 17,232.1 Mn), while the Company's revenue was Rs. 24,533.1 Mn (2021 - Rs. 14,884.6 Mn) Analysis of the revenue is given in Note 5 to the Financial Statement on pages 100 to 101 of this Annual Report

Profit for the year:	2022 Rs'000	2021 Rs'000
Group post - tax profit (Loss)	687,932	262,108
Amount attributable to Minority Interest	(14,214)	(12,879)
Profit / (Loss) attributable to the Shareholders of Colombo Dockyard PLC	673,718	249,229
Other Comprehensive Income/(Expense)	(77,507)	(1,161)
Retained Profit B/F	6,532,445	6,284,377
Available for sales of financial assets		
Dividends Paid -	(71,858)	
Retained Profit C/F	7,056,798	6,532,445

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

## Group Reserves

Total Group Retained Earning Reserves at 31st December 2022, was amounted to Rs. 7,056.7 Mn (2021 - Rs. 6,532.4 Mn). The movements of the Reserves during the year are shown in the Statements of Changes in Equity on pages 83 to 84 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 103.

## Dividends

No dividend has been declared for the year ended 31st December 2022.

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. 1,976.3 Mn (2021 - Rs. 1,176.4 Mn) and the value of the Company's assets less liabilities and stated capital was Rs. 5,166.5 Mn (2021 - Rs. 4,796.1 Mn).

The Profit of the company attributable to the equity holders of the company was Rs. 516.5 Mn (2021 - Rs. 171.2 Mn).

## Shareholder Information

Information relating to earnings, dividends, and net assets per share and market value per share is given in from pages 64 to 66.

## Property, Plant & Equipment

The Group's total capital expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 498.2 Mn (2021 - Rs. 502.0 Mn). The extent of the freehold lands held by the Group as at the balance sheet date is 1,103.7 perch (2021 - 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 106.

## Market Value of Freehold Properties

The net book value of freehold properties owned by the Group as at 31st December 2022 is included in the accounts at Rs. 5,357.1 Mn (2021 - Rs. 5,407.7Mn). 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 2022.

## 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. 207,000 (2021 - Rs. 4,026,000/-) 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 2022 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 87 to 131 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 Directors with 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 page 16 of this Annual Report.

## Executive Directors

Mr. H. Tanaka (Chairman)  
Mr. D V Abeysinghe (MD/CEO)  
Mr. A. Horibe

## Non-Executive Directors

Mr. Sarath de Costa (Vice-Chairman)  
Mr. T. Nakabe  
Mr. H A R K Wickramathilake  
Mr. L. Ganlath  
Mr. V G L A Jayawardena  
Mr. D L Nihal

Mr. S. Nozaki (Alternate Director)

## DIRECTORATE

The Board of Directors of Colombo Dockyard PLC as at the date of report are given on page 16 of the Annual Report. The change in the directorate from the date of the last report to this report is as follows.

- Mr. I. Kuwaoka who was appointed as Alternate Director to Mr. T. Nakabe with effect from 15/10/2021 resigned on 27/09/2022 and Mr. S. Nozaki was appointed in his place with effect from 27/09/2022.
- Mrs. W L S W Jayasundera, who was nominate as Nominee Director of Employees Provident Fund of Central Bank of Sri Lanka resigned on 10/11/2022 and Mr. D. L. Nihal, Additional Superintendent of Employees' Provident Fund Department, Central Bank of Sri Lanka was appointed in her place with effect from 29/11/2022.

In compliance with the provisions of the Companies Act No. 07 of 2007,

- an Ordinary Resolution will be placed before the shareholders at the Annual General Meeting as set out in the Notice of Meeting (item 2) to approve that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. C S W De Costa, who has reached 70 years of age to be nominated as a Director of the Company in terms of Article 80(2) read together with Section 211 of the Companies Act No. 7 of 2007 subject to the shareholders approving the Resolution as set out in item 2 of the Notice of Annual General Meeting, Mr. C S W de Costa's nomination made by Onomichi Dockyard Co. Ltd will take effect and continue to hold office.
- Two Ordinary resolutions will be placed before the shareholders at the Annual General Meeting, as set out in the Notice of Annual General Meeting (item 3 & 4) to approve that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. G A D L H Ganlath and Mr. H A R K Wickramathilake who have reached 70 years of age,

and their appointment as Directors of the Company in terms of Article 87 read together with Section 211 of the Companies Act No. 7 of 2007.

The Nominee Directors of Onomichi Dockyard Co. Limited namely Mr. Hideaki Tanaka, Mr. T. Nakabe and Mr. J. Furukawa and the Nominee Directors of Employees Provident Fund and Sri Lanka Insurance Corporation Ltd namely Mr. D. L. Nihal and Mr. V G L A Jayawardena respectively continue to hold office.

Onomichi Dockyard Co. Ltd intends to nominate and appoint Mr. Thimira Samantha Godakumbura who holds office of Chief Operating Officer of the Company at present, as its Nominee Director in place of Mr. D. V. Abeysinghe, after the Annual General Meeting on 19th April 2023. Onomichi Dockyard Co. Ltd further intends to appoint Mr. T. S. Godakumbura as the Managing Director/Chief Executive Officer of the Company from his present position as the Chief Operating Officer of the Company with effect from 19th April 2023 immediately after the Annual General Meeting in terms of the Articles of Association of the Company upon the retirement of Mr. D. V. Abeysinghe from the said position.

## SPECIAL BUSINESS

### Amendment to Article 80 of the Articles of Association of the Company

The existing Article 80 of the Articles of Association of the Company states that the Board of Directors of the Company shall consist of not less than five or more than nine in numbers, subject to in compliance with the directions given by the Colombo Stock Exchange in relation to the requirement of number of non-executive and independent directors to be in the board of a listed company. Further, the existing Article 82 of the Articles of Association of the Company provides provision to increase or reduce the maximum or minimum number of Directors in the Board by ordinary resolution.

Currently the Board consist of nine Directors (maximum number). The Board recommend that the maximum number of Directors to be increased to ten in order to strengthen the board with wide range of expertise, knowledge and experience, especially in the ship building industry targeting future business opportunities.

The Board further suggest to increase the entitlement of the majority shareholder (Onomichi Dockyard Co. Ltd, Japan at present) to nominate and appoint its Nominee Directors to not more than six Directors [currently five Nominee Directors under Article 80 (2)].

In order to give effect to the aforesaid recommendations, a Special Resolution is placed before the shareholders at the Annual General Meeting to delete the existing Article 80 of the Articles of Association of the Company and to substitute in its place a new Article 80 as set out in the Notice of Annual General Meeting (item 6).

The existing Article 80 of the Article Association of the Company is set out below for ease of reference.

80. (1) *"The Board of Directors shall consist of not less than five or more than Nine in numbers, so long as the shares of the Company are listed on the Colombo Stock Exchange, the Company shall in compliance with the Listing Rules of such Exchange ensure that -*

- one third or two (whichever is greater) of the total number of Directors on the Board of Directors of the Company at any time and from time to time are Non-Executive Directors; and*
- of such one third or two as the case may be of such Non-Executive Directors as aforesaid, a further one third or two (whichever is greater) shall also be 'Independent Directors' of the Company.*

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The number of Non-Executive Directors required to be on the Board of Directors of the Company at any time and from time to time, shall be determined with reference to the number of Directors on the Board of the Company at the immediately preceding Annual General Meeting of the Company.

For the purpose of this Article, the term 'Independent Director' shall be as defined and set out in the Listing Rules of the Colombo Stock Exchange above referred to.

(2) Subject to Article 80(1) hereof

- a) So long and as often as the aggregate shares held by the majority shareholder is greater than fifty percent (50%) of the issued capital for the time being of the Company the majority shareholder shall be entitled from time to time by a writing under the hands of its Chairman for the time being to nominate and appoint not more than five Directors.
- b) The Chairman, the Vice-Chairman and the Managing Director shall be nominated and appointed by the majority Shareholder out of the five Directors appointed by it in terms of sub article 80 (2) (a).

The Managing Director so appointed shall be the Chief Executive Officer.

The Chairman so appointed shall preside as Chairman at every General Meeting and at every Board Meeting. If at any meeting the Chairman be not present within five minutes after the time appointed for holding of the meeting, the Vice Chairman shall preside at such meeting, however if the Vice Chairman be not present within five minutes after the time appointed for holding the meeting, the Directors present may choose one from amongst the Directors appointed by the majority shareholder under Article 80 (a) to be Chairman of the Meeting.

- c) So long and as often as the aggregate of the shares held by a Shareholder is not less than ten percent (10%) of the Issued Capital for the time being of

the Company a Shareholder shall be entitled from time to time by writing under the hand of its authorized signatories for the time being to nominate not more than one Director.

- d) The right under the preceding paragraph to nominate and appoint shall be deemed to include the right to remove any person so appointed and to appoint another in place of any person so removed or in place of any person previously appointed who for any reason ceases to be a Director. Each of the above-mentioned authorized signatory to appoint (with respect to its power under the provisions of this Article) referred to in this Article as the "appointor".
  - e) The Directors who are from time to time appointed under sub-paragraphs (a),(b) and (c) of this Articles are referred to in these presents as "Nominee Directors".
- (3) In the event the aggregate held by the majority shareholder falls below the limits placed by Article 80 (2) (a), the Directors may appoint and remove the Chairman, Vice-Chairman, and the Managing Director and may determine the period for which they are to hold office. The Managing Director so appointed shall be the Chief Executive Officer.

The Chairman so appointed or in his absence, the Vice Chairman shall preside at the meeting of the Directors. If at any meeting the Chairman or the Vice-Chairman appointed in terms of this Article be not present within five minutes after the time appointed for holding the meeting the Directors present may choose one of their number to be the Chairman of the meeting. "

### Board Sub-Committees

The Board of Directors have formed three Board subcommittees and attendances is given in page 47 to 48 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 2022:

	2022-12-31	2021-12-31
D. V Abeysinghe	733	733
L. Ganlath	578	578
H. A. R. K. Wickramathilake	1103	1103

### 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 of the Company

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

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

## 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 130, 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 47 to 50 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 47 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 2022 are given on page 65 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 2022 was as follows:

	2022-12-31	2021-12-31
Group	1822	1828
Colombo Dockyard PLC	1559	1563

## 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 39 to the Financial Statements on page 131 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 10.00a.m. on 19th April 2023. The Notice to the Annual General Meeting is given on page 133.

## 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

23 March 2023  
Colombo, Sri Lanka



## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Adoption of the Code of Best Practices on Related Party Transactions

### The Committee & its Composition

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

The Composition of the Committee is as follows:

Mr. H. A. R. K. Wickramathilake - Chairman  
Mr. Lalith Ganlath  
Mr. Sarath De Costa  
Mr. D. V. Abeysinghe - (MD/CEO)

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

Mr. P. D. Gihan Ravinatha - 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 2022, 2 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 50.

### 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

23 March 2023  
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 77, 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 129. 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

23 March 2023  
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 2022 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

23 March 2023  
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  
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## 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 2022, 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 81 to 131 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 2022, 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.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

C.P. Jayatilake FCA	T.J.S. Rajakarier FCA	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	Ms. P.M.K. Sumanasekara FCA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FTII		

## INDEPENDENT AUDITORS' REPORT



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. 9,669 Mn. for the year ended 31 December 2022.</p> <p>In all material respects revenue related to construction contracts are recognized over time, i.e., applying percentage of completion.</p> <p>The percentage 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 of the contract at completion.</p> <p>Therefore, the recognition of revenue and profit relies on estimates made by the management in relation to the final out-turn of the revenue and costs on each contract. Any changes to these estimates could give rise to material variance in the amount of the revenue and profit/loss recognized in a given financial period.</p> <p>There is a high degree of risk and significant management judgment associated with estimating the amount of revenue to be recognised by the Group based on the final out-turn on contracts. Accordingly, revenue recognition from construction contracts is considered a key matter.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> <li>• Understanding whether the management's process of recognising revenue is in line with the requirements of SLFRS 15 – Revenue from Contracts with Customers and ensure these policies had been applied to individual contracts with customers appropriately.</li> <li>• 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. We have also tested the mathematical accuracy of the percentage of completion computations.</li> <li>• Analysing the expected costs to complete estimated by the Company in the determination of the stage of completion.</li> <li>• 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.</li> <li>• Assessing the adequacy of the disclosures in respect of contract accounting and the key risks relating to financial statements.</li> </ul>

### 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.

## INDEPENDENT AUDITORS' REPORT



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.

A handwritten signature in blue ink, appearing to be 'KPM' followed by a stylized flourish.

**Chartered Accountants**  
Colombo, Sri Lanka

03 April 2023

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December,		Group		Company	
		2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
	Note				
Revenue	5	27,291,727	17,232,128	24,533,068	14,884,676
Cost of sales		(24,691,895)	(14,888,528)	(22,478,192)	(13,048,718)
<b>Gross profit</b>		<b>2,599,832</b>	<b>2,343,600</b>	<b>2,054,876</b>	<b>1,835,958</b>
Other income	6	4,425,940	367,956	4,428,628	467,046
Distribution expenses		(74,851)	(16,726)	(72,075)	(15,954)
Administrative expenses		(3,233,314)	(2,568,365)	(2,877,431)	(2,222,438)
Other operating income / (expenses)		(1,907,546)	(25,227)	(1,922,367)	(25,227)
Finance cost	7.1	(1,398,110)	(416,112)	(1,389,701)	(415,544)
Finance income	7.2	370,091	725,837	365,389	693,891
<b>Profit / (loss) before tax</b>	8	<b>782,042</b>	<b>410,963</b>	<b>587,319</b>	<b>317,732</b>
Income tax expenses	9	(94,110)	(148,855)	(70,795)	(146,506)
<b>Profit / (loss) for the year</b>		<b>687,932</b>	<b>262,108</b>	<b>516,524</b>	<b>171,226</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Defined benefit plan actuarial gains / (losses)	26.4	(110,724)	(902)	(112,957)	(4,756)
Tax on other comprehensive income		33,217	(259)	33,887	666
Fair value change of instruments valued at FVOCI		4,794	(501)	4,794	(501)
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences - foreign operations		180,686	12,389	-	-
Cash flow hedges - effective portion of changes in fair value		-	123,490	-	123,490
<b>Other comprehensive income for the year, net of tax</b>		<b>107,973</b>	<b>134,217</b>	<b>(74,276)</b>	<b>118,899</b>
<b>Total comprehensive Income for the year</b>		<b>795,905</b>	<b>396,325</b>	<b>442,248</b>	<b>290,125</b>
<b>Profits / (losses) attributable to;</b>					
Owners of the company		673,718	249,229	516,524	171,226
Non - controlling interests		14,214	12,879	-	-
<b>Profit / (loss) for the year</b>		<b>687,932</b>	<b>262,108</b>	<b>516,524</b>	<b>171,226</b>
<b>Total comprehensive income attributable to;</b>					
Owners of the company		691,789	377,375	442,248	290,125
Non - controlling interests		104,116	18,950	-	-
<b>Total comprehensive income for the year</b>		<b>795,905</b>	<b>396,325</b>	<b>442,248</b>	<b>290,125</b>
<b>Earnings per share (Rs.)</b>	10.1	<b>9.38</b>	<b>3.47</b>	<b>7.19</b>	<b>2.38</b>

The accounting policies and explanatory notes from pages 87 to 131 form an integral part of these Financial Statements. Figures in brackets indicate deductions

## STATEMENT OF FINANCIAL POSITION

As at 31 December,	Note	Group		Company	
		2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
<b>ASSETS</b>					
<b>Non current assets</b>					
Property, plant and equipment	11	5,356,999	5,407,695	4,673,492	4,667,762
Investment property	12	-	-	2,865	2,865
Intangible assets	13	31,261	46,106	29,588	44,698
Right - of - use asset	14.1	176,543	203,049	176,543	195,815
Investment in subsidiaries	15	-	-	11,901	9,477
Investments classified as fair value through OCI	16.1	22,257	17,463	22,257	17,463
Deferred tax asset	17.1	17,044	46,036	-	36,908
Other financial assets including derivatives	20	333,304	453,536	323,333	443,822
		5,937,408	6,173,885	5,239,979	5,418,810
<b>Current assets</b>					
Inventories	18	5,541,456	2,262,469	5,140,001	1,693,550
Trade and other receivables	19	21,283,040	11,208,763	19,268,764	9,545,355
Other financial assets including derivatives	20	182,352	454,346	177,180	349,175
Amounts due from related parties	21	-	-	431,359	247,089
Investments classified as fair value through profit or loss	16.2	65,770	-	-	-
Cash and cash equivalents	22.1	18,369,828	7,089,797	18,164,909	6,827,084
		45,442,446	21,015,375	43,182,213	18,662,253
<b>Total assets</b>		<b>51,379,854</b>	<b>27,189,260</b>	<b>48,422,192</b>	<b>24,081,063</b>
<b>EQUITY AND LIABILITIES</b>					
Stated capital	23	714,396	714,396	714,396	714,396
Exchange equalization reserve	23.1	122,347	31,563	-	-
Fair value through OCI reserve	23.2	22,147	17,353	22,147	17,353
Retained earnings		7,056,798	6,532,445	5,144,363	4,778,767
<b>Equity attributable to equity holders of the parent</b>		<b>7,915,688</b>	<b>7,295,757</b>	<b>5,880,906</b>	<b>5,510,516</b>
Non-controlling interest		207,462	103,346	-	-
<b>Total equity</b>		<b>8,123,150</b>	<b>7,399,103</b>	<b>5,880,906</b>	<b>5,510,516</b>
<b>Non current liabilities</b>					
Lease liability	14.2	134,792	158,391	134,792	156,812
Employee benefits	26	1,234,651	955,584	1,200,602	927,910
		1,369,443	1,113,975	1,335,394	1,084,722
<b>Current liabilities</b>					
Interest bearing borrowings	24	24,038,588	11,025,150	24,038,588	11,025,150
Other financial liabilities including derivatives	25	-	-	2,273	1,596
Trade and other payables	27	12,702,622	7,386,704	10,961,091	5,859,689
Lease liability	14.2	34,659	35,249	34,659	29,454
Amounts due to related parties	28	2,738,537	-	3,859,818	381,151
Income tax payable	29	52,036	35,587	-	-
Dividend payable	30	10,515	9,869	10,515	9,869
Bank overdrafts	22.2	2,310,304	183,623	2,298,948	178,916
		41,887,261	18,676,182	41,205,892	17,485,825
<b>Total equity and liabilities</b>		<b>51,379,854</b>	<b>27,189,260</b>	<b>48,422,192</b>	<b>24,081,063</b>

The accounting policies and explanatory notes from pages 87 to 131 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)/Chief Financial Officer

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



**H. Tanaka**  
Chairman



**D. V. Abeyasinghe**  
Managing Director/CEO



**Manori P. Mallikarachchi**  
Company Secretary

23<sup>rd</sup> March 2023  
Colombo, Sri Lanka.

## STATEMENT OF CHANGES IN EQUITY

Group	Attributable to equity holders of parent							
	Stated Capital (Rs.'000)	Retained Earnings (Rs.'000)	Fair Value Through OCI Reserve (Rs.'000)	Exchange Equalization Reserve (Rs.'000)	Cash Flow Hedge Reserve (Rs.'000)	Total equity (Rs.'000)	Non-Controlling Interest (Rs.'000)	Total (Rs.'000)
Balance as at 01 January 2021	714,396	6,284,377	17,854	25,245	(123,490)	6,918,382	84,396	7,002,778
<b>Total comprehensive income for the year</b>								
Profit for the year	-	249,229	-	-	-	249,229	12,879	262,108
<b>Other comprehensive income</b>								
- Actuarial gain/(loss) on retirement benefit obligations	-	(902)	-	-	-	(902)	-	(902)
- Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation	-	(259)	-	-	-	(259)	-	(259)
- Fair value gain/(loss) of investments valued at FVOCI	-	-	(501)	-	-	(501)	-	(501)
- Foreign currency translation differences - foreign operations	-	-	-	6,318	-	6,318	6,071	12,389
- Cash flow hedges - changes in fair value	-	-	-	-	123,490	123,490	-	123,490
<b>Transactions with owners of the company contributions by and distributions</b>								
- Dividends paid	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	714,396	6,532,445	17,353	31,563	-	7,295,757	103,346	7,399,103
Balance as at 01 January 2022	714,396	6,532,445	17,353	31,563	-	7,295,757	103,346	7,399,103
<b>Total comprehensive income for the year</b>								
Profit for the year	-	673,718	-	-	-	673,718	14,214	687,932
<b>Other comprehensive income</b>								
- Actuarial gain/(loss) on retirement benefit obligations	-	(110,724)	-	-	-	(110,724)	-	(110,724)
- Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation	-	33,217	-	-	-	33,217	-	33,217
- Fair Value gain/(loss) of investments valued at FVOCI	-	-	4,794	-	-	4,794	-	4,794
- Foreign currency translation differences - foreign operations	-	-	-	90,784	-	90,784	89,902	180,686
- Cash flow hedges - changes in fair value	-	-	-	-	-	-	-	-
<b>Transactions with owners of the company contributions by and distributions</b>								
- Dividends paid	-	(71,858)	-	-	-	(71,858)	-	(71,858)
Balance as at 31 December 2022	714,396	7,056,798	22,147	122,347	-	7,915,688	207,462	8,123,150

## STATEMENT OF CHANGES IN EQUITY

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)
<b>Balance as at 01 January 2021</b>	714,396	4,611,631	17,854	(123,490)	5,220,391
<b>Total comprehensive income for the year</b>					
Profit / (loss) for the year	-	171,226	-	-	171,226
<b>Other comprehensive income</b>					
- Actuarial gain/(loss) on retirement benefit obligation	-	(4,756)	-	-	(4,756)
- Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation	-	666	-	-	666
- Fair value gain/(loss) of investments valued at FVOCI	-	-	(501)	-	(501)
- Cash flow hedge - changes in fair value	-	-	-	123,490	123,490
<b>Transactions with owners of the company</b>					
<b>Contributions by and distributions</b>					
- Dividends paid	-	-	-	-	-
<b>Balance as at 31 December 2021</b>	714,396	4,778,767	17,353	-	5,510,516
<b>Balance as at 01 January 2022</b>	714,396	4,778,767	17,353	-	5,510,516
<b>Total comprehensive income for the year</b>					
Profit / (loss) for the year	-	516,524	-	-	516,524
<b>Other comprehensive income</b>					
- Actuarial gain/(loss) on retirement benefit obligation	-	(112,957)	-	-	(112,957)
- Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation	-	33,887	-	-	33,887
- Fair value gain/(loss) of investments valued at FVOCI	-	-	4,794	-	4,794
- Cash flow hedge - changes in fair value	-	-	-	-	-
<b>Transactions with owners of the company</b>					
<b>Contributions by and distributions</b>					
- Dividends paid	-	(71,858)	-	-	(71,858)
<b>Balance as at 31 December 2022</b>	714,396	5,144,363	22,147	-	5,880,906

The accounting policies and explanatory notes on pages 87 to 131 form an integral part of these Financial Statements.  
(Figures in brackets indicate deductions)



## STATEMENT OF CASH FLOWS

For the year ended 31 December,	Note	Group		Company	
		2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
<b>Cash flow from operating activities</b>					
Profit/(loss) before tax		782,042	410,963	587,319	317,732
<b>Adjustments for,</b>					
Depreciation of property, plant and equipment (Note 08)		548,326	499,440	463,640	424,839
Amortization of intangible assets		17,414	4,545	16,713	4,141
Provision for retirement benefit obligations (excluding actuarial gains/losses)		187,368	55,723	178,531	48,375
Provision/(reversal) for bad and doubtful debts		123,409	110,352	149,804	98,120
Provision for/(reversal) of obsolete stocks		30,933	(14,898)	27,248	(27,146)
(Profit)/loss on disposal of property, plant and equipment		(1,602)	(8,002)	-	(5,116)
Provision for/(reversal) of warranty provision		18,632	32,934	26,889	27,410
Foreign exchange (gain)/loss (unrealized)		(53,600)	510,061	(53,600)	510,061
Net change in fair value of financial instruments		154,167	229,818	154,167	229,818
Amortization of corporate guarantees		-	-	(1,596)	(1,432)
Interest expense on lease		20,784	23,562	20,784	23,045
Amortisation of right-of-use assets		63,160	61,252	55,926	47,547
Amortization of prepaid staff benefits		18,348	35,172	17,523	34,748
Interest income		(221,662)	(456,203)	(219,735)	(434,599)
Dividend income		(111)	(149)	(111)	(94,389)
Interest expenses		1,377,326	392,550	1,368,917	392,499
<b>Operating profit/(loss) before working capital changes</b>		<b>3,023,366</b>	<b>1,887,120</b>	<b>2,792,419</b>	<b>1,595,653</b>
(Increase)/decrease in inventory		(3,309,920)	(1,078,883)	(3,473,699)	(788,488)
(Increase)/decrease in trade and other receivables		(9,813,567)	(6,050,633)	(9,764,647)	(5,377,528)
(Increase)/decrease amounts due from related parties		-	-	(184,270)	(158,809)
Increase/(decrease) trade and other payables		5,307,241	4,115,609	5,042,701	3,256,063
Increase/(decrease) amounts due to related parties		2,738,537	-	3,478,667	274,064
<b>Cash generated from/(used in) operating activities</b>		<b>(2,054,341)</b>	<b>(1,126,787)</b>	<b>(2,108,829)</b>	<b>(1,199,045)</b>
Interest paid		(1,377,326)	(392,550)	(1,368,917)	(392,499)
Gratuity paid		(19,025)	(141,651)	(18,796)	(140,550)
Tax paid		(15,509)	(74,824)	-	(36,937)
<b>Net cash generated from/(used in) operating activities</b>		<b>(3,466,202)</b>	<b>(1,735,812)</b>	<b>(3,496,542)</b>	<b>(1,769,031)</b>

## STATEMENT OF CASH FLOWS

For the year ended 31 December,		Group		Company	
		2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
	Note				
<b>Cash flow from investing activities</b>					
Purchases of property, plant and equipment		(500,820)	(550,387)	(470,973)	(340,055)
Proceeds from disposal of property, plant and equipment		2,232	9,909	-	6,831
Interest received		162,075	489,419	156,518	401,383
Staff loans granted during the year	(Note 20.1)	(68,439)	(169,671)	(63,989)	(163,271)
Staff loans recovered during the year	(Note 20.1)	207,174	218,762	202,305	215,452
Investments in FVTPL financial assets		(65,770)	112,250	-	-
Dividend received		111	149	111	94,389
<b>Net cash generated from/(used in) investing activities</b>		<b>(263,437)</b>	<b>110,431</b>	<b>(176,028)</b>	<b>214,729</b>
<b>Cash flow from financing activities</b>					
Short terms loans obtained during the period	(Note 24.1)	33,316,594	17,300,689	33,316,594	17,300,689
Repayment of short term loans	(Note 24.1)	(20,303,156)	(13,227,416)	(20,303,156)	(13,227,416)
Dividend paid		(71,212)	(1,122)	(71,212)	(1,122)
Payment of lease liability	(Note 14)	(59,237)	(54,023)	(51,863)	(49,741)
<b>Net cash generated from/(used in) financing activities</b>		<b>12,882,989</b>	<b>4,018,128</b>	<b>12,890,363</b>	<b>4,022,410</b>
<b>Net increase/(decrease) in cash and cash equivalents during the period</b>		<b>9,153,350</b>	<b>2,392,747</b>	<b>9,217,793</b>	<b>2,468,108</b>
Cash and cash equivalents at the beginning of the period	(Note 22)	6,906,174	4,513,427	6,648,168	4,180,060
<b>Cash and cash equivalents at the end of the period</b>	<b>(Note 22)</b>	<b>16,059,524</b>	<b>6,906,174</b>	<b>15,865,961</b>	<b>6,648,168</b>

The accounting policies and explanatory notes on pages 87 to 131 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 2022 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 of 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 stand otherwise.

### 2.5 Going Concern

In preparing these financial statements, the management has assessed the existing effects of the economic crisis 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.

The Directors have also assessed the prevailing macroeconomics conditions in the country and the impact on the operations of the Group companies when determining the basis of preparing the financial statements for the year ended 31st December 2022. Fair judgement has been made taking into consideration the prevailing economic uncertainties in the country, limitations in the foreign exchange market, sharply rising interest rates, when making the going concern assumption for the Group.

## 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.2 Basis of Consolidation

#### Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Group measures goodwill at the acquisition date as:

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

#### 3.2.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

In the Company's financial statements, investments in subsidiaries are carried cost less impairment if any, in net recoverable value.

The Consolidated Financial Statements are prepared to a common financial year end of 31 December.

#### Non-Controlling Interests ("NCI")

NCI are measured at their proportionate share of the acquiree identifiable net assets at the acquisition date.

Changes in the Groups interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### Loss of Control

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

Subsequently at retained interest is accounted for as an equity accounted investee or as an available for sale financial asset depending on the level of influence retained.

#### 3.2.2 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intragroup transactions, are eliminated. Unrealized gains arising from transactions with equity

accounted investees are eliminated against the investment to the extent of the Groups interest in the investee.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### 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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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%

#### Dockyard Total Solutions (Pvt) Ltd

Asset Category	Useful Life (Years)	Depreciation Rate (%)
Office Equipment	6.6	15%
Computer Equipment	5	20%
Inventory Others	5	20%

#### 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 measure at cost.

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.

### 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

## NOTES TO THE FINANCIAL STATEMENTS

- 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.

### 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).

## NOTES TO THE FINANCIAL STATEMENTS

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 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.

"When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gain or losses on the settlement of a defined plan when the settlement occurs.

#### 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 offers 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

### 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.

Temporary differences in relation to a right-of-use asset and lease liability are regarded as a net package (right-of-use asset) for the purpose of recognizing deferred tax.

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.

### 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.

## 3.10 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 being 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	103
Property, plant and equipment	11	106 - 109
Intangible assets	13	110
Deferred tax assets / liabilities	17	113
Employee benefits	26	119 - 120
Provision for warranty claims	27.1	121

### 4.1 Sri Lanka Accounting Standards not yet effective as at 31st December 2022

Following amendments to Sri Lanka Accounting Standards issued not yet effective as at the reporting date have not been applied in preparing the Consolidated Financial Statements. These amendments and improvements are not expected to have a significant impact on the Group's Financial Statements. The Group plans to apply these amendments to the standards from their effective dates

## NOTES TO THE FINANCIAL STATEMENTS

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

The amendment prohibits entities 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 costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

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

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2023. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. The amendments are not expected to have a material impact on the Group.

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

The amendment aims to promote consistency in applying the requirements by helping companies to 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. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

### 4.1.4 SLFRS 17 Insurance Contracts and amendments of SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short duration contracts.

### **Disclosure of Accounting Policies**

#### **(Amendment to LKAS 1)**

Amendments to LKAS 1 Presentation of Financial Statements is to help companies provide useful accounting policy disclosures. The key amendments to LKAS 1 include requiring companies to disclose their material accounting policies rather than their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

### **Definition of Accounting Estimates**

#### **(Amendments to LKAS 8)**

Distinguishing between accounting policies and accounting estimates are important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively. The approach taken can therefore affect both the reported

results and trends between periods.

Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors will clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

### **Deferred Tax related to Assets and Liabilities arising from a single transaction**

#### **(Amendment to LKAS 12)**

Targeted amendments to LKAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions e.g., leases and decommissioning provisions. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

## NOTES TO THE FINANCIAL STATEMENTS

## 5. REVENUE

For the year ended 31 December,	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Ship repair	14,585,106	9,211,401	14,585,106	9,211,401
Ship building	9,668,515	5,284,567	9,668,515	5,284,567
Heavy engineering	2,575,898	2,105,650	279,543	388,708
Material & other sales	465,580	630,510	-	-
Gross revenue (Note 5.1, 5.2)	27,295,099	17,232,128	24,533,164	14,884,676
Turnover tax	(3,372)	-	(96)	-
Total revenue	27,291,727	17,232,128	24,533,068	14,884,676
Less: Cost of sales	(24,691,895)	(14,888,528)	(22,478,192)	(13,048,718)
Gross profit / operating results (Note 5.3)	2,599,832	2,343,600	2,054,876	1,835,958
<b>5.1 Project types segment revenue (Business segment)</b>				
<b>Ship repair</b>				
Tankers	4,366,301	6,041,375	4,366,301	6,041,375
General cargo	1,391,862	303,390	1,391,862	303,390
Container carriers	2,472,425	725,342	2,472,425	725,343
Passenger vessels	268,849	304,028	268,849	304,028
Fishing trawlers	119,751	2,910	119,751	2,910
Tugs	325,167	150,984	325,167	150,984
LPG tankers	539,564	192,189	539,564	192,189
Dredgers	-	104,132	-	104,132
Navel vessels	158,807	265,127	158,807	265,127
Cement carriers	18,437	1,257	18,437	1,257
Offshore support/ supply vessels	89,528	98,513	89,528	98,513
Barge	272,138	238,152	272,138	238,152
Bulk carriers	3,971,047	548,306	3,971,047	548,306
Research vessel	16,017	-	16,017	-
Others	575,213	235,695	575,213	235,695
	14,585,106	9,211,401	14,585,106	9,211,401
<b>Ship building</b>				
Specialised vessels	-	499,348	-	499,348
Passenger vessels	-	1,846,703	-	1,846,703
Bulk Carriers	4,123,609	969,734	4,123,609	969,734
Cable laying vessels	5,525,034	1,718,668	5,525,034	1,718,668
Launching vessels	19,872	250,114	19,872	250,114
	9,668,515	5,284,567	9,668,515	5,284,567
<b>Heavy engineering</b>				
Heavy fabrication	1,842,854	1,467,742	268,348	336,903
Services	292,579	284,392	5,622	8,017
Repairs & maintenance	5,573	353,516	5,573	43,788
Power generation	434,892	-	-	-
	2,575,898	2,105,650	279,543	388,708
<b>Material and other sales</b>				
Material and other sales	465,580	630,510	-	-
<b>Total revenue</b>	<b>27,295,099</b>	<b>17,232,128</b>	<b>24,533,164</b>	<b>14,884,676</b>

## 5. REVENUE (CONTD.)

For the year ended 31 December,	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
<b>5.2 Geographical segment revenue</b>				
India	8,589,993	6,255,198	8,589,993	6,255,198
Maldives	1,678,676	462,612	1,678,676	462,612
UAE	347,362	138,590	347,362	138,590
Sri Lanka	3,983,656	3,308,078	1,221,721	960,626
Singapore	705,066	524,327	705,066	524,327
Japan	203,258	2,695,476	203,258	2,695,476
Germany	39,453	13,815	39,453	13,815
Greece	74,526	29,928	74,526	29,928
Hong Kong	337,243	163,600	337,243	163,600
Malaysia	92,610	167,620	92,610	167,620
France	5,525,034	1,802,156	5,525,034	1,802,156
Norway	4,130,102	976,151	4,130,102	976,151
Cyprus	162,506	107,455	162,506	107,455
Pakistan	413,921	170,190	413,921	170,190
Liberia	6,421	-	6,421	-
Mauritius	-	144,653	-	144,653
Russia	349,576	-	349,576	-
Others	655,696	272,279	655,696	272,279
	27,295,099	17,232,128	24,533,164	14,884,676
<b>5.3 Segmental Operating Results</b>				
Ship repairs	4,478,862	2,411,319	4,478,862	2,411,319
Ship building	(2,501,774)	(691,037)	(2,501,774)	(691,037)
Heavy engineering	398,469	403,213	77,788	115,676
Material & other sales	224,275	220,105	-	-
	2,599,832	2,343,600	2,054,876	1,835,958

## 6. OTHER INCOME

For the year ended 31 December,	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Exchange gain (both realized and unrealized)	4,055,972	114,558	4,055,972	114,558
Scrap sales	332,098	222,623	332,098	222,623
Dividend income	111	149	111	94,389
Profit/(loss) on disposal of property, plant and equipment	1,602	8,002	-	5,116
Management fees	-	-	1,902	1,800
Amortization of corporate guarantees	-	-	1,596	1,432
Lease rental	-	-	8,508	8,508
Miscellaneous income	36,157	22,624	28,441	18,620
	4,425,940	367,956	4,428,628	467,046

## NOTES TO THE FINANCIAL STATEMENTS

## 7. NET FINANCE INCOME/(EXPENSE)

For the year ended 31 December,	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
<b>7.1 Finance cost</b>				
Interest on bank overdrafts and short term loans	(1,377,326)	(392,550)	(1,368,917)	(392,499)
Interest on lease liability (Note 14.2)	(20,784)	(23,562)	(20,784)	(23,045)
	(1,398,110)	(416,112)	(1,389,701)	(415,544)
<b>7.2 Finance income</b>				
Interest income from investments	174,577	399,492	174,577	379,027
Other interest income	48,264	56,711	45,157	55,532
Amortization of pre paid staff cost (Note 20.2)	18,348	35,172	17,523	34,748
Net change in fair value of financial instrument at FVTPL	128,902	234,462	128,132	224,584
	370,091	725,837	365,389	693,891
	(1,028,019)	309,725	(1,024,310)	278,347

- 7.3 In accordance with LKAS 23 Borrowing cost, Company has incurred an interest costs amounting to Rs 805.54 Mn (2021 - Rs.103.02 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.

## 8. PROFIT BEFORE TAX

For the year ended 31 December,	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
<i>Is stated after charging all expenses / (reversals) including the following:</i>				
Directors' emoluments	30,304	28,705	20,244	18,025
Auditors remuneration - on statutory audit	6,368	5,201	3,273	2,520
audit related services	-	-	-	-
Business promotion expenses	74,851	16,726	72,075	15,954
Depreciation on property, plant & equipment	548,326	499,440	463,640	424,839
Amortization of intangible assets	17,414	4,545	16,713	4,141
Donations	10,295	4,026	207	4,026



**8. PROFIT BEFORE TAX (CONTD.)**

For the year ended 31 December,	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
<b>Provision for/(reversal of)</b>				
- Bad and doubtful debts	123,409	110,352	149,804	98,120
- Obsolete and slow moving stocks	30,933	(14,898)	27,248	(27,146)
- Warranty claims	18,632	32,934	26,889	27,410
<b>Staff related cost</b>				
- Salaries and wages	5,254,046	4,101,956	4,959,137	3,831,391
- Defined benefit plan cost - gratuity	187,368	55,723	178,531	48,375
- Defined contribution plan cost - EPF	251,269	198,512	219,766	184,631
ETF	62,817	49,628	54,941	46,158
Amortization of pre-paid staff cost	18,348	35,173	17,523	34,748

**9. INCOME TAX EXPENSE**

For the year ended 31 December,	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
On the current years profit (Note 9.2)	32,561	35,513	-	-
Under/(over) provision in previous year	(660)	-	-	-
Additional tax liability Write off	-	(33,576)	-	-
Unrecoverable ESC	-	36,937	-	36,937
Deferred taxation (Note 17.2)	62,209	109,981	70,795	109,569
<b>Total tax expense on profit / (loss)</b>	<b>94,110</b>	<b>148,855</b>	<b>70,795</b>	<b>146,506</b>

**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:

	First Six Month	After the first Six Month
Business income	14%	30%
Investment income	28%	30%
Deduction of tax losses against total statutory income	100%	100%
Tax losses - carrying forward	6 years	6 years

**Group****Dockyard General Engineering Services (Pvt) Ltd.**

As per the Inland Revenue Act, the Company is liable to pay income tax at 14 % on profit for the first six months and after the first six months at 30% 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 14 % on profit for the first six months and after the first six months at 30% on profits from construction contracts .

## NOTES TO THE FINANCIAL STATEMENTS

### 9. INCOME TAX EXPENSE (CONTD.)

#### (ii) Income tax on overseas operations

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

For the year ended 31 December,	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
<b>9.2 Reconciliation between current tax expense and the accounting profit</b>				
Profit / (loss) before tax	782,042	410,963	587,319	317,732
Impact of allowable and disallowable expenses	(492,471)	(602,137)	(423,588)	(674,453)
Tax loss utilized during the year	(163,731)	-	(163,731)	-
Statutory profit/(loss) from business	125,840	(191,174)	-	(356,721)
Statutory profit/(loss) from Colombo Dockyard PLC	-	(356,721)	-	-
Statutory profit/(loss) from Dockyard General Engineering Services (Pvt) Ltd	113,199	138,575	-	-
Statutory profit/(loss) from Dockyard Total Solutions (Pvt) Ltd.	-	9,820	-	-
Statutory profit/(loss) from Ceylon Shipping Agency (Ate) Ltd	12,641	17,152	-	-
Tax loss claimed during the year	-	-	-	-
Taxable income/(Loss)	125,840	(191,174)	-	-
Tax at the rate of 14%	212	4,227	-	-
Tax at the rate of 17%	2,149	2,916	-	-
Tax at the rate of 24%	13,220	28,370	-	-
Tax at the rate of 30%	16,980	-	-	-
Provision for taxation on current year profit	32,561	35,513	-	-

### 9.3 Deferred taxation

#### Company

The deferred tax liability is arrived at by applying the effective income tax rate of 30% applicable for the year of assessment 2022/2023 to the temporary difference as at 31 December 2022.

#### Subsidiaries

##### Dockyard General Engineering Services (Pvt) Ltd.

The deferred tax asset is arrived at by applying the income tax rate of 30% to the temporary differences of Dockyard General Engineering Services (Pvt.) Ltd. as at 31 December 2022.

##### Dockyard Total Solutions (Pvt) Ltd.

The deferred tax asset is arrived at by applying the income tax rate of 30% to the temporary differences of Dockyard Total Solutions (Pvt) Ltd.. as at 31 December 2022.

##### Ceylon Shipping Agency (Pte) Ltd.

The deferred tax liability is arrived at by applying the income tax rate of 17% to the temporary differences of Ceylon Shipping Agency (Pte) Ltd. as at 31 December 2022.

## 9. INCOME TAX EXPENSE (CONTD.)

### 9.4 Tax losses carried forward

As per section 19 of the Inland Revenue Act No. 24 of 2017, any unclaimed tax losses incurred during the year could be carried forward for a further six years. Companies in the Group have evaluated the recoverability of unclaimed losses through taxable profit forecasts and deferred tax assets have been recognized accordingly. Deferred tax assets recognized on tax losses would be reviewed at each reporting date based on the taxable profit forecasts and would be reduced to the extent of recoverable amount.

## 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:

	Group		Company	
	2022	2021	2022	2021
<b>Amount used as the numerator</b>				
Profit/(loss) for the period (Rs. '000)	687,932	262,108	516,524	171,226
Less : Non controlling interest (Rs. '000)	(14,214)	(12,879)	-	-
Profit attributable to equity shareholders of Colombo Dockyard PLC (Rs. '000)	673,718	249,229	516,524	171,226
<b>Number of ordinary shares used as the denominator</b>				
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 2021	9.38	3.47	7.19	2.38

## NOTES TO THE FINANCIAL STATEMENTS

## 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 2022	1,194,722	62,950	14,190	2,101,026	7,023,918	374,509	256,123	110,156	590,022	373,533	6,494	147,901	12,255,543
Additions during the year	-	-	-	-	251,225	1,399	126	11,116	79,108	3,876	-	151,401	498,251
Transfers/adjustments during the year	1,137	-	-	70,813	68,310	6,369	-	-	-	11,173	-	(157,802)	-
Disposals during the year	-	-	-	-	(1,696)	-	-	(23)	(23)	(9,508)	-	-	(11,250)
Exchange gain/loss	-	-	-	-	-	-	-	-	4,324	-	-	-	4,324
<b>Balance as at 31 December 2022</b>	<b>1,195,859</b>	<b>62,950</b>	<b>14,190</b>	<b>2,171,839</b>	<b>7,341,757</b>	<b>382,277</b>	<b>256,249</b>	<b>121,249</b>	<b>673,431</b>	<b>379,074</b>	<b>6,494</b>	<b>141,500</b>	<b>12,746,868</b>
<b>ACCUMULATED DEPRECIATION</b>													
Balance as at 01 January 2022	702,637	-	13,829	821,273	3,958,751	305,007	209,110	88,873	383,652	355,750	6,494	-	6,845,376
Charge for the year	12,946	-	106	79,066	348,680	9,287	23,117	7,459	55,126	12,539	-	-	548,326
Transfer/adjustments during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(878)	-	-	(4)	(12)	(9,398)	-	-	(10,292)
Exchange gain/loss	-	-	-	-	-	-	-	-	3,986	-	-	-	3,986
<b>Balance as at 31 December 2022</b>	<b>715,583</b>	<b>-</b>	<b>13,935</b>	<b>900,339</b>	<b>4,306,553</b>	<b>314,294</b>	<b>232,227</b>	<b>96,328</b>	<b>442,752</b>	<b>358,891</b>	<b>6,494</b>	<b>-</b>	<b>7,387,396</b>
<b>IMPAIRMENT</b>													
Balance as at 01 January 2022	-	-	-	-	2,327	-	-	-	136	10	-	-	2,473
Impairment loss for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 December 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,327</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>2,473</b>
<b>CARRYING AMOUNT</b>													
As at 31 December 2022	480,276	62,950	255	1,271,500	3,032,877	67,983	24,022	24,921	230,543	20,172	-	141,500	5,356,999
As at 31 December 2021	492,085	62,950	361	1,279,753	3,062,840	69,502	47,013	21,283	206,234	17,773	-	147,901	5,407,695

## 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 Furniture & Fittings	Loose Tools	Boats & Launches	Capital Work In Progress	Total	
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Balance as at 01 January 2022	1,194,722	45,785	14,190	1,662,735	6,715,824	374,509	189,182	110,156	486,086	251,004	6,495	140,860	11,191,548
Additions during the year	-	-	-	235,183	1,399	126	11,116	74,685	1,093	-	-	145,768	469,370
Transfers/adjustments during the year	1,137	-	70,813	66,808	6,369	-	-	-	-	-	-	(145,128)	-
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2022	1,195,859	45,785	14,190	1,733,548	7,017,815	382,277	189,308	121,272	560,771	252,097	6,495	141,500	11,660,918
ACCUMULATED DEPRECIATION													
Balance as at 01 January 2022	702,637	-	13,829	790,236	3,864,666	305,007	149,305	88,873	352,742	249,996	6,495	-	6,523,786
Charge for the year	12,946	-	106	62,463	310,331	9,287	19,715	7,443	39,958	1,391	-	-	463,640
Transfers/adjustments during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2022	715,583	-	13,935	852,699	4,174,997	314,294	169,020	96,316	392,700	251,387	6,495	-	6,987,426
CARRYING AMOUNT													
As at 31 December 2022	480,276	45,785	255	880,849	2,842,818	67,983	20,288	24,956	168,071	710	-	141,500	4,673,492
As at 31 December 2021	492,085	45,785	361	872,499	2,851,158	69,502	39,877	21,283	133,344	1,008	-	140,860	4,667,762

(Group / Company)

#### Notes:

- No property plant and equipment have been pledged as security for liabilities and also there are no restrictions on titles.
- There is no temporally idle property plant and equipment as at the reporting date.
- The Capital work in progress of the group and company includes the capital expenses incurred during the year for capital assets which are not completed as at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

#### 11.3 Valuation of land

The lands of the Group have been revalued by an independent chartered valuation firm, Siri Nissanka Associates (Pvt) Ltd, 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,

- |     |  |
|-----|--|
| (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.562 dated 27th August 1960 at Nuwara Eliya Holiday Bungalow of the Company is built on this land.  |
|     | Extent of the land      37.99 Perches  |
|     | No. of buildings        01   |
|     | Cost                      Rs. 1,807,000  |
|     | Valuation                Rs. 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. 3347 at No. 2, Srimath Bandaranayaka Mawatha, Colombo 12. The land is used for Dockyard General Engineering Services (Private) Limited's Materials Sales Center. |
|     | Extent of the land      7.15 Perches   |
|     | No. of buildings        01   |
|     | Cost                      Rs. 14,300,000   |
|     | Valuation                Rs. 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  |



**11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)****11.4 Gross carrying amount of fully depreciated property, plant and equipment.**

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Freehold dry-docks	5,215	5,215	5,215	5,215
Roadways	13,132	13,132	13,132	13,132
Freehold buildings	320,419	311,393	302,264	293,239
Plant, machinery and equipment	2,013,490	1,970,894	1,874,428	1,872,124
Electrical installation	289,425	279,547	289,425	279,547
Motor vehicles	185,862	139,312	132,345	86,078
Inventory items	74,010	64,139	74,010	64,139
Office equipment, furniture and fittings	297,914	281,046	285,803	269,760
Boats / launches	6,495	6,495	6,495	6,495
	<b>3,205,962</b>	<b>3,071,173</b>	<b>2,983,117</b>	<b>2,889,729</b>

**12. INVESTMENT PROPERTY**

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (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,

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

2022 Rs. 8,508,160

2021 Rs. 8,508,160

# NOTES TO THE FINANCIAL STATEMENTS

## 13. INTANGIBLE ASSETS

Cost	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Balance at the beginning of the year	135,389	87,040	130,516	81,812
Additions during the year	2,569	48,349	1,603	48,704
Balance at the end of the year	137,958	135,389	132,119	130,516
<b>Amortization</b>				
Balance at the beginning of the year	89,283	84,738	85,818	81,677
Charge for the year	17,414	4,545	16,713	4,141
Balance at the end of the year	106,697	89,283	102,531	85,818
Carrying amount	31,261	46,106	29,588	44,698

## 14. RIGHT-OF-USE ASSETS

	Group		Company	
	2022	2021	2022	2021
<b>14.1 Assets held under lease have been recognised as right-of-use assets under SLFRS 16.</b>				
Adjustment on initial application of SLFRS 16	203,049	243,362	195,815	243,362
Additions for during the year	36,654	20,939	36,654	-
Lease Modification	-	-	-	-
Termination of Leases	-	-	-	-
Amortisation charge for the year	(63,160)	(61,252)	(55,926)	(47,547)
Balance as at 31 December	176,543	203,049	176,543	195,815
<b>14.2 Corresponding liability for the right- of-use assets has been recognised under other liabilities.</b>				
Adjustment on initial application of SLFRS 16	193,640	212,962	186,266	212,962
Additions for the year	14,264	11,139	14,264	-
Accretion of interest	20,784	23,562	20,784	23,045
Lease Modification	-	-	-	-
Termination of Leases	-	-	-	-
Lease payments	(59,237)	(54,023)	(51,863)	(49,741)
Balance as at 31 December 2022	169,451	193,640	169,451	186,266
Non-current	134,792	158,391	134,792	156,812
Current	34,659	35,249	34,659	29,454



## 14. RIGHT-OF-USE ASSETS (CONTD.)

### 14.2.2 Amounts recognised in profit or loss

#### 14.2.2.1 Lease under SLFRS 16 for the year ended 31 December 2022

	Group		Company	
	2022	2021	2022	2021
Interest on lease liabilities	20,784	23,562	20,784	23,045
Right - of - use asset amortisation	63,160	61,252	55,926	47,547
<b>Operating leases under LKAS 17 for the year ended 31 December 2022</b>				
Rent expense	-	-	-	-
<b>14.2.2.2 Amounts Recognised in statement of cash flows under SLFRS 16</b>				
Lease rent paid	(59,237)	(54,023)	(51,863)	(49,741)

## 15. INVESTMENTS IN SUBSIDIARIES

### 15.1 INVESTMENTS OF COLOMBO DOCKYARD PLC

	Incorporated in	2022			2021		
		No of shares	Percentage holding	Cost (Rs. '000)	No of shares	Percentage holding	Cost (Rs. '000)
Dockyard General Engineering Services (Pvt) Ltd.	Sri Lanka	61,999	100%	8,771	61,999	100%	7,024
Add: Fair value of financial guarantees		-	-	2,273	-	-	1,596
Ceylon Shipping Agency (Pte) Ltd.	Singapore	25,500	51%	357	25,500	51%	357
Dockyard Total Solutions (Pvt) Ltd.	Sri Lanka	500	100%	500	500	100%	500
		-	-	11,901	-	-	9,477

## NOTES TO THE FINANCIAL STATEMENTS

## 16. OTHER INVESTMENTS

As at 31 December,													
		Group					Company						
		2022			2021			2022			2021		
		No. of shares	Cost (Rs. 000)	Fair value (Rs. 000)	No. of shares	Cost (Rs. 000)	Fair value (Rs. 000)	No of shares	Cost (Rs. 000)	Fair value (Rs. 000)	No of shares	Cost (Rs. 000)	Fair value (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	16,989	1,002	10	16,873	1,002	10	16,989	1,002	10	16,873
	Associated Newspapers of Ceylon Limited	10,000	100	5,268	10,000	100	590	10,000	100	5,268	10,000	100	590
		-	110	22,257	-	110	17,463	-	110	22,257	-	110	17,463
16.2	Investments classified as fair value through profit or loss												
16.2.1	Investment in Unit Trusts												
	NDB wealth money plus	1,583,876	40,000	40,466	-	-	-	-	-	-	-	-	-
	First capital money market fund	10,871	25,000	25,304	-	-	-	-	-	-	-	-	-
	Capital alliance money market fund	-	-	-	-	-	-	-	-	-	-	-	-
		-	65,000	65,770	-	-	-	-	-	-	-	-	-

## 17. DEFERRED TAXATION

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
<b>17.1 Deferred Tax Asset</b>				
Balance at the beginning of the year	46,036	156,276	36,908	145,811
Provision /(reversal) during the year (Note 17.2)	(28,992)	(110,240)	(36,908)	(108,903)
Transferred from deferred tax liability	-	-	-	-
Transferred to deferred tax liability	-	-	-	-
Balance at the end of the year	17,044	46,036	-	36,908
<b>17.2 Provision /(reversal) for the year</b>				
Provision/(reversal) during the year recognized in profit/(loss)	(62,209)	(109,981)	(70,795)	(109,569)
Provision/(reversal) during the year recognized in other comprehensive income	33,217	(259)	33,887	666
Provision/(reversal) during the year recognized in comprehensive income	(28,992)	(110,240)	(36,908)	(108,903)
	2022		2021	
	Temporary difference (Rs.'000)	Tax effect on temporary difference (Rs.'000)	Temporary difference (Rs.'000)	Tax effect on temporary difference (Rs.'000)
<b>Group</b>				
Temporary difference on property, plant & equipment	(3,140,914)	(942,274)	(3,001,638)	(425,912)
Temporary difference on retirement benefit obligations	1,242,130	372,195	955,584	136,549
Temporary difference on stock provision	117,260	35,178	86,326	14,499
Temporary difference on warranty provision	98,833	29,650	86,049	16,401
Temporary difference on provision for bad and doubtful debts	327,005	98,102	183,783	25,730
Temporary difference on tax losses carried forward	1,379,088	413,726	2,000,000	280,000
Temporary difference on right-of-use asset	34,891	10,467	(9,409)	(1,230)
	58,293	17,044	300,695	46,036
<b>Company</b>				
Temporary difference on property, plant & equipment	(3,052,596)	(915,779)	(2,943,221)	(412,051)
Temporary difference on retirement benefit obligations	1,200,602	360,181	927,910	129,907
Temporary difference on stock provision	89,441	26,832	62,192	8,707
Temporary difference on warranty provision	63,553	19,066	42,512	5,952
Temporary difference on provision for bad and doubtful debts	327,005	98,102	183,783	25,730
Temporary difference on tax losses carried forward	1,379,088	413,726	2,000,000	280,000
Temporary difference on right-of-use asset	(7,093)	(2,128)	(9,549)	(1,337)
	-	-	263,627	36,908

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 2022, in accordance with LKAS 12 paragraph 46.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. INVENTORIES

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Raw materials	5,509,938	2,207,825	5,083,061	1,622,306
Goods in transit	148,777	140,970	146,380	133,436
	5,658,715	2,348,795	5,229,441	1,755,742
Less: Provision for inventories (Note 18.1)	(117,259)	(86,326)	(89,440)	(62,192)
	5,541,456	2,262,469	5,140,001	1,693,550
<b>18.1 Movement in provision for inventories</b>				
Balance at the beginning of the year	86,326	101,224	62,192	89,338
Provision/(reversal) made during the year	30,933	(14,898)	27,248	(27,146)
Balance at the end of the year	117,259	86,326	89,440	62,192

### 19. TRADE AND OTHER RECEIVABLES

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Trade receivables	8,000,347	5,071,044	7,859,639	4,697,124
Less: Provision for bad and doubtful debts (Note 19.1)	(336,533)	(213,124)	(333,587)	(183,783)
	7,663,814	4,857,920	7,526,052	4,513,341
Accrued revenue	3,807,529	3,144,337	2,389,978	2,061,288
VAT recoverable	156,851	201,882	156,851	201,882
Deposits and prepayments	8,661,177	2,463,785	8,597,998	2,454,452
Other receivables	993,669	540,839	597,885	314,392
	21,283,040	11,208,763	19,268,764	9,545,355
<b>19.1 Movement in provision for bad and doubtful debts</b>				
Balance at the beginning of the year	213,124	102,772	183,783	85,663
Provision made during the year	149,804	110,352	149,804	98,120
Reversals made during the year	(26,395)	-	-	-
Balance at the end of the year	336,533	213,124	333,587	183,783
<b>19.2 Movement in VAT Recoverable</b>				
Goss Refund Due	174,278	202,495	174,278	202,495
Less	-	-	-	-
Provision Made	(17,427)	-	(17,427)	-
Net VAT Refund recognized	156,851	202,495	156,851	202,495



**20. Other financial assets including derivatives**

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
<b>Non current</b>				
Loans given to employees (Note 20.1)	302,355	421,429	293,611	412,368
Pre paid staff benefits (Note 20.2)	30,949	32,107	29,722	31,454
	333,304	453,536	323,333	443,822
<b>Current</b>				
Loans given to employees (Note 20.1)	163,697	184,549	160,892	181,188
Pre paid staff benefits (Note 20.2)	16,381	14,034	16,288	13,820
Guarantee benefit assets	2,274	1,596	-	-
Securitised papers	-	50,000	-	-
Fixed deposits	-	50,000	-	-
Forward exchange contracts / Derivatives (Note 20.3)	-	154,167	-	154,167
	182,352	454,346	177,180	349,175
	515,656	907,882	500,513	792,997
<b>20.1 Loans given to employees</b>				
Balance at the beginning of the year	652,119	701,210	638,830	691,012
Loans granted during the year	68,439	169,671	63,989	163,270
Loans recovered during the year	(207,174)	(218,762)	(202,305)	(215,452)
	513,384	652,119	500,514	638,830
Transfer to pre paid staff benefits	(47,331)	(46,141)	(46,011)	(45,274)
<b>Balance at the end of the year</b>	466,052	605,978	454,503	593,556
Non current	302,355	421,429	293,611	412,368
Current	163,697	184,549	160,892	181,188
<b>20.2 Prepaid staff benefits</b>				
Balance at the beginning of the year	46,141	73,190	45,274	71,938
Additions during the year	19,537	8,123	18,259	8,084
Amortization	(18,348)	(35,172)	(17,523)	(34,748)
Balance at the end of the year	47,330	46,141	46,010	45,274
Non current	30,949	32,107	29,722	31,454
Current	16,381	14,034	16,288	13,820

## NOTES TO THE FINANCIAL STATEMENTS

**20. Other financial assets including derivatives (CONTD.)**

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%	-	-

**20.3 Forward exchange contracts / Derivatives**

	2022	2021
<b>FV gain/ loss of Derivative</b>		
Derivative Liability (Previous Year Closing)	154,167	(75,651)
Profit or Loss	(154,167)	229,818
Derivative Asset	-	154,167
<b>Discontinue the Hedge - Reverting the opening</b>		
Derivative Liability (Previous Year Closing)	-	(123,489)
Other Comprehensive income	-	123,489
	-	-

Description	Commercial Bank	Std. Chartered	Total
FV of Derivative as at 31/12/2021	117,753	36,414	154,167
FV of Derivative as at 31/12/2022	-	-	-
Movement in P&L	117,753	36,414	154,167

**21. AMOUNTS DUE FROM RELATED PARTIES**

	Relationship	Group		Company	
		2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Dockyard General Engineering Services (Pvt) Ltd	Subsidiary	-	-	231,792	131,575
Dockyard Technical Services (Pvt) Ltd.	Subsidiary	-	-	199,567	115,514
Ceylon Shipping Agency Pte Ltd	Subsidiary	-	-	-	-
		-	-	431,359	247,089

## 22. CASH AND CASH EQUIVALENTS

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
<b>22.1 Favourable balances</b>				
Fixed deposits	4,427,456	2,387,527	4,345,907	2,387,527
Repurchase agreement	62,000	81,000	-	-
Call deposits	1,198,126	1,447,105	1,198,126	1,447,105
Cash at bank	12,669,799	3,075,675	12,611,187	2,982,894
Cash in hand	12,447	98,490	9,689	9,558
	18,369,828	7,089,797	18,164,909	6,827,084
<b>22.2 Unfavourable balances</b>				
Bank overdrafts	(2,310,304)	(183,623)	(2,298,948)	(178,916)
Cash and cash equivalents for the purpose of the cash flow statement	16,059,524	6,906,174	15,865,961	6,648,168

## 23. STATED CAPITAL

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Issued and fully paid				
71,858,924 Ordinary shares (2022 - 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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

**24. INTEREST BEARING BORROWINGS**

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Payable within one year				
Short term loans (Note 24.1)	24,038,588	11,025,150	24,038,588	11,025,150
	24,038,588	11,025,150	24,038,588	11,025,150
<b>24.1 Short term loans</b>				
Balance at the beginning of the year	11,025,150	6,441,816	11,025,150	6,441,816
Loans obtained during the year	33,316,594	17,300,689	33,316,594	17,300,689
Loan repayments during the year	(27,382,820)	(13,227,416)	(27,382,820)	(13,227,416)
Adjustment in respect of exchange rate fluctuations	7,079,664	510,061	7,079,664	510,061
Balance at the end of the year	24,038,588	11,025,150	24,038,588	11,025,150

Short term loans have been obtained for working capital financing from commercial banks and are repayable within 3 to 6 months. Interest rate for USD denominated loans were at 5% - 11% range. Where the LKR loans were at 8.4% - 31% range.

No property plant and equipment and any other asset have been pledged as security for the short-term loans mentioned in note no 24.

**25. OTHER FINANCIAL LIABILITIES INCLUDING DERIVATIVES**

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Current				
Corporate guarantees	-	-	2,273	1,596
	-	-	2,273	1,596

## 26. EMPLOYEE BENEFITS

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Balance at the beginning of the year	955,584	1,040,610	927,910	1,015,329
Provision made in the profit / (loss) during the year (Note 26.3)	187,368	55,723	178,531	48,375
Payments made during the year	(19,025)	(141,651)	(18,796)	(140,550)
Actuarial (gain)/loss recognized in Other Comprehensive Income	110,724	902	112,957	4,756
<b>Balance at the end of the year (Note 26.1 and 26.2)</b>	<b>1,234,651</b>	<b>955,584</b>	<b>1,200,602</b>	<b>927,910</b>
<b>26.1 The amount recognized in the Statement of Financial Position are as follows;</b>				
Present value of unfunded obligations	1,234,651	955,584	1,200,602	927,910
Present value of funded obligations	-	-	-	-
Total present value of obligations	1,234,651	955,584	1,200,602	927,910
Fair value of plan assets	-	-	-	-
Present value of net obligations	1,234,651	955,584	1,200,602	927,910
Unrecognized net actuarial gains/ (losses)	-	-	-	-
Recognized liability for defined benefit obligations	1,234,651	955,584	1,200,602	927,910
<b>26.2 Movement in the present value of defined benefit obligations</b>				
Liability for defined benefit obligations as at 01 January	955,584	1,040,610	927,910	1,015,329
Actuarial (gains)/ losses	110,724	902	112,957	4,756
Benefit paid by the plan	(19,025)	(141,651)	(18,796)	(140,550)
Current service costs	76,067	59,031	71,822	53,774
Past service costs	-	(86,625)	-	(86,625)
Interest cost	111,301	83,317	106,709	81,226
Liability for defined benefit obligations as at 31 December	1,234,651	955,584	1,200,602	927,910
<b>26.3 Expense recognized in Profit or Loss for the year ended,</b>				
Current service costs	76,067	59,031	71,821	53,774
Past service costs	-	(86,625)	-	(86,625)
Interest on obligation	111,301	83,317	106,710	81,226
	187,368	55,723	178,531	48,375
<b>26.4 Gain / (loss) recognized in Other Comprehensive Income</b>	<b>(110,724)</b>	<b>(902)</b>	<b>(112,957)</b>	<b>(4,756)</b>

### Colombo Dockyard PLC

The actuarial valuations carried out by M/s Actuarial & Management Consultants (Pvt) Limited for retiring gratuity for employees as at 31 December 2022 amounting to Rs. 1200.6 Mn and used the following key assumptions.

## NOTES TO THE FINANCIAL STATEMENTS

**26. EMPLOYEE BENEFITS (CONTD.)**

	2022	2021
Rate of interest	19%	11.5%
Rate of salary increment	15%	9%
Rate of COLA increment	15%	8%
Staff turnover factor	1%	1%
Retiring age (years) - Male	60	60
- Female	60	60

The Weighted average duration of the defined benefit obligation (years) is 9.1

**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.

	2022	2021
Rate of interest	19%	9.5%
Rate of salary increment	20%	10%
Staff turnover factor	1%	1%
Retiring age (years) - Male	60	60
- Female	60	60

**26.5 Sensitivity of assumptions used****Colombo Dockyard PLC**

A quantitative sensitivity analysis for significant assumptions used by the Company as at 31 December 2021 is as shown below:

Effect on the employee benefit obligation	Discount rate (Rs.'000)	Salary escalation rate (Rs.'000)
As per the current assumptions	1,200,602	1,200,602
Increase by one percentage point	1,113,507	1,307,190
Decrease by one percentage point	1,299,348	1,105,555

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 2022 is as shown below:

Effect on the employee benefit obligation	Discount rate (Rs.'000)	Salary escalation rate (Rs.'000)
As per the current assumptions	33,037	33,037
Increase by one percentage point	29,286	37,387
Decrease by one percentage point	37,466	29,286

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		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Trade payables	1,533,884	1,492,013	753,277	345,781
Subcontract payables	1,487,995	1,038,822	1,487,995	1,038,822
Progress bills	6,000,331	3,768,206	6,000,331	3,768,206
Provision for warranty claims (Note 27.1)	81,877	86,049	46,597	42,512
Accrued expenses and other provisions	2,416,166	742,559	2,255,803	498,210
Other payables	1,072,179	246,686	417,088	166,158
VAT payable	12,618	12,369	-	-
	<b>12,702,622</b>	<b>7,386,704</b>	<b>10,961,091</b>	<b>5,859,689</b>
<b>27.1 Provision for warranty claims</b>				
Balance at the beginning of the year	86,049	53,115	42,512	15,102
Provision/(reversals) made during the year	18,632	32,934	26,889	27,410
Claims made during the year	(22,804)	-	(22,804)	-
<b>Balance at the end of the year</b>	<b>81,877</b>	<b>86,049</b>	<b>46,597</b>	<b>42,512</b>

**28. AMOUNTS DUE TO RELATED PARTIES**

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Ceylon Shipping Agency (Pte) Ltd.	-	-	917,283	271,663
Dockyard General Engineering Services (Pvt) Ltd	-	-	20,385	14,360
Dockyard Total Solutions (Pvt) Ltd.	-	-	183,613	95,128
Onomichi Dockyard Company Ltd	2,738,537	-	2,738,537	-
	<b>2,738,537</b>	<b>-</b>	<b>3,859,818</b>	<b>381,151</b>

**29. INCOME TAX PAYABLE**

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Balance at the beginning of the year	35,587	71,537	-	-
Provision for income tax on current year's profits	32,561	35,513	-	-
Over provision of income tax in respect of prior year	(660)	-	-	-
Tax paid during the year	(15,509)	(37,887)	-	-
Additional provision write off	57	(33,576)	-	-
<b>Balance at the end of the year</b>	<b>52,036</b>	<b>35,587</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 30. DIVIDEND PAYABLE

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Balance at the beginning of the year	9,869	10,991	9,869	10,991
Dividends declared during the year	71,858	-	71,858	-
Payments during the year	(71,212)	(1,122)	(71,212)	(1,122)
Balance at the end of the year	10,515	9,869	10,515	9,869

## 31. FINANCIAL INSTRUMENTS

As at 31 December	Note	Group		Company	
		2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
<b>31.1 Financial instruments - Statement of Financial Position (SOFP)</b>					
Financial assets					
Fair value through profit and loss					
SOFP Line Item:					
Investments classified as fair value through profit or loss	16.2	65,770	-	-	-
Total		65,770	-	-	-
Amortised cost					
SOFP line Item:					
Other financial assets including derivatives - Non Current	20	333,304	453,536	323,333	443,822
Trade and other receivables	19	17,812,042	8,075,669	17,212,372	7,465,968
Other financial assets including derivatives - Current	20	182,352	454,346	177,180	349,175
Amounts due from related parties	21	-	-	431,359	247,089
Cash and cash equivalents	22.1	18,369,828	7,089,797	18,164,909	6,827,084
Total		36,697,526	16,073,348	36,309,153	15,333,138
Fair value through other comprehensive income					
SOFP Line Item:					
Investments classified as FVTOCI	16.1	22,257	17,463	22,257	17,463
Total		22,257	17,463	22,257	17,463
Financial liabilities					
Other financial Liabilities					
SOFP line Item:					
Loans and borrowings - Current	24	24,038,588	11,025,150	24,038,588	11,025,150
Trade and other payables	27	6,620,405	3,520,080	4,914,173	2,048,970
Other financial liabilities including derivatives - Current	25	-	-	2,273	1,596
Amounts due to related parties	28	2,738,537	-	3,859,808	381,151
Lease Liability	14.2	169,451	193,640	169,451	186,266
Dividend payable	30	10,515	9,869	10,515	9,869
Bank overdrafts	22.2	2,310,304	183,623	2,298,948	178,916
Total		35,887,800	14,932,362	35,293,756	13,831,918

Level 3 Inputs are based on: Valuation technique - Net Asset per Share Range (1,000 - 10,000)

### 31. FINANCIAL INSTRUMENTS (CONTD.)

#### 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 2022						
<b>Financial assets</b>						
Unquoted equity investments - unquoted shares	-	-	22,257	-	-	22,257
Fair value through profit or loss investments	-	-	-	-	-	-
Total	-	-	22,257	-	-	22,257
<b>Financial liabilities</b>						
Forward exchange contracts (Derivatives)	-	-	-	-	-	-
Corporate guarantee	-	-	-	-	-	2,273
Total	-	-	-	-	-	2,273

#### As at 31 December 2021

##### Financial assets

Unquoted equity investments - unquoted shares	-	-	17,463	-	-	17,463
Fair value through profit or loss investments	-	154,167	-	-	154,167	-
Total	-	154,167	17,463	-	154,167	17,463

##### Financial liabilities

Forward exchange contracts (Derivatives)	-	-	-	-	-	-
Corporate guarantee	-	-	-	-	-	1,596
Total	-	-	-	-	-	1,596

#### 31.3 Valuation techniques

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

Unquoted shares have been valued based on the net asset per share

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 31. FINANCIAL INSTRUMENTS (CONTD.)

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. FINANCIAL RISK MANAGEMENT (CONTD.)

### 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;

As at 31 December	Group		Company	
	2022 (Rs.'000)	2021 (Rs.'000)	2022 (Rs.'000)	2021 (Rs.'000)
Trade and other receivables	8,000,347	5,071,044	7,859,639	4,697,124
Other financial assets including derivatives	515,656	907,882	500,513	792,997
Investments classified as fair value through profit or loss	65,770	-	-	-
Amount due from related parties	-	-	431,359	247,089
Investments classified as fair value through OCI	22,257	17,463	22,257	17,463
<b>Total exposure to the credit risk</b>	<b>8,604,030</b>	<b>5,996,389</b>	<b>8,813,768</b>	<b>5,754,673</b>

#### 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 receivable at the reporting date was:

Age	Group (Rs. '000)			Company (Rs. '000)		
	Gross	Expected credit losses	Net	Gross	Expected credit losses	Net
Within 90 days	5,222,573	(3,569)	5,219,004	5,081,865	(623)	5,081,242
91 - 180 days	1,294,858	(1,552)	1,293,306	1,294,858	(1,552)	1,293,306
181-365 days	807,412	(6,722)	800,690	807,412	(6,722)	800,690
More than 365 days	675,504	(324,690)	350,814	675,504	(324,690)	350,814
	<b>8,000,347</b>	<b>(336,533)</b>	<b>7,663,814</b>	<b>7,859,639</b>	<b>(333,587)</b>	<b>7,526,052</b>

### 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 2022:

Financial liabilities	Group (Rs. '000)			Company (Rs. '000)		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Lease Liability	34,659	134,792	169,451	34,659	134,792	169,451
Interest bearing borrowings	24,038,588	-	24,038,588	24,038,588	-	24,038,588
Other financial liabilities	6,620,415	-	6,620,415	4,914,173	-	4,914,173
Bank overdrafts	2,310,304	-	2,310,304	2,298,948	-	2,298,948
	<b>33,003,966</b>	<b>134,792</b>	<b>33,138,758</b>	<b>31,286,368</b>	<b>134,792</b>	<b>31,421,160</b>

## NOTES TO THE FINANCIAL STATEMENTS

**32. FINANCIAL RISK MANAGEMENT (CONTD.)****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	
	2022	2021	2022	2021
U. S. Dollar	316.54	198.08	366.71	200.75
Euro	334.56	236.90	393.49	230.22
Singapore Dollars	228.96	148.12	272.89	148.62
Japanese Yen	2.40	1.82	2.77	1.75

**Sensitivity analysis**

A strengthening or weakening of Sri Lankan Rupees as indicated below, against the major foreign currencies as at 31 December 2022 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.

5% Movement	Increase/(decrease) in principal exchange rates	
	Strengthen (Rs. '000)	Effect on Profit before Tax Weakening (Rs. '000)
<b>As at 31 December 2022</b>		
U. S. Dollar	323,150	(323,150)
Euro	114,731	(114,731)
Singapore Dollars	3,526	(3,526)
<b>As at 31 December 2021</b>		
U. S. Dollar	156,153	(156,153)
Euro	189,675	(189,675)
Singapore Dollars	(9,356)	9,356

**(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.



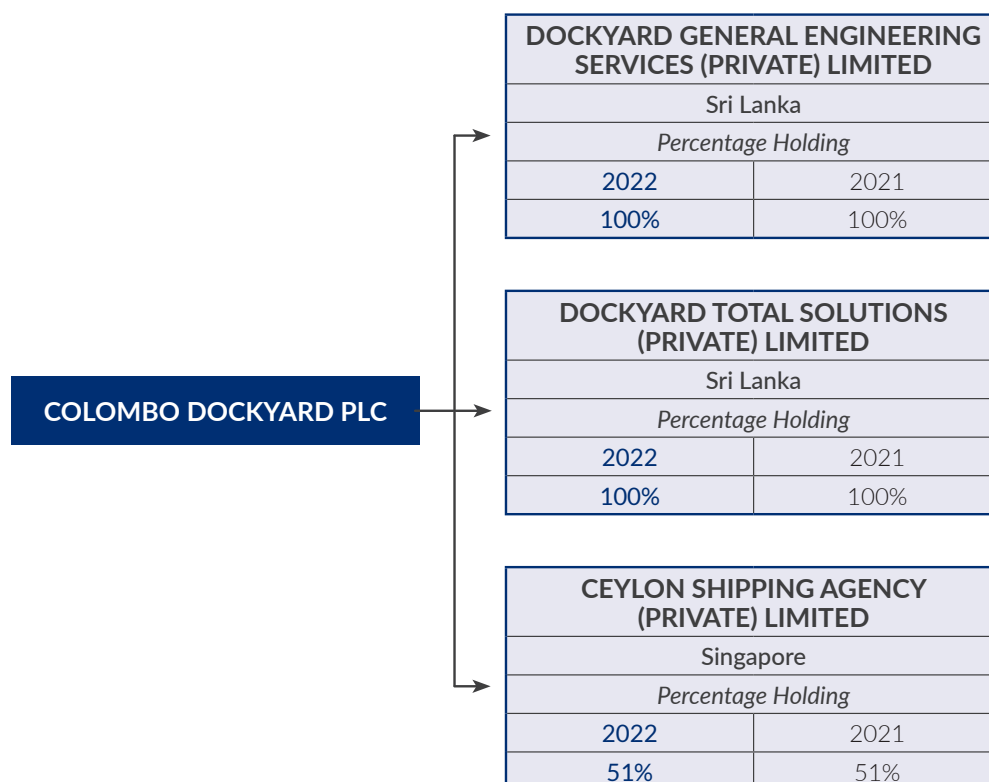
### 32. FINANCIAL RISK MANAGEMENT (CONTD.)

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

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

Increase/(decrease) in variable interest rates (100 basis points movement)	Effect on Profit before Tax	
	Strengthen (Rs. '000)	Weakening (Rs. '000)
<b>As at 31 December 2022</b>		
On variable rate instruments - USD	(22,129)	22,129
<b>As at 31 December 2021</b>		
On variable rate instruments - USD	(2,070)	2,070

### 33. LIST OF SUBSIDIARIES



## NOTES TO THE FINANCIAL STATEMENTS

**34. NON-CONTROLLING INTEREST**

	Principal place of business	Operating segment	Ownership interest held by Non Controlling Interest	
			2022	2021
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,	2022 (Rs.'000)	2021 (Rs.'000)
Revenue	2,168,897	1,732,895
Profit	29,008	26,285
<b>Profit attributable to Non Controlling Interest</b>	<b>14,214</b>	<b>12,879</b>
Other comprehensive income	-	12,389
Total comprehensive income	29,008	38,673
<b>Total comprehensive income attributable to Non Controlling Interest</b>	<b>14,214</b>	<b>18,950</b>
Current assets	1,056,568	445,984
Non-current assets	629	405
Current liability	(633,804)	(234,447)
Non-current liability	-	-
<b>Net asset</b>	<b>423,393</b>	<b>211,942</b>
<b>Net asset attributable to Non Controlling Interest</b>	<b>207,462</b>	<b>103,852</b>
Cash flow from operating activities	(68,346)	(61,352)
Cash flow from investing activities	19	(543)
<b>Net increase in cash and cash equivalents</b>	<b>(68,327)</b>	<b>(61,895)</b>
<b>Dividend paid to Non Controlling Interest during the year</b>	<b>-</b>	<b>-</b>

### 35. CONTINGENT LIABILITIES

- (a) On behalf of Colombo Dockyard PLC, banks have given Bank Guarantees to the Company's suppliers / customers amounting to Rs. 11,248 Mn (2021 - Rs. 8,217 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	460,141	9,633	-	39,966	509,740
Commercial Bank PLC	-	-	-	-	-
National Development Bank PLC	292,406	-	-	22,500	314,906
Standard Chartered Bank	-	-	2,207,479	-	2,207,479
State Bank of India - Colombo	-	-	7,510,780	-	7,510,780
State Bank Of India - Antwerp	-	-	7,510,780	-	7,510,780
	752,547	9,633	17,229,039	62,466	18,053,685

- (b) Colombo Dockyard PLC has issued Corporate Guarantees behalf of its Subsidiary amounting to Rs. 527,000,000 (2021 - Rs. 527,000,000) as at the reporting date.

Name of the Company	Relationship (Rs.'000)	Miscellaneous (Rs.'000)	Total (Rs.'000)
Dockyard General Engineering Services (Private) Limited	Subsidiary	527,000	527,000
	-	527,000	527,000

- (c) Legal Cases
- I Pending proceedings pursuant to the case against the arrested vessel MV Sai Arambh and its owner (Case No: 05/2020/Rem) in the Admiralty Court of Colombo to recover the bills due on completed ship repairs.
  - II Files of 13 complaints closed with a determination of no further action, 01 file closed subject to re-opening, and 03 complaints were withdrawn by the applicants pursuant to 17 claims by retired employees based on non-consideration of NRCLG for EPF/ETF calculations by the company (CN/COM/202103/44 and others).
  - III Determination pending from the labour department regarding complaints of non-payment of ex gratia payment pursuant to the claims made by 02 employees who prematurely retired (CLN/COM/11/256/2022/08 & CN/COM/11/207/2022/06).

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

### 36. CAPITAL COMMITMENTS

There was no contracted capital expenditure approved by the Board of Directors as at 31 December 2022.

## NOTES TO THE FINANCIAL STATEMENTS

**37. TRANSACTIONS WITH RELATED PARTIES**

Company	Name of Common Directors	Nature of Interest	Particulars of Financial Dealings	Value of Transaction (Rs.'000')
Dockyard General Engineering Services (Pvt) Ltd	Mr. D.V. Abeysinghe	Subsidiary	Heavy Engineering Income	47,764
	Mr. H. Tanaka		Fess for management services	1,902
	Mr. K. Nayakarathne		Lease rental income	4,093
	Mr A Horibe		Dividend income	-
			Purchase of materials	9,187
			Obtaining sub contracting services	144,289
Ceylon Shipping Agency (Pte) Ltd		Subsidiary	Transport cost	18,049
			Purchase of Material	2,168,904
	Mr. H. Tanaka			
Dockyard Total Solutions (Pvt) Ltd.	Mr. D.V. Abeysinghe	Sub - subsidiary		
	Mr. Sarath De Costa			
	Mr. D.V. Abeysinghe		Supply of multi skilled labour	349,993
	Mr. H. Tanaka			
Onomichi Dockyard Company Ltd	Mr T S Godakumbura	Parent		
	Mr A Horibe			
	Mr. T. Nakabe		Obtaining technical services	189,967

This note should be read in conjunction with Note Nos. 21, 28, and 37(A) to these Financial Statements.

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

During the year ended 31 December 2022, 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**

	<b>2022</b>	<b>2021</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Short Term Employment Benefit	81,772	71,982
Total Employment Benefit	81,772	71,982

**( 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. MUTUAL CANCELLATION OF SHIPBUILDING CONTRACTS**

Colombo Dockyard PLC (CDPLC) and Edda Wind As (Edda Wind), Norway have entered into agreement to mutually cancel the two shipbuilding contracts for the construction and delivery of two commissioning Support operation vessels (CSOV)s.

This decision had been made solely due to the prevailing unstable economic and financial situation of the country. Due to the poor credit rating of SD "Selected Default" and significant scarcity of foreign Currency liquidity in the country, it was impossible to issue required guarantees continuously with these two projects could have resulted in significant risks and uncertainties.

However, CDPLC also endured their maximum effort to find feasible solutions by involving the top level government authorities, both local and international banks and financial institution and relevant diplomatic missions. Despite greater effort, it was understood that any feasible solution would not be forthcoming in near greater risks for CDPLC in pursuing the projects, CDPLC's Board has decided that a mutual cancellation was the most prudent option at this point.

On 28th July 2022, the Company entered into a cancellation agreement with Edda Wind As with a cancellation fee which has been fully provided in the financial year 2022. Company made a corporate disclose to Colombo Stock Exchange in this regard on 29th July 2022.

**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	2022 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn	2013 Rs. Mn
Revenue	24,533	14,885	8,079	10,145	13,169	12,052	9,973	14,407	13,707	15,861
Cost of Production	(22,834)	(13,048)	(7,480)	(10,038)	(12,232)	(10,607)	(8,736)	(13,616)	(12,508)	(14,246)
Gross Profit	2,055	1,835	599	107	937	1,445	1,237	791	1,199	1,615
Other Expenses	(4,514)	(2,264)	(1,806)	(2,274)	(1,986)	(1,918)	(1,828)	(1,714)	(1,607)	(1,697)
Profit before Other Income	(2,816)	(428)	(1,207)	(2,167)	(1,049)	(473)	(591)	(923)	(408)	(82)
Other Operating Income	4,428	467	164	166	1,060	202	143	170	347	536
PROFIT FROM OPERATION	1,612	39	(1,043)	(2,001)	11	(271)	(448)	(753)	(61)	454
Net Interest Costs	(1,025)	278	(206)	190	160	197	10	59	281	279
Profit before Tax	587	317	(1,249)	(1,811)	171	(74)	(438)	(694)	220	733
Taxation	(71)	(147)	(97)	(123)	(27)	(69)	6	(14)	(11)	91
NET PROFIT FOR THE YEAR	516	171	(1,346)	(1,935)	144	(143)	(432)	(708)	209	824
Retaind Profit b/f	4,778	4,611	6,119	8160	8,108	8,302	8,722	9,646	9,724	9,507
Profit available for Appropriation	5,312	4,782	4,773	6,225	8,252	8,159	8,290	8,938	9,933	10,331
Issue of Bonus Shares	-	-	-	-	-	-	-	-	-	-
Final Dividends/Other Comprehensive Income	(168)	(4)	(162)	(113)	(92)	(51)	12	(216)	(287)	(575)
	5,144	4,778	4,611	6,112	8,160	8,108	8,302	8,722	9,646	9,756

## Balance Sheet

As at 31st December	2022 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn	2014 Rs. Mn	2014 Rs. Mn	2013 Rs. Mn
<b>ASSETS</b>										
Property Plant & Equipment	4,673	4,667	4803	4231	4,049	3,806	4,038	4,328	4,281	4,147
Investments & Taxes	567	751	913	920	695	608	594	523	520	532
	5,240	5,418	5,716	5,151	4,744	4,414	4,632	4,851	4,801	4,679
<b>Current Assets</b>										
Inventories	5,140	1,693	878	505	718	647	1,235	985	956	753
Trade & Other Receivables	19,877	10,141	4812	4984	5,491	7,002	11,005	9,503	8,052	7,467
Cash & Cash Equivalent	18,165	6,827	4191	3986	4,115	4,642	2,110	1,870	2,631	3,329
	43,182	18,662	9,881	9,475	10,324	12,291	14,350	12,358	11,639	11,549
<b>TOTAL ASSETS</b>	<b>48,422</b>	<b>24,081</b>	<b>15,597</b>	<b>14,626</b>	<b>15,068</b>	<b>16,705</b>	<b>18,982</b>	<b>17,209</b>	<b>16,440</b>	<b>16,228</b>
<b>EQUITY &amp; LIABILITIES</b>										
Stated Capital	714	714	714	714	714	714	714	714	714	714
Other Reserves	22	17	(105)	(6)	93	16	15	15	15	14
Revenue Reserves	5,144	4,778	4611	6118	8,160	8,108	8,302	8,722	9,646	9,756
Share Holders Fund (Net Worth)	5,880	5,510	5,220	6,826	8,967	8,838	9,031	9,451	10,375	10,484
<b>Non-Current Liabilities</b>										
Lease Liability	135	156	186	167	-	-	-	-	-	-
Retirement benefit Obligation	1,201	928	1015	860	842	899	839	870	857	816
	1,336	1,084	1,201	1,027	842	899	839	870	857	816
<b>Current Liabilities</b>										
Trade & Other Payables	14,860	6,273	2714	3086	2,531	3,448	1,676	2,332	1,958	2,760
Interest bearing Borrowings	24,038	11,025	6441	3671	2,713	3,494	7,410	4,507	3,221	2,141
Income Tax Payable	-	-	-	-	-	-	-	-	-	-
Dividends Payable	10	9	10	11	15	26	26	40	27	23
Bank Overdraft	2,298	178	11	5	-	-	-	9	2	4
	41,206	17,485	9,176	6,773	5,259	6,968	9,112	6,888	5,208	4,928
	48,422	24,081	15,597	14,626	15,068	16,705	18,982	17,209	16,440	16,228



## 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 **Fortieth** 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 19th April 2023 for the following purposes.

### Routine Business

- To receive the Report of the Directors on the Affairs of the Company, the Audited Accounts for the year ended 31st December 2022 and the Report of the Auditors.
- To pass the ordinary resolution set out below with or without modifications to appoint Mr. C S W de Costa who has reached 70 years of age, as a Director of the Company;  
  
**"IT IS HEREBY RESOLVED THAT** the age limit stipulated in the Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. C S W de Costa who is 71 years of age to be nominated as a Director of the Company in terms of Article 80(2) read together with Section 211 of the Companies Act No. 7 of 2007".
- To pass the ordinary resolution set out below with or without modifications to appoint Mr. G A D L H Ganlath who has reached 70 years of age, as a Director of the Company;  
  
**"IT IS HEREBY RESOLVED THAT** the age limit stipulated in the Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. G A D L H Ganlath who is 71 years of age and that he be and is hereby appointed as a Director of the Company in terms of Article 87 read together with Section 211 of the Companies Act No. 7 of 2007."
- To pass the ordinary resolution set out below with or without modifications to appoint Mr. H A R K Wickramathilake who has reached 70 years of age, as a Director of the Company;  
  
**"IT IS HEREBY RESOLVED THAT** the age limit stipulated in the Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. H A R K Wickramathilake who is 70 years of age and that he be and is hereby appointed as a Director of the Company in terms of Article 87 read together with Section 211 of the Companies Act No. 7."
- To re-appoint Messrs. KPMG the retiring Auditors and authorize the Directors to fix their remuneration.
- To authorize the Directors to determine donations for the year 2023 and up to the date of the next Annual General Meeting

### Special Business

- To pass the following resolution as a **Special Resolution**;  
  
**"IT IS HEREBY RESOLVED THAT** the existing Article 80 of the Articles Association of the Company be deleted and the new Article as set out below, be substituted in its place.  
  
**"80. (1)** The Board of Directors shall consist of not less than five or more than ten in number.

So long as the shares of the Company are listed on the Colombo Stock Exchange, the Company shall in compliance with the Listing Rules of such Exchange ensure that -

- one third or two (whichever is greater) of the total number of Directors on the Board of Directors of the Company at any time and from time to time are Non-Executive Directors; and
- of such one third or two as the case may be of such Non-Executive Directors as aforesaid, a further one third or two (whichever is greater) shall also be 'Independent Directors' of the Company.

The number of Non-Executive Directors required to be on the Board of Directors of the Company at any time and from time to time, shall be determined with reference to the number of Directors on the Board of the Company at the immediately preceding Annual General Meeting of the Company.

For the purpose of this Article, the term 'Independent Director' shall be as defined and set out in the Listing Rules of the Colombo Stock Exchange above referred to.

## NOTICE OF ANNUAL GENERAL MEETING

(2) Subject to Article 80(1) hereof

- a) So long and as often as the aggregate shares held by the majority shareholder is greater than fifty percent (50%) of the issued capital for the time being of the Company the majority shareholder shall be entitled from time to time by a writing under the hands of its Chairman for the time being to nominate and appoint not more than six Directors.
- b) The Chairman, the Vice-Chairman and the Managing Director shall be nominated and appointed by the majority Shareholder out of the six Directors appointed by it in terms of sub article 80 (2) (a).

The Managing Director so appointed shall be the Chief Executive Officer.

The Chairman so appointed shall preside as Chairman at every General Meeting and at every Board Meeting. If at any meeting the Chairman be not present within five minutes after the time appointed for holding of the meeting, the Vice Chairman shall preside at such meeting, however if the Vice Chairman be not present within five minutes after the time appointed for holding the meeting, the Directors present may choose one from amongst the Directors appointed by the majority shareholder under Article 80 (a) to be Chairman of the Meeting.

- c) So long and as often as the aggregate of the shares held by a Shareholder is not less than ten percent (10%) of the Issued Capital for the time being of the Company a Shareholder shall be entitled from time to time by writing under the hand of its authorized signatories for the time being to nominate not more than one Director.
  - d) The right under the preceding paragraph to nominate and appoint shall be deemed to include the right to remove any person so appointed and to appoint another in place of any person so removed or in place of any person previously appointed who for any reason ceases to be a Director. Each of the above-mentioned authorized signatory to appoint (with respect to its power under the provisions of this Article) referred to in this Article as the "appointor".
  - e) The Directors who are from time to time appointed under sub-paragraphs (a), (b) and (c) of this Articles are referred to in these presents as "Nominee Directors".
- (3) In the event the aggregate held by the majority shareholder falls below the limits placed by Article 80 (2) (a), the Directors may appoint and remove the Chairman, Vice-Chairman, and the Managing Director and may determine the period for which they are to hold office. The Managing Director so appointed shall be the Chief Executive Officer.

The Chairman so appointed or in his absence, the Vice Chairman shall preside at the meeting of the Directors. If at any meeting the Chairman or the Vice-Chairman appointed in terms of this Article be not present within five minutes after the time appointed for holding the meeting the Directors present may choose one of their number to be the Chairman of the meeting. "

By order of the Board  
**COLOMBO DOCKYARD PLC**



**Manori Mallikarachchi**  
**Company Secretary**

23 day of March 2023  
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.

# I35

## 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. S. Nozaki	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. D L Nihal	of Colombo

as my/our Proxy to represent and speak and vote for me/us\* and on my/our behalf at the Fortieth Annual General Meeting of the Company to be held on 19th April 2023 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereon.

	For	Against
1. To approve the Ordinary Resolution with or without modification, as set out in item 2 in the Notice of Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Ordinary Resolution with or without modification, as set out in item 3 in the Notice of Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the Ordinary Resolution with or without modification, as set out in item 4 in the Notice of Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
4. To approve the Ordinary Resolution with or without modification as set out in item 5 in the Notice of Annual General Meeting to re-appoint Messrs. KPMG the retiring Auditors, and authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5. To approve the Ordinary Resolution with or without modification as set out in item 6 in the Notice of Annual General Meeting to authorize the Directors to determine donations for the year 2023 and up to the date of the next Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
6. To approve the Special Resolution to amend Article 80 of the Articles of Association of the Company as set out in item 7 in the Notice of Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our\* hands this ..... day of ..... Two Thousand Twenty Three.

.....  
Signature

Notes : \* Delete what is not applicable  
Instructions as to completion appear below

**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**

**A. Horibe**

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

**Lalith Ganlath**

**D. L. Nihal**

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

**S. Nozaki (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*

**Thimira S. Godakumbura**

*Chief Operating Officer*

**K. B. P. Fernando**

*Chief Commercial Officer*

**Mangala De Silva**

*General Manager (Group Legal & Compliance)*

**Lal Hettiarachchi**

*General Manager (Supply Chain Management)*

**S. G. Senadeera**

*General Manager (Ship Repair Business)*

**P. D. Gihan Ravinatha**

*General Manager (Finance) / Chief Financial Officer*

**H. D. P. M. Hettiarachchie**

*Actg. General manager (Human Resource Development & Administration)/Management Representative*

**P. S. Abeysinghe**

*Actg. General Manager (Production)*

**Manori Mallikarachchi**

*Legal Consultant/Company Secretary  
Attorney-at-Law & Notary Public*

**N. M. K. B. Nayakarathne**

*Managing Director/CEO (Dockyard General Engineering Service (Pvt) Ltd) B.Sc Eng.(Hon)*

**M. Rohan Desilva**

*General Manager (Dockyard Total Solutions (Pvt) Ltd)*

## 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**

**National Development Bank PLC**

**State Bank of India**

**Sampath Bank PLC**

**Standard Chartered Bank**

**People's Bank**

**Commercial Bank of Ceylon PLC**

**Hatton National Bank PLC**

**DFCC**

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