



COLOMBO DOCKYARD PLC

"...an Odyssey of Excellence"

Annual Report 2021

**ADAPT.
OVERCOME.
EVOLVE.**

Contents

Vision and Mission	2
Health, Safety and Environmental Policy	3
Corporate Profile	4
Financial Highlights (Company)	5
The Operational Impact of 365 days	6
Chairman's Report	8
Managing Director / CEO'S Review	11
Board of Directors	15
Corporate Management Team	19
Management Discussion and Analysis	23
Financial Review	34
Corporate Milestones	38
Corporate Governance	40
Risk Management	51
Shareholder Information	57

Financial Reports

Financial Calendar 2021/2022	62
Annual Report of The Board of Directors On the Affairs of the Company	63
Related Party Transactions Review Committee Report	68
Statement of Directors' Responsibilities	70
Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	71
Independent Auditors' Report	72
Statement of Profit or Loss and Other Comprehensive Income	76
Statement of Financial Position	77
Statement of Changes in Equity	78
Statement of Cash Flows	80
Notes to the Financial Statements	82
Ten Years Financial Summary	129
Notice of Annual General Meeting	130
Form of Proxy	131
Corporate Information	Inner Back Cover



ADAPT. OVERCOME. EVOLVE.

In the year under review, we collectively managed to evolve, overcoming and adapting to the National and global challenges and obstacles that we faced. With our sights set firmly on the future, while ensuring efficiency of our newly diversified ventures we surged ahead with our new shipbuilding projects we undertook that are a prestigious first for Colombo Dockyard. Whatever situation we may face, our constant focus as a company remains firmly fixed on adapting, overcoming and evolving; and with this in mind the journey ahead will see us propel towards greater opportunities and achievements proving yet again our unwavering “...an Odyssey of excellence”.

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

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.



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.



Corporate Profile

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

CDPLC is conveniently located within the port of Colombo, the hub of all major shipping lanes connecting the West, the Middle East, the Far East, as well as Africa and Australia, CDPLC has a strategic advantage to conduct both dry dock and afloat operations.

Colombo Dockyard, as a state of the art engineering entity, operates four graving dry docks with a maximum capacity of 125,000 DWT and extensive repair berth facilities.

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

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

- Flexibility
- Innovation
- Being Customer Centric
- Environmentally Friendly
- People Focused

Colombo Dockyard's niche position in building some of the world's most unique vessels holds the Company in good stead. The emphasis on absolute quality and the infusion of green initiatives (some of them, pioneering features in this region) as well as our processes, give us a competitive stance that is far ahead of those established in the South Asian region. This has resulted in improving our capabilities of effecting difficult and sometimes unique processes, building techniques and repairs that have helped us carve out our own niche in this industry

Financial Highlights (Company)

	2021	2020	Change	%
Results for the Year	Rs. Mn	Rs. Mn	Rs. Mn	
Revenue				
Ship Repairs	9,211	5,010	4,201	84
Shipbuildings	5,285	2,931	2,354	80
Heavy Engineering	389	138	251	182
	14,885	8,079	6,806	84
Export Revenue	13,924	7,477	6,447	86
Local Revenue	961	602	359	59
Gross Profit	1,836	598	1,238	207
Profit / (Loss) before Tax	318	(1,250)	1,568	125
Taxation	(147)	(98)	(49)	49
Net Profit / (Loss) after Tax	171	(1,347)	1,518	113

Profit available for Appropriation

Company Value Addition	5108	3,418	1,690	49
Company Value Addition %	33	41	(8)	(20)
Local Value Addition	9714	5,126	4,588	90
Employees Salaries & Benefits	4,145	3,645	501	14

	2021	2020	Change	%
Results for the Year	Rs. Mn	Rs. Mn	Rs. Mn	
Financial Position				
Total Assets	24,081	15,597	8,484	54
Total Liabilities	18,571	10,377	8,194	78
Share Holders' Fund	5,511	5,220	291	6
Net Cash & Cash Equivalents	6,648	4,180	2,468	59

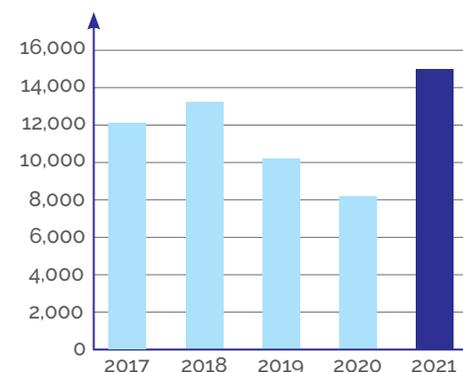
Information Per Ordinary Share

Earnings (Rs)	2	(19)	21	110
Net Assets (Rs)	77	73	4	5
Market Value (Rs)	79	85	(6)	(7)
Market Capitalization(Rs.Mn)	5,705	6,129	(424)	(7)

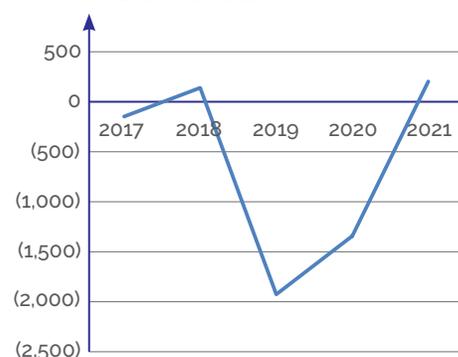
Financial Ratios

Net Profit after Tax (%)	1	(17)	18	107
Return On Investment (%)	0.8	(26)	26.8	103
Return On Assets (%)	0.1	(6)	6.1	103
Interest Cover (Times)	0.08	(5)	5.0	101
Return On Equity (%)	3	(25)	28	112

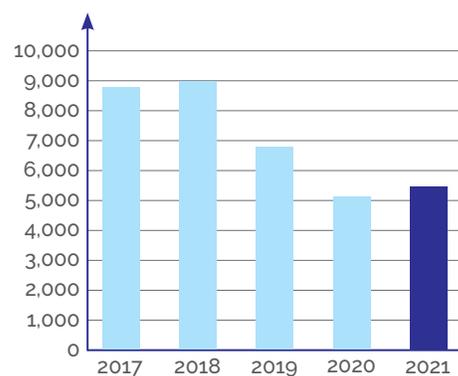
Total Revenue (Rs Mn)



Profit After Tax (Rs Mn)



Share Holders Fund (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.

Rs. 14 Bn

Total Revenue

The Company managed to reach total revenue of Rs. 14Bn as against Rs.8Bn recorded for last year with the adverse effects of the Coronavirus to the world economy and country's economy during the year 2021.

3 Nos

Delivery of New Vessels

Successfully delivery of three vessels in one financial year. Two vessels for a foreign client and one vessel for local client.

94 %

Foreign Revenue

Export earnings generated in 2021 was over 94% of the total Revenue. This represents 97% of foreign revenue generated from Shipbuilding & Ship Repairs during the year. Company contributed 0.2% to Sri Lankan annual industrial export earnings.

163 Repairs

Completion of Ship Repairs

Successfully completed 163 ship repair jobs during the year compared to 101 recorded for 2020.

3,000

Direct Employment

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

99.5 %

Employee Retention

Despite many economic downturns both locally and globally, we have had few employee resignations during 2021.

Rs.5,108 Mn

Local Value Addition

Company's local value addition has increased by 50% during the year 2021

Rs. 291Mn

Capital Expenditure

Company added above capital values for yard productivity improvements and infrastructure development during the year 2021.

“We strongly believe that shipbuilding is a vital conduit in developing the economy. To optimise growth potential, the sector needs to establish and achieve higher volumes”



Chairman's Report



Dear Shareholders,

The year 2021 proved to be a momentous year in terms of our growth pursuits in spite of global and local challenges that stemmed from the COVID-19 pandemic. During the year, Colombo Dockyard PLC chartered new avenues of growth, implemented a set of strategies to consistently enhance the quality of our services, invested in training and knowledge development of our people and

extended our reach to the European market. Meanwhile, we reinforced our brand positioning as - 'Built in Sri Lanka blending Sri Lankan technology with Japanese quality.' In this opportune backdrop, I am pleased to present the Annual Report and Financial Statements of Colombo Dockyard PLC (CDPLC) for the financial year ended 31st December 2021.

Financial performance

In 2021, the Company posted a commendable revenue of Rs. 14,885 Mn, illustrating an year on year improvement of Rs. 6,805 Mn. CDPLC's profit for the period after tax stood at Rs. 171 Mn. A confluence of sound, far-reaching strategies, our ability to leverage market opportunities and new market reach contributed to this promising performance.

Global overview

Global economic recovery was somewhat slow paced in 2021, in the face of repeated waves of COVID-19 infections, geopolitical tension as well as disruptions in the global supply chain. Global trade experienced a longer than expected delay in supply chains, which held back economic growth and contributed to inflation across both advanced and developing markets. In this backdrop, the International Monetary Fund revised global growth projections for 2021 to 5.9 percent and 4.9 percent in 2022.

Meanwhile, the global Ship repair industry witnessed a surge in activities as ship owners sought to meet compliance standards in 2021 following a lull in 2020 due to the pandemic. While the shipping industry regained some of the lost territory as seaborne trade picked up pace in 2021 as a result of adjusted demand, the prevalent logistical disruption dwarfed the expansion of the world fleet.

Freight rates increased during the year under review. However, recovery profiles differ with Container, Gas and Dry Bulk volumes reflecting a stronger recovery and oil trade volumes indicating a 10% slump. However, we expect seaborne trade to make a complete recovery in 2022, which in turn would increase the ship building and repair segment.

Local operating context

The Sri Lankan economy continued to experience the negative repercussions of the pandemic-driven socioeconomic challenges. Loss of employment and earnings continued to pose challenges, while short-term liabilities and constrained market access triggered a low level of official reserves - creating a severe foreign exchange shortage and pressure on the exchange rate. Inflation levels were at 6.7 percent in August 2021, mainly driven by food inflation.

Our growth in 2021

The year 2021 will go down in the history of CDPLC as one in which we made great strides of progress in all business sectors.

During the year under review, we entered into the European market with securing a contract to build four 5000DWT Eco-Bulk Carriers for the Norwegian company Misje Eco-Bulk. This vessel series signaled CDPLC's entry into the European market as well as the first ever project undertaken by the Company to equip vessels with Energy Storage Battery System and Hybrid technology. The Norwegian company further commissioned Four 5000DWT Eco-Bulk Carriers to be completed in 2025.

Further, we completed construction of the Buoy Tender Vessel (BTV) and the Pilot Station Vessel (PSV) for the General Company for Port of Iraq (GCPI) during the year under review.

In September 2021, we began construction of the Cable repair vessel (CRV) signed with Orange Marine France in 2020.

Nonetheless, the biggest turning point of our journey was receiving numerous inquiries for SOV/CSOV in 2021, particularly from Europe, in tandem with the global trend in constructing and planning offshore wind farm markets. In 2021, we laid the foundation to attract more SOV/CSOV through illustrating our yard capabilities through targeted marketing.

In 2021, the Ship Repair sector grew with CDPLC repairing 163 vessels, illustrating a significant growth from the previous year. The Deadweight managed in 2021 was considerably higher at 4,355,706 Tons from 3,129,140 Tons in 2020. CDPLC repaired 73 (1,551,713DWT) at the Drydock in 2021.

During the year under review, we sought to upgrade our Ship repair sector with commissioning a 70 Ton crane at double banking position to complete the BWMS installations with increased yard capacity. We opened our Trincomalee office in 2021 - aiming to develop CDPLC's afloat repair services and facilitate the long-term expansion drive to handle offshore repair projects. As such, CDPLC succeeded in establishing three afloat repair facilities in Colombo, Hambantota and Trincomalee to meet our client expectations and offer comprehensive and fast-tracked services.

The Heavy Engineering sector illustrated its growth prospects in 2021 through securing a contract from Promonant Pvt Ltd to design, supply material, fabricate, tow and install an Underwater Restaurant Structure (UWRS) at Aanugandu Falhu Island in Republic of Maldives.

Chairman's Report

The year under review, foretold a brighter future for CDPLC with an increasing number of projects as well as quality enhancements. However, with the price of steel plate and equipment on the rise due to the narrow supply and demand gap, increasing profitability in a competitive market is a daunting task.

In response to this status quo, we took proactive and far-seeing steps to increase our cost-efficiency, technological edge and service standards on par with international levels through training and development as well as establishing partnerships to minimize our reliance on brokers and agents. In line with our commitment to upgrading our standards, we obtained the ISO 9001:2015 for QMS, ISO 14001:2015 accreditation for Environment, ISO 45001:2018 accreditation for Health & Safety and ISO 50001:2018 accreditation for Energy Management.

Future outlook

We plan on building upon the stable foundation for growth that we crafted in 2021 in the near future. Our growth strategies for 2022 and beyond pivot upon productivity improvement, diversification, innovation, changing the work culture on par with Japanese standards and reaching out to new markets such as Europe while nurturing our existing customers base. Ultimately, CDPLC plans on delivering internationally approved, certified, reliable, high-quality product and services our customers at competitive rates.

We expect the year 2022 to be an eventful year of growth and further solidification of our long-term goals to become a sustainable business that can adapt and operate successfully in the era of the fourth industrial revolution and environment sustainability.

Acknowledgement

In conclusion, I would like to place on record my gratitude to the President of Onomichi Dockyard, Japan and to our Board of Directors for their prudent guidance. I would also like to thank the government authorities for their steady support in our growth pursuits. I am deeply grateful to our employees for their consistent support, performance and the ability to adapt to evolving realities. Let us pursue our goals of sustainable growth with integrity, commitment and confidence in our innate ability.



Hideaki Tanaka
Chairman

03 June 2022
Colombo, Sri Lanka

Managing Director / CEO'S Review



Resilience was the cornerstone of our operations in 2021, a year in which Colombo Dockyard PLC (CDPLC) still had to combat the challenges spilling over from COVID-19, yet succeeded in chartering new paths for growth and embark on a steady trajectory towards sustainable growth. While we had to content with the prolonged downturn in the marine and shipping industry as well as

repeated waves of the COVID-19 pandemic continued to challenge our strategic plans, we effectively managed the status quo to seek new growth opportunities. In spite of the downturn experienced during the past 6 years, the negative impact of the Easter Sunday attack, and the COVID - 19 pandemic, the year 2021 was one of growth and optimism for Colombo Dockyard PLC.

Managing Director / CEO'S Review

Performance backdrop and navigating challenges

In 2021, we reinforced our marketing efforts to reach out to the European market and strengthen focus on the ship repair sector, which provided ample opportunities for growth during the year under review as ship owners were ready to commence work and upgrading vessels to meet compliance standards following the lull experienced in 2020 due to the pandemic.

CDPLC took numerous proactive measures to meet the challenges, which enabled us to emerge from the less than hopeful situation with renewed vigour. We stepped up gear in our existing projects, and implemented a work environment that enabled the Company to continue operations in the 'new normal.' As such, we established a 'Safehouse' under quarantine regulations to allow over 100 service engineers, superintendents and surveyors to continue operations even during lockdown periods. Meanwhile, we followed the health guidelines stipulated by local health authorities and the WHO to ensure the safety of our employees, customers, sub-contractors, suppliers and partners.

CDPLC leveraged on synergies across the Company to streamline processes and utilize resources effectively and efficiently while reducing cost and eliminating waste. In addition, we took appropriate steps to create an efficient working culture across all facets yard operations to enhance our level of quality and delivery time, a strategy that allowed us to attract more business opportunities during the year under review.

Financial performance

CDPLC recorded a credible revenue of Rs. 14,885 Mn for the year 2021, and recorded year on year improvement of Rs. 6,805 Mn. The Company profit for the period after tax stood at Rs. 171 Mn. This highly satisfactory performance stemmed from the measures we took to resolve issues that all sectors - Ship repair, Shipbuilding, and Offshore Engineering and faced to overcome the negative trend experienced over past few years.

Shipbuilding business

The Shipbuilding sector witnessed a number of milestones in 2021, achieving success in spite of the grueling market conditions. CDPLC signed the contracts of the 'balance 3 eco-bulker vessels' of the 6 vessels order effective for the Norwegian owner in 2021. Reflecting further progress in the eco-bulker vessel market, the Company began construction of two eco-bulker vessels in 2021 with keel laying completed during the year. The two vessels are scheduled to be completed and delivered in 2022.

Reaching another momentous milestone, we completed construction and delivered the 60m Buoy Tender Vessel (Al-Faw) and the 50 m Pilot Station Vessel (Shatt Al-Arab) for the General Company for Ports of Iraq (GCPI), a project which we undertook when a Japanese prime contractor sub-contracted it to CDPLC - funded under a Japanese ODA Loan by Japan International Cooperation Agency (JICA).

In 2021, we began construction (completed laying keel) of "Sophie Germain" - the newest 100 m long Cable Laying and Repair Vessel of the Orange Marine (France) Fleet. The vessel is a modern, high technology vessel equipped for sub-sea cable lay and repair operation duties - scheduled to be delivered in the year 2023.

Moreover, CDPLC completed and delivered a Pilot Launch DOLPHIN 41 for Kowa Company Ltd., Japan during the year under review.

Even though the Ship building sector does not bring in healthy profits at the moment, it is integral to the sustainable operation and growth of the Company through facilitating technological enhancement while also absorbing overhead expenses. Meanwhile, CDPLC is actively working towards increasing the profitability of the Ship building sector through productivity improvement tactics, changing the culture through essential Health, Safety and Environment compliances of new ship owners from Europe and developing detailed designs in-house through the subsidiary company Dockyard Total Solutions (Pvt) Ltd (DTS).

CDPLC's Ship building sector has garnered a high reputation and recognition in the European market for high quality of vessel building, establishing the brand - 'Built in Sri Lanka blending Sri Lankan technology with Japanese quality.' As such, the Company began intensifying focus on more projects from the European market - a business approach that will be a key strategy in the shipbuilding sector.

Moreover, in line with the current global interest in alternative energy, CDPLC plans on penetrating the market for Commissioning Service Operation Vessels (CSOVs) a specialized type and complex vessel, used in the offshore wind farms. CDPLC has already laid out plans to enter the growing CSOV market as well as Cable Laying ship in terms of further market development, getting into a high-tech and superior quality conscious market segment. We believe that this timely shift in focus to the growing CSOVs for the offshore wind farm domain will be a remarkable leap forward from our previous focus on offshore vessels (OSVs) for the Oil & Gas exploration/production domain.

Ship repair business

The Ship repair sector outperformed the other sectors in 2021, posting revenue of USD 46 Mn indicating a 70% growth (USD 19 Mn) when compared to last year's revenue of USD 27 Mn.

The Ship repair sector performed well during the challenging 2021 as a result of proactive internal tactics that the Company initiated to overcome pandemic-driven difficulties, with support from government authorities. The year 2021 was a year of recuperation after the heavily felt impact of 2020 on a global scale. As such, CDPLC's Ship repair sector was already mature enough to navigate the market challenges effectively with insight, and grasp the opportunities presented in the post-2020 market.

During the year under review, CDPLC 163 major layup and dry-docking repairs, out of which 73 were repaired in Dry-docks and 90 vessels repaired afloat. In sharp contrast to 2020, the Company's dead weight handled stood at

4,355,706 dwt which is significantly higher (by 1,226,566 dwt) compared to 2020 (3,129,140 dwt).

The biggest challenges that the Ship repair business had to contend with in 2021 was the heavy competition from other Shipyards in the region as well as the pressure to meet tighter timelines for ship repair, in the aftermath of from owners postponing periodical dry-docking in 2020, as classification societies offered time extensions during the year (2020) considering the pandemic. In this context, ship owners demanded faster turnaround times on tighter budgets due to low income due to reduced shipping activities as competition levels were high. Since available business opportunities are shared amongst shipyards, competition became tighter and more aggressive.

In response to the challenges, CDPLC initiated a cost-effective production process. Meanwhile, the commissioning of the new 70 T dock crane which can be deployed for repairs on double-banked vessels at North Pier, proved to be advantageous in boosting revenue from the Ship repair sector. Mindful of this fact, we increased our focus on infrastructure development in the Ship repair sector, a step that we had earlier omitted when Shipbuilding sector played the main role.

Moreover, in 2021, CDPLC expanded operations of the 'Rapid Response Afloat Repair', by opening the Trincomalee Branch office in the Port of Trincomalee. This facility will augment the repair capability accommodating routine afloat repair and offshore related activities, in line with the Sri Lankan Governments Trincomalee Port expansion drive.

Heavy engineering business

Our Heavy Engineering sector continued to make steady focus in 2021 fuelled by the support extended by our parent company Onomichi Dockyard, which enabled us to secure Japanese Government funded projects in the region. CDPLC is currently engaged in the project to design, fabricate and deliver slipway equipment to Bujumbura port in Republic of Burundi - signaling our entry into the East African market, which is expected to open up more avenues of growth for the Company.

In addition, we secured a contract to build yet another 'Under Water Restaurant' (second such project) for a Maldivian owner by 2022. Meanwhile, the Company carried out a large number of fender replacement projects for a local port operator and completed numerous small and medium scale projects for local clients during the year 2021.

Our future plans for the Heavy Engineering sector involves entering into overseas projects in developing countries mainly through manufacturing of components in collaboration with foreign companies. In 2021, we laid the foundation to manufacture certain components for projects that we have already obtained, based on knowledge and cost sharing with original equipment manufacturers.

Yard standards and compliances

Yard standard maintenance and upgrading in line with internationally accepted quality accreditation are critical aspects of developing a viable business. As such, we implemented improvement

Managing Director / CEO'S Review

and development activities to ensure compliance with required international standards. CDPLC successfully met accreditation standards to obtain the ISO 9001:2015 for QMS, ISO 14001:2015 accreditation for Environment, ISO 45001:2018 accreditation for Health & Safety and ISO 50001:2018 accreditation for Energy Management.

New marketing strategies

CDPLC made great strides in market strategy development in 2021, under the able-guidance from our Chairman who counts years of insights in marketing. We will focus on reaching out to new customers while identifying issues and challenges to better meet expectations of existing customers. In the meantime, we are steadily working towards minimizing dependency on agents and brokers through developing direct contacts.

Our growth efforts in 2021 were geared towards improving the Company's quality, safety and productivity standards on par with Japanese standards. During the year under review, we developed our employees' knowledge and skills through training and assisting them to acquire experience with new technologies and become flexible in adoption of such innovations and practices.

Future outlook

In 2021, CDPLC secured a larger number of projects and enhanced both Shipbuilding and Ship repair sectors with the able-support of our parent company, Onomichi Dockyard Co Ltd Japan. In 2022, we plan to build on this opportune

platform through completing the projects within stipulated budgets, and extracting maximum value from each project. Therefore, we expect the next few years to be a 'busy period' - during which we will be working strenuously to deliver the project undertaken in a timely and efficient manner without compromising on the standards.

During the year under review, we initiated a number of steps to steer us towards this ultimate goal of growth.

We are well aware of the fact that timely delivery of our obligations would require enhancing productivity, adopting new work methods, training our workforce and keeping them motivated. Such actions - executed simultaneously will result in a shift in attitudes of our employees and our work culture to facilitate attaining our goals. The major pillars of our business undoubtedly are our customers. With this in mind, we are well-geared to provide internationally approved, certified, reliable, high-quality product and services at a competitive price. Aiming to provide a satisfactory service to our customers, we will consistently strive to enhance compliance with international standards in every aspect of our business. In the meantime, we are aware that the Company's sustainable growth depends on diversification through improving performance of all sectors.

We are confident that the year 2022 will be a significant year for CDPLC in terms of positive change and viable growth.

Acknowledgements

I would like to conclude my message by thanking our shareholders, especially our main shareholder the Onomichi Dockyard Company Ltd of Japan. I wish to extend my gratitude towards our Chairman, and the Board of Directors whose able guidance allowed the Company to steer towards growth, and face the troubling socioeconomic challenges with resilience. I would also like to express my gratitude to present Government, BOI, Sri Lanka Ports Authority, the Department of Customs, the Sri Lanka Navy and our Bankers for their cooperation during the year. I am grateful to the trust that our customers placed in us during these challenging times and we hope to work with them in the future to bring value to all our stakeholders as we continue to pursue operational and financial success in the years to come.



D.V. Abeyasinghe
Managing Director/ CEO

03 June 2022
Colombo, Sri Lanka

Board of Directors



Hideaki Tanaka
Chairman

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 Chairman of Japanese Chamber of Commerce Manufacturing Division.

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

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

Sarath De Costa

Vice Chairman

Dip. Foundry Engineering

Former Consul General for Sri Lanka in Osaka, Japan.

Appointed to the CDPLC Board in June 1993.

Present Chairman and Managing Director of AMANO & TIVOLI Group of Companies, President Imperial Trading Corporation Japan, Director of Central Industries PLC., Director Ceylon Shipping Agency (Pte) Ltd Singapore Life Member - Japan Sri Lanka Technical Co-operation and Member - Sri Lanka Japan Friendship Society.

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



Sarath De Costa

Vice Chairman

Board of Directors



D. V. Abeysinghe
Managing Director/CEO

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.



T. Nakabe
Director



A. Horibe
Director

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.



H. A. R. K. Wickramathilake
Director



Lalith Ganlath
Director

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.

Board of Directors



W. L. S. W. Jayasundera
Director

W. L. S. W. Jayasundera

Director

Additional Superintendent of Employees Provident fund Central Bank of Sri Lanka

Appointed to CDPLC Board on 08th December 2021

Mrs. W L S W Jayasundera has over 18 years of experience at the Central Bank of Sri Lanka especially in the areas of fund management, financial risk management, foreign reserve management, procurement procedure, agency functions and public relations. During this period she had served in the Public Debt Department, International operations Department and Risk Management Department of the Central Bank. Currently Mrs. Jayasundera serves as the Additional Superintendent of the Employee's Provident Fund Department of the Central Bank of Sri Lanka and functions as a member of the EPF investment Committee.

Mrs. Jayasundera holds a Master of Business degree in banking and finance from the Monash University, Australia, Post Graduate Diploma in economics from the University of Melbourne, Australia and Bachelor of Arts degree in Economics from University of Peradeniya.

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



V. G. L. A. Jayawardena
Director

Corporate Management Team



D.V.Abeysinghe
Managing Director/CEO

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.

K. B. P. Fernando
Chief Commercial Officer

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

He is having over 36 years of exposure in this industry. Out of which, 07 years had been at sea as a qualified Marine Engineer & the rest at Colombo Dockyard PLC in the sectors of Ship Repairs, Ship Management, Invoicing & Commercial. Previously he has held the positions of General Manager (Ship Repair Business) and Chief Operating Officer, prior to his appointment as Chief Commercial Officer in 2020.



K. B. P. Fernando
Chief Commercial Officer



Mangala De Silva
General Manager

Mangala De Silva
General Manager

(Human Resource Development & Administration)
MBA (PIM-USJ), M LR&HRM (Col), Dip.M CIM(UK), MABE (UK), MISM,
Attorney-At -Law

Has over 30 years of experience at Colombo Dockyard PLC in the field of Human Resource Management and Administration. A life member of the Bar Association of Sri Lanka, PIM Alumni Association, and a member of the Association of Business Executives (UK). He is qualified as a Lead Auditor certified by LRQA and trained in Japan under AOTS programs for Solving Human & Organizational Problems (Nagoya) and Industrial Relations & HRM (Tokyo).

Corporate Management Team



R. M. Vajira Rathnayake
General Manager (SCM)

R. M. Vajira Rathnayake

General Manager (Supply Chain Management)

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

Joined Colombo Dockyard PLC in 1996. Has over 24 years of experience in the field of the Supply Chain Management. Served 03 Years as Manager of the Ceylon Shipping Agency (PVT) Ltd., Singapore. Currently serving as an external board member of the Faculty of the Computing and Technology of the University of Kelaniya, Sri Lanka and also a member of the Industry Advisory Board of the same faculty. Associate Member of the Singapore Institute of Management.

Lal Hettiarachchi

General Manager (Projects & Engineering)

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

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. Currently serves as a Member of South Asia Technical Committee of Lloyds Register of shipping and a visiting lecturer of kothalawala Defense University.



Lal Hettiarachchi
*General Manager
(Projects & Engineering)*



Thimira S. Godakumbura
General Manager (Production)

Thimira S. Godakumbura

General Manager (Production)

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

He obtained BSc. Eng. Degree in Mechanical Engineering from the University of Moratuwa, Sri Lanka in 1999 and started career at Colombo Dockyard PLC. since 2000 as a Trainee engineer. He has gained rich experience and knowledge in Ship Building and Ship Repairing industry with local and overseas training including in Onomichi Dockyard, Japan, and Dry Dock World, UAE. He Obtained Master's Degree in Business Administration (MBA) from the Post Graduate Institute of Management, University of Sri Jayewardenepura. He is a Chartered Mechanical Engineer and a corporate Member 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 serving as a member of the Indian Technical Committee of Nippon Kaiji Kyokai (ClassNK).



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

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 26 years of exposure in this field including more than two years' service as Manager of the Ceylon Shipping Agency (PVT) Ltd., Singapore.

P. D. Gihan Ravinatha

General Manager (Finance) / Chief Financial Officer

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

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



P. D. Gihan Ravinatha
General Manager (Finance)
Chief Financial Officer



**Manori
Mallikarachchi**
*Legal Consultant/
Company Secretary*

Manori Mallikarachchi

Legal Consultant/Company Secretary

Attorney-at-law & Notary Public

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

Corporate Management Team



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.

N. M. K. B. Nayakarathne

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

M. Rohan De Silva

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.



M. Rohan De Silva

General Manager
(Dockyard Total Solutions
(Pvt) Ltd)

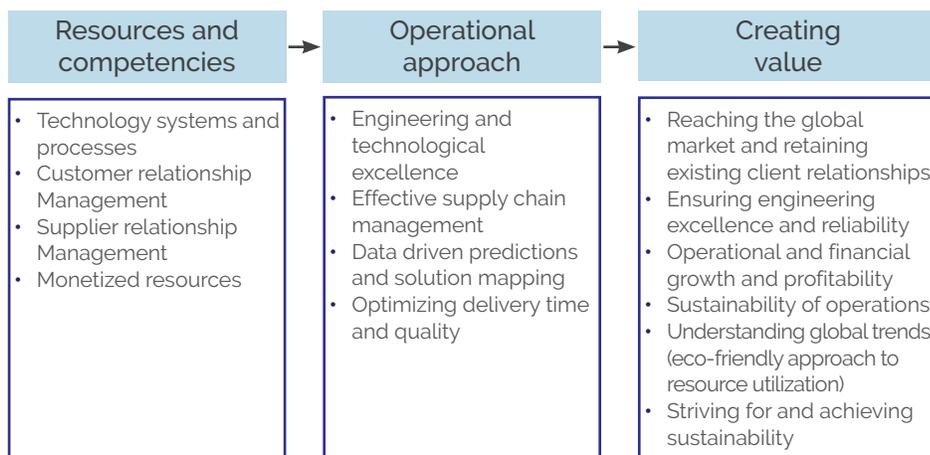
Management Discussion and Analysis

INTRODUCTION

Craftsmanship and stewardship are the cornerstones of Colombo Dockyard PLC, a ship repairing and building company located strategically at one of the main marine hubs close to main sea lanes. We provide maritime solutions to meet the trade, energy, recreation and transportation possibilities of the oceans through ship repair, design, building and related services. At present, Colombo Dockyard PLC operates four graving drydocks with maximum capacity up to 125,000 DWT located inside the port of Colombo, in joint collaboration with Onomichi Dockyard Co. Ltd. Japan. Over the past 28 years, we have combined our technological knowledge with standardization to grow steadily. Our future prospects and strategies are strongly connected to standardization and sustainability.

BUSINESS STRATEGY

In 2021, Colombo Dockyard PLC has repaired and refurbished 163 of ships and built 3 of vessels. Our growth strategy stems from insight driven approaches that remain market sensitive, seek to envision future possibilities and steadfastly strive for sustainability of operations.



GROWTH STRATEGY FOR 2021 AND RISK-MANAGEMENT

The COVID-19 pandemic continued to adversely impact the global shipping industry in 2021, with ever-uncertain and changing health concerns and restrictions emerging from the spread of different variants of the corona virus dampening the business outlook. Meanwhile, trading difficulties and uncertainty forced ship owners to obtain extensions from classification societies and continue trading as much as possible. Considering all acts, the deadline for IMO Regulations in Ballast Water Treatment Systems installation was also extended from 2022 to 2024.

In spite of the challenges, we were better prepared to handle the status quo in 2021. As such, Colombo Dockyard PLC proactively implemented necessary precautions and followed WHO and government sanctioned health guidelines in managing the arriving crews and engineers in a safe manner to prevent the spread of the virus in the shipyard.

Mindful of the required physical presence of our foreign stakeholders for the continuation of shipbuilding and ship repairing activities, we obtained approval

to operate a 'Safehouse' under quarantine regulations. The Safehouse facilitated over 100 occupants including service engineers, superintendents and surveyors even during the lockdown periods. The confidence and momentum that followed the establishment and running of the Safehouse enabled Colombo Dockyard to continue operations uninterrupted. As a result, we were able to comfortably manage a large number of vessels at any given time at the ship yard, which resulted in commendable revenue generation in the ship repair sector in spite of pandemic restrictions.

Occupational Health and Safety / Health & Safety and COVID Prevention Measures

High level of occupational risk is an inherent challenge of the ship building, repairing and heavy engineering sectors. Mindful of this, Colombo Dockyard PLC consistently upgrades healthy and safety standards and conducts training to enhance health and safety knowledge. In 2021, with new variants of COVID-19 presenting fresh challenges at every step of the way, we intensified our focus on HSE (Health, Safety and Environment) standards.

Management Discussion and Analysis

Colombo Dockyard PLC achieved a significant HSE milestone in 2021 - migrating the Safety Management System certification from OHSAS18001 to new ISO standard ISO45001:2018. Prior to bestowing the certification on Colombo Dockyard PLC (CDPLC), LRQA - the certification body conducted an assessment of CDPLC's OH&S Management system including Hazard identification & risk assessment, control measures and appropriateness of corrective preventive measures to mitigate risks. Creating a work environment that complies strictly with international HSE standards in the ship building and repair industry is a gargantuan task. Nevertheless, CDPLC implemented the necessary standards through adopting a stringent methodology to elevate safety standards and increase risk awareness amongst our employees. The leadership and guidance of our senior management and the exceptional commitment of Compliance Representatives supported by respective functional heads were integral to obtaining the new ISO standard ISO45001:2018 standards.

Meanwhile, CDPLC took action to further improve HSE standards in 2021 with the Safety Week (conducted from 25th to 30th October) in line with the National Safety week. We conducted a number of Occupational Health and Safety (OH&S) related activities during the entire week for the entire workforce, while the top management communicated its commitment to improving OH&S during the same period.



The HSE department organized a number of training sessions targeting employees across the organization to improve awareness on Occupational Health and Safety. Additionally, CDPLC implemented the 'Permit to work' system as well as lockout and tagout procedures to curb the spread of the corona virus, and continue Yard operations without undue interruptions.

As the COVID-19 pandemic continued to pose challenges, we diverted the organization's human

and financial resources to combat the associated health challenges to pave the way to achieve Company goals for the year and beyond.

During the year under review, approximately 98.6% of CDPLC's workforce received their first and second doses of the COBID-19 vaccination, while 68% of the workforce received their third dose of the vaccine.

Moreover, CDPLC initiated a number of other proactive measures to mitigate the impact of COVID-19 and ensure continued operations of the Company. We continue to run and manage a dedicated isolation centre for employees while providing them (on request) medical facilities at state run hospitals, private hospitals, and Intermediate Care Centers (ICCs).

The proactive leadership of senior management as well as the dedication and prudent actions of CDPLC health center and medical staff, welfare & transport departments along with Employees' Welfare Association allowed the Company to curtail COVID-19 related risks and continue operations in an efficient manner.



HUMAN CAPITAL DEVELOPMENT

Our human capital remains an integral part of our business success, fuelling qualitative improvement and enhancing our ability to sustain and grow in the long, medium and short term. As such, training and development of our people is pivotal to the viable growth of the Company. In line with this approach, CDPLC's knowledge centre has consistently promoted a learning culture across the length and the breadth of the Company. The Knowledge Centre not only facilitates training and development of our own people but also functions as a platform for knowledge enhancement for external trainees.

The Knowledge Centre works towards fulfilling the annual training need of the Company in line with capacity building and talent management of the existing workforce through conducting periodic workshops and training sessions using both internal and external resources.

In 2021, CDPLC's Knowledge Centre facilitated a number of training courses aimed at assisting the burgeoning new construction projects.

In the meantime, CDPLC advocated for a reconsideration of the government's Act No 28 of 2021, extending the minimum age of retirement for private sector employees from 55 years to 60 years. We believe that the negative implications of such an extension outweigh the positive impacts. While retention of experienced employees for 5 more years would be beneficial in terms of knowledge capacity and skill level, the advanced age of employees is detrimental to companies such as CDPLC, which inherently involves a high-risk work environment, and consequently call for higher HSE standards. Employees of advanced age would find physically demanding work onboard ships, engine rooms, pump rooms challenging, which could impact overall efficiency. In addition, the advanced age of employees somewhat restricts the infusion of new technological knowledge and innovations. As the majority of employees of advanced age are on the maximum salary scale, continuation of salary payment for another 5 years would have a negative impact on the company's operational cost.

In this, context, CDPLC will continue to advocate and communicate with the Ministry of Labour to reconsider

the extension of retirement age of private sector employees.



Yard Capacity Development and Technical Improvements - 2021

Gearing to pursue sustainable growth, CDPLC invested heavily in Yard Capacity building and technical improvements during the year under review.

In 2021, we introduced a 70ton crane for Dock no 4 North pier, enabling easy access to vessels on double bank. CDPLC also replaced the entire crane track with new rails.

During the year 2021, CDPLC was able to enhance yards ship repair capability by introducing a 70ton crane for Dock no 4 North pier enabling easy reach to vessels on double bank. Parallel to the crane, entire crane track was replaced with new rails with required concrete repairs.



70Ton crane for Dock No 04

Management Discussion and Analysis



In 2021, CDPLC fully renovated PSPC chambers, which require protective coating application to meet IMO specifications. While we renovated chamber 1 using new machinery, chamber 2 was upgraded with higher capacity machinery to meet the stringent compliance. The newly renovated PSPC chambers will improve the yard's new construction vessel painting process significantly.

OPERATING ENVIRONMENT

Global Economy

The pace of global economic recovery continued at a slower pace in 2021, as the highly transmissible Delta variant created socioeconomic challenges that disrupted supply chains and held back economic growth as health risks continued to grow. The longer-than expected break in global supply chains resulting from the pandemic triggered further inflation. In this context, risks to economic prospects heightened and policy trade-offs became more complex and difficult to implement. The International Monetary Fund revised global growth projections for 2021 to 5.9 percent and 4.9 percent in 2022. The downward revision for 2021 largely reflects the worsening supply chain conditions that impacted advanced economies as well as economic disruptions in developing economies due to pandemic dynamics.

Meanwhile, inflation surged in both advanced economies as well as some emerging markets. While lowered restrictions accelerated demand, supply has not picked up pace in tandem with the demand. The IMF expects pressure to subside in most countries, but the risk of further inflation remains high.

(Real GDP, Annual percentage Change)	2020	2021	2022 (Projection)
World Output	-3.1%	5.9%	4.9%
Advanced Economies	-4.5%	5.2%	4.5%
Emerging Market and Developing Economies	-2.1%	6.4%	5.1%
Emerging Market and Middle-Income Economies	-2.3%	6.7%	5.1%

Source :IMF, *World Economic Outlook*, October 2021

Employment remains below pre-pandemic levels in most economies, calling for stronger measures on the part of policy makers. Multilateral policy decisions should concentrate on vaccine deployment, climate change, and international liquidity to strengthen global economic prospects. In the meantime, national policy efforts should complement international efforts, without failing to tailor to country-specific realities.

Overview of the Sri Lankan Economy

Pandemic driven socioeconomic downturn severely impacted the Sri Lankan economy, with growth in 2021 predicted to recover to 3.3 percent. However, pre-existing macroeconomic weaknesses and the economic scarring from the COVID-19 pandemic continued to challenge growth prospects. With loss of employment and earnings still at a high level, poverty remains above pre-pandemic levels. Short-term liabilities amid constrained market access led to low levels of official reserves, which in turn created a severe foreign exchange shortage and pressure on the exchange rate.

Meanwhile, year-on-year inflation rose to 6.0 percent in August 2021 due to high food inflation (at 11.5 percent) and a fuel price hike in June (the first in 21 months). Food insecurity was a prevalent issue during the year 2021, with a survey indicating that 44 percent of households were concerned about running out of food, while weak safety nets heightened vulnerability.

In response to the situation, the government invoked emergency regulations to curb speculative practices of traders amid high food prices and shortages of some essential commodities. Due to the inflationary pressures, the Central Bank increased policy rates by 50 basis points (Standing Deposit Facility to 5.0 percent and Standing Lending Facility to 6.0 percent) and the reserve ratio by 200 basis points.

External vulnerabilities heightened during the first half of 2021, with foreign workers' remittances illustrating a declining trend, while weak tourism receipts widened the current account deficit. Foreign Currency reserves declined to \$3.6 billion in August (equivalent to 2.0 months of imports, estimated as of August 2021), as the government continued to use reserves for debt service.

Meanwhile, the official exchange rate indicates that the rupee depreciated by 7.4 percent against the US dollar during the first eight months of 2021.

Overview of Local Heavy Engineering (HE) Sector in Sri Lanka

The construction industry in Sri Lanka contributes 7.1% to the GDP, and is a key driver of economic development in the country.

During the last decade, Sri Lanka witnessed a significant increase in infrastructure development. While the Heavy Engineering sector experienced a setback in 2020 with the pandemic unfolding, the industry picked up pace in 2021 with a significant surge in road construction bridges, water treatment projects, power generation projects and storage facility augmentations, driven mainly by the government's focus on infrastructure development. We expect a significant increase in construction related activities in Sri Lanka in the foreseeable future, with large scale infrastructure projects already in the pipeline. The country's mega Port City development project is open for construction activities, following land reclamation and filling work already completed. The next phase will see infrastructure facilities being developed within the Port City followed by construction of buildings.

In spite of the positive outlook, the construction industry has been severe difficulties and significant losses. The industry continues to face difficulties in importing necessary material to continue the projects, in face of the foreign currency shortage. The government's involvement is imperative at this juncture to move forward.

Overview of the Shipping Industry

The international shipping industry is the linchpin of approximately 90% of transportation of world trade across the globe. The industry plays an integral role in the supply chain of most industries across the world. Moreover, the shipping trade facilitates the import and export of goods on the large scale that is necessary for the modern world and economy to function. Countries across the globe rely on the shipping industry to transport food, medicine, and other necessities across borders while the industry relies on production to secure cargo.

The economic downturn stemming from the COVID-19 pandemic, negatively impacted the shipping industry. During the first quarter of 2020, most countries announced lockdowns, and economic activities were invariably restricted. The resulting economic downfall continued into the latter quarters of the year, with the intensity of the impact surging with subsequent lockdowns and economic activity slowdown. The disruption of production stemming from temporarily closed factories triggered an internal as well as external trade misbalance. Dampened economic growth, slow pickup and supply chain and production disruptions spilled over to the year 2021.

This status quo negatively impacted the global container shipping industry, putting a strain on operational integrity. Once the Chinese Government decided to close factories and enter in lockdown Global Shipping Lines announced blank sailings to China's main ports and skipped port calls accordingly to maintain freight and avoid economic losses.

In 2021, a healthy growth in distance adjusted seaborne demand and widespread logistical disruption outweighed the expansion of the world fleet. Seaborne trade volumes largely regained their lost territory.

While freight rates increased strongly, recovery profiles vary with Container, Gas and Dry Bulk volumes reflecting a stronger recovery and oil trade volumes indicating a 10% downturn. The unpredictable economic and geopolitical tensions may cause freight rates to come down from the current high levels. Nevertheless, seaborne trade volumes are expected to increase by 2022, which could maintain healthy utilization across ship segments.

Global Market Status of Ship Building Sector

As the world economy increasingly focuses more on environmental sustainability, moving away from fossil fuel to greener and renewable energy sources is of paramount importance in the present context. Europe in particular is making significant strides on this front as indicated by the rapid growth in the offshore wind industry - well-supported by a robust policy framework. Consequently, there is a definitive surge in demand for offshore support vessels such as Service Operation vessels (SOVs) and Cable layer vessels (CLVs), which are lucrative market segments for CDPLC.



5000DWT Eco-Bulk Carrier with Hybrid Battery Technology-Under Construction by CDPLC to Misje Eco-Bulk AS of Norway.

Management Discussion and Analysis

Overview of the Shiprepair Sector and Market Changes

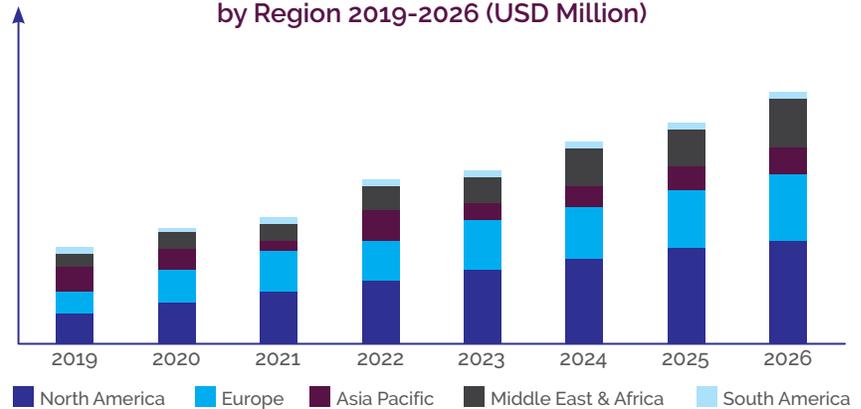
Considered a 'year of recovery' - the year 2021 required us to steer forth with resilience to overcome challenges stemming from the COVID-19 pandemic, whilst global and local economic conditions played a significant role in the frequency of our operations.

With ship building activities increasing, ship repair and maintenance sector followed the same trend in 2021. Owners of container carriers and bulk carriers were keen on investing in their fleet to leverage on the lucrative market conditions. As such, they expect a quick turnaround time to minimize downtime in order to benefit from favourable market opportunities. In this backdrop, the global ship repairing, and maintenance services market is anticipated to grow at a CAGR (Compound Annual Growth Rate) of 6.5% reaching USD 41.4 billion by year 2026.

In the meantime, the Ballast Water Treatment System installations deadline declared by IMO in 2024 urged owners and managers who had earlier postponed the drydocking to carry out installation at a rapid pace to meet regulatory standards. This trend is likely to continue and CDPLC'S Shipyard installed 11 BWTS during the period under review.

Previously in 2020 and even 2021, ship owners postponed repairs with the pandemic restricting safe travel across the globe - a situation that created a backlog of drydocking, which would require to be carried out in 2022 and 2023.

Global Ship Repair and Maintenance Services Market, by Region 2019-2026 (USD Million)



Source: <https://www.maximizemarketresearch.com/market-report/global-ship-repair-and-maintenance-services-market/104905/>

Figure 2: Global Ship Repair and Maintenance Service Market by Region 2019-2026

Regional Competition

CDPLC'S ship repair sector continues to counter heavy competition from new yards that have gained momentum in their operations. In this saturated market, owners demand speedier turnaround times on tighter budgets.

Changed market conditions have resulted in a change of vessel types being operated in our regional waters. Neighboring Indian fleet dynamics have evolved over the past few years, with the majority of the old fleet heading for scrap yards and new tonnage replacing them. The Indian coastal fleet has gained additional numbers with most of the operators increasing vessel numbers, which are potential candidates for Colombo.

In a reversal of this trend, in 2021, we accommodated larger sized vessels for repairs in Dock No. 04 (125,000 DWT), in place of multiple drydockings taking place frequently.

The spectrum of vessels handled during the year consisted of a range of vessels with bulk carriers leading

the list followed by tankers, dredgers and general cargo, container, and passenger vessels.

The year 2021 gained further positive momentum with the bulker and tanker markets growing. Shipping Corporation of India Ltd positioned 10 vessels for repairs during the year under review. While we experienced positive trends this year, the market pressure from heavy competition continued. CDPLC successfully navigated market pressure through offering clients a differentiated value proposition coupled with quality workmanship timely delivery and a competitive pricing package. Our value proposition is further elevated by the strategic location convenience Colombo provides with its proximity to major marine routes.

Ship Building Sector - 2021

The Ship Building sector contributed to CDPLC'S revenue generation by 36% in 2021.

The year 2021 marked a momentous milestone in the journey of CDPLC'S ship building legacy with our entry into the European market; a feat that illustrated our well-founded

reputation for superior ship building quality, delivery and flexibility showcased in the recent past. The Norwegian company Misje Eco-Bulk AS engaged Colombo Dockyard to build four 5000DWT Eco-Bulk Carriers. This vessel series marked our entry into the European market as well as the first ever project undertaken by us to equip the vessels with Energy Storage Battery System and Hybrid technology.

Misje further confirmed its confidence in CDPLC with the commissioning of two more 5000DWT Eco-Bulk Carriers, scheduled to be completed in 2025.

The focal point of CDPLC'S strategic business plan is building bulk carriers, which require a less complex application of technology, allowing the Company to optimize yard resource utilization and add considerable value.

Nevertheless, we also target high-end special projects such as Cable layer vessels and Service operation vessels, which at the moment has become a lucrative and high demand market with the rapid growth in the offshore wind farm sector as climate change concerns continue to steer global players to invest in green energy sources. Such complex vessels offer CDPLC the opportunity to raise the bar in upgrading the yard system and enhance technological capacity through adopting diesel electric propulsion, hybrid technologies that match European accommodation standards as well as health and safety systems.

Meanwhile, we commenced construction of the Cable repair vessel (CRV) signed with Orange Marine France in 2020 with keel laying taking place on September 2, 2021 in the presence of officials from the Embassy of France. The

vessel construction is ongoing with plans to complete it in 2023. The vessel, once completed will be equipped with a Special Cable Carousel System capacitated to not only undertake fiber optic communication cable laying and repair but also power cable laying specifically in the wind farm inter array cabling and wind farm main substation to earth station cabling.



Cable Repair Vessel (CRV) -Under Construction by CDPLC to Orange Marine of France

During the year under review, CDPLC completed construction of the Buoy Tender Vessel (BTV) and the Pilot Station Vessel (PSV) for the General Company for Port of Iraq (GCPI). We dispatched the completed vessels via a semi-submersible vessel in October 2021, while the sea trials were conducted in Iraq by a special CDPLC team sent from Colombo.

Japan's Toyota Tsusho Corporation (TTC) signed a contract with GCPI for two vessels, and entrusted shipbuilding to CDPLC. Japan International Cooperation Agency (JICA) is funding the construction of the two vessels under Japanese ODA Loans scheme.



Buoy Tender Vessel (BTV) constructed for General Company for Port of Iraq(GCPI)



Pilot Station Vessel (PSV) for the General Company for Port of Iraq (GCPI)



Buoy Tender Vessel (BTV) & Pilot Station Vessel (PSV) -Loaded to the heavy lifter

Marking a turning point in CDPLC's journey, we received a large number of inquiries for SOV/CSOV in 2021, particularly from Europe. This trend indicates the significant growth in the wind farm market segment, which bodes well for CDPLC.



Commissioning Service Operation Vessels (CSOVs) -Designed by Salt Ship Design of Norway

Our consistent efforts to secure more SOV/CSOV contracts are underway through showcasing our yard capabilities, with discussion already started in 2021. In 2022 and beyond, we will focus more on this market segment.

Management Discussion and Analysis

Table 1: Ship Building Projects Completed During the year 2021

Project Name	Yard No	Client	Delivered	Country
BUOY TENDER VESSEL	NC/ 244	General Company for Ports of IRQA	11th November 2021	IRQA
PILOT STATION VESSEL	NC /245	General Company for Ports of IRQA	11th November 2021	IRQA
19 M FAST PILOT BOAT III	NC/248	Sri Lanka Port Authority	22nd February 2021	Sri Lanka

Source: *Company Records*

Table 2: Ship Building Projects to be Completed and Delivered in 2022 & 2023

Project Name	Yard No	Client	To be Delivered on	Country
Pilot Boat Kowa Japan	NC /249	KOWA COMPANY LTD	23.02.2022	Japan
5000 DWT BULK CARRIER I	NC/250	MISJE ECO BULK AS	30.06.2022	Norway
5000 DWT BULK CARRIER II	NC/251	MISJE ECO BULK AS	05.11.2022	Norway
5000 DWT BULK CARRIER III	NC/252	MISJE ECO BULK AS	14.01.2023	Norway
CABLE LAYING AND REPAIR VESSEL (CLRV)	NC/256	FT Marine SAS	04.04.2023	France

Source: *Company Records*

SHIP REPAIR SECTOR - 2021

The Ship Repair sector contributed to CDPLC's revenue generation by 64%.

During the year under review, CDPLC repaired 163 vessels, indicating a significant increase when compared to the 101 vessel repairs that we undertook in 2020. The Dead Weight managed in 2021 is significantly higher at 4,355,706 Tons from 3,129,140 Tons in 2020. Meanwhile, the number of vessels repaired at the drydock was 73 (1,551,713DWT) in 2021 when compared to 42 (922,395 DWT) in 2020. The increase in business in 2021 can be attributed to the initial mobility restrictions as the pandemic unfolded in 2020, which limited business operations across the globe including in the shipping industry.

The 125,000 dwt drydock No.04 continued to accommodate various types of vessels while bigger bulk carriers were docked there during the latter part of the year.

CDPLC commissioned a 70 Ton crane during the year under review to facilitate maximizing the number

of vessels, (additionally 12 vessels) at double banking position to complete the BWMS installations with increased yard capacity.

Table 3: Ship Repair Details

		2021	2020
Afloat	No. of Projects	90	59
	DWT	2,803,993	2,206,745
	GRT	2,436,182	1,386,835
	Revenue (USD)	2,960,503	3,031,944
Dry Docks	No. of Projects	73	42
	DWT	1,551,713	922,395
	GRT	938,747	568,592
	Revenue (USD)	43,543,134	22,641,984
Total	No. of Projects	163	101
	DWT	4,355,706	3,129,140
	GRT	3,374,929	1,955,427
	Revenue (USD)	46,503,637	25,673,928

Source: *Company Records*

MARKET STRATEGIES TO REACH NEW MARKETS

The year 2021 proved to be a year of success with the successful handling of projects such as MT Ardmore Sealancer from Singapore and MV Star Norita from Norway, which reinforced Colombo Dockyard's position as a reliable repair centre for international operators.

Additionally, during the year under review, we further strengthened our marketing network through the appointment of dynamic agents to territories that have been dormant.

Moreover, during the year under review, we continued our brand building efforts to position Colombo Dockyard as a strategic repair partner. We conducted aggressive sales promotion campaigns in Europe, the Far East and the Indian subcontinent. While CDPLC representatives participated in the marine exhibitions Europort 2021 in Rotterdam, a number of other such events were cancelled due to the ongoing pandemic. In response, our marketing team conducted virtual meetings to nurture rapport with existing clients and reach new clients to increase business volumes even during the challenging COVID-19 pandemic era. Such efforts bore fruit, as evidenced by our ability to attract leading players such as Ardmores Shipping to CDPLC.



MT. Ardmores Sealancer accommodated in Drydock No. 04 during her repair call to Colombo



Sister vessels Mariann & Kirsten Marinvest, sweden owned / managed by thome, singapore



OPENING OF THE TRINCOMALEE OFFICE FOR AFLOAT REPAIRS

Following the successful setting up of the Hambantota Port in 2019, CDPLC opened our Trincomalee office during the year under review under to expand the afloat repair services and facilitate the long-term expansion drive to handle offshore repair projects.



Emergency propeller repairs on MV. Star Norita at Trincomalee port

NEW SHIP OWNERS TO COLOMBO FOR SHIP REPAIR JOBS

The following ship owners/managers utilized our services for the first time during the period under review.

Table 4: New Clients 2021

OWNER/ MANAGER	COUNTRY	VESSEL NAME	VESSEL TYPE
A REEFER LINE SA	JAPAN	MV "ULTRA CAPE TOWN"	GENERAL CARGO
NORTH STAR SHIPPING (ABERDEEN) LIMITED	UNITED KINGDOM	OSV "GRAMPIAN FRONTIER"	TUGS
ONE MARINE SHIPPING SDN. BHD	MALAYSIA	BARGE "LYMPIC NAGARA"	BARGE
ADVANCE SHIPPING LTD	BANGLADESH	MV "SHEJYOTI"	GENERAL CARGO
MAURITIUS SHIPPING CORPORATION LTD	MAURITIUS	MV "MAURITIUS "TROCHETIA	GENERAL CARGO

Management Discussion and Analysis

OWNER/ MANAGER	COUNTRY	VESSEL NAME	VESSEL TYPE
USC LTD	SWITZERLAND	MV "PACIFIC VENTURE"	GENERAL CARGO
PHOEBE SHIPPING LTD	UNITED ARAB EMIRATES	MV "LMZ PHOEBE"	BULK CARRIER
HARRISON BAY SHIPPING LLC	INDIA	MT "HARRISON BAY"	TANKER
UGLAND SHIPPING AS	NORWAY	MV "STAR NORITA"	BULK CARRIER
HAI FENG 1713 DAC	FRANCE	PS "COTE DOPALE"	PASSENGER VESSELS
AMELIE LTD	MALAYSIA	MT "AMELIA"	TANKER
BW DRY CARGO PTE LTD	INDIA	MV "BW CANOLA"	BULK CARRIER
SHREYAS SHIPPING & LOGISTICS	KOREA (REPUBLIC OF) - SOUTH KOREA	MV "DONGBANG GIANT NO 7"	SUPPLY VESSELS
OCEAN HUB LTD-LIB	CYPRUS	MV "MSC JUANITA F"	CONTAINER CARRIER
WILHELMSSEN SHIP MANAGEMENT SDN. BHD.	MALAYSIA	LPG/C "SURYA VEERYA"	LPG CARRIER
SHENLONG MARITIME PTE LTD	SINGAPORE	MT "JACOBI"	TANKER
OSM SHIP MANAGEMENT PTE. LTD.	SINGAPORE	MV "VIKING QUEEN"	CONTAINER CARRIER
BT OSV 1 PTE LTD	SINGAPORE	OSV "LEWEK SWAN"	TUGS
OLYMPIAN ENTERPRISES INC	SINGAPORE	LPG/C "EPIC BARNES"	LPG CARRIER
ADK TRADE & SHIPPING PVT LTD	MALDIVES	TUG "RAADHAFATHI"	TUGS
XIN SHENG SHIPPING PTE LTD	SINGAPORE	MT "OCEAN VICTORY"	TANKER
MSEA APATITE LLC	SINGAPORE	MT "MARLIN APATITE"	TANKER
ARDMORE SHIPPING BERMUDA LTD	BERMUDA	MT "ARDMORE SEALANCER"	TANKER

Source: *Company Records*

HEAVY ENGINEERING SECTOR - 2021

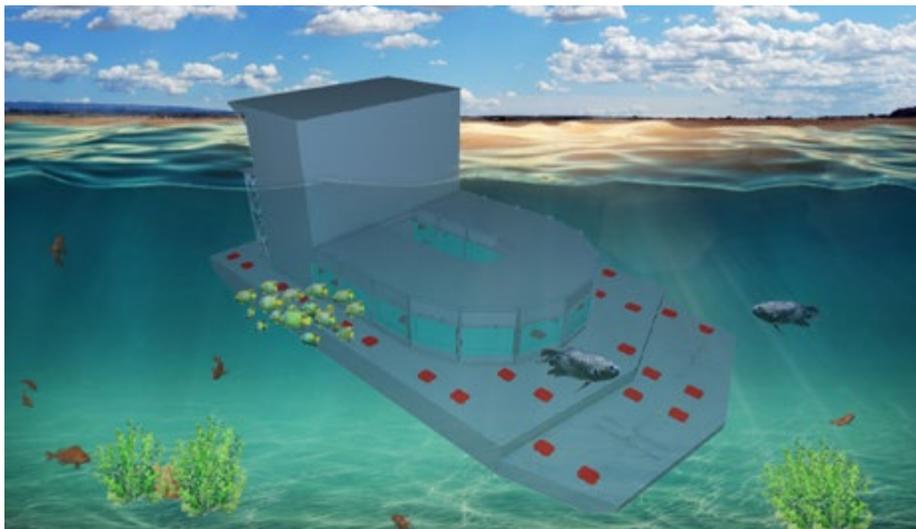
The year 2021 was a year of significance to the Heavy Engineering sector, which secured a contract from Promonant Pvt Ltd in April 2021 to design, supply material, fabricate, tow and install an Underwater Restaurant Structure (UWRS) at Aanugandu Falhu Island in Republic of Maldives. CDPLC successfully secured the project based on the reputation we gained following our first UWRS in 2018.

Once commissioned and launched, the construction will be the largest Under Water Restaurant in Maldives with a seating capacity of 48 persons with a viewing gallery capacitated to facilities all guests simultaneously.

CDPLC completed design, material procurement and finalized construction of 440 t steel structure work within seven months in spite of the numerous pandemic-driven obstacles that prevailed.

Below are the specifications of the Underwater Restaurant Structure:

- Length: 32.78m
- Breadth: 18m
- Restaurant depth : 4.5m below Mean Sea Level
- Seating Capacity: 48



Construction of Under Water Restaurant Structure for Aanugandu Falhu Island Resort, in Republic of Maldives

Community Engagement

As a leader in the country's industrialization, CDPLC remains steadfastly committed to community development activities. In 2021, our community engagement and CSR projects aligned with the government's efforts to combat the COVID-19 pandemic. Stepping up to address the need of the hour, The Welfare Association of CDPLC volunteered to renovate two wards at the Nawagamawa Divisional Hospital. The two wards are equipped to accommodate and care for COVID-19 patients.

Future Outlook

During the year under review, the ship repair sector performed exceptionally well while we identified a shift in market trends in the ship building and heavy engineering sectors. While the market conditions have been volatile and unpredictable during the past few years, conditions showed signs of change in 2021, with the bulker and container markets doing well. The tanker market on the other hand seems to be negatively impacted by ongoing changes. Meanwhile, as oil prices keep going up with recent geopolitical tensions likely to further increase prices. This situation is likely to have an impact on the offshore oil industry.

However, industry experts predict that the upward trend in the shipping markets will continue in the years 2022 and 2023.

CDPLC is slowly but steadily laying the foundation to pursue long-term growth through building rapport with clients, and increasing our technological capacity. We plan on retaining our existing clients through confidence boosting to reinforce their inclination to remain with Colombo Dockyard" even during turbulent macro-economic environments. Moreover, we will continue to approach identified and selected markets through direct marketing strategies to develop our client base and increase profitability, to create sustainable 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. 27,189.3 Mn (2020 - Rs. 18,056.0 Mn) as at end 2021, 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)	2021	2020	Change	%
Income Statement				
Revenue	17,232.1	9,674.4	7,557.7	78
Gross Profit	2,343.6	1,017.1	1,326.4	130
Profit/(Loss) after Tax	262.1	(1,161.1)	1423.2	122
Balance Sheet				
Total Assets	27,189.3	18,056.0	9,133.2	50
Total Liabilities	19,790.2	11,053.3	8,736.9	79
Shareholders' Funds	7,295.8	6,918.4	377.3	5
Net Cash & Cash Equivalent	6,906.2	4513.4	2392.7	53
Interest bearing borrowings	11,025.2	6,441.8	4,583.3	71
Financial Ratios				
Earning Per Share (Rs.)	3.5	(16.2)	19.6	121
Dividend Per Share (Rs.)	1.0	0.0	1.0	100
Net Assets Per Share (Rs.)	77.0	73.0	4.0	5
Gearing Ratio %	0.0	0.0	-	-
Return on Total Assets %	0.2	(6.6)	6.8	103
Working Capital to Assets %	5.0	4.4	0.6	14

Financial Performance of the Group and the Company

Group Revenue

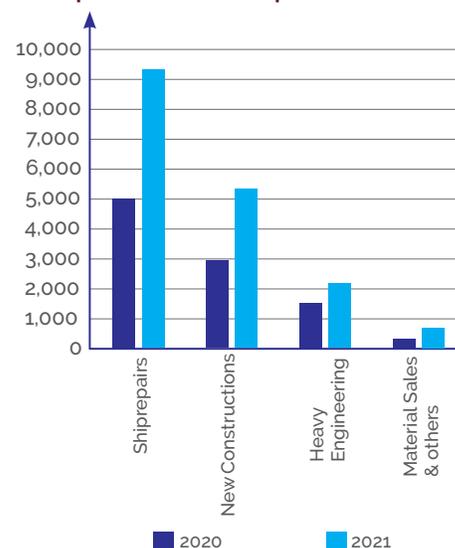
The Group achieved a total revenue of Rs. 17,232.1 Mn (2020 - Rs. 9,674.4 Mn) for the financial year 2021 showing a significant improvement of 78% (Rs.7,557.7 Mn) against last year. The Shipbuilding revenue has been increased by 80% and the Ship repairs revenue increased by 84% during the year 2021. The ship repair revenue achieved a Rs.9.2 Bn revenue during

the year 2021 which was a highest revenue ever recorded in history. Although coronavirus disease (COVID-19) acted as a massive restraint on the operations of the company during 2021 the group was able to improve revenue as a result of proper management strategies adopted.

Dockyard General Engineering (Pvt) Ltd and Dockyard Total Solutions (Pvt) Ltd which are fully own subsidiary of CDPLC contributed 13% & 1% respectively to the total group revenue during the year 2021

Heavy Engineering sector contributed Rs.389 Mn revenue to the group revenue during the year 2021.

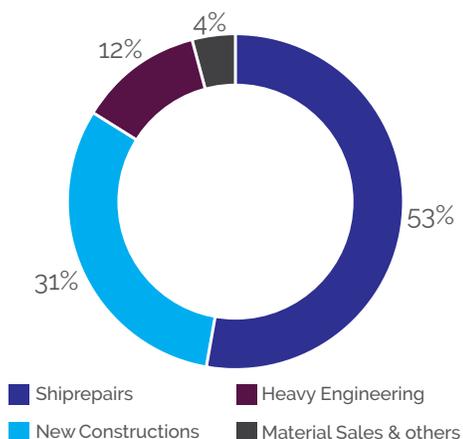
Group Revenue Comparison (Rs.Mn)



Segments Contribution to the Group Revenue

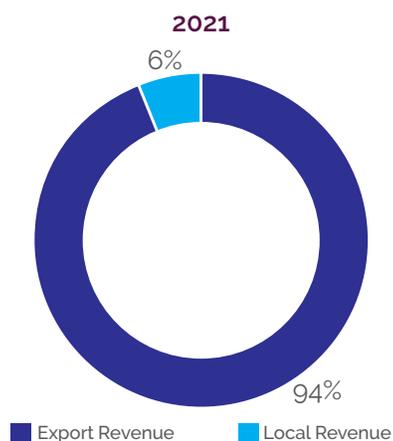
Group revenue includes the Company's core activity of ship repairs, shipbuilding, heavy engineering & material sales from subsidiary companies. The major revenue contributor for the group has become ship repairs with 53% compared to 52% recorded last year.

Group Revenue Contribution 2021



Group Export Revenue

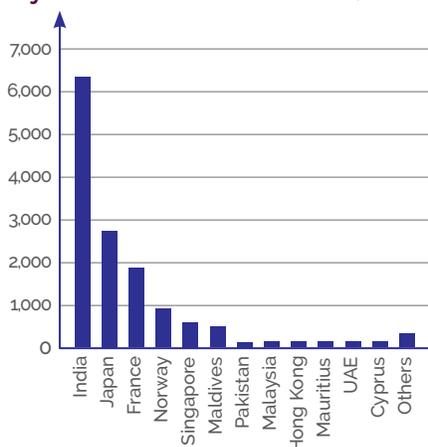
The group's export revenue includes the revenue generated mainly from shipbuilding and ship repair operations. Total export revenue of the company recorded for last year export revenue of 2021 was Rs. 13,924.0 Mn compared to Rs. 7,447.3Mn in last year showing a significant increase of 87%.



The major overseas market of the Company during the year becomes India with 45% (Rs.6,255.2 Mn) of the total export revenue followed by Japan with 19% (Rs.2,695.5 Mn). The Indian market continued to be

the major overseas market for the ship repair sector, with a contribution of 68% (Rs.6,255.2 Mn) of the total export ship repair revenue during the year 2021. 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.

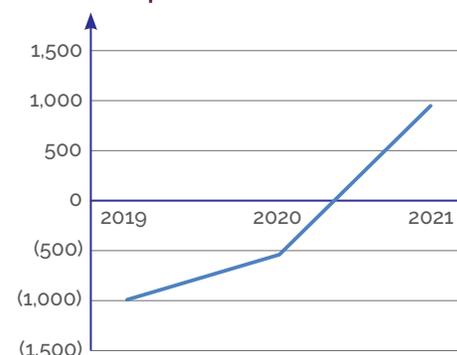
Major Overseas Market 2021 (Rs.Mn)



Group Earnings before Tax and Depreciation

The Group's earnings before tax, depreciation and amortization recorded as 915.3 Mn during the year 2021 compared to last year should be Rs.(540.0Mn). The group was able to increase the earnings by 269.5% compared to 2020 although there was a significant impact to the operation of the company from widespread effect of Corona Virus.

Group Earnings Before Tax and Depreciation (Rs.Mn)



Group Other Income

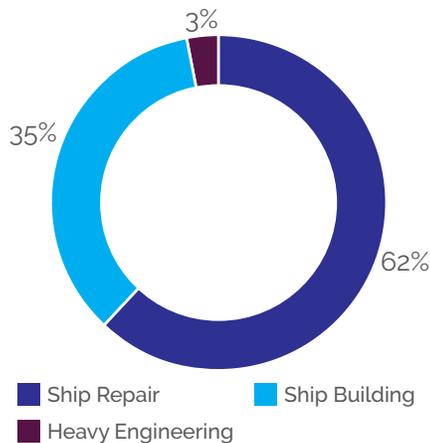
Other income of the Group shows a significant increase of 118% during the year 2021 compared to last year. The scarp sale income is the major contributor which represent 61% of the total other income.

Company's Revenue

The company achieved a total revenue of Rs.14,884.7 Mn for the financial year 2021 compared to the last year total revenue Rs.8,079.3 Mn which shows an 84% increase compared to last year. The ship repair revenue of the company was Rs.9,211.4 Mn for the year 2021 which shows 84% increase compared to last year. The ship building revenue of the company was Rs.5,284.6 Mn which has increased by 80% during the year 2021 compared to last year.

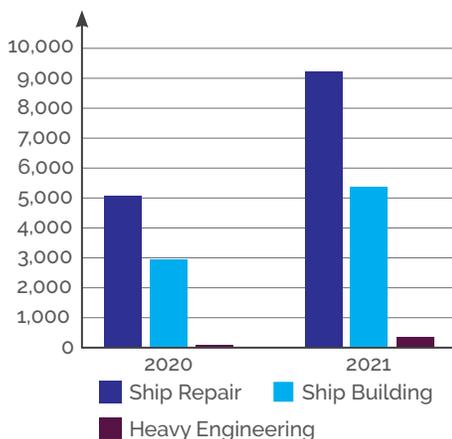
Financial Review

Company Revenue Composition 2021



Out of total revenue of the company, 62% represents revenue from Ship repair business and 35% represents revenue from Ship Building and 3% from Heavy engineering.

Company Revenue Comparison (Rs.Mn)



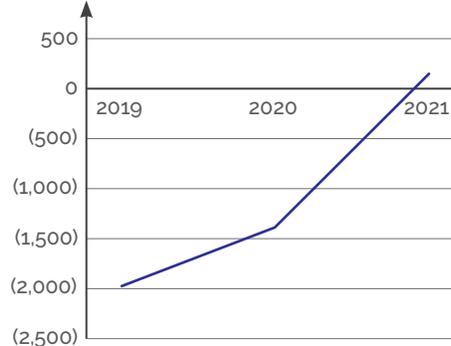
Company Contribution to Sri Lankan Economy

The Colombo Dockyard PLC has generated direct foreign revenue of Rs. 13,924.1 Mn (US\$ 68 Mn). The direct value addition generated by the Company was Rs. 5,108.0 Mn, (2020- Rs.3,418.3Mn). 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. 171.2 Mn during the year under review 2021. The company was able to increase the total profit by 113% in 2021 compared to last year although the pandemic impact was there in the country. The company was able to deploy adequate work force for production works to continue the business operation.

Profit After Tax (Rs.Mn)



projects completed during the year. The deposit and prepayments have been increased by 352% during the year 2021 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. 1,176.4 Mn at the end of year 2021 and it has increased by 67% compared to last year. The current ratio in 2021 stood at 1.07 indicating availability of current assets to serve the current liabilities of the company. The quick ratio of the company was also stood at 1 indicating the availability of current assets without inventories to pay current liabilities of the company. The working capital against the total asset was 5% in 2021

Financial Position of the Company

Total Assets

The Company's total assets as of 31st December 2021 were Rs. 24,081.1 Mn, as against Rs. 15,597.3 Mn in 2020 and shows an increase of 54% compared to last year. The Company added Rs. 291 Mn capital assets for yard productivity improvements and infrastructure development during 2021.

Current Assets

Current assets of the Company have increased by Rs. 8,781.2 Mn in 2021 compared to Rs. 9,881.0 Mn in 2020. The inventories have been increased by 82% due to the purchase of new inventories for ongoing projects. The trade receivable has been increased by 123% at the end of the year 2021 and it represents mostly from receivable of ship repair and ship building

Cash flow

Cash generated from the Group's operations before working capital changes stood at Rs. 1,887.1 Mn in 2021 compared with cash used Rs. (18.2) Mn in the previous year. Cash generated from operations Increased due to the positive contribution recorded mainly from shipbuilding and ship repair operations compared to 2020. Net cash used in investment activities was Rs. 110.4 Mn during 2021, as against Rs. (957.2) Mn for previous year. The Group invested a total of Rs. 502 Mn in yard development and productivity improvement related investments. The Group's cash and cash an equivalent at the end of 31st December 2021 was Rs. 6,906.2 Mn, which is increased against last year figure of Rs. 4,513.4 Mn

Net Assets Value per Share

The net assets value per share of the Company has increased to Rs. 77 as of 31st December 2021

compared to Rs. 73 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.

Capital Structure

Total assets of the Group stand at Rs. 27,189.3 Mn as at 31st December 2021, compared with Rs. 18,056.1 Mn in the previous year. Assets were funded by shareholders funds 23%, non-current liabilities 4% and current liabilities 73%.

Debt

Group's short term debts as at balance sheet date was Rs. 11,025.2 Mn. Short term loans have been obtained for working capital financing. There was a 98% increase of short term loans obtained during the year but the repayment of loans also have been increased by 115% during the year 2021. Group's long-term debts continued to maintain at zero level as at 31st December 2021. The Company gearing level continues to be at zero level points, from 2013.

Performance of the Share

The share price of the Company as at 31st December 2021 recorded at Rs. 79, showing a decline of 7% compared to last year's closing price of Rs.85. The share price recorded the highest price of Rs. 95.0 on 25th January 2021 and lowest of price of Rs 67.0 on 10th May 2021.

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 76 to 128 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. 4,158.6 Mn represented by Rs. 2,253.0 Mn from wholly owned Subsidiary Dockyard General Engineering Services (Pvt) Ltd. (DGES), Rs.172Mn from wholly owned subsidiary Dockyard Total Solutions (Pvt) Ltd (DTS) and Rs. 1,732Mn (SGD 11.4 Mn) from Ceylon Shipping Agency (Pte) Ltd (CSA) Singapore with 51% holding.

DGES has recorded a net profit of Rs. 151.4 Mn for 2021 compared to Rs. 182.1Mn profit reported for 2020 showing a decline of 16%, The net profit reported by DTS has been increased by 318% in 2021 compared to 2020. DTS net profit was Rs. 4.6 Mn at the end of 2021. The CSA recorded a net profit of SGD 177,652 against the profit of SGD 11,140/- for 2020. The growth of the net profit of CSA was 1473% at the end of 2021.

Statement of Value Addition (Company)

	2021 Rs. 000	2020 Rs. 000
Ship repair	9,211,402	5,009,752
Shipbuildings	5,284,567	2,930,957
Heavy Engineering	388,708	138,564
Operating Revenue	14,884,677	8,079,273
Other Income	467,046	163,976
Total Revenue	15,351,723	8,243,249
Less: Cost of Materials & Services purchased from External Sources	10,243,688	4,824,875
VALUE ADDITION	5,108,035	3,418,374
Value Addition as a % on Revenue	33.3%	41.5%

Corporate Milestones

Year	Event
1974	Incorporation of Colombo Dockyard Limited (CDL) and started operation of a Shiprepair 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"> • Delivery of 6 New Constructed ships during the year 2007. • In house designed state of the art, Aluminum Hull for Fisheries Protection Vessel. • Building of first Anchor Handling Tug/ Supply Vessel (AHTSV) of 80 T BP (NC207, NC208) for Greatship (India)Ltd.
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.
2009	The year of Success despite the global Economic Crisis. <ul style="list-style-type: none"> • Enhancing crane capacity by 20 tonnes and operation capacity of Dry Dock No 03 concentrating more on Offshore Supply Vessels and Drill Ships repairs. • Completion of first ever 250 passengers cum 100 tonnes cargo vessel "Arabian Sea" built for the government of India. • Outsource of Heavy Engineering activities to the subsidiary of Dockyard General Engineering Services DGES.

Year	Event
2010	<p>The year of Economic Prosperity</p> <ul style="list-style-type: none"> • Completions of five largest vessels in the history 2010 (NC209,NC210, NC215, NC216 and NC217). • Start operation of Kelani River Yard (KRY site) and built first passenger vessel (NC221) to RDA in the Site. • Implementation of Performance Standard for Protective Coating (PSPC) process based on IMO resolution. • Upgrading the Quality Management System to ISO 9001:2008.
2011	<p>The year of Market Pressure</p> <ul style="list-style-type: none"> • 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. • Commencement of repairing LPG carriers and establishment of related infrastructural facility "Cryogenic Workshop" with an investment of Rs. 1Mn. • Construction of 250 tonnes bollard in the Port Trincomalee to enhance the bollard pull testing facilities for new shipbuilding projects.
2012	<p>The year of Sustainability in Stormy Waters</p> <ul style="list-style-type: none"> • 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. • Installation of largest Crane Lifting facility with 160 Ton capacity. • Commissioning of 2nd Plasma Cutting Machine at KRY Site. • Export revenue generated over 98% of total revenue for the first time. • Highest capital investment of Rs. 1,889 Mn in one financial year
2013	<p>The year of Operational Environment Risk</p> <ul style="list-style-type: none"> • Commissioning of largest crane lifting facility with Dockyard - this is a major breakthrough into this high end repair sector. • Successfully delivery and handing over 3 shipbuilding contracts namely "Greatship Ragini", "Executive Valour" and "Executive Courage" to owners meeting all contractual and technical VSHFL & FDWLRQV • Award of 4 new shipbuilding contracts to a Singapore Customer. • Celebrations of 20 years Management collaboration with Japanese Shipyard, our Parent Company Onomichi Dockyard Co Ltd. Japan. • Keel laying of last vessel of the 4 series vessels to a Singapore customer. • Commissioning of ultrasonic cooler cleaning plant with waste water treatment
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" & NC 232 "Executive Balance" Multipurpose Platform Supply Vessel to Singapore</p>
2016	<p>Completed and Delivered newly build vessels NC 233 - 78M MULTIPURPOSE PLATFORM SUPPLY VESSEL to Singapore and NC 239- 13 M Harbour tug , NC 240 -45 M BARGE to Maldives</p>
2017	<p>Completed and Delivered newly build vessels NC 234 - 78M MULTIPURPOSE PLATFORM SUPPLY VESSEL Singapore, Nc 235/236- 78 M (9000Kw) ANCHORE HANDLING / OFFSHORE SUPPORT VESSEL To Singapore</p>
2018	<p>Completed and Delivered newly build vessel Nc 237 - 78 M (9000Kw) Anchor Handling/Offshore Support Vessel, to Singapore</p>
2019	<p>Completed and delivered newly built vessel Nc 243 - 2x2500 kw CABLE LAYING VESSEL to Japan</p>
2020	<p>Completed and delivered newly built vessels NC 246, NC 247 - 19 M Fast Pilot Boat I, to Sri Lanka Port Authority. Entered in to European market securing a contract to build 5000DWT Eco Bulk Carrier (NC 250) for Norway.</p>
2021	<p>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</p>

Corporate Governance

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

Overview

Under the guidance of its Board, Colombo Dockyard PLC (CDPLC) is committed to achieving high standards of corporate governance to protect shareholder value. The Company recognizes the important role that clearly defined corporate governance processes play in enhancing corporate accountability and sustainability. This report outlines the Company's corporate governance processes and activities for the financial year 2021 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. Lalith Ganlath are independent except for the fact that they hold offices over nine consecutive years, which has been duly ratified and determined by the Board that they are nevertheless independent for the current year, as provided under the Listing Rules of CSE, as they have been duly reelected by the shareholders at the Annual General Meeting of each year. The Board so determined based on the Annual Declaration Submitted by the Non-Executive Directors

Director	Position on the Board	Date of Appointment	Nature of Appointment
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
Mrs. W. L. S. W. Jayasundera	Director	08th December 2021	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	Mar	Mar (Spl)	June	Aug	Sep	Nov	Dec
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 (appointed 29/03/2021)	-	-	-	✓	✓	✓	✓
Mrs. W. L. S. W. Jayasundera (appointed 08/12/2021)	-	-	-	-	-	-	✓
Mr. K.Kanaya (Resigned 29/03/2021)	✓	✓	-	-	-	-	-
Mr. A. G. U. Thilakarathne (Resigned 07/12/2021)	✓	✓	✓	-	✓	✓	-

Corporate Governance

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

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.

- Budget
- Customer Assessment and Ship Clearance Process followed by the SRB Division
- Invoicing for sub-contractor's work done and procedure and control over subcontractors
- Proposed Risk Assessment Process & Procedure for defining payment terms for Ship Repair projects
- Effect of the New Act - Minimum Retirement Age of Workers
- Pending SR related cases

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 04 Occasions and reports on meeting were presented to the Board.

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

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

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

Quarterly financial highlights performance and developments of the Group are presented at Board Meetings. The General Manager (Finance)/ 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	Mar	June	Nov	Dec
Mr. H. A. R. K. Wickremathilake	✓	✓	✓	✓
Mr. Sarath De Costa	-	✓	✓	✓
Mr. Lalith Ganlath	✓	✓	✓	✓

Remuneration Committee

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

Report of the Remuneration Committee Policy

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

Functions

The Committee will assist the Board to decide on certain parameters in formulating the Remuneration Policy with the view to retaining highly qualified, experienced personnel in a very competitive environment while looking at the cost aspect for the benefit of all stakeholders of the Company. The Committee will have meetings as and when it deemed necessary to decide on the remuneration of the Managing Director/CEO. The aggregate remuneration paid to the executive and non-executive Directors are given in Note 8 to the Financial Statements.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee comprises of three Non Executive Directors, namely Mr. H. A. R. K. Wickramatileka (Chairman), and Mr. L. Ganlath, who are independent, and Mr. Sarath De Costa, who has been nominated to the Board by a major shareholder and one Executive Director namely Mr. D. V. Abeysinghe, Managing Director/CEO who has been nominated to the Board by a major shareholder.

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	Mar	June
Mr. H. A. R. K. Wickremathilake	✓	✓
Mr. Sarath De Costa	-	✓
Mr. Lalith Ganlath	✓	✓
Mr. D. V. Abeysinghe	✓	✓

Corporate Governance

Annual General Meeting

The Company's 38th Annual General Meeting (AGM) was held on 19th July 2021 at the AGM 15 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 2020 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 2021 and to authorize the Directors to approve their remuneration
- To authorize the Directors to determine donations for the year 2021 and up to the date of the next AGM.

Company Compliance with Corporate Governance Rules as per Section 7.10 of the Listing Rules of the Colombo Stock Exchange and discloses the level of compliance in this report as appropriate. The Management of the Company is committed to assist the Board to implement and strengthen good corporate governance practices. The Board exercises its discretion to seek independent professional advice if deemed necessary to ensure that full information and advice is available before any important decision is made.

Independent Internal Audit Function

The Internal Audit Function of the Company is provided by the Internal Audit Staff (Financial & System

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

Subsidiary Monitoring Framework

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

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

Corporate Responsibility for Sustainable Business Performance

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

placed in the Company's corporate priorities and core values. The Company ensures that it does not compromise this responsibility even at the expense of its economic performance. One of the most important developments of sustainability at Colombo Dockyard is the formation of our "Health, Environment, Safety and Productivity Improvement" (HESPI) Committee representing organization wise employees headed by the General Manager (HRD & A).

Following a satisfactory Technical Review, Colombo Dockyard PLC has been approved by LRQA (Lloyd's Register Quality Assurance Limited) as meeting the requirements ISO 9001:2015 (Quality Management Systems), ISO 14001:2015 (Environmental Management System) and ISO 45001:2018 occupational health and safety (OH&S) management to the scope detailed on the approved certificate. Colombo Dockyard PLC is the first organization in Sri Lanka to get certified by LRQA Mumbai office for ISO 14001:2015

The Company Secretary

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

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

Communication with Shareholders

All CDPLC price-sensitive information is disseminated to its shareholders via the Colombo Stock Exchange (CSE). Disclosure is never done on a selective basis. Financial and other performance data is given where appropriate, to give shareholders a better insight into the Company's performance. The Annual Report and Quarterly Report produced with group information and as per the rules of the Securities & Exchange Commission and Colombo Stock Exchange are produced to the CSE and then to the shareholders. The website (www.cdllk) maintained by the Company offers macro level information of the Company to interested persons. The Board of Directors of the Company always encourages its shareholders to attend and actively take part in the AGM. The Board of Directors have 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	15-18
	A 1.1	Regular Board meetings	Complied	Composition of the Board	39
	A 1.2	Responsibilities	Complied	Board responsibilities	40
	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	61
	A 1.4	Access to Company Secretary	Complied	Communication with Shareholders	42
	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	41
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	40
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	40

Corporate Governance

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section	Page No
Chairman's Role	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	40
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Financial Acumen	40
Board Balance	A 5	Board Balance	Complied	Composition of the board	38
	A 5.1	Non-Executive Directors	Complied	Out of 9 directors, 6 directors are Non-executive directors	38
	A 5.2	Independent Non-Executive Directors	Complied	2 Independent non executive directors	38
	A 5.4	Annual Declaration	Complied	Submitted the declarations as prescribed	38
	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	38
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	41
	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	41

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section	Page No
Appointments to the Board	A 7	Formal and transparent procedure for Board appointments	Complied	Composition of Board	38
	A 7.2	Assessment of the capability of the Board to meet strategic demands of the company	Complied	Appointment, re-election and resignation	41
	A 7.3	Disclosure of New Board member profile and interests	Complied	Profile of the Board	15-18
Re-election	A 8 - 8.2	Board members should be subject to election, and reelection by shareholders	Complied	Composition of Board	38
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	15-18
Directors' Remuneration	B 1	Establishment of the Remuneration Committee.	Complied	Remuneration Committee Report	41
	B 1 - 1.3	Membership of the remuneration committee to be disclosed and should only comprise Non Executive Directors	Complied	Remuneration Committee Report	41
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Remuneration Committee Report	41
Relations with Shareholders	C 1	Constructive use of the AGM and other General Meetings	Complied	Annual General Meeting	42
	C 1.1	Company should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting	Complied	A copy of Annual Report including financials, Notice of Meeting and the form of Proxy are sent to shareholders 15 working days prior to the date of the AGM.	129
	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	42
	C 1.4	Heads of Board subcommittees to be available to answer queries	Complied	Subcommittee Chairmen are present at the AGM	42

Corporate Governance

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section	Page No
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.	41
Accountability and Audit	D 1.1	Balanced Annual Report	Complied	Communication with shareholders	43
	D 1.2	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	Complied	Communication with shareholders	43
	D 1.4	Directors Report declaration	Complied	Annual Report of the Board of Directors on the Affairs of the Company	70
	D 1.5	Financial reporting statement on board responsibilities	Complied	Annual Report of the board of directors on the affairs of the company	65
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	42
	D 2.2	Confirm assessment and risks identified and mitigated	Complied	Risk Management	49-54
	D 2.3	Internal Audit Function	Complied	Independent internal audit function	42
Audit Committee	D 3.1	Audit Committee composition	Complied	Audit Committee	41
	D 3.2	Terms of reference, duties and responsibilities	Complied	Report of Audit Committee	41
Related Party Transactions review Committee	D 4	Composition, Terms of reference, duties and responsibilities	Complied	Related Party Transactions Review Committee report	41

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	39
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.	39
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	38
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Composition of the Board	39
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	39
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	15 - 18
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	15 - 18
Remuneration Committee	7.10.5	A listed company shall have a Remuneration Committee	Complied	Remuneration Committee	41
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	41
Remuneration Committee Functions	7.10.5 (b)	Shall recommend the remuneration of the CEO and the Executive Directors, if any.	Complied	Remuneration Committee	41

Corporate Governance

Subject	Rule No	Applicable requirement	Compliance status	Details	Page No
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	41
		Statement of Remuneration Policy	Complied	Remuneration Committee	41
		Aggregated remuneration paid to Executive and NonExecutive Directors	Complied	Aggregated remuneration paid to Executive and NonExecutive Directors	99
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Report of the Audit Committee	40-41
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	40-41
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an Independent Non-Executive Director.	40-41
		Chief Executive Officer and Chief Financial Officer should attend Audit Committee meetings	Complied	Chief Executive Officer and Chief Financial Officer attend meetings by invitation	40-41
		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.	40-41
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	40-41
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	40-41
		The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Complied	Audit Committee Report	40-41
		The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions	Complied	Audit Committee Report	40-41

Risk Management

Introduction

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

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

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

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.

Our Approach

Being an integral part of the business process risk management is done on a continuing basis, in order to reduce risk volatility and improve returns. As the risk based thinking is incorporated to the upcoming ISO 45001:2018

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

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

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

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

1. INTERNAL RISK

- Operational Risk Management
 - » Operational Risk
 - » Labour Related Risk
 - » Environmental impact of Operation
 - » Risk on employees health and safety (pandemic Risk)
- Information Technological Risk Management

2. EXTERNAL RISK

- Market Risk Management
- Product Risk Management
- Financial Risk Management
 - » Interest Rate Risk
 - » Foreign Exchange Risk
 - » Liquidity Risk
 - » Credit Risk

Risk Management

Internal Risk

Operational Risk Management

1. Operational Risk

Our Concern	Our 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 & standard operating procedures, checking regularly on the accuracy of functionality of tools, equipment & machinery, delegation of authority, work system permits, guidelines and a regular reporting framework, creating awareness and consciousness and accountability in the operational activities.</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> <p>The assignment of the internal audit to a third party is another step taken to improve transparency and accountability.</p>

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

2. Labour Related Risk

Our Concern	Our 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	Our 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 HSE 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 (pandemic Risk)

Our Concern	Our Impact	Our Response
With the spread of COVID-19, the risk of our employees encountering the virus is high, especially when working the yard, having meals, using public transport. This can interrupt the 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>Accommodations rearranged as per CMC PHI recommendations</p> <p>Public transport prohibited and arranged company transport facilities</p> <p>Employees are advised not to participate in any crowded events</p> <p>Making proper queues at exit gates</p> <p>Stop buffet meals and provide lunch packets - employees were encouraged to dine at different locations</p>

Risk Management

Our Concern	Our Impact	Our Response
		Remove in-between chairs / marked "not to use" in meal rooms and meeting rooms Limit no of participants for meetings Increased the gap between lockers Social distancing was compulsory to maintain inside the yard at every location Provided at yard entrance and checking by PHI/ Occupy a compliance Officer Self-sanitizing Face masks were provided to all employees on a daily basis Face mask compulsory during transport Awareness to stop talking while bathing / Washing Meetings were limited to a maximum of 1 hour.

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

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

Information Technological Risk & Management

Our Concern	Our 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 (Strategic) Risk & Management

Our Concern	Our 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.

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	Our 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	Our 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.

Risk Management

3. Liquidity Risk

Our Concern	Our 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	Our 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	Our 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"> • Det Norske Veritas-Germanischer • Lloyd of Shipping (DNV-GL) • Indian Register of Shipping • American Bureau of Shipping • Lloyd's Register of Shipping Ltd. • Bureau Veritas • Class NK <p>Moreover, Product & 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 2021 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. 14,884.6 Mn (2020 - Rs. 8,079.2 Mn) and net profit of Rs. 171.2 Mn. (2020 - Net loss Rs. 1,347.4 Mn) leaving the shareholders' value with Rs. 5,510.5 Mn (2020 - Rs. 5,220.3 Mn).

Dividend Approved

The Board of Directors have authorised the payment of first and final Dividend of Rs. 1.00 per share for the year ended 31st December 2021 (2020 - Nil) The dividend was paid on 26th May 2022.

Dividend Pay Out Ratio

As per Colombo Stock Exchange Listing Rule No: 7.6 (xi), Company Dividend Payout Ratio was 42% during 2021 (2020 : - 0%).

Financial Reporting

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

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2021	2020
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Revenue	2,912	3,275	4,091	4,607	14,885	8,079
Gross Profit/(Loss)	325	500	476	534	1,836	598
Profit/(Loss) after Tax	(197)	88	7	274	171	(1,347)
Shareholders' Fund	5,023	5111	5,123	5,490	5,510	5,220
Total Assets	19,322	21,886	22,444	24,008	24,081	15,597

Shareholders Information

Share Capital

	2021-12-31	2020-12-31
Stated Capital Rs.	714,395,757	714,395,757
Number of Shares	71,858,924	71,858,924
Number of Shareholders	4,914	5,190
Voting Rights	1 Vote per Share	1 Vote per Share
Class of Shares	Ordinary Share	Ordinary Share

Distributing of Shareholding as at 31st December 2021

(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	3,909	640,093	0.89
1,001	10,000	844	2,745,666	3.82
10,001	100,000	136	3,895,586	5.42
100,001	1,000,000	19	5,133,122	7.15
1,000,001	above	6	59,444,457	82.72
		4,914	71,858,924	100.00

Shareholder Information

List of Largest 20 Shareholders as at 31st December 2021

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

	Name	12/31/2021	%	12/31/2020	%
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	National Savings Bank	774,494	1.078	1,212,327	1.687
9	Seylan Bank Plc/Mr.B D J C Suchendra	408,140	0.568	216,000	0.301
10	Bank of Ceylon No. 2 Account	335,900	0.467	335,900	0.467
11	J. B. Cocoshell (pvt) Ltd	315,692	0.439	-	-
12	Harnam Holdings SDN BHD	265,123	0.396	217,044	0.302
13	Star Packaging (Pvt) Ltd	245,000	0.341	245,000	0.341
14	Mr.M.A.Jafferjee	223,464	0.311	-	-
15	Lanka Milk Foods (CWE) Limited	219,948	0.306	219,948	0.306
16	Dr. H.S.U.Amarasekara	196,702	0.274	-	-
17	Hatton National Bank PLC/Arumapurage Peter Lasantha Fernando	175,000	0.244	-	-
18	E.W.Balasuriya & Co (Pvt) Ltd	165,123	0.230	165,123	0.230
19	Mr.K K Karunamoorthy	150,000	0.209	-	-
20	Mr. S M B Obeysekera and Mrs. C N Obeysekera	146,479	0.204	-	-

Composition of Shareholding

The total number of shareholders of CDPLC is 4,914 as at 31st December 2021, which is 5.32% decrease compared to 5,190 as at 31st December 2020.

Category	No of Shareholders	No of Shares	%
Local Individuals	4,650	5,878,638	8.18
Local Institutions	192	28,371,186	39.48
Foreign Individuals	63	469,009	0.65
Foreign Institutions	9	37,140,091	51.69
Total	4914	71,858,924	100.00

Market Value per Share

As per Rule No: 7.6 (xi) of the Listing Rules of the Colombo Stock Exchange, at the end of the year 2021, the share price of Colombo Dockyard PLC recorded a reduction of 6.92% (Rs. 5.90) compared to the previous year's closing price

Market price per Share	As at 2021-12-31	As at 2020-12-31
Highest during the year	95.00 (25/01/2021)	94.50 (18/12/2020)
Lowest during the year	67.00 (10/05/2021)	30.00 (11/05/2020)
As at end of the year	79.40	85.30

Market Capitalization

CDPLC has recorded its market capitalization as at the balance sheet date of 31st December 2021 as Rs. 5,705.60Mn (2020 - Rs. 6,129.50Mn.). CDPLC represent 0.10% (2020 - 0.16%) of the total market capitalization

Shares Trading	As at 2021-12-31	As at 2020-12-31
No of Transaction	4,525	8,079
No of Shares traded	3,250,577	4,254,346
Value of Share traded (Rs.)	263,662,754.20	279,230,138.90

Earnings per Share

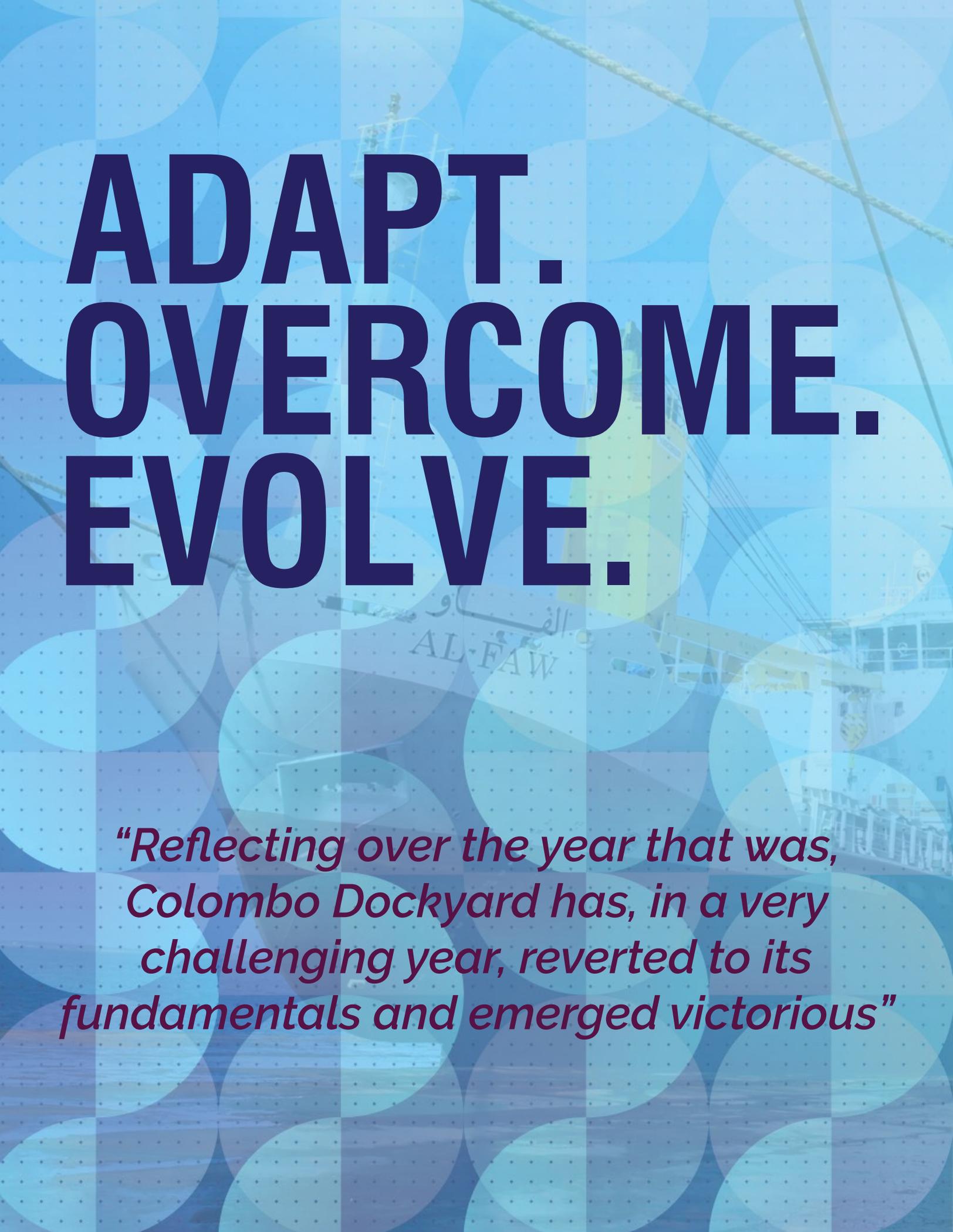
The Earning per share (EPS) of Rs. 2.38 in the year 2021 recorded an increase of 113% compared to the last year EPS value of Rs. (18.75) EPS is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The level of Stakeholder 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 2021 is 48.94% (2020 - 48.94%). Number of public shareholders as at 31st December 2020 was 4,914.

Float Adjusted Market Capitalization

The float adjusted market capitalization as at 31st December 2021 was Rs. 2,792,471,321.57 with reference to rule no. 7.6 (iv) of the Listing Rules of the Colombo Stock Exchange.



ADAPT. OVERCOME. EVOLVE.

“Reflecting over the year that was, Colombo Dockyard has, in a very challenging year, reverted to its fundamentals and emerged victorious”



Financial Reports

Financial Calendar 2021/2022	62
Annual Report of The Board of Directors On the Affairs of the Company	63
Related Party Transactions Review Committee Report	68
Statement of Directors' Responsibilities	70
Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	71
Independent Auditors' Report	72
Statement of Profit or Loss and Other Comprehensive Income	76
Statement of Financial Position	77
Statement of Changes in Equity	78
Statement of Cash Flows	80
Notes to the Financial Statements	82

Financial Calendar 2021/2022

2021		
Approval of Financial Statements 2020	14th April	2021
Interim Report - 4th Quarter-2020	4th April	2021
Dispatch of Annual Report - 2020	12th April	2021
Ex-Dividend Date	-	2021
Payment of Dividend	-	2021
38th Annual General Meeting - 2020	4th May	2021
Interim Report - 1st Quarter-2021	20th May	2021
Interim Report - 2nd Quarter-2021	17th August	2021
Interim Report - 3rd Quarter-2021	15th November	2021
Financial Year-end	31st December	2021

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

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 2021, 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 3rd June 2022. 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 7 to 10 and Managing Director/CEO's Review on page 11 to 14 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 7 to 10), and the Managing Director/CEO's Review (page 11 to 14).

Financial Statements

The Financial Statement of the Company and the Group for the year ended 31st December 2021 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 76 to 128 of this Annual Report.

Auditors' Report

Company Auditors, KPMG, performed the audit on the Consolidated Financial Statements for the year end 31st December 2021, and the Auditors' Report issued thereon is given on page 72 to 75 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 82 to 96 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 works 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. 17,232.1 Mn (2020 - Rs. 9,674.4 Mn), while the Company's revenue was Rs. 14,884.7 Mn (2020 - Rs. 8,079.2 Mn) Analysis of the revenue is given in Note 5 to the Financial Statement on pages 97 to 98 of this Annual Report

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

Profit for the year:	2021	2020
	Rs'000	Rs'000
Group post - tax Profit / (Loss)	262,108	(1,161,136)
Amount attributable to Minority Interest	(12,879)	(735)
Profit / (Loss) attributable to the		
Shareholders of Colombo Dockyard PLC	249,229	(1,161,871)
Other Comprehensive Income/(Expense)	(1,161)	(152,945)
Retained Profit B/F	6,284,377	7,599,193
Available for sales of financial assets		
Dividends Paid -		
Retained Profit C/F	6,532,445	6,284,377

Group Reserves

Total Group Retained Earning Reserves at 31st December 2021, was amounted to Rs. 6,532.4 Mn (2020 - Rs. 6,284.4 Mn). The movements of the Reserves during the year are shown in the Statements of Changes in Equity on pages 78 to 79 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 100.

Dividends

The Board of Directors have authorised the payment of first and final Dividend of Rs. 1.00 per share for the year ended 31st December 2021. The Dividend was paid on 26th May 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. 1,176.4 Mn (2020 - Rs. 705.7 Mn) and the value of the Company's assets less liabilities and stated capital was Rs. 4,796.1 Mn (2020 - Rs. 4,505.9 Mn).

The Profit of the company attributable to the equity holders of the company was Rs. 171.2 Mn (2020 - (Rs. 1,347.4 Mn)).

Shareholder Information

Information relating to earnings, dividends, and net assets per share and market value per share is given in from pages 57 to 59.

Property, Plant & Equipment

The Group's total capital expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 502.0 Mn (2020 - Rs. 1,326.7 Mn). The extent of the freehold lands held by the Group as at the balance sheet date is 1,103.7 perch (2020 - 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 103.

Market Value of Freehold Properties

The net book value of freehold properties owned by the Group as at 31st December 2021 is included in the accounts at Rs. 5,407.7 Mn (2020 - Rs. 5,407.0 Mn). An Independent Chartered Valuer/ Licensed Surveyors carried out a market value assessment of the Group's freehold lands as at 31st December 2020. The details of freehold lands owned by the Group are given in Note 11 of the financial statement.

Statutory Payments

The Directors, to the best of their knowledge and belief, confirmed that all payments in respect of statutory liabilities to Employees and the Government have been made within the stipulated period during the financial year 2021.

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. 4,026,000 (2020 - Rs. 2,266,070/-) 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 2021 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 82 to 95 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 (2020-9) Directors with a wide range of Engineering, Financial, Legal and Commercial knowledge and experience. The following Directors held office as at the Balance Sheet date and their profiles appear on pages 15 to 18 of this Annual Report.

Executive Directors

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

Non-Executive Directors

Mr. S. de Costa (Vice Chairman)
Mr. T. Nakabe
Mr. H. A. R. K. Wickramathilake
Mr. L. Ganlath
Mr. V. G. L. A. Jayawardena
Mrs. W. L. S. W. Jayasundera
Mr. K. Iku (Alternate Director)

DIRECTORATE

The Board of Directors of Colombo Dockyard PLC as at the date of report are given on page 15 of the Annual Report. The change in the directorate from the date of the last report to this report is as follows.

- Mr. A G U Thilakaratne who was appointed as Nominee Director of Employees Provident Fund of Central Bank of Sri Lanka resigned on 07/12/2021 and Mrs. W L S W Jayasundera, Additional Superintendent of Employees' Provident Fund Department, Central Bank of Sri Lanka was appointed in place of Mr. Thilakaratne with effect from 08/12/2021.
- Mr. K. Kanaya who was appointed as Nominee Director of Onomichi Dockyard Co. Ltd, Japan resigned on 29/03/2021 and Mr. A. Horibe was appointed in place of Mr. Kanaya with effect from 29/03/2021.
- Mr. S. Asai who has been appointed as Alternate Director to Mr. T. Nakabe on 25/09/2020 resigned on 15/10/2021 and Mr. I. Kuwaoka was appointed in place of Mr. S. Asai as his Alternate Director with effect from 15/10/2021..

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

The Nominee Directors of Onomichi Dockyard Company Limited namely Mr. Hideaki Tanaka, Mr. Sarath de Costa, Mr. D.V. Abeysinghe, Mr. T. Nakabe and Mr. A. Horibe and the Nominee Directors of Employees Provident Fund and Sri Lanka Insurance Corporation Ltd namely Mrs. W. L. S. W. Jayasundera and Mr. V G L A Jayawardane respectively continue to hold office.

Board Sub-Committees

The Board of Directors have formed three Board subcommittees and attendances is given in page 40 to 41 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 2021:

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

	2021-12-31	2020-12-31
D. V. Abeysinghe	733	733
L. Ganlath	578	578
H. A. R. K. Wickramathilake	1,103	1,103

Interest Register

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

Human Resources 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 127, 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 40 to 41 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 38 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 2021 are given on page 58 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 2021 was as follows:

	2021-12-31	2020-12-31
Group	1,828	1,596
Colombo Dockyard PLC	1,563	1,509

Events after the Reporting Period

Please refer Note 38 for circumstances have arisen during the period between the Balance Sheet date and Directors signing of Accounts, that require disclosure or adjustment to the Financial Statements together with those disclosed in the Note 35 to the Financial Statements on page 126 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 10.00 a.m. on the 28th June 2022. The Notice to the Annual General Meeting is given on page 130.

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. Abeyesinghe
Managing Director/CEO



Manori Mallikarachchi
Company Secretary/Legal Consultant

03 June 2022
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 2021, 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 43.

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

03 June 2022
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 72, 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 126. 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

03 June 2022
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 2021 are prepared and presented in compliance with the following:

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

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

The Board of Directors and the management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs. In order to ensure such compliance, the Company has taken proper and adequate interest in enabling internal controls and maintaining accounting records, for safeguarding assets and for preventing and detecting fraud as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. The Internal Audit function of the Company is carried out by the Internal Audit Team (Financial & System Review) provided by the, B R De Silva & Co., Chartered Accountants, who reports their findings directly to the Managing Director/CEO. All audit activities have been conducted periodically to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

The Financial Statements were audited by Messrs KPMG Chartered Accountants, the Company's External Auditors. The Audit Committee of the Company meets periodically with the Internal Auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance. It is also declared and confirmed that the Company has complied with and ensured compliance by the Auditor with the guidelines for the audit of listed companies where mandatory compliance is required. It is further confirmed that all the other guidelines have been complied with.

We confirm that:

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

D. V. Abeysinghe
Managing Director/CEO

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

03 June 2022
Colombo, Sri Lanka

Independent Auditors' Report



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

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

To the Shareholders of Colombo Dockyard PLC Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Colombo Dockyard PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2021, 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 76 to 128 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 2021, 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.

P.Y.S. Perera FCA	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, W.A.A. Weerasekara CFA, ACMA, MRICS



Revenue recognition on ship building 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 building contracts amounting to Rs. 5,285 Mn. for the year ended 31 December 2021.</p> <p>The stage of completion on ship building 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 ship building contracts is considered a key matter.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> • Understanding whether the management's process of recognising revenue is in line with the requirements of SLFRS 15 - Revenue from Contracts with Customers and ensure these policies had been applied to individual contracts with customers appropriately. • For actual cost incurred by the Company used in the determination of the stage of completion, we checked, on a sample basis, to contracts, invoices, project status reports and other relevant correspondence to evaluate the reasonableness of the same. • Analysing the expected costs to complete estimated by the company in the determination of the stage of completion. • Inspecting a sample of project budgets, contract agreements with customers and subcontractors to identify key terms and assessing whether these key terms have been appropriately reflected in the amounts recognised in the financial statements. • Assessing the adequacy of the disclosures in respect of contract accounting and the key risks relating to financial statements.

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.

Independent Auditors' Report



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.

A handwritten signature in black ink, appearing to read 'Kam', with a long horizontal flourish extending to the right.

Chartered Accountants
Colombo, Sri Lanka

06 June 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December,	Note	Group		Company	
		2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Revenue	5	17,232,128	9,674,445	14,884,676	8,079,273
Cost of sales		(14,888,528)	(8,657,320)	(13,048,718)	(7,480,782)
Gross profit		2,343,600	1,017,125	1,835,958	598,491
Other income	6	367,956	168,697	467,046	163,976
Distribution expenses		(16,726)	(15,196)	(15,954)	(13,335)
Administrative expenses		(2,568,365)	(2,044,407)	(2,222,438)	(1,800,640)
Other operating income / (expenses)		(25,227)	7,624	(25,227)	7,624
Finance cost	7.1	(416,112)	(415,562)	(415,544)	(415,407)
Finance income	7.2	725,837	275,206	693,891	209,687
Profit / (loss) before tax	8	410,963	(1,006,513)	317,732	(1,249,604)
Income tax expenses	9	(148,855)	(154,623)	(146,506)	(97,800)
Profit / (loss) for the year		262,108	(1,161,136)	171,226	(1,347,404)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Defined benefit plan actuarial gains / (losses)		(902)	(177,620)	(4,756)	(178,983)
Tax on other comprehensive income		(259)	24,675	666	25,057
Fair value change of instruments valued at FVOCI		(501)	(57)	(501)	(57)
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences - foreign operations		12,389	5,153	-	-
Cash flow hedges - effective portion of changes in fair value		123,490	(104,143)	123,490	(104,143)
Other comprehensive income for the year, net of tax		134,217	(251,992)	118,899	(258,126)
Total comprehensive Income for the year		396,325	(1,413,128)	290,125	(1,605,530)
Profits / (losses) attributable to;					
Owners of the company		249,229	(1,161,871)	171,226	(1,347,404)
Non - controlling interests		12,879	735	-	-
Profit / (loss) for the year		262,108	(1,161,136)	171,226	(1,347,404)
Total comprehensive income attributable to;					
Owners of the company		377,375	(1,416,388)	290,125	(1,605,530)
Non - controlling interests		18,950	3,260	-	-
Total comprehensive income for the year		396,325	(1,413,128)	290,125	(1,605,530)
Earnings / (Loss) per share (Rs.)	10.1	3.47	(16.17)	2.38	(18.75)

The accounting policies and explanatory notes from pages 82 to 128 form an integral part of these Financial Statements. Figures in brackets indicate deductions

STATEMENT OF FINANCIAL POSITION

As at 31 December,	Note	Group		Company	
		2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
ASSETS					
Non current assets					
Property, plant and equipment	11	5,407,695	5,407,003	4,667,762	4,802,965
Investment property	12	-	-	2,865	2,865
Intangible assets	13	46,106	2,302	44,698	135
Right - of - use asset	14.1	203,049	243,362	195,815	243,362
Investment in subsidiaries	15	-	-	9,477	7,881
Investments classified as fair value through OCI	16.1	17,463	17,964	17,463	17,964
Deferred tax asset	17.1	46,036	154,854	36,908	145,811
Other financial assets including derivatives	20	453,536	502,681	443,822	495,265
		6,173,885	6,328,166	5,418,810	5,716,248
Current assets					
Inventories	18	2,262,469	1,144,194	1,693,550	877,917
Trade and other receivables	19	11,208,763	5,576,996	9,545,355	4,527,971
Other financial assets including derivatives	20	454,346	354,961	349,175	195,747
Amounts due from related parties	21	-	-	247,089	88,280
Investments classified as fair value through profit or loss	16.2	-	112,250	-	-
Cash and cash equivalents	22.1	7,089,797	4,539,504	6,827,084	4,191,116
		21,015,375	11,727,905	18,662,253	9,881,031
Total assets		27,189,260	18,056,071	24,081,063	15,597,279
EQUITY AND LIABILITIES					
Stated capital					
Stated capital	23	714,396	714,396	714,396	714,396
Exchange equalization reserve	23.1	31,563	25,245	-	-
Fair value through OCI reserve	23.2	17,353	17,854	17,353	17,854
Cash flow hedge reserve	23.3	-	(123,490)	-	(123,490)
Retained earnings		6,532,445	6,284,377	4,778,767	4,611,631
Equity attributable to equity holders of the parent		7,295,757	6,918,382	5,510,516	5,220,391
Non-controlling interest		103,346	84,396	-	-
Total equity		7,399,103	7,002,778	5,510,516	5,220,391
Non current liabilities					
Lease liability	14.2	158,391	186,266	156,812	186,266
Employee benefits	26	955,584	1,040,610	927,910	1,015,329
		1,113,975	1,226,876	1,084,722	1,201,595
Current liabilities					
Interest bearing borrowings	24	11,025,150	6,441,816	11,025,150	6,441,816
Other financial liabilities including derivatives	25	-	199,141	1,596	200,573
Trade and other payables	27	7,386,704	3,050,159	5,859,689	2,377,074
Lease liability	14.2	35,249	26,696	29,454	26,696
Amounts due to related parties	28	-	-	381,151	107,087
Income tax payable	29	35,587	71,537	-	-
Dividend payable	30	9,869	10,991	9,869	10,991
Bank overdrafts	22.2	183,623	26,077	178,916	11,056
		18,676,182	9,826,417	17,485,825	9,175,293
Total equity and liabilities		27,189,260	18,056,071	24,081,063	15,597,279

The accounting policies and explanatory notes from pages 82 to 128 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

03 June 2022
Colombo, Sri Lanka.

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to equity holders of parent							
	Stated Capital	Retained Earnings	Fair Value Through OCI Reserve	Exchange Equalization Reserve	Cash Flow Hedge Reserve	Total	Non-Controlling Interest	Total equity
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
Balance as at 01 January 2020	714,396	7,599,193	17,911	22,617	(19,347)	8,334,770	81,136	8,415,906
Total comprehensive income for the year								
Profit/(loss) for the year		(1,161,871)	-	-	-	(1,161,871)	735	(1,161,136)
Other comprehensive income								
- Actuarial gain/(loss) on retirement benefit obligations		(177,620)	-	-	-	(177,620)	-	(177,620)
- Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation		24,675	-	-	-	24,675	-	24,675
- Fair value gain/(loss) of investments valued at FVOCI		-	(57)	-	-	(57)	-	(57)
- Foreign currency translation differences - foreign operations		-	-	2,628	-	2,628	2,525	5,153
- Cash flow hedges - changes in fair value		-	-	-	(104,143)	(104,143)	-	(104,143)
Balance as at 31 December 2020	714,396	6,284,377	17,854	25,245	(123,490)	6,918,382	84,396	7,002,778
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
Total comprehensive income for the year								
Profit/(loss) for the year		249,229	-	-	-	249,229	12,879	262,108
Other comprehensive income								
- 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
Balance as at 31 December 2021	714,396	6,532,445	17,353	31,563	-	7,295,757	103,346	7,399,103

Company	Stated Capital (Rs.'000)	Retained Earnings (Rs.'000)	Fair Value Through OCI Reserve (Rs.'000)	Cash Flow Hedge Reserve (Rs.'000)	Total (Rs.'000)
Balance as at 01 January 2020	714,396	6,112,961	17,911	(19,347)	6,825,921
Total comprehensive income for the year					
Profit / (loss) for the year		(1,347,404)	-		(1,347,404)
Other comprehensive income					
- Actuarial gain/(loss) on retirement benefit obligation		(178,983)	-		(178,983)
- Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation		25,057	-		25,057
- Fair value gain/(loss) of investments valued at FVOCI		-	(57)		(57)
- Cash flow hedge - changes in fair value		-	-	(104,143)	(104,143)
Balance as at 31 December 2020	714,396	4,611,631	17,854	(123,490)	5,220,391
Balance as at 01 January 2021	714,396	4,611,631	17,854	(123,490)	5,220,391
Total comprehensive income for the year					
Profit / (loss) for the year		171,226	-		171,226
Other comprehensive income					
- 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
Balance as at 31 December 2021	714,396	4,778,767	17,353	-	5,510,516

The accounting policies and explanatory notes on pages 82 to 128 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	
		2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Cash flow from operating activities					
Profit/(loss) before tax		410,963	(1,006,513)	317,732	(1,249,604)
Adjustments for,					
Depreciation of property, plant and equipment		499,440	466,143	424,839	409,035
Amortization of intangible assets		4,545	293	4,141	12
Provision for retirement benefit obligations (excluding actuarial gains/losses)		55,723	164,024	48,375	158,352
Provision/(reversal) for bad and doubtful debts		110,352	13,115	98,120	7,918
Provision for/(reversal) of obsolete stocks		(14,898)	(6,004)	(27,146)	(7,624)
(Profit)/loss on disposal of property, plant and equipment		(8,002)	(8,300)	(5,116)	(7,537)
Provision for/(reversal) of warranty provision		32,934	(56,289)	27,410	(41,000)
Foreign exchange (gain)/loss (unrealized)		510,061	190,571	510,061	190,571
Net change in fair value of financial instruments		229,818	180,771	229,818	190,850
Amortization of corporate guarantees		-	-	(1,432)	(1,432)
Interest expense on lease		23,562	23,711	23,045	23,601
Amortisation of right-of-use assets		61,252	43,691	47,547	41,062
Amortization of prepaid staff benefits		35,172	20,316	34,748	18,964
Interest income		(456,203)	(244,810)	(434,599)	(190,723)
Dividend income		(149)	-	(94,389)	-
Interest expenses		392,550	201,001	392,499	200,956
Operating profit/(loss) before working capital changes		1,887,120	(18,280)	1,595,653	(256,599)
(Increase)/decrease in inventory		(1,078,883)	(425,328)	(788,488)	(365,583)
(Increase)/decrease in trade and other receivables		(6,050,633)	275,384	(5,377,528)	92,910
(Increase)/decrease amounts due from related parties		-	-	(158,809)	(4,347)
Increase/(decrease) trade and other payables		4,115,609	(677,613)	3,256,063	(476,186)
Increase/(decrease) amounts due to related parties		-	-	274,064	(104,058)
Cash generated from/(used in) operating activities		(1,126,787)	(845,837)	(1,199,045)	(1,113,863)
Interest paid		(392,550)	(201,001)	(392,499)	(200,956)
Gratuity paid		(141,651)	(184,103)	(140,550)	(182,416)
Tax paid / ESC Write-off		(74,824)	(136,307)	(36,937)	(66,681)
Net cash generated from/(used in) operating activities		(1,735,812)	(1,367,248)	(1,769,031)	(1,563,916)

For the year ended 31 December,	Note	Group		Company	
		2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Cash flow from investing activities					
Purchases of property, plant equipment & Intangible Asset		(550,387)	(1,326,715)	(340,055)	(981,310)
Proceeds from disposal of property, plant and equipment		9,909	8,081	6,831	7,372
Interest received		489,419	159,799	401,383	143,105
Staff loans granted during the year	(Note 20.1)	(169,671)	(73,162)	(163,271)	(72,106)
Staff loans recovered during the year	(Note 20.1)	218,762	144,902	215,452	136,147
Proceeds on maturity of FVTPL financial assets		112,250	129,919	-	-
Dividend received		149	-	94,389	-
Net cash generated from/(used in) investing activities		110,431	(957,176)	214,729	(766,792)
Cash flow from financing activities					
Short terms loans obtained during the period	(Note 24.1)	17,300,689	8,723,072	17,300,689	8,723,072
Repayment of short term loans	(Note 24.1)	(13,227,416)	(6,142,380)	(13,227,416)	(6,142,380)
Dividend paid		(1,122)	(374)	(1,122)	(374)
Payment of lease liability	(Note 14)	(54,023)	(53,942)	(49,741)	(50,642)
Net cash generated from/(used in) financing activities		4,018,128	2,526,376	4,022,410	2,529,676
Net increase/(decrease) in cash and cash equivalents during the period		2,392,747	201,952	2,468,108	198,968
Cash and cash equivalents at the beginning of the period	(Note 22)	4,513,427	4,311,475	4,180,060	3,981,092
Cash and cash equivalents at the end of the period	(Note 22)	6,906,174	4,513,427	6,648,168	4,180,060

The accounting policies and explanatory notes 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 2021 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 and anticipated effects of the COVID -19 on the Group and the use of going concern basis of preparation giving special attention to highly impacted sectors such as shipbuilding and ship repairs based on available information and the short to medium term economic outlook. The Group has been evaluating the resilience of its businesses, considering a wide range of factors such as expected revenue streams, profitability, cost management initiatives implemented by the Group, working restrictions, travel restrictions, working capital management, capital expenditure, debt repayments, cash reserves and available sources of financing including unutilized facilities and in order to be able to continue business under current global economic conditions.

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

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 2021. 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, interruption to power supply and other supply chain challenges due to shortages in fuel distribution, 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.

3.1.1 COVID-19 Pandemic

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

The Group has developed various accounting estimates in these Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions in December 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgements involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions are likely to be different from those forecasts since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

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

3.2 Basis of Consolidation

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's identifiable net assets at the acquisition date.

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

Notes to the Financial Statements (Contd.)

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.

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%

Notes to the Financial Statements (Contd.)

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)	Depriciation 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
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements (Contd.)

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 derecognition 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	<p>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.</p> <p>Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.</p>
Equity investments at FVOCI	<p>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.</p>

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.

Notes to the Financial Statements (Contd.)

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

(d) Impairment policy Non-derivative financial asset's Financial instruments and contract assets

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

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

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

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

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

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a 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.

Notes to the Financial Statements (Contd.)

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.

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.

Notes to the Financial Statements (Contd.)

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

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

3.11 Related Party Transactions

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

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

3.12 Cash Flow Statement

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

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

Bank overdrafts and short term borrowings that are repayable on demand and forming an integral part of the Group's cash

management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.13 Earnings Per Share

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

3.14 Events Occurring After the Reporting Period

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

The materiality of the events occurring after the reporting period is considered and appropriate adjustments to or disclosures are made in the Financial Statements, where necessary.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying

amount of assets and liabilities that are not readily apparent from other sources.

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

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

Critical accounting estimate/judgement	Disclosure Reference	
	Note	Page
Income tax expense	9	100 - 102
Property, plant and equipment	11	103 - 106
Intangible assets	13	107
Deferred tax assets / liabilities	17	110
Employee benefits	26	115 - 117
Provision for warranty claims	27.1	118

4.1 Sri Lanka Accounting Standards not yet effective as at 31st December 2021

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

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 2022 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 2022. 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 Onerous Contracts - Cost of fulfilling the contract (Amendments to LKAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Group

Notes to the Financial Statements (Contd.)

4.1.5 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.

Annual Improvements to SLFRS Standards issued during 2018-2020

IFRS issued improvements to standards issued during the period 2018 to 2020 with improved clarifications and amendments to IFRS 1, IFRS 9, IFRS 9 and IAS 41.

The amendments are effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17. This standard is not applicable to the Group.

5. REVENUE

	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
For the year ended 31 December,				
Ship repair	9,211,401	5,009,752	9,211,401	5,009,752
Ship building	5,284,567	2,930,957	5,284,567	2,930,957
Heavy engineering	2,105,650	1,463,833	388,708	138,564
Material & other sales	630,510	269,903	-	-
Gross revenue (Note 5.1, 5.2)	17,232,128	9,674,445	14,884,676	8,079,273
Turnover tax	-	-	-	-
Total revenue	17,232,128	9,674,445	14,884,676	8,079,273
Less: Cost of sales	(14,888,528)	(8,657,320)	(13,048,718)	(7,480,782)
Gross profit / operating results (Note 5.3)	2,343,600	1,017,125	1,835,958	598,491

5.1 Project types segment revenue (Business segment)

Ship repair

Tankers	6,041,375	2,047,464	6,041,375	2,047,464
General cargo	303,390	349,907	303,390	349,907
Container carriers	725,343	300,230	725,343	300,230
Passenger vessels	304,028	30,625	304,028	30,625
Fishing trawlers	2,910	21,782	2,910	21,782
Tugs	150,984	37,181	150,984	37,181
LPG tankers	192,189	122,628	192,189	122,628
Dredgers	104,132	705,601	104,132	705,601
Navel vessels	265,127	94,311	265,127	94,311
Cement carriers	1,257	8,930	1,257	8,930
Offshore support/ supply vessels	98,513	127,014	98,513	127,014
Barge	238,152	19,309	238,152	19,309
Bulk carriers	548,306	972,689	548,306	972,689
Research vessel	-	3,481	-	3,481
Others	235,695	168,600	235,695	168,600
	9,211,401	5,009,752	9,211,401	5,009,752

Ship building

Specialised vessels	499,348	194	499,348	194
Passenger vessels	1,846,703	1,178,072	1,846,703	1,178,072
Bulk Carrier	969,734	1,515,367	969,734	1,515,367
Cable Laying Vessels	1,718,668	-	1,718,668	-
Launching Vessels	250,114	237,324	250,114	237,324
	5,284,567	2,930,957	5,284,567	2,930,957

Notes to the Financial Statements (Contd.)

5. REVENUE (CONTD.)

5.1 Project types segment revenue (Business segment) (Contd.)

	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
For the year ended 31 December,				
Heavy engineering				
Heavy fabrication	1,467,742	641,893	336,903	124,707
Services	284,392	635,347	8,017	8,507
Repairs & maintenance	353,516	186,593	43,788	5,350
	2,105,650	1,463,833	388,708	138,564
Material and other sales				
Material and other sales	630,510	269,903	-	-
Total revenue	17,232,128	9,674,445	14,884,676	8,079,273

5.2 Geographical segment revenue

India	6,255,198	2,992,270	6,255,198	2,992,270
Maldives	462,612	8,308	462,612	8,308
UAE	138,590	295,850	138,590	295,850
Srilanka	3,308,078	2,179,347	960,626	601,874
Singapore	524,327	454,021	524,327	436,322
Japan	2,695,476	2,755,445	2,695,476	2,755,445
Germany	13,815	4,287	13,815	4,287
Greece	29,928	127,901	29,928	127,901
Hong Kong	163,600	31,528	163,600	31,528
Malaysia	167,620	-	167,620	-
France	1,802,156	-	1,802,156	-
Norway	976,151	105,766	976,151	105,766
Cyprus	107,455	-	107,455	-
Pakistan	170,190	421,026	170,190	421,026
Liberia	-	129,494	-	129,494
Mauritius	144,653	-	144,653	-
Others	272,279	169,202	272,279	169,202
	17,232,128	9,674,445	14,884,676	8,079,273

5.3 Segmental Operating Results

Ship repairs	2,411,319	192,020	2,411,319	192,020
Ship building	(691,037)	350,707	(691,037)	350,707
Heavy engineering	403,213	362,558	115,676	55,764
Material & other sales	220,105	111,840	-	-
	2,343,600	1,017,125	1,835,958	598,491

6. OTHER INCOME

	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
For the year ended 31 December,				
Exchange gain (both realized and unrealized)	114,558	39,409	114,558	39,409
Scrap sales	222,623	98,591	222,623	98,591
Dividend income	149	-	94,389	-
Profit/(loss) on disposal of property, plant and equipment	8,002	8,300	5,116	7,537
Management fees	-	-	1,800	900
Amortization of corporate guarantees	-	-	1,432	1,432
Lease rental	-	-	8,508	1,716
Miscellaneous income	22,624	22,397	18,620	14,391
	367,956	168,697	467,046	163,976

7. NET FINANCE INCOME/(EXPENSE)

	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
For the year ended 31 December,				
7.1 Finance cost				
Interest on bank overdrafts and short term loans	(392,550)	(201,001)	(392,499)	(200,956)
Interest on lease liability (Note 14.2)	(23,562)	(23,711)	(23,045)	(23,601)
Net change in fair value of financial instrument at FVTPL	-	(190,850)	-	(190,850)
	(416,112)	(415,562)	(415,544)	(415,407)
7.2 Finance income				
Interest income from investments	399,492	210,806	379,027	156,315
Other interest income	56,711	34,005	55,532	34,408
Amortization of pre paid staff cost (Note 20.2)	35,172	20,316	34,748	18,964
Net change in fair value of financial instrument at FVTPL	234,462	10,079	224,584	-
	725,837	275,206	693,891	209,687
	309,725	(140,356)	278,347	(205,720)

7.3 In accordance with LKAS 23 Borrowing cost, Company has incurred an interest costs amounting to Rs. 103.02 Mn (2020 - Rs. 39.46 Mn) which was related to the shipbuilding projects which were fallen under the definition of 'qualifying assets'. Company treated interest cost on such loans, which were directly attributable to the acquisition, construction or production of a qualifying asset as part of project cost and not as an interest cost, and charge to the Cost of Sales.

Notes to the Financial Statements (Contd.)

8. PROFIT BEFORE TAX

	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
For the year ended 31 December,				

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

Directors' emoluments	28,705	26,221	18,025	17,371
Auditors remuneration - on statutory audit	5,201	4,284	2,520	2,520
audit related services	-	-	-	-
Business promotion expenses	16,726	15,196	15,954	13,335
Depreciation on property, plant & equipment	499,440	466,143	424,839	409,035
Amortization of intangible assets	4,545	293	4,141	12
Donations	4,026	2,266	4,026	2,266
Bad debt written-off	-	-	-	-
Impairment loss on property, plant and equipment	-	-	-	-
Provision for/(reversal of)				
- Bad and doubtful debts	110,352	13,115	98,120	7,918
- Obsolete and slow moving stocks	(14,898)	(6,004)	(27,146)	(7,624)
- Warranty claims	32,934	(56,289)	27,410	(41,000)
Staff related cost				
- Salaries and wages	4,101,956	3,244,378	3,831,391	3,244,378
- Defined benefit plan cost - gratuity	55,723	164,024	48,375	158,352
- Defined contribution plan cost - EPF	198,512	190,279	184,631	178,279
ETF	49,628	47,570	46,158	44,570
Amortization of pre-paid staff cost	35,173	20,316	34,748	18,964

9. INCOME TAX EXPENSE

	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
For the year ended 31 December,				
On the current years profit (Note 9.3)	35,513	73,756	-	-
Additional tax liability Write off	(33,576)	(14,625)	-	-
Unrecoverable ESC	36,937	66,682	36,937	66,682
Deferred taxation (Note 17.2)	109,981	28,810	109,569	31,118
Total tax expense on profit / (loss)	148,855	154,623	146,506	97,800

9.1 Taxation on profits

(i) Income tax in Sri Lanka Company

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

Business income	14%
Investment income	24%
Deduction of tax losses against total statutory income	100%
Tax losses - carrying forward	6 years

Group

Dockyard General Engineering Services (Pvt) Ltd.

As per the Inland Revenue Act, the Company is liable to pay income tax at 24% (2020: 28%) on profits from construction contracts.

Dockyard Total Solutions (Pvt) Ltd.

As per the Inland Revenue Act, the Company is liable to pay income tax at 24% (2020: 28%) on profits from construction contracts.

(ii) Income tax on overseas operations

Ceylon Shipping Agency (Pte) Ltd., Singapore is liable for taxation at the rate of 17% (2020: 17%) on its taxable profit and provision has been made in the accounts accordingly.

9.2 Economic service charge

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

9.3 Reconciliation between current tax expense and the accounting profit

	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
For the year ended 31 December,				
Profit / (loss) before tax	410,963	(1,006,513)	317,732	(1,249,604)
Impact of allowable and disallowable expenses	(602,137)	(48,958)	(674,453)	(69,281)
Statutory profit/(loss) from business	(191,174)	(1,055,471)	(356,721)	(1,318,885)
Statutory profit/(loss) from Colombo Dockyard PLC	(356,721)	-	-	-
Statutory profit/(loss) from Dockyard General Engineering Services (Pvt) Ltd	138,575	263,414	-	-
Statutory profit/(loss) from Dockyard Total Solutions (Pvt) Ltd.	9,820	-	-	-
Statutory profit/(loss) from Ceylon Shipping Agency (Ate) Ltd	17,152	-	-	-
Tax loss claimed during the year	-	-	-	-
Taxable income/(Loss)	(191,174)	263,414	-	-
Tax at the rate of 14%	4,227	-	-	-
Tax at the rate of 17%	2,916	-	-	-
Tax at the rate of 24%	28,370	-	-	-
Tax at the rate of 28%	-	73,756	-	-
Provision for taxation on current year profit	35,513	73,756	-	-

Notes to the Financial Statements (Contd.)

9.4 Deferred taxation

Company

The deferred tax liability is arrived at by applying the effective income tax rate of 14% applicable for the year of assessment 2021/2022 to the temporary difference as at 31 December 2021.

Subsidiaries

Dockyard General Engineering Services (Pvt) Ltd.

The deferred tax asset is arrived at by applying the income tax rate of 24% to the temporary differences of Dockyard General Engineering Services (Pvt.) Ltd. as at 31 December 2021.

Dockyard Total Solutions (Pvt) Ltd.

The deferred tax asset is arrived at by applying the income tax rate of 24% to the temporary differences of Dockyard Total Solutions (Pvt) Ltd.. as at 31 December 2021.

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 2021.

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	
	2021	2020	2021	2020
Amount used as the numerator				
Profit/(loss) for the period (Rs. '000)	262,108	(1,161,136)	171,226	(1,347,404)
Less : Non controlling interest (Rs. '000)	(12,879)	(735)	-	-
Profit attributable to equity shareholders of Colombo Dockyard PLC (Rs. '000)				
	249,229	(1,161,871)	171,226	(1,347,404)
Number of ordinary shares used as the denominator				
Number of ordinary shares	71,858,924	71,858,924	71,858,924	71,858,924
Earnings/(loss) per share (Rs.) based on weighted average number of shares in 2021	3.47	(16.17)	2.38	(18.75)

11. PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD											Total	
	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
	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
11.1 Group													
COST													
Balance as at 01 January 2021	1,184,661	62,950	14,190	1,673,537	5,906,613	337,809	260,497	104,056	485,314	361,154	6,494	1,386,299	11,783,573
Additions during the year	-	-	-	-	140,578	4,288	6,977	6,100	121,362	13,634	-	209,099	502,038
Transfers/adjustments during the year	10,061	-	-	427,489	977,286	32,412	-	-	249	-	-	(1,447,497)	-
Disposals during the year	-	-	-	-	(559)	-	(11,351)	-	(16,903)	(1,255)	-	-	(30,068)
Exchange gain / loss	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	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
ACCUMULATED DEPRECIATION													
Balance as at 01 January 2021	689,887	-	13,259	751,053	3,647,745	295,459	191,334	87,006	363,051	328,809	6,494	-	6,374,097
Charge for the year	12,750	-	570	70,220	311,517	9,548	20,559	6,811	39,353	28,112	-	-	499,440
Transfer/adjustments during the year	-	-	-	-	-	-	6,930	(4,944)	(1,986)	-	-	-	-
Disposals	-	-	-	-	(511)	-	(9,713)	-	(16,766)	(1,171)	-	-	(28,161)
Exchange gain/loss	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	702,637	-	13,829	821,273	3,958,751	305,007	209,110	88,873	383,652	355,750	6,494	-	6,845,376
Balance as at 01 January 2021	-	-	-	-	2,327	-	-	-	136	10	-	-	2,473
Impairment loss for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	-	-	-	-	2,327	-	-	-	136	10	-	-	2,473
CARRYING AMOUNT													
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
As at 31 December 2020	494,774	62,950	931	922,484	2,256,541	42,350	69,163	17,050	122,127	32,335	-	1,386,299	5,407,003

Notes to the Financial Statements (Contd.)

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	FREEHOLD											Total	
	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
	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
11.2 Company													
COST													
Balance as at 01 January 2021	1,184,661	45,785	14,190	1,623,769	5,754,127	337,808	190,714	104,098	428,354	249,065	6,495	986,344	10,925,410
Additions during the year	-	-	-	60,504	4,289	7,009	6,058	74,155	1,939	-	-	137,397	291,351
Transfers/adjustments during the year	10,061	-	-	38,966	901,193	32,412	-	249	-	-	-	(982,881)	-
Disposals during the year	-	-	-	-	-	-	(8,541)	-	(16,672)	-	-	-	(25,213)
Balance as at 31 December 2021	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
ACCUMULATED DEPRECIATION													
Balance as at 01 January 2021	689,887	-	13,259	729,609	3,580,895	295,458	127,767	86,929	343,258	248,888	6,495	-	6,122,445
Charge for the year	12,750	-	570	60,627	283,771	9,549	21,511	6,888	28,065	1,108	-	-	424,839
Transfers/adjustments during the year	-	-	-	-	-	-	6,930	(4,944)	(1,986)	-	-	-	-
Disposals during the year	-	-	-	-	-	-	(6,903)	-	(16,595)	-	-	-	(23,498)
Balance as at 31 December 2021	702,637	-	13,829	790,236	3,864,666	305,007	149,305	88,873	352,742	249,996	6,495	-	6,523,786
CARRYING AMOUNT													
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
As at 31 December 2020	494,774	45,785	931	894,160	2,173,232	42,350	62,947	17,169	85,096	177	-	986,344	4,802,965

(Group / Company)

Notes:

A. No property plant and equipment have been pledged as security for liabilities and also there are no restrictions on titles.

B. There is no temporarily idle property plant and equipment as at the reporting date.

11.3 Valuation of land

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

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

Extent of the land	852.5 Perches
No. of buildings	02
Cost	Rs. 20,931,444
Valuation	Rs. 5,115,000,000

- (b) Land depicted as allotment of land in Plan No.1562 dated 27th August 1960 at Nuwara Eliya Holiday Bungalow of the Company is built on this land.

Extent of the land	37.99 Perches
No. of buildings	01
Cost	Rs. 1,807,000
Valuation	Rs. 94,975,000

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

Extent of the land	89.62 Perches
No. of buildings	01
Cost	Rs. 3,219,000
Valuation	Rs. 201,645,000

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

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

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

- (e) Land depicted as Lot No is plan No. 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

Notes to the Financial Statements (Contd.)

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Freehold dry-docks	5,215	5,215	5,215	5,215
Roadways	13,132	8,019	13,132	8,019
Freehold buildings	311,393	309,582	293,239	291,427
Plant, machinery and equipment	1,970,894	1,890,126	1,872,124	1,870,186
Electrical installation	279,547	240,937	279,547	240,937
Motor vehicles	139,312	128,630	86,078	79,108
Inventory items	64,139	59,652	64,139	59,652
Office equipment, furniture and fittings	281,046	298,243	269,760	259,717
Boats / launches	6,495	6,495	6,495	6,495
	3,071,173	2,946,899	2,889,729	2,820,756

12. INVESTMENT PROPERTY

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (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

2021 Rs. 8,508,160

2020 Rs. 1,716,000

(There was no operating expenses for both years)

13. INTANGIBLE ASSETS

	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Cost				
Balance at the beginning of the year	87,040	85,620	81,812	81,766
Additions during the year	48,349	1,420	48,704	46
Balance at the end of the year	135,389	87,040	130,516	81,812
Amortization				
Balance at the beginning of the year	84,738	84,445	81,677	81,665
Charge for the year	4,545	293	4,141	12
Balance at the end of the year	89,283	84,738	85,818	81,677
Carrying amount	46,106	2,302	44,698	135

14. RIGHT-OF-USE ASSETS

	Group		Company	
	2021	2020	2021	2020
14.1 Assets held under lease have been recognised as right-of-use assets under SLFRS 16.				
Balance as at the beginning of the year	243,362	232,910	243,362	185,354
Additions for during the year	20,939	96,694	-	96,694
Lease Modification	-	2,376	-	2,376
Termination of Leases	-	(44,927)	-	-
Amortisation charge for the year	(61,252)	(43,691)	(47,547)	(41,062)
Balance at the end of the year	203,049	243,362	195,815	243,362
14.2 Corresponding liability for the right- of-use assets has been recognised under other liabilities.				
Balance as at the beginning of the year	212,962	227,099	212,962	184,625
Additions for the year	11,139	53,002	-	53,002
Accretion of interest	23,562	23,711	23,045	23,601
Lease Modification	-	2,376	-	2,376
Termination of Leases	-	(39,283)	-	-
Lease payments	(54,023)	(53,942)	(49,741)	(50,642)
Balance at the end of the year	193,640	212,962	186,266	212,962
Non-current	158,391	186,266	156,812	186,266
Current	35,249	26,696	29,454	26,696

Notes to the Financial Statements (Contd.)

	Group		Company	
	2021	2020	2021	2020
14.2.2 Amounts recognised in profit or loss				
14.2.2.1 Lease under SLFRS 16 for the year ended 31 December 2021				
Interest on lease liabilities	23,562	23,711	23,045	23,601
Right - of - use asset amortisation	61,252	43,691	47,547	41,062
14.2.2.2 Amounts Recognised in statement of cash flows under SLFRS 16				
Lease rent paid	(54,023)	(53,942)	(49,741)	(50,642)

15. INVESTMENTS IN SUBSIDIARIES

	Incorporated in	2021			2020		
		No of shares	Percentage holding	Cost (Rs. '000)	No of shares	Percentage holding	Cost (Rs. '000)
15.1 Investments of Colombo Dockyard PLC							
Dockyard General Engineering Services (Pvt) Ltd.	Sri Lanka	61,999	100%	7,024	61,999	100%	5,592
Add: Fair value of financial guarantees		-	-	1,596	-	-	1,432
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
		-	-	9,477	-	-	7,881

Notes to the Financial Statements (Contd.)

17. DEFERRED TAXATION

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)

17.1 DEFERRED TAX ASSET

Balance at the beginning of the year	156,276	158,989	145,811	151,872
Provision /(reversal) during the year (Note 17.2)	(110,240)	(4,135)	(108,903)	(6,061)
Balance at the end of the year	46,036	154,854	36,908	145,811

17.2 Provision /(reversal) for the year

Provision/(reversal) during the year recognized in profit/(loss)	(109,981)	(28,810)	(109,569)	(31,118)
Provision/(reversal) during the year recognized in other comprehensive income	(259)	24,675	666	25,057
Provision/(reversal) during the year recognized in comprehensive income	(110,240)	(4,135)	(108,903)	(6,061)

	2021		2020	
	Temporary difference (Rs.'000)	Tax effect on temporary difference (Rs.'000)	Temporary difference (Rs.'000)	Tax effect on temporary difference (Rs.'000)
Group				
Temporary difference on property, plant & equipment	(3,001,638)	(425,912)	(2,937,071)	(411,190)
Temporary difference on retirement benefit obligations	955,584	136,549	1,040,610	149,222
Temporary difference on stock provision	86,326	14,499	101,224	15,835
Temporary difference on warranty provision	86,049	16,401	53,115	12,800
Temporary difference on provision for bad and doubtful debts	183,783	25,730	85,663	11,993
Temporary difference on tax losses carried forward	2,000,000	280,000	2,717,500	380,450
Temporary difference on right-of-use asset	(9,409)	(1,230)	(30,400)	(4,256)
	300,695	46,036	1,030,641	154,854
Company				
Temporary difference on property, plant & equipment	(2,943,221)	(412,051)	(2,851,313)	(399,185)
Temporary difference on retirement benefit obligations	927,910	129,907	1,015,329	142,146
Temporary difference on stock provision	62,192	8,707	89,338	12,507
Temporary difference on warranty provision	42,512	5,952	15,102	2,156
Temporary difference on provision for bad and doubtful debts	183,783	25,730	85,663	11,993
Temporary difference on tax losses carried forward	2,000,000	280,000	2,717,500	380,450
Temporary difference on right-of-use asset	(9,549)	(1,337)	(30,400)	(4,256)
	263,627	36,908	1,041,219	145,811

Deferred tax assets in relation to the tax losses carried forward, has been recognized only up to the amount of recoverable tax losses, which is expected to be set-off from the taxable profits forecasted for next five years.

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 2021, in accordance with LKAS 12 paragraph 46.

18. INVENTORIES

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Raw materials	2,207,825	1,179,462	1,622,306	901,310
Goods in transit	140,970	65,956	133,436	65,945
	2,348,795	1,245,418	1,755,742	967,255
Less: Provision for inventories (Note 18.1)	(86,326)	(101,224)	(62,192)	(89,338)
	2,262,469	1,144,194	1,693,550	877,917

18.1 Movement in provision for inventories

Balance at the beginning of the year	101,224	107,228	89,338	96,962
Provision/(reversal) made during the year	(14,898)	(6,004)	(27,146)	(7,624)
Amounts written off during the year	-	-	-	-
Balance at the end of the year	86,326	101,224	62,192	89,338

19. TRADE AND OTHER RECEIVABLES

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Trade receivables	5,071,044	2,327,279	4,697,124	2,108,702
Provision for bad and doubtful debts (Note 19.1)	(213,124)	(102,772)	(183,783)	(85,663)
	4,857,920	2,224,507	4,513,341	2,023,039
Accrued revenue	3,144,337	2,232,287	2,061,288	1,632,273
VAT recoverable	201,882	211,666	201,882	202,495
Deposits and prepayments	2,463,785	565,829	2,454,452	543,281
Economic service charges	-	36,937	-	36,937
Other receivables	540,839	305,770	314,392	89,946
	11,208,763	5,576,996	9,545,355	4,527,971

19.1 Movement in provision for bad and doubtful debts

Balance at the beginning of the year	102,772	89,657	85,663	77,745
Provision made during the year	110,352	13,115	98,120	7,918
Balance at the end of the year	213,124	102,772	183,783	85,663

Notes to the Financial Statements (Contd.)

20. OTHER FINANCIAL ASSETS INCLUDING DERIVATIVES

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Non current				
Loans given to employees (Note 20.1)	421,429	450,282	412,368	443,705
Pre paid staff benefits (Note 20.2)	32,107	52,399	31,454	51,560
	453,536	502,681	443,822	495,265
Current				
Loans given to employees (Note 20.1)	184,549	177,738	181,188	175,369
Pre paid staff benefits (Note 20.2)	14,034	20,791	13,820	20,378
Guarantee benefit assets	1,596	1,432	-	-
Securitised papers	50,000	155,000	-	-
Fixed deposits	50,000	-	-	-
Forward exchange contracts / Derivatives (Note 20.3)	154,167	-	154,167	-
	454,346	354,961	349,175	195,747
	907,882	857,642	792,997	691,012

20.1 Loans given to employees

Balance at the beginning of the year	701,210	772,949	691,012	755,053
Loans granted during the year	169,671	73,162	163,270	72,106
Loans recovered during the year	(218,762)	(144,902)	(215,452)	(136,147)
	652,119	701,210	638,830	691,012
Transfer to pre paid staff benefits	(46,141)	(73,190)	(45,274)	(71,938)
Balance at the end of the year	605,978	628,020	593,556	619,074
Non current	421,429	450,282	412,368	443,705
Current	184,549	177,738	181,188	175,369

20.2 Prepaid staff benefits

Balance at the beginning of the year	73,190	91,250	71,938	88,723
Additions during the year	8,123	2,256	8,084	2,179
Amortization	(35,172)	(20,316)	(34,748)	(18,964)
Balance at the end of the year	46,141	73,190	45,274	71,938
Non current	32,107	52,399	31,454	51,560
Current	14,034	20,791	13,820	20,378

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

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

Description	Commercial Bank	Std.Chartered Bank	Total
FV of Derivative as at 31/12/2020	(66,361)	(9,290)	(75,651)
FV of Derivative as at 31/12/2021	117,753	36,414	154,167
Movement in P&L	184,114	45,704	229,818

As at the 31 December 2021, it is considered that the hedge reserve has been discontinued due to the absence of the hedge relationship under the requirements of the SLFRS 09. Thus, Derivative assets has been valued for the financial year for its Fair Value and changes in Fair Value has been recognized in P&L.

Discontinuation entry has been performed through OCI as it credited OCI with the prevailing hedge reserve as at 01 January 2021 due to the discontinuation of hedge relationship under SLFRS 09 requirements.

21. AMOUNTS DUE FROM RELATED PARTIES

As at 31 December	Relationship	Group		Company	
		2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Dockyard General Engineering Services (Pvt) Ltd	Subsidiary	-	-	131,575	57,014
Dockyard Total Solutions (Pvt) Ltd	Subsidiary	-	-	115,514	31,266
Ceylon Shipping Agency Pte Ltd	Subsidiary	-	-	-	-
		-	-	247,089	88,280

Notes to the Financial Statements (Contd.)

22. CASH AND CASH EQUIVALENTS

As at 31 December	Relationship	Group		Company	
		2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)

22.1 Favourable balances

Fixed deposits		2,387,527	3,776,362	2,387,527	3,776,362
Securitized papers		-	153,481	-	-
Repurchase agreement		81,000	25,000	-	-
Call deposits		1,447,105	299,778	1,447,105	299,778
Cash at bank		3,075,675	164,897	2,982,894	106,123
Cash in hand		98,490	119,986	9,558	8,853
		7,089,797	4,539,504	6,827,084	4,191,116

22.2 Unfavourable balances

Bank overdrafts		(183,623)	(26,077)	(178,916)	(11,056)
Cash and cash equivalents for the purpose of the cash flow statement		6,906,174	4,513,427	6,648,168	4,180,060

23. STATED CAPITAL

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)

Issued and fully paid

71,858,924 Ordinary shares (2020 - 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.

23.3 Cash flow hedge reserve

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

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

Hedging instrument	- Forward agreement to sell Euro and buy USD
Hedged item	- Euro denominated forecasted sales to incur till February 2020
Risk management strategy	- To secure the value of USD to be received by bank on conversion of Euro denominated forecast sales, against the future exchange rate movements.

24. INTEREST BEARING BORROWINGS

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Payable within one year				
Short term loans (Note 24.1)	11,025,150	6,441,816	11,025,150	6,441,816
	11,025,150	6,441,816	11,025,150	6,441,816

24.1 Short term loans

Balance at the beginning of the year	6,441,816	3,670,553	6,441,816	3,670,553
Loans obtained during the year	17,300,689	8,723,072	17,300,689	8,723,072
Loan repayments during the year	(13,227,416)	(6,142,380)	(13,227,416)	(6,142,380)
Adjustment in respect of exchange rate fluctuations	510,061	190,571	510,061	190,571
Balance at the end of the year	11,025,150	6,441,816	11,025,150	6,441,816

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 3.5% - 6.5% range. Where the LKR loans were at 7% - 12% range.

25. OTHER FINANCIAL LIABILITIES INCLUDING DERIVATIVES

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Current				
Corporate guarantees	-	-	1,596	1,432
Forward exchange contracts (Derivatives)	-	66,361	-	66,361
Cross currency swap contracts (Derivatives)	-	9,290	-	9,290
Forward exchange contracts used for hedging	-	123,490	-	123,490
	-	199,141	1,596	200,573

26. EMPLOYEE BENEFITS

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Balance at the beginning of the year	1,040,610	883,069	1,015,329	860,410
Provision made in the profit / (loss) during the year (Note 26.3)	55,723	164,024	48,375	158,352
Payments made during the year	(141,651)	(184,103)	(140,550)	(182,416)
Actuarial (gain)/loss recognized in Other Comprehensive Income	902	177,620	4,756	178,983
Balance at the end of the year (Note 26.1 and 26.2)	955,584	1,040,610	927,910	1,015,329

Notes to the Financial Statements (Contd.)

26. EMPLOYEE BENEFITS (Contd.)

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)

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

Present value of unfunded obligations	955,584	1,040,610	927,910	1,015,329
Present value of funded obligations	-	-	-	-
Total present value of obligations	955,584	1,040,610	927,910	1,015,329
Fair value of plan assets	-	-	-	-
Present value of net obligations	955,584	1,040,610	492,910	1,015,329
Unrecognized net actuarial gains/ (losses)	-	-	-	-
Recognized liability for defined benefit obligations	955,584	1,040,610	927,910	1,015,329

26.2 Movement in the present value of defined benefit obligations

Liability for defined benefit obligations as at 01 January	1,040,610	883,069	1,015,329	860,410
Actuarial (gains)/ losses	902	177,620	4,756	178,983
Benefit paid by the plan	(141,651)	(184,103)	(140,550)	(182,416)
Current service costs	59,031	53,842	53,774	49,950
Past Service cost	(86,625)	-	(86,625)	-
Interest cost	83,317	110,182	81,226	108,401
Liability for defined benefit obligations as at 31 December	955,584	1,040,610	927,910	1,015,329

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

Current service costs	59,031	53,842	53,774	49,950
Past Service Cost	(86,625)	-	(86,625)	-
Interest on obligation	83,317	110,182	81,226	108,402
	55,723	164,024	48,375	158,352

26.4 Gain / (loss) recognized in Other Comprehensive Income

	(902)	(177,620)	(4,756)	(178,983)
--	-------	-----------	---------	-----------

During 2021, the pension arrangements was adjusted to reflect new legal requirements as per minimum retirement age of workers Act No:28 of 2021 regarding the retirement age. As a result of the plan amendment, the group/company defined benefit obligation decrease by Rs. 86,625. A corresponding past service credit was recognised in profit or loss during 2021.

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 2021 amounting to Rs. 927 Mn and used the following key assumptions.

	2021	2020
Rate of interest	11.5%	8.00%
Rate of salary increment	9%	7%
Rate of COLA increment	8%	5%
Staff turnover factor	1%	1%
Retiring age (years) - Male	60	55
- Female	60	50

Dockyard General Engineering Services (Pvt) Ltd

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

	2021	2020
Rate of interest	9.5%	8.00%
Rate of salary increment	10%	10.00%
Staff turnover factor	1%	1%
Retiring age (years) - Male	60	60
- Female	60	50

26.5 Sensitivity of assumptions used

Colombo Dockyard PLC

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

Effect on the employee benefit obligation	Discount rate	Salary escalation rate
	(Rs.'000)	(Rs.'000)
As per the current assumptions	927,909	927,909
Increase by one percentage point	850,820	1,021,890
Decrease by one percentage point	1,016,250	844,864

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 2021 is as shown below:

Effect on the employee benefit obligation	Discount rate	Salary escalation rate
	(Rs.'000)	(Rs.'000)
As per the current assumptions	27,673	27,673
Increase by one percentage point	24,128	31,393
Decrease by one percentage point	31,952	24,523

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

Notes to the Financial Statements (Contd.)

27. TRADE AND OTHER PAYABLES

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Trade payables	1,492,013	484,229	345,781	305,208
Subcontract payables	1,038,822	522,741	1,038,822	522,741
Progress bills	3,768,206	1,113,541	3,768,206	1,113,541
Provision for warranty claims (Note 27.1)	86,049	53,115	42,512	15,102
Accrued expenses and other provisions	742,559	559,469	498,210	249,628
Other payables	246,686	313,990	166,158	170,854
VAT payable	12,369	3,074	-	-
	7,386,704	3,050,159	5,859,689	2,377,074

27.1 Provision for warranty claims

Balance at the beginning of the year	53,115	131,754	15,102	78,452
Provision/(reversals) made during the year	32,934	(56,289)	27,410	(41,000)
Claims made during the year	-	(22,350)	-	(22,350)
Balance at the end of the year	86,049	53,115	42,512	15,102

28. AMOUNTS DUE TO RELATED PARTIES

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Ceylon Shipping Agency (Pte) Ltd.	-	-	271,663	68,144
Dockyard General Engineering Services (Pvt) Ltd	-	-	14,360	14,035
Dockyard Total Solutions (Pvt) Ltd.	-	-	95,128	24,908
	-	-	381,151	107,087

29. INCOME TAX PAYABLE

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Balance at the beginning of the year	71,537	82,031	-	-
Provision for income tax on current year's profits	35,513	73,756	-	-
Tax paid during the year	(37,887)	(69,626)	-	-
Additional provision write off	(33,576)	(14,624)	-	-
Balance at the end of the year	35,587	71,537	-	-

30. DIVIDEND PAYABLE

As at 31 December	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Balance at the beginning of the year	10,991	11,365	10,991	11,365
Payments during the year	(1,122)	(374)	(1,122)	(374)
Balance at the end of the year	9,869	10,991	9,869	10,991

31. FINANCIAL INSTRUMENTS

31.1 Financial instruments - Statement of Financial Position (SOFP)

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

As at 31 December	Note	Group		Company	
		2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)

Financial assets

Fair value through profit and loss

SOFP Line Item:

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

Amortised cost

SOFP line Item:

Other financial assets including derivatives - Non Current	20	453,536	502,681	443,822	495,265
Trade and other receivables	19	8,075,669	3,409,124	7,465,968	2,944,424
Other financial assets including derivatives - Current	20	454,346	354,961	349,175	195,747
Amounts due from related parties	21	-	-	247,089	88,280
Cash and cash equivalents	22.1	7,089,797	4,539,504	6,827,084	4,191,116
Total		16,073,348	8,806,270	15,333,138	7,914,832

Fair value through other comprehensive income SOFP Line Item:

Investments classified as FVTOCI	16.1	17,463	17,964	17,463	17,964
Total		17,463	17,964	17,463	17,964

Financial liabilities

Other financial Liabilities

SOFP line Item:

Loans and borrowings - Current	24	11,025,150	6,441,816	11,025,150	6,441,816
Trade and other payables	27	3,520,080	1,883,505	2,048,970	1,248,431
Other financial liabilities including derivatives - Current	25	-	199,141	1,596	200,573
Amounts due to related parties	28	-	-	381,151	107,087
Lease Liability	14.2	193,640	212,962	186,266	212,962
Dividend payable	30	9,869	10,991	9,869	10,991
Bank overdrafts	22.2	183,623	26,077	178,916	11,056
					-
		14,944,731	8,774,492	13,831,918	8,232,916

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

Notes to the Financial Statements (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.

As at 31 December 2021	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)
Financial assets						
Unquoted equity investments - unquoted shares	-	-	17,463	-	-	17,463
Forward exchange contracts (Derivatives)	-	154,167	-	-	154,167	-
	-	154,167	17,463	-	154,167	17,463
Financial liabilities						
Forward exchange contracts (Derivatives)	-	-	-	-	-	-
Corporate guarantee	-	-	-	-	-	1,596
	-	-	-	-	-	1,596

As at 31 December 2020	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)
Financial assets						
Unquoted equity investments - unquoted shares	-	-	17,964	-	-	17,964
Fair value through profit or loss investments	-	112,250	-	-	-	-
	-	112,250	17,964	-	-	17,964
Financial liabilities						
Forward exchange contracts (Derivatives)	-	66,361	-	-	66,361	-
Corporate guarantee	-	-	-	-	-	1,432
	-	66,361	-	-	66,361	1,432

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.

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.

Notes to the Financial Statements (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:

	Group		Company	
	2021 (Rs.'000)	2020 (Rs.'000)	2021 (Rs.'000)	2020 (Rs.'000)
Trade and other receivables	5,071,044	2,327,279	4,697,124	2,108,702
Other financial assets including derivatives	907,882	857,642	792,997	691,012
Investments classified as fair value through profit or loss	-	112,250	-	-
Cash at bank and in hand	7,089,797	4,419,518	6,827,084	4,182,263
Amount due from related parties	-	-	247,089	88,280
Investments classified as fair value through OCI	17,463	17,964	17,463	17,964
Total exposure to the credit risk	13,086,186	7,734,653	12,581,757	7,088,221

Impairment losses

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

The aging of trade and other receivable at the reporting date was:

Age	Group (Rs. '000)			Company (Rs. '000)		
	Gross	Expected credit losses	Net	Gross	Expected credit losses	Net
Within 90 days	8,655,793	(479)	8,655,314	6,985,733	(479)	6,985,254
91 -180 days	432,420	(1,014)	431,406	432,420	(1,014)	431,406
181-365 days	1,399,836	(7,363)	1,392,473	1,394,255	(7,363)	1,386,892
More than 365 days	933,839	(204,268)	729,571	916,730	(174,927)	741,803
	11,421,888	(213,124)	11,208,764	9,729,138	(183,783)	9,545,355

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 2021:

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	35,249	158,391	193,640	29,454	156,812	186,266
Interest bearing borrowings	11,025,150	-	11,025,150	11,025,150	-	11,025,150
Other financial liabilities	6,466,111	-	6,466,111	5,015,446	-	5,015,446
Bank overdrafts	183,623	-	183,623	178,916	-	178,916
	17,710,133	158,391	17,868,524	16,248,966	156,812	16,405,778

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:

32. FINANCIAL RISK MANAGEMENT (CONTD.)

Currency	Average rate		Closing rate	
	2021	2020	2021	2020
U. S. Dollar	198.08	185.37	200.75	186.75
Euro	236.90	210.90	230.22	229.52
Singapore Dollars	148.12	134.60	148.62	138.93
Japanese Yen	1.82	1.74	1.75	1.81

Sensitivity analysis

A strengthening or weakening of Sri Lankan Rupees as indicated below, against the major foreign currencies as at 31 December 2021 would have increased/(decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Increase/(decrease) in principal exchange rates (5% movement)	Effect on Profit before Tax	
	Strengthen (Rs. '000)	Weakening (Rs. '000)
As at 31 December 2021		
U. S. Dollar	156,153	(156,153)
Euro	189,675	(189,675)
Singapore Dollars	(9,356)	9,356
As at 31 December 2020		
U. S. Dollar	(3,882)	3,882
Euro	(4,821)	7,821
Singapore Dollars	(1,512)	1,512

Notes to the Financial Statements (Contd.)

(ii) Interest rate risk

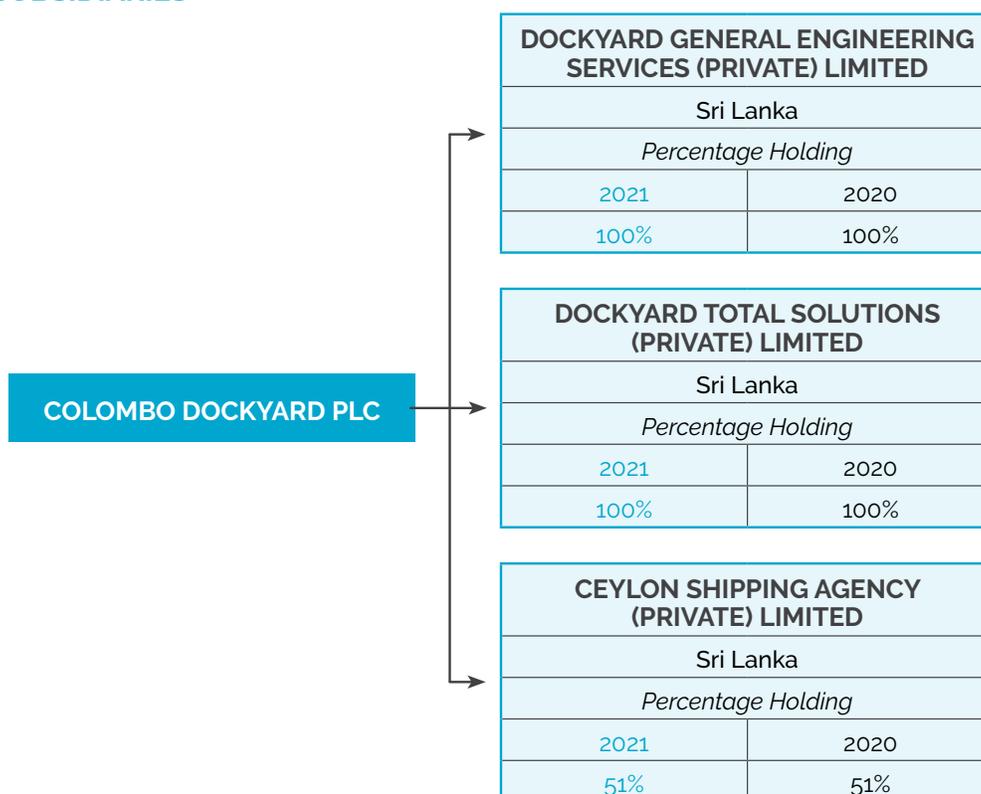
Interest rate risk is the risk that the fair value of the future cash flows of financial instruments fluctuate because of changes in market interest rates. The group exposed to the risk of changes in market interest rates relates primarily to the Group's short term debt obligation and investments with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

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

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

Increase/(decrease) in variable interest rates (100 basis points movement)	Effect on Profit before Tax	
	Strengthen (Rs. '000)	Weakening (Rs. '000)
As at 31 December 2021		
On variable rate instruments -USD	(2,070)	2,070
-Euro	-	-
As at 31 December 2020		
On variable rate instruments -USD	(992)	992
-Euro	-	-

33. LIST OF SUBSIDIARIES



34. NON-CONTROLLING INTEREST

	Principal place of business	Operating segment	Ownership interest held by Non Controlling Interest	
			2021	2020
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,	2021 (Rs.'000)	2020 (Rs.'000)
Revenue	1,732,895	701,738
Profit	26,285	1,499
Profit attributable to Non Controlling Interest	12,879	735
Other comprehensive income	12,389	5,154
Total comprehensive income	38,673	6,653
Total comprehensive income attributable to Non Controlling Interest	18,950	3,260
Current assets	445,984	223,198
Non-current assets	405	101
Current liability	(234,447)	(50,030)
Non-current liability	-	-
Net asset	211,942	173,269
Net asset attributable to Non Controlling Interest	103,852	84,902
Cash flow from operating activities	(61,352)	1,456
Cash flow from investing activities	(543)	23
Cash flow from financing activities	-	1
Net increase in cash and cash equivalents	(61,895)	1,480
Dividend paid to Non Controlling Interest during the year	-	-

Notes to the Financial Statements (Contd.)

35. CONTINGENT LIABILITIES

- (a) On behalf of Colombo Dockyard PLC, banks have given Bank Guarantees to the Company's suppliers / customers amounting to Rs. 8,217 Mn (2020 - Rs. 8,290 Mn) as at the reporting date.

Bank	Letter of credit	Performance & bid bonds	Advance and Retention Bonds	Miscellaneous Bonds	Total
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
Bank of Ceylon PLC	563,541	35,199	23,032	16,900	638,672
Commercial Bank PLC	-	106,226	-	-	106,226
National Development Bank PLC	1,020,410	-	-	21,400	1,041,810
Standard Chartered Bank	141,489	-	-	1,894,250	2,035,739
State Bank of India	-	-	-	4,394,347	4,394,347
	1,725,440	141,425	23,032	6,326,897	8,216,794

- (b) Colombo Dockyard PLC has issued Corporate Guarantees behalf of its Subsidiary amounting to Rs. 527,000,000 (2020 - Rs. 1,077,000,000) as at the reporting date.

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

- (c) Legal Cases

- I Appeals filed against the High Court orders to supreme court in respect of termination of employment - SC 49/2015 (Monetary Settlement)
- II Application filed against termination of employment before Labour Tribunal -LT1/54/2020,LT1/55/2020, LT2/983/2020 (Monetary Settlement)
- III Actions filed to recover the ship repair dues (pending proceedings) 05/2020/Rem, 10/2020/Rem, OP 3272, DC/DC 1434

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

36. CAPITAL COMMITMENTS

There was no contracted capital expenditure approved by the Board of Directors as at 31 December 2021.

37. RELATED PARTY TRANSACTIONS

The Group and the company carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard-LKAS 24 Related Party Disclosures.

The immediate parent of Colombo Dockyard PLC is Onomichi Dockyard Company Ltd.

37.1 Transactions with ultimate parent

Company	Name of Common Directors	Nature of Interest	Particulars of Financial Dealings	Value of Transaction (Rs.'000')
Onomichi Dockyard Company Ltd	Mr. T. Nakabe	Parent	Obtaining technical services	118,847

37.2 Transactions with subsidiary companies

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	43,824
	Mr. H. Tanaka		Fess for management services	1,800
	Mr. K. Nayakarathne		Lease rental income	1,716
	Mr A Horibe		Dividend income	94,240
			Purchase of materials	4,298
			Obtaining sub contracting services	50,819
Ceylon Shipping Agency (Pte) Ltd			Transport cost	8,140
	Mr. H. Tanaka	Subsidiary	Purchase of Material	1,393,496
	Mr. D. V. Abeysinghe			
Dockyard Total Solutions (Pvt) Ltd.	Mr. Sarath De Costa			
	Mr. D. V. Abeysinghe	Subsidiary	Supply of multi skilled labour	170,576
	Mr. H. Tanaka			
	Mr T S Godakumbura			
	Mr A Horibe			

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 2020, the Group only carried out related party transactions which were recurrent in nature, the aggregate of which did not exceed the threshold of 10% of the gross consolidated revenue or income, thereby being in compliance with Section 9 of the CSE Listing Rule.

Notes to the Financial Statements (Contd.)

(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

	2021	2020
	Rs.'000	Rs.'000
Short Term Employment Benefit	71,982	68,947
Total Employment Benefit	71,982	68,947

(iii) Other Transactions with Key Management Personnel

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

38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are adverse effects to the Company's / Groups business operation due to the economic crisis emerge in Sri Lanka after the balance sheet date.

However, being the foreign exchange earning company as a BOI registered exporter, management is the opinion that the Company can overcome the existing challenges in due cause.

Management is continuously assessing the impact of the country's economic condition on the affairs of the Company and The Group.

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

39. 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	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	2012 Rs. Mn
Revenue	14,885	8,079	10,145	13,169	12,052	9,973	14,407	13,707	15,861	15,728
Cost of Production	(13,048)	(7,480)	(10,038)	(12,232)	(10,607)	(8,736)	(13,616)	(12,508)	(14,246)	(13,028)
Gross Profit	1,835	599	107	937	1,445	1,237	791	1,199	1,615	2,700
Other Expenses	(2,264)	(1,806)	(2,274)	(1,986)	(1,918)	(1,828)	(1,714)	(1,607)	(1,697)	(1,411)
Profit before Other Income	(428)	(1,207)	(2,167)	(1,049)	(473)	(591)	(923)	(408)	(82)	1,289
Other Operating Income	467	163	166	1,060	202	143	170	347	536	470
PROFIT FROM OPERATION	39	(1,044)	(2,001)	11	(271)	(448)	(753)	(61)	454	1,759
Net Interest Costs	278	(205)	190	160	197	10	59	281	279	144
Profit before Tax	317	(1,249)	(1,811)	171	(74)	(438)	(694)	220	733	1,903
Taxation	(147)	(97)	(123)	(27)	(69)	6	(14)	(11)	91	(14)
NET PROFIT FOR THE YEAR	171	(1,346)	(1,934)	144	(143)	(432)	(708)	209	824	1,889
Retaind Profit b/f	4,612	6,119	8160	8,108	8,302	8,722	9,646	9,724	9,507	7,879
Profit available for Appropriation	4,782	4,773	6,226	8,252	8,159	8,290	8,938	9,933	10,331	9,768
Issue of Bonus Shares	-	-	-	-	-	-	-	-	-	(34)
Other equity adjustments	(4)	(162)	-	-	-	-	-	-	-	-
Final Dividends/Other Comprehensive Income	-	-	(107)	(92)	(51)	12	(216)	(287)	(575)	(411)
	4,778	4,611	6,119	8,160	8,108	8,302	8,722	9,646	9,756	9,323

Balance Sheet

As at 31st December	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	2012 Rs. Mn
ASSETS										
Property Plant & Equipment	4,667	4803	4231	4,049	3,806	4,038	4,328	4,281	4,147	3,900
Investments & Taxes	751	913	920	695	608	594	523	520	532	522
	5,418	5,716	5,151	4,744	4,414	4,632	4,851	4,801	4,679	4,422
Current Assets										
Inventories	1,693	878	505	718	647	1,235	985	956	753	1,202
Trade & Other Receivables	10,141	4812	4984	5,491	7,002	11,005	9,503	8,052	7,467	8,051
Cash & Cash Equivalent	6,827	4191	3986	4,115	4,642	2,110	1,870	2,631	3,329	3,864
	18,662	9,881	9,475	10,324	12,291	14,350	12,358	11,639	11,549	13,117
TOTAL ASSETS	24,081	15,597	14,626	15,068	16,705	18,982	17,209	16,440	16,228	17,539
EQUITY & LIABILITIES										
Stated Capital	714	714	714	714	714	714	714	714	714	714
Other Reserves	17	(105)	(6)	93	16	15	15	15	14	10
Revenue Reserves	4,778	4,611	6,118	8,160	8,108	8,302	8,722	9,646	9,756	9,362
Share Holders Fund (Net Worth)	5,510	5,220	6,826	8,967	8,838	9,031	9,451	10,375	10,484	10,086
Non-Current Liabilities										
Lease liability	156	186	167	-	-	-	-	-	-	-
Interest bearing Borrowings	-	-	-	-	-	-	-	-	-	52
Retirement benefit Obligation	928	1015	860	842	899	839	870	857	816	931
	1,084	1,201	1,027	842	899	839	870	857	816	983
Current Liabilities										
Trade & Other Payables	6,273	2714	3086	2,531	3,448	1,676	2,332	1,958	2,760	4,548
Interest bearing Borrowings	11,025	6,441	3,671	2,713	3,494	7,410	4,507	3,221	2,141	1,880
Income Tax Payable	-	-	-	-	-	-	-	-	-	16
Dividends Payable	9	10	11	15	26	26	40	27	23	19
Bank Overdraft	178	11	5	-	-	-	9	2	4	7
	17,485	9,176	6,773	5,259	6,968	9,112	6,888	5,208	4,928	6,470
	24,081	15,597	14,626	15,068	16,705	18,982	17,209	16,440	16,228	17,539

Notice of Annual General Meeting

COLOMBO DOCKYARD PLC
(Company Registration No. PQ 50)
P.O. Box 906, Graving Docks, Port of Colombo, Colombo 15

NOTICE IS HEREBY GIVEN that the Thirty Ninth 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 28th June 2022 for the following purposes.

1. To receive the Report of the Directors on the Affairs of the Company, the Audited Accounts for the year ended 31st December 2021 and the Report of the Auditors.
2. To re-elect Mr. Lalith Ganlath in terms of Article 87 of the Articles of Association of the Company.
3. To re-elect Mr. H A R K Wickramathilake in terms of Article 87 of the Articles of Association of the Company.
4. To re-appoint Messrs. KPMG the retiring Auditors and authorize the Directors to fix their remuneration.
5. To authorize the Directors to determine donations for the year 2022 and up to the date of the next Annual General Meeting

By order of the Board
COLOMBO DOCKYARD PLC



Manori Mallikarachchi
Company Secretary

3rd day of June 2022
Colombo, Sri Lanka

Notes

- 01) Any member, entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of him/her.
- 02) A proxy need not be a member of the Company.
- 03) The Form of Proxy is enclosed for this purpose.
- 04) The completed Form of Proxy must be deposited at the Registered Office of the Company Graving Docks, Port of Colombo, Colombo 15, Sri Lanka, not later than 45 hours prior to the time appointed for the holding of the meeting.

Please bring your National Identity card when attending the Meeting.

Form of Proxy

COLOMBO DOCKYARD PLC
(Company Registration No. PQ 50)
P.O. Box 906, Graving Docks, Port of Colombo, Colombo 15

I/We.....
(NIC No.) of.....

.....
being a member/ members of Colombo Dockyard PLC, hereby appoint,
..... of
..... (or failing him/her)

Mr. H. Tanaka	of Colombo (or failing him)
Mr. Sarath de Costa	of Colombo (or failing him)
Mr. D. V. Abeysinghe	of Colombo (or failing him)
Mr. T. Nakabe	of Colombo (or failing him)
Mr. A. Horibe	of Colombo (or failing him)
Mr. Lalith Ganlath	of Colombo (or failing him)
Mr. H. A. R. K. Wickramathilake	of Colombo (or failing him)
Mr. V. G. L. A. Jayawardena	of Colombo (or failing him)
Mrs. W. L. S. W. Jayasundera	of Colombo (or failing her)

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Thirty Ninth Annual General Meeting of the Company to be held on **28th June 2022** at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereon.

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

.....
Signature

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

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company, Graving Docks, Port of Colombo, Colombo 15, Sri Lanka on or before forty five hours before the time appointed for the meeting.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your proxy, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointor is a Company/incorporated body, this Form must be executed in accordance with the Articles of Association/ Statute.

Please fill the details:

Share Certificate No./CDS Account No :

Name :

Address :

Jointly with :

Corporate Information

NAME OF COMPANY

Colombo Dockyard PLC

LEGAL FORM

A Public Quoted Company with Limited Liability Incorporated and domiciled in Sri Lanka.

COMPANY REGISTRATION NUMBER

PQ 50 Founded 1974

BOI REGISTRATION NUMBER

A Licensed Enterprise under section 17 of the Board of Investment of Sri Lanka (formerly GCEC) Law No. 4 of 1978 Registration No. 91/17/03/1983.

TAX REGISTRATION NUMBERS

VAT - 124085896-7000
SVAT - SVAT 000846
Income tax - 124085896-0000

DIRECTORS

H. Tanaka
Chairman

Sarath de Costa
Vice-Chairman

D. V. Abeysinghe
Managing Director/CEO

T. Nakabe

A. Horibe

H. A. R. K. Wickramathilake

Lalith Ganlath

W. L S W Jayasundera

V. G. L. A. Jayawardena

I Kuwaoka (Alternative Director)

AUDIT & REMUNERATION COMMITTEE

H. A. R. K. Wickramathilake
(Chairman)
Lalith Ganlath
Sarath de Costa

RELATED PARTY TRANSACTION COMMITTEE

H. A. R. K. Wickramathilake
(Chairman)
Lalith Ganlath
Sarath de Costa
D. V. Abeysinghe

COMPANY SECRETARY

Mrs. Manori P. Mallikarachchi
Graving Docks, Port of Colombo,
Colombo 15, Sri Lanka

CORPORATE MANAGEMENT

D. V. Abeysinghe
Managing Director/CEO

K. B. P. Fernando
Chief Commercial Officer

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

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

Lal Hettiarachchi
General Manager (Projects &
Engineering)

T. S. Godakumbura
General Manager (Production)

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

P. D. Gihan Ravinatha
General Manager (Finance)/Chief
Financial Officer

Manori P. Mallikarachchi
Legal Consultant/Company
Secretary

N. M. K. B. Nayakarathne
Managing Director/CEO (Dockyard
General Engineering Service (pvt)Ltd)

M. Rohan De Silva
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.
www.dockyardsolutions.lk

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

CONTACT DETAILS

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

Concept & Designed by





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



www.cdl.lk