



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



Annual Report 2023

Evolving through **Challenges**



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Evolving through Challenges

With a deep rooted history of over 40 years, Colombo Dockyard PLC is Sri Lanka's pioneering ship building and ship repairing company which is now an internationally sought after diversified company.

Colombo Dockyard along with its country has faced many challenges and experienced globally affected setbacks. From socio-economic upheavals within the country to the closing of international borders, the company has surpassed many storms and yet stands strong with its sails set to ride the high seas.

Today, it holds the top most position in all of South East Asia and is now geared to cover the European market as well. As Colombo Dockyard celebrates its 50th Anniversary in 2024 it also celebrates its victory as they have evolved year by year, facing each and every challenge with a positive spirit.

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WHO WE ARE

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

CDPLC is conveniently located within the port of Colombo, the hub of all major shipping lanes connecting the West, the Middle East, the Far East, as well as Africa and Australia, CDPLC has a strategic advantage to conduct both dry dock and afloat operations. Colombo Dockyard, as a state of the art engineering entity, operates four graving dry docks with a maximum capacity of 125,000 DWT and extensive repair berth facilities. Colombo Dockyard, in existence for over four decades, continues to keep its eyes on the horizon, preempting trends and preparing for transformation. While the Company remains medium scale ship yard in the Asian region, our differentiation lies in the way we do business.

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

VISION AND MISSION

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.



Vision

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:



Mission

QUALITY, HEALTH, SAFETY AND ENVIRONMENTAL POLICY

Quality Policy

We are committed to;

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

Health, Safety and Environmental Policy

Colombo Dockyard PLC is committed to provide healthy and safe working conditions at every work location and strive to protect the environment as well as health and safety of stakeholders in accordance with fulfillment of applicable Legal & other requirements

Colombo Dockyard PLC shall:

- Provide safe machinery, plant, equipment and competencies to prevent work related injury, ill health and environmental impacts by eliminating hazards and reducing occupational health and safety risks.
- Minimize probable impacts to the environment through pollution prevention and other specific commitments including reduction of natural resource consumption through reduction, reuse and recycle of waste.
- Set Health, Safety and Environmental objectives, enhance environmental performance, analyze outcomes of HSE objectives and continually improve processes through an effective management system with the consultation and participation of workers.



COLOMBO
DOCK YARD
PLC

इंटरसी वॉयजर
INTERSEA VOYAGER

5

एलसी चिन्नाई
SCI CHENNAI

SHIP REPAIR

ship repair sector showcased resilience and adaptability amidst obstacles, seizing opportunities presented by dynamic global maritime trends.



CORPORATE PROFILE

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

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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

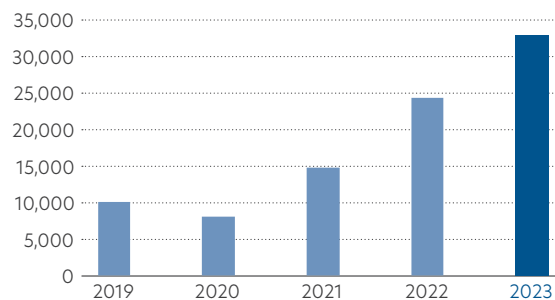


5000 DWT Bulk
Carrier III -Misje Eco Bulk

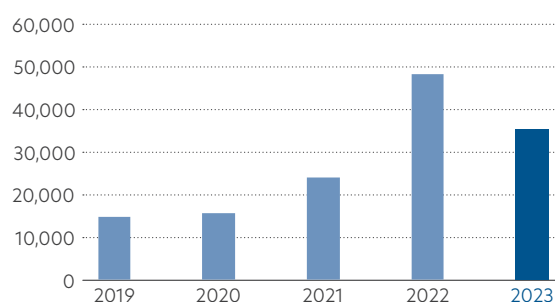
FINANCIAL HIGHLIGHTS (COMPANY)

Results for the Year	2023 Rs. Mn	2022 Rs. Mn	Change Rs. Mn	%
Revenue				
Ship Repairs	15,863	14,585	1,278	9
Shipbuildings	16,973	9,669	7,304	76
Heavy Engineering	265	279	(14)	(5)
	33,101	24,533	8,568	35
Export Revenue	31,724	23,311	8,413	36
Local Revenue	1,377	1,222	155	13
Gross Profit/(Loss)	(6,962)	2,055	(9,017)	(439)
Profit/(Loss) before Tax	(13,578)	587	(14,165)	(2,413)
Taxation	2,451	71	2,380	3,352
Net Profit/(Loss) after tax	(11,127)	516	(11,643)	(2,256)
Local Value Addition	13,599.0	13,808	(209)	(2)
Employees Salaries & Benefits	6,716	5,410	1,307	24
Financial Position				
Total Assets	36,049	48,422	(12,373)	(26)
Total Liabilities	35,575	42,541	(6,966)	(16)
Share Holders' Fund	473	5,881	(5,408)	(92)
Net Cash & Cash Equivalents	4,304	18,165	(13,861)	(76)
Information Per Ordinary Share				
Earnings (Rs.)	(153)	7	(160)	(2,286)
Net Assets (Rs.)	6	82	(76)	(93)
Market Value (Rs.)	51	59	(8.5)	(14)
Market Capitalization Rs. Mn	3,629	4,239	(610)	(14)
Financial Ratios				
Net Profit after Tax (%)	(33)	2	(35)	(1,750)
Return On Investment (%)	(31)	1.0	(32)	(3,200)
Return On Assets (%)	(31)	3.0	(34)	(1,133)
Interest Cover (Times)	(22)	1.00	(23)	(2,300)
Return On Equity (%)	(2,350)	9	(2,359)	(26,211)

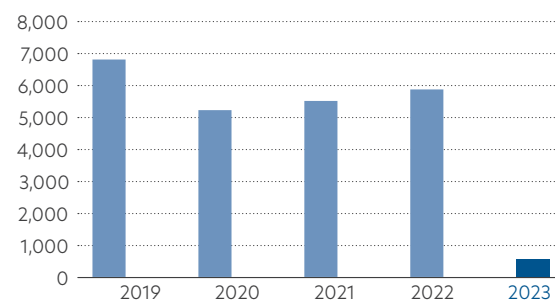
Total Revenue (Rs.Mn)



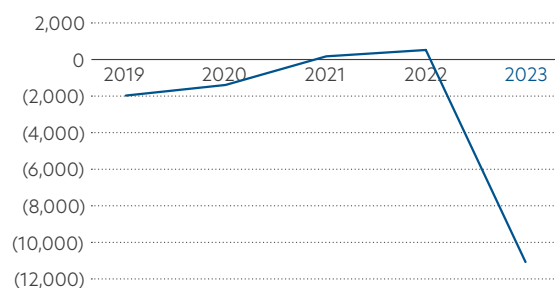
Total Assets (Rs.Mn)



Share Holders Fund (Rs. Mn)



Profit After Tax (Rs.Mn)



THE OPERATIONAL IMPACT OF 365 DAYS

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



Total Revenue

Rs. 33,101 Mn

The Company managed to reach total revenue of Rs. 33 Mn as against Rs. 24 Mn recorded for last year with the adverse effects of the country's economy during the year 2023.



Direct Employment

3,000

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



Delivery of New Vessels

3 Nos

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



Capital Expenditure

Rs. 409 Mn

Company added above capital values for yard productivity improvements and infrastructure development during the year 2023



Foreign Revenue

88 %

Export earnings generated in 2023 was over 88% of the total Revenue. This represents 51% of foreign revenue generated from Shipbuilding during the year.



Completion of Ship Repairs

185 Repairs

Successfully completed 185 ship repair jobs during the year compared to 160 recorded for 2022.

LEADERSHIP

**“We remain aware of our environment
and consistently adjust to evolving
conditions to ensure success.”**



MANAGING DIRECTOR / CEO'S REVIEW



“ Being aware of market trends and future growth opportunities, we took the necessary actions to mitigate the negative effects and are now focused on building a foundation for growth in the coming years ”

Facing the confluence of challenges of 2023 with resilience, CDPLC persevered with far seeing pragmatism to lay the foundation for future growth. External pressure from global conditions and local turmoil created a challenging environment, hindering growth, which led to the Company's negative performance. However, mindful of the market dynamics and future growth potential, we took the necessary steps to effectively manage the negative impact, and work towards creating a platform for growth in the next few years.

The operating context

Recession continued to impact countries across the globe, while central banks hiked interest rates to curb inflation. Meanwhile, global growth slowed from 3.5 percent to 3.0 percent in 2023. Labour markets remained tight, and energy and food markets experienced disruption. Meanwhile, the Ukraine-Russia armed conflict further contributed to supply chain disruptions. As a number of Original Equipment Manufacturers went bankrupt ship building companies had to struggle to look for alternative suppliers. In this overwhelming backdrop, most players in the ship building sector experienced substantial setbacks.

Company performance

External pressure from global challenges as well as the lingering effects of Sri Lanka's financial crisis negatively impacted the Company to experience a loss of Rs. (11,127.0) Mn during the year under review. However, CDPLC persisted in adopting viable strategies to honour current commitments to clients and effectively pave the way for future growth prospects.

During the year under review, CDPLC continued to seek sustainable growth targets, leveraging on the demand for replacement of aging fleet of vessels operating in the European market, fueled by the latest regulations set by the International Maritime Organization (IMO). Well aware of the provisions made by European governments that offer incentives to ship owners to build and modify vessels to be in line with environmental sustainability measures, we heavily invested in establishing our mark in the European market. Our latest product development strategy focused on constructing 5000DWT Eco Bulk carriers, relying on hybrid technology using Battery Energy Systems to a Norwegian owner.

CDPLC completed and delivered the second Eco Bulker (Misje Verde) and third Eco Bulk carrier (Misje Viola) of the ten-vessel series in spite of supply chain disruptions and financial constraints experienced at both global and local levels. Further, the Company launched the fourth Eco Bulk carrier and laid the keel to begin construction of the sixth Eco Bulk carrier in the series.

During the year under review, we delivered the first-ever Cable Laying and Repair vessel (CLRV) to the European market, Orange Marine, a leading player in the global market. This earned CDPLC the reputation as a reliable and technologically advanced ship building Company that is capable of completing tasks within a short period of time effectively, cementing our place in the international market. This was in line with our greater strategic focus on establishing the CDPLC brand presence as a forceful contender in the international arena, especially the European market in our pursuit of sustainable growth.

Meanwhile, in addition to our ship building and ship repair sectors, during the year under review, CDPLC continued to invest in the Afloat Repair business unit - Rapid Response Afloat Repair Services.' This venture provided urgent/ emergency repair assistance to clients at ports across the island including Hambantota, Galle, Trincomalee and Colombo.

Pursuing growth strategies

Nurturing partnerships and stakeholder management is part and parcel of our growth strategy. In our efforts to seek long-term, viable success, our parent Company Onomichi Dockyard, the Embassy of Japan, the Embassy of Norway and the Embassy of France in Sri Lanka provided invaluable support. In addition, the country's Board of Investments of Sri Lanka, Export Development Board, Sri Lanka Navy, Sri Lanka Ports Authority as well as Sri Lanka Customs assisted us to steer forth confidently during the year under review, in spite of overwhelming odds.

Our employees continued to provide the Company with their unwavering commitment and we in turn nurtured their wellbeing through providing generous remuneration and other benefits.

The Company further improved employee well-being through renewing the ISO 45001:2018 for Health & Safety certification and consistently enhancing our health and safety standards to provide a safe working environment.

In line with our environmental sustainability targets, we continued to improve our energy management approaches. CDPLC possesses the ISO 9001:2015 for QMS, ISO 14001:2015 certification for Environment as well as the ISO 50001:2018 standards for energy management.

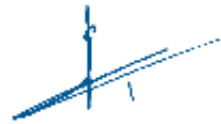
Chartering future growth

While the global market demand for ship building and ship repairs looks promising in the near future, financial market problems in Sri Lanka will continue to pose a challenge to CDPLC's growth targets. We remain cautiously optimistic that the country's financial market will continue to stabilize. In the meantime, CDPLC will continue to build on the market recognition gained during the year under review to pursue future prospects. We will adopt a blend of penetrative market and product development approach to increase profitability. While we expect our journey of growth to be slow-paced, we are confident of achieving end goals. At present, CDPLC is on a steady path of growth in the ship building, ship repair, heavy engineering and Yard development sectors. We will continue to remain market responsive and prudent to achieve long-term growth and create value for all our stakeholders.

Acknowledgement

As we conclude on of the toughest years in recent history, I would like to thank our shareholders, especially the main shareholder Onomichi Dockyard Company Ltd of Japan for their trust in our ability and consistent support extended to us. I would also like to thank our Chairman and Board of Directors for their pragmatic vision and guidance. Our employees as well as subsidiary contractors remained committed to their professional roles to support our growth. I am grateful to them. I would also like to express my sincere gratitude to our clients for their trust in our innate ability. I am also thankful for the support that the Government of Sri Lanka, BOI, EDB, Sri Lanka Ports Authority, the Department of Customs, the Sri Lanka Navy and our Bankers continue to extend. I am sincerely grateful to the invaluable assistance of the diplomatic missions of Japan, France and Norway.

Let us steer forward on an upward trajectory to seek sustainable growth.



Thimira S. Godakumbura
Managing Director/CEO

31 May 2024
Colombo

BOARD OF DIRECTORS 2023



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. He is the Vice President of Sri Lanka- Japan Business Co-operation Committee.

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.



Thimira S. Godakumbura

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

Appointed to the CDPLC Board in April 2023.

Mr. Godakumbura obtained BSC. Eng. Degree in Mechanical Engineering from the University of Moratuwa, Sri Lanka in 1999 and started career in 2000 as Trainee Engineer at Colombo Dockyard PLC (CDPLC). He has gained vast experience and knowledge in Ship Building and Ship Repairing industry with local and overseas training including in Onomichi Dockyard, Japan and Dry Dock World, UAE. He obtained Masters Degree in Business Administration (MBA) from the Post

Graduate Institute of Management, University of Sri Jayawardenepura.

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

He is the Chairman of Dockyard General Engineering Services (Pvt) Ltd, Director of Dockyard Total Solutions (Pvt)Ltd, Ceylon Shipping Agency Pte Ltd. (Singapore) and Sri Lanka Port Management & Consultancy Services (pvt) Ltd.



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 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, YM Service Co., Ltd. Japan.



J. Furukawa

Director

Appointed to CDPLC board in January 2023.

Mr. Furukawa holds a Bachelor's Degree in Engineering from Hiroshima University, Japan.

He worked in Onomichi Dockyard Co. Ltd as management of hull

block construction, management of outfitting fabrication and quality control of hull block construction since 1999 until his appointment as director to Colombo Dockyard PLC.

He has also been appointed as a Director of Dockyard General Engineering Services (Pvt) and Dockyard Total Solutions (PVT) Ltd



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.

Having started his career in Auditing with Ernst and Young and moving to PriceWaterhouseCoopers as an Associate Consultant, he has since accumulated extensive experience in senior management roles in the fields of construction, heavy engineering, FMCG and manufacturing.

He currently holds the positions of Director and Chairman Audit Committee of Mercantile Shipping Company PLC, Managing Director of Royali Group of Companies and Director Finance and Administration of Ceylon Eco Spices Group of Companies.



C. C. Wickramatileka

Director

Appointed to the CDPLC Board in December 2023.

Mr. Wickramathilake is a CFA Charter holder, an Associate Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Chartered Institute of Management Accountants (UK) and holds a bachelor's degree in management from the University of London.

BOARD OF DIRECTORS 2023



D. L. Nihal

Director
*Superintendent of Employees
Provident Fund Department of
Central Bank of Sri Lanka*

Appointed to CDPLC Board on 29th November 2022.

Mr. Nihal D Liyanage is the Superintendent attached to the Employees' Provident Fund Department of the Central Bank of Sri Lanka (CBSL). He has also served to the Economic Research Department, Public Debt Department and Regional Development Department during his 23 years service in the Central Bank of Sri

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

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



V. G. L. A. Jayawardena

Director

Appointed to the CDPLC Board on 7th September 2020.

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

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

CORPORATE MANAGEMENT TEAM



Thimira S. Godakumbura

Managing Director/CEO
*BSc. Eng. (UoM). MBA(PIM-USJ).
C.Eng., FIE(SL), FRINA(UK)*

Mr. Godakumbura obtained BSC. Eng. Degree in Mechanical Engineering from the University of Moratuwa, Sri Lanka in 1999 and started career in 2000 as Trainee Engineer at Colombo Dockyard PLC (CDPLC). He has gained vast experience and knowledge in Ship Building and Ship Repairing industry with local and overseas training including in Onomichi Dockyard, Japan and Dry Dock World, UAE. He obtained Masters Degree in Business Administration (MBA) from the Post Graduate Institute of Management, University of Sri Jayawardenepura.

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

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



Mangala De Silva

General Manager
(Human Resource Development & Administration)
*PhD (PIM-USJ), MBA (PIM-USJ),
M.LRHRM (Colombo), Dip.M(CIM-UK),
Adv Dip in Bus. Admin (ABE-UK),
MCPM, MISM (SL), Attorney-at-Law*

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

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

CORPORATE MANAGEMENT TEAM



R. M. Vajira Rathnayake

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

He obtained his Bachelor of Science degree from the University of Kelaniya, Sri Lanka, in 1995 and his Master of Business Administration (MBA) from the University of Southern Queensland, Australia, in 2011. Additionally, he obtained a Graduate Diploma in Marketing Management from the Singapore Institute of Management in 2002 and a Diploma in Shipping Law and Practice from the Institute for the Development of Commercial Law & Practice (ICLP) & Ceylon Chamber of Commerce (CCC), Sri Lanka, in 2015. He joined Colombo Dockyard PLC in 1996 and During his tenure spanning over 27 years at Colombo Dockyard PLC, he held several responsible

positions, including Executive (Hull Treatment), Manager (Ceylon Shipping Agency (Pvt) Ltd., Singapore a subsidiary of the company located in Singapore, Assistant Manager (Technical Planning), Head of Project Procurement, Acting General Manager (Logistics) in the Supply & Material Control Division of CDPLC before being appointed as General Manager (Logistics) in 2014. Later he was reappointed as General Manager (Supply Chain Management) in 2016 and as General Manager (Yard Development) in March 2022. He currently holds a position of an external board member of the Faculty of Computing and Technology of the University of Kelaniya, Sri Lanka and a member of the Industry Advisory Board of the same faculty. He is also an Associate Member of the Singapore Institute of Management. He is a member of the Chartered Professional Managers, Sri Lanka



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 20 years' experience in the field of Finance, with 8 years at audit sector and 12 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. S. Abeysinghe

**General Manager
(Yard Development)**

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

Had served in wide range of roles including Maintenance, Business Department, Production Workshops, Quality Control, Ship Repair. Having joined the company in 1995 as a Trainee Engineer after graduating from USSR, he successfully obtained MBA from PIM, University of Sri Jaywardenepura. Underwent

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



K. N. G. W. Kariyawasam

General Manager (Production)

B.Sc(Hons)

Mr. Kariyawasam is promoted as General manager (Production) in 2023 while completing 22 years of experience in the fields of ship repairing shipbuilding, ship conversions and offshore conversions. He obtained his degree in the field of Mechanical Engineering from University of Moratuwa in year 2000. Just after graduation, he started his career from Colombo Dockyard as a Trainee Engineer in hull repair Department. He continued to gain experience and exposure in Ship repairing field, at Colombo Dockyard as well as in foreign entities such as Drydocks World - Dubai, UAE and

Bharat Heavy Electrical Ltd., India. He has broadened his experience profile in ship conversions, offshore conversions and shipbuilding by joining Mecator Ltd, India in 2008. He actively involved in VLCC conversions in China at the capacity of Manager - Steel Conversions, Site Construction Manager for a Drilling Rig conversion project in UAE for ONGC and delivering lub oil tankers and offshore supply vessels in the capacity of Head of the Production Division. With the broaden exposure, he rejoined Colombo Dockyard in 2019 as a Ship Repair Manager and held Asst. Production Manager (Steel), Manager (Ship Repairs), Asst. General Manager (Ship Repairs), Asst. General Manager (New Building) positions before being promoted as General Manager

CORPORATE MANAGEMENT TEAM



Manjula Hettiarachchie

ACTG. General Manager
(Compliance)/Management
Representative

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

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

Diploma in Safety Management in 2007. He completed the Executive Diploma in Employment Relations in 2021 and Chartered Qualification in Human Resource Management (CQHRM) in 2022. He is an Associate Member of The Chartered Institute of Personnel and Development (UK). He is a Chartered Mechanical Engineer and a corporate member of Institute of Engineers, Sri Lanka. He is a Fellow Member of International Institute of Risk and Safety Management (UK) and a Recognized Safety Practitioner. He is also a Member of Royal Institute of Naval Architects (UK). He is a certified Lead Auditor for Quality, Environment and Health & Safety Management Systems from the IRCA. He has served over 22 years in different departments of the Company.



Manori Mallikarachchi

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

Joined CDPLC in 1996. Has over 27 years of experience at CDPLC in the field of Legal, Secretarial & Compliance.



N. M. K. B. Nayakarathne

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

He obtained his B.Sc. Engineering (Hon) from University of Moratuwa in 1986. He has more than 30 years' experience in the fields of

shipbuilding, ship repair, heavy engineering, general engineering, and marketing. He has served in Colombo Dockyard PLC and its subsidiaries for 27 years, holding number of senior management positions and also, he is having 2 years of foreign experience in the port maintenance sector.



M. Rohan 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 32 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 35 years, holding number of senior management positions in Finance and Administration activities.



Lal Hettiarachchi

General Manager (Design Development) Dockyard Total Solutions (Pvt) Ltd
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.



SHIP BUILDING

Continue to uphold dominance in the specialized market segments of cable laying vessels and eco-friendly dry bulk carriers, both of which are experiencing upward growth trends.



MANAGEMENT DISCUSSION & ANALYSIS

Introduction

Exceptional engineering and technological prowess drive the Colombo Dockyard PLC, a ship repairing and building company located strategically at one of the main marine hubs close to main sea lanes. Our core service offering consists of ship repair, design, building and related services to cater to the trade, energy, recreation and marine transportation industries. Currently, we operate operates four graving dry-docks with maximum capacity up to 125,000 DWT located inside the port of Colombo, in joint collaboration with Onomichi Dockyard Co. Ltd. Japan. During past 49 years of operation, Colombo Dockyard has paved the way for growth through consistent knowledge enhancement, standardization and inventiveness.

Business Strategy

Operating in a rapidly evolving industry within a volatile global economy, Colombo Dockyard PLC consistently strives to remain resilient and adopt a sustainable approach to growth. While our business offering remains sensitive to external market dynamics, supply chain and exchange rate issues, we reinforce our focus on technological edge, expertise and exceptional work ethics. Our business strategy stems from data driven insights and a visionary approach that takes long-term growth into consideration. Over the past 49 years, , Colombo Dockyard PLC (CDPLC) has repaired and refurbished 4,038 of ships and built 252 of vessels.

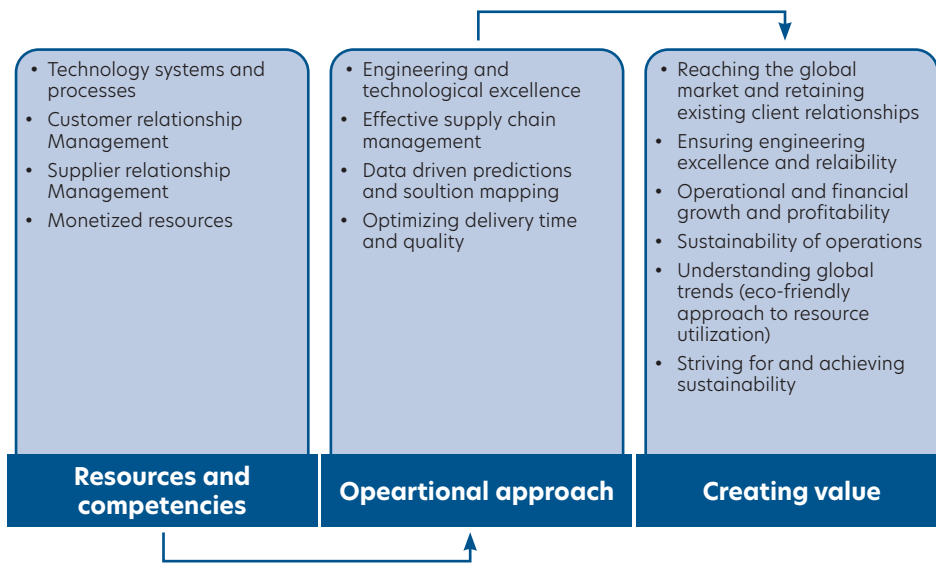
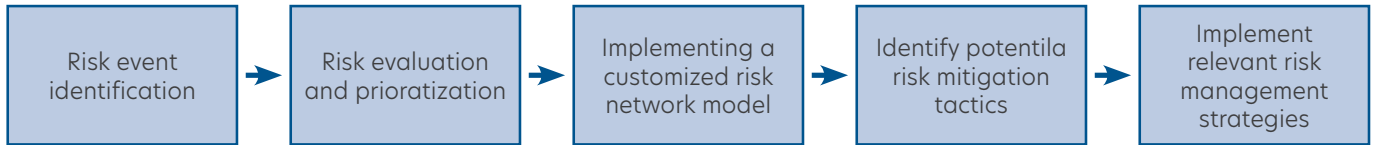


Figure 01 - Colombo dockyard shipyard aerial view

Growth Strategy and Risk-Management

In a highly volatile industry such as shipbuilding and repair, risk management is the framework that holds business growth together. In 2023, we were mindful of external pressure both on local and global fronts. As such, we designed and implemented a comprehensive risk strategy that identified, analyzed and managed risk factors in a manner that ensured long-term viability of our business. The year 2023 was one of the most challenging years in the history of CDPLC, with both global geopolitical pressure as well as local economic challenges. In this backdrop, our robust risk strategy paved the way for CDPLC to lay the foundation for future growth.

The below illustration depicts an overview of the Company's risk management framework for the year 2023:



The risk management section of this report will further elaborate on our risk strategy.

**Operating Environment
Global economy**

According to International Monetary Fund (IMF) estimations, global economic growth fell from 3.5 percent in 2022 to 3.0 percent in 2023. Economic growth remained weak during the year under review by historical standards, with central banks around the world making policy changes to manage inflation. Most economies sought to sustain disinflation while also ensuring financial stability. The ongoing conflict between Ukraine and Russia further disrupted supply chains and created geopolitical tension. The ongoing supply chain disruptions and inflation worries continue to negatively impact economic growth.

Meanwhile, world trade growth was estimated to decrease from 5.2 percent in 2022 to 2.0 percent in 2023. This decline illustrates the trajectory of global demand as well as shifts in composition toward domestic services and lagged effects of US dollar appreciation. This signifies rising trade barriers across the globe.

Source : IMF, World Economic Outlook Oct 2023

Overview of the Sri Lankan Economy

The World Bank's development update reveals that Sri Lanka's economy contracted by 2.3 percent in 2023, despite growth in third and fourth quarters in 2023. While the construction, mining, financial, IT services as well as textile and manufacturing industries demonstrated a downward trend, impacting growth, the rebound in the tourism industry somewhat offset the decline. While inflation remained hovered around single digits for much of 2023, supported by currency appreciation and improved supply, headline inflation as measured by the Colombo Consumer Price Index increased to 5.9 percent in February 2024. This was the result of increasing food prices as well as fuel and utility prices.

Following two years of monetary policy tightening, the central bank introduced policy rate cuts by 650 basis points between June and November 2023. As liquidity improved which helped to decrease the government's cost of domestic borrowing, private sector credit began to fare better compared to the previous year.

As tourism rebounded, and remittances rose while imports remained low, the country's current account recorded a surplus since the year 1977. In view of the debt service suspension, postponement of repayments on existing credit lines along with considerable purchases in foreign currency and inflows from development partners official reserves stood at \$3.1 billion by end-February 2024, an improvement from the US\$500 million in December 2022.

However, a considerable rise in interest payments (three-fourths of revenue collected) created a high overall fiscal deficit in 2023.

While the country seems to be recovering from the economic crisis of 2020 with structural reforms and cost-reflective utility pricing helping to stabilize the economy, the road to recovery will be challenging. The authorities will need to implement key reforms in terms of debt and fiscal management as well as trade and investment to ensure sustainable economic recovery.

Source: ("Sri Lanka Development Update 2024") - World Bank

In this backdrop, the overwhelming external challenges as well as customary periodical shifts in ship building and repair industry created a period of stagnation in the ship building and repair industry in general. This status quo impacted the performance of CDPLC. As such, our performance remained subdued during the year under review. However, we utilized this period to establish our presence in the global market, in particular in the European market to pave the path for sustained growth and profitability in the near future.

The financial crisis that unfolded in the past two years still remain a deterrent to growth. In this context, foreign exchange generation remain a key objective in CDPLC's agenda. As such, much of our strategies strive towards global markets to drive the National Export Strategy of Sri Lanka.

MANAGEMENT DISCUSSION & ANALYSIS

Ship repair Sector

Our ship repair sector illustrated resilience and adaptability amidst challenges, while leveraging on dynamic global maritime trends. In tandem with the changes in the maritime industry CDPLC expanded our capabilities during the year under review, penetrated a new base of clients and established ourselves as a pivotal player in the international ship repair industry.

During the year under review, CDPLC's Ship Repair Division posted a total revenue of USD 48 million. Drydocking projects contributed over USD 43 million to total revenue, completing 75 projects. Our afloat repair sector earned USD 5 million in revenue, completing 109 projects. Notably, we succeeded in repairing vessels totaling over 6 million Deadweight Tonnes (DWT) during the year under review, which illustrated our innate capability to handle large-scale operations efficiently and effectively.

Revival of Ship Repair Markets for future prosperity

The revival of the ship repair market serves as an opportune catalyst for growth for CDPLC. During the year under review, we understood the significance of the growth of the Indian offshore sector for our own trajectory. As such, the successful conclusion of repair projects of offshore support vessels, demonstrated the trust that we have gained from our international clients in our offshore capabilities.



Figure 03 MSV Samudra Sevak attending drydock repairs

The renewal of experience in very large gas carrier (VLGC) ship repairs highlights Colombo Dockyard's proficiency in handling complex and specialized projects with all required technology and workmanship experience.



Figure 04 VLGC Surya Veerya from Wilhelmsen Ship Management undergoing drydock repairs in Dock no 4.

CDPLC's engagement with leading European dredger companies not only reaffirms our standing as a preferred service provider but also highlights our commitment to serving global maritime leaders.

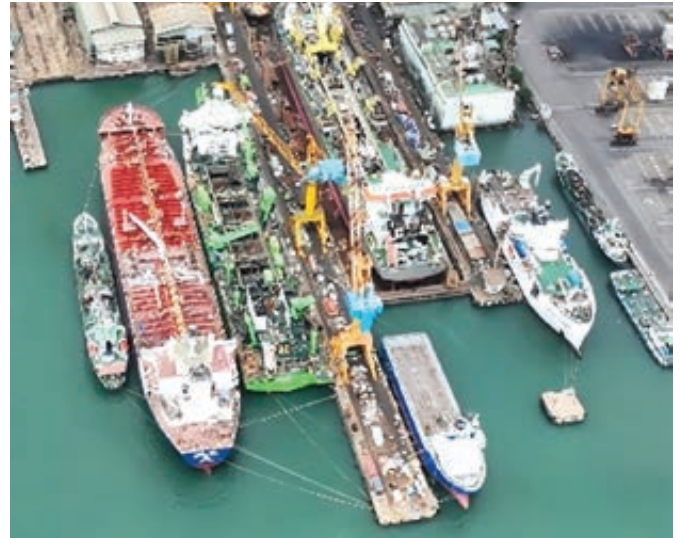


Figure 02 TSHD Oranje in Dock No 4, along with TSHD Bonny River (green colour vessel) alongside pier with several other vessels

Highlights in Afloat Repairs

In line with our growth aspirations, our afloat repair team expanded their services into riding crew repairs, rope access repair support, LNG repairs during this year while continuing to serve with our solution driven approach to benefit our clients. As the team continued to perform exceptionally well, we successfully completed steel renewal in a loaded Super Tanker at Trincomalee anchorage effectively managing the risk and compliance to all safety requirements. Moreover, we extended the propeller removal at shipyard berth at the Hambantota port. This allows us to provide customized solutions to our clients with zero or minimum disturbance to their operations, in any location based on their convenience.

As such, we undertook 6 repairs in Trincomalee and 15 in Hambantota. The team proved their mettle with the efficient management of continuous repairs for 5 projects at the Hambantota Port. During the year under review, our afloat repair team demonstrated our expertise in offering diversified solutions, combining the experiences and exposures in ship repairing, shipbuilding offshore and heavy engineering. This special unit enables CDPLC to explore beyond traditional boundaries of anchorage to solidify our reputation in maritime services.

Strengthening maritime partnerships

In 2023, we took part in the INMEX SMM India 2023, underscoring our dedication to nurturing and strengthening relationships within the maritime community in India. Moreover, special delegation visits such as the from the Netherlands ambassador and senior officials from the State Trading Organization of Maldives further solidified our international partnerships and collaborations.

We celebrated a notable milestone in our journey in 2023, with our involvement in the first-ever Japanese Navy vessel repair project, further cementing our growing reputation on the global stage and its ability to handle prestigious and sensitive assignments.

Moreover, the successful registration to procurement systems of entities like ADNOC and the US Navy highlights Colombo Dockyard's adherence to stringent standards and our readiness to cater to diverse and demanding clientele.

Expanding capabilities

Responding to evolving needs of the industry, CDPLC expanded our steel processing capacities, an initiative that allowed us to undertake large-scale steel renewals with enhanced focus on efficiency. Accordingly, we succeeded in expediting the completion of extensive steel renewals of a grounded Greek Bulk Carrier well within the planned timeline. We plan to extend steel renewing services to other afloat repair stations across the island as well.



Figure 05 MV Caravos Liberty with extensive steel renewals

World Trends and Challenges

The Red Sea Crisis triggered significant traffic and a surge in the number of vessels at the Colombo Port, as the crisis led to a decrease in maritime voyagers through the red sea due to security reasons and initiated re-routing shipping routes through cape town. The surge in vessels at Colombo Port resulted in a larger volume of container handling operations within the port. As this proves to be both an opportunity and challenge for our afloat repair team, we continue to focus on improving our agility and proficiency in meeting the heightened demand for repair services promptly.

Meanwhile, as we became aware of the dredging and port expansion initiatives in India, Bangladesh, and the Maldives which led to the market leaders of dredging operations to shift their fleet to the Indian ocean, CDPLC took action to foster our relationship with the market leaders from Belgium and Netherlands.

Looking ahead, Colombo Dockyard is poised to capitalize on major maritime exhibitions in 2024, including Posidonia in Greece, APM in Singapore, and SMM in Hamburg, leveraging these platforms as strategic opportunities for business expansion and networking.

Table 1: Afloat and Drydock Repairs

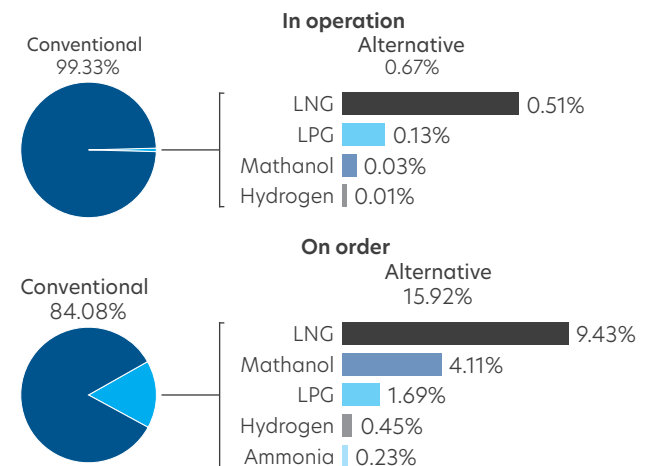
		2021	2022	2023
Afloat	No. of Projects	90	87	112
	DWT	2,803,993	2854540	5,480,449.50
	GRT	2,436,182	2094914	4,663,397.00
	Revenue (USD)	2,960,503	4,712,166	6,156,347.92
Drydock	No. of Projects	73	68	73
	DWT	1,551,713	1287654	1,370,981.58
	GRT	938,747	864718	908,580.00
	Revenue (USD)	40,256,518	39,326,763	39,837,199.51
Total	No. of Projects	163	153	185
	DWT	4,355,706	4,142,194	6,851,431.08
	GRT	3,374,929	2,959,632	5,571,977.00
	Revenue (USD)	43,217,021	44,038,929	45,993,547.43

Ship building Sector.

Global & Local market status of NC Sector

Global economic downturns, fluctuating oil prices, Ukraine-Russia war and shifts in international trade patterns negatively impacted the ship building sector. A number of factors including demand from the shipping industry as well as technological advancements in ship design, economic performance and regulatory framework influence the ship building market. In addition, environmental regulations and sustainability concerns have started to play a more significant role in shaping the market. Overall, it is a complex and dynamic industry with numerous variables affecting its status. Global fleet is moving from conventional to alternative fuels implementing green shipping practices that reduce fuel consumption and pollution. In addition, Oil and Gas companies are reinvesting due to fuel price surge driven by the Ukraine war to intensify the exploration of new deposits and offshore renewables.

Percent of fleet using conventional vs. alternative fuels

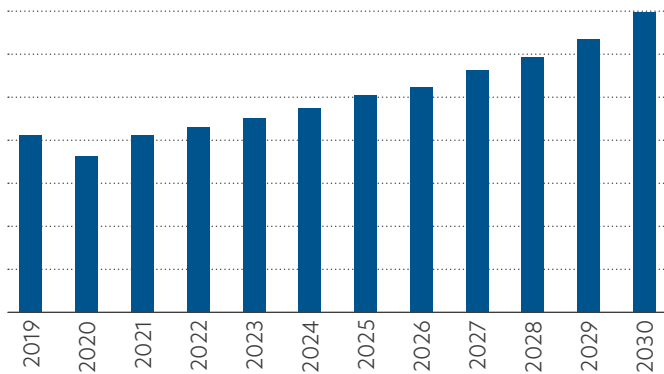


Source: DNV

MANAGEMENT DISCUSSION & ANALYSIS

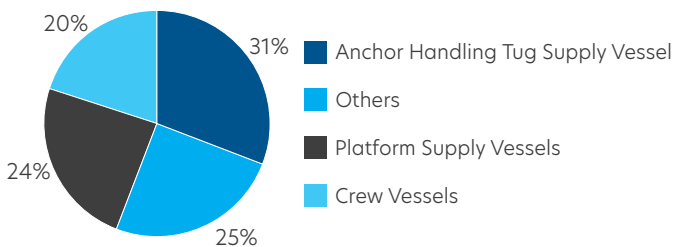
In response to this status quo, CDPLC has gathered the required expertise to serve the evolving needs of the markets by staying up to date with the recent developments in technology, rules and regulations and honing the skills and knowledge of our manpower to build complex custom-built specialized vessels.

Asia Pacific Offshore Support Vessel Market Size, 2019-2030 (Usd Billion)



Source: DNV

Global Offshore Support Vessel Market, By Vessel Type, 2022



Source: DNV

As oil and gas companies reinvest in exploration of new deposits and offshore renewables, there has been a new development in the Asia Pacific market for Offshore Support Vessels for the Oil and Gas fields. This was an area in which CDPLC thrived in 2010 by building series of high value Multipurpose Platform Supply Vessels and Anchor Handling Tug Supply Vessels. As such, we are redirecting our focus in to this particular segment, seeking to capitalize in a market in which CDPLC has abundant experience and expertise.

However, CDPLC will continue to maintain the stronghold on the niche market of cable laying vessel and the eco dry bulk carrier market (eco-bulkers) which are on a growth trajectory. The significant demand for submarine cables for high-speed broadband and mobile connectivity in subsea, continues to fuel the growth of the cable laying vessel market. In addition,

cable laying vessels are used to lay subsea cable in the seabed for development of offshore wind farms for clean technologies. This contributes to the demand in the cable laying vessel market.

As the new environment regulations set by the International Maritime Organization (IMO) comes into effect, we expect a strong demand for replacement of an ageing fleet that is operating in the European bulk carrier market. The reputation we garnered in the European market as a reliable, technologically competent and insightful shipbuilding Company with the successful delivery of past projects will help us access the market.

Ship Building Sector achievement during 2023

We consider the year 2023 as the first year of the post pandemic era. While the country's economic and financial crisis and the loss of access to the international financial market created gargantuan challenges to CDPLC, we persevered undaunted to meet our commitment towards our clientele.

In April 2023, we ceremonially delivered the 2nd vessel "Misje Verde" of the series of 5000DWT Eco Bulk Carriers to the Norwegian Ship Owner, Misje Eco Bulk AS. The 1st vessel (Misje Vita) which we delivered on 21st September 2022 continue to receive many positive remarks from the European clientele and was in fact nominated for the Nor-Shipping Next Generation Ship Award in 2023. The selection criteria for the award; energy efficiency, innovation, suitability and flexibility, technology use, safety and security, and environmental sustainability demonstrated CDPLC emergence as a trustworthy, capable and experienced ship building Company.

The successful completion of the 2nd vessel amidst a myriad of financial and supply chain challenges demonstrates our spirit of resilience.



Figure 06 5000DWT Eco Bulker 2nd vessel delivered on 18th April 2023

In addition, we laid keel to commence construction work of the 6th Eco Bulker to Misje Eco Bulk AS Norway on July 25, 2023.



Figure 07 5000DWT Eco Bulker 6th vessel Keel Laying on 25th July 2023

CDPLC marked a historical milestone on July 28, 2023, delivering the first-ever Cable Laying and Repair Vessel (CLRV) to our client Orange Marine, a prominent French telecom company in the European market. This was a remarkable accomplishment which solidified CDPLC's position as a leading player in the international market, earning a reputation for successfully delivering two Cable Layer Vessels within a short span of just five years. We delivered the first such vessel in 2019 to Japan.



Figure 09 100m Cable Laying & Repairing Vessel delivered on 28th July 2023

Furthermore, CDPLC delivered the 3rd vessel of the eco bulker series on October 24, 2023.



Figure 10 5000DWT Eco Bulker 3rd vessel delivered on 24th October 2023

We launched the 4th vessel of the bulker series on November 14, 2023, which is set to be completed during the first quarter of 2024.



Figure 08 5000DWT Eco Bulker 4th vessel launching on 14th November 2023

We renewed and signed contracts with Misje Eco Bulk AS Norway on December 15, 2023, to build a further four numbers 5000DWT Eco Bulk Carriers at an enhanced rate price. In terms of our shipbuilding capacity, we are fully occupied and have secured our order books up until 2026 and we are looking for new opportunities to go beyond.

The delivery of these vessels and ongoing projects, sent a powerful message to the international market that Colombo Dockyard is coming back stronger and more resilient than ever, positioning ourselves as a tough and capable shipyard in the world arena.

Table 2: Projects Completed During the year 2023

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

Table 3: Projects to be Completed and Delivered in 2024

Project Name	Yard No	customer	Delivered	Country
5000 DWT Bulk Carrier IV	NC 253	Misje Eco Bulk AS	Mar-24	Norway
5000 DWT Bulk Carrier V	NC 254	Misje Eco Bulk AS	Jun-24	Norway
5000 DWT Bulk Carrier VI	NC 255	Misje Eco Bulk AS	Sep-24	Norway

Heavy Engineering Sector Fabrication Of Pressure Vessels for CEB Lakshapana Powerhouse

Our Heavy Engineering department successfully completed the design, material procurement and fabrication of 2 Nos. of pressure vessels for Ceylon Electricity Board's Samanalawewa Powerhouse. The project encompasses the development of two distinct pressure vessels: an Air Receiver and an Oil Accumulator. This project provided CDPLC an opportunity to demonstrate our robust design capabilities and ability for meticulous fabrication and rigorous testing to higher pressure ratings to establish our reputation in this category, demonstrating our reliability, safety, and compliance with the highest engineering standards.

MANAGEMENT DISCUSSION & ANALYSIS



Figure 11 Refilling Impeller Blades with Bronze in Pumps at Nilwala Pump Houses

In addition, our Heavy Engineering department successfully completed -building of worn-out bronze impeller blades of pumps used for controlling floods in Nilwala pump on behalf of Sri Lanka Irrigation Department. CDPLC was the sole contractor for this project, which focused on enhancing the performance and durability of impeller blades through series of meticulous processes by ruling out the potential burden of purchasing new pumps at this crisis situation.

The resulting impellers are poised to deliver optimal fluid dynamics, reduced energy consumption, and prolonged operational lifespan.



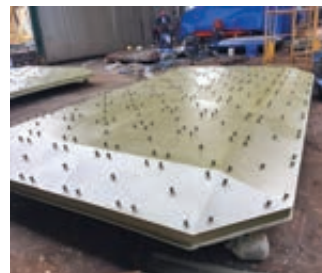
Servicing and Proof Load Testing of Special Aircraft Maintenance Lifting Appliances.

CDLPC's Heavy Engineering department continued to provide services to Sri Lankan Airlines Ltd as a credible service provider in continuation of servicing and proof load testing of Airbus A 330 & A 320 aircraft lifting hydraulic jacks of and servicing and proof loading of related lifting appliances. This task allowed us to help the authorities bring down outward flow of foreign currency as prior to our involvement, foreign companies provided this service. Moreover, following the establishment of our reputation, the Heavy Engineering department secured more orders of proof load testing of Aircraft lifting jacks to Ceylon Aeronautical Services, Koggala as well as proof load testing of cranes of Sri Lanka Navy, Rangala.



Fender Repair Project

Our Heavy Engineering Department continued to the Colombo International Container Terminal (CICT) in removal, repair and re-installation of Fenders during the year under review. This proved to be challenging as removal and installation activities, the teams had to work within short timeframes given the short notices and the requirement to match the CICT vessel berthing schedule and as well as by monitoring conditions related with forecasts of tide level, rain and wind.



While we navigated the challenging business and operational environment during the year under review, we intensified our focus on improving our workplace health and safety as well as process improvement in line with our sustainable development agenda.

Human resource management and Welfare

Ensuring the welfare and wellbeing of our employees is an integral part of our sustainable growth plans. As such, during the year under review, we continued to look after the wellbeing of our staff with timely training and development as well as ample remuneration and benefits. Our human capital management aspirations are in tandem with our organizational goals. Meanwhile, ensuring the wellbeing of our employees include implementing and maintaining advance health and safety measures in the workplace.

CDPLC's corporate social responsibilities towards the environment and people, particularly those in need, continued unabated throughout the year 2023 despite financial setbacks following the COVID-19 epidemic.

During the period, HRD & A had to navigate two major stumbling blocks that emerged as consequences of Sri Lanka's economic downfall. First, the sudden implementation of the Minimum Retirement Age of Workers Act by the government was creating adverse consequences in human resource management. The company management was forced to rethink existing agreements with employees to ensure the company's survival. However, HRD & A has been able to successfully navigate challenges so far and continue discussions with all stakeholders without interruption to yard production. HRD & A is optimistic that our efforts will not go in vain.

Second, a significant number of highly skilled CDPLC employees have resigned, seeking greener pastures abroad. This trend is continuing with state blessings as a remedy to the foreign exchange deficiency of the country. However, HRD & A have acted as the whistle-blower to this mass exodus of skilled employees from the country and have taken remedial measures. In fact, HRD & A has increased training slots for local youth at the request of state authorities as a remedial measure to save the local shipbuilding industry.

The year 2023 is also marked by many book donations, school building and playground constructions in remote locations, religious activities, financial aids, material supports to religious places, hospitals, blood donation campaigns, etc., with the active participation of CDPLC employees. The company's role is significant as a good Samaritan in all such philanthropical social activities. CDPLC Welfare Association's role is also notable in these social activities. Despite limitations they had new additions to the existing range of social activities. For example, an ice cream Dansela was organized for the first time by them on May 8, 2024.

Visits from Mr. Kenji Okamura, Deputy Managing Director of the IMF, World Bank representatives, Japanese Finance Minister, and several other top-level international and local delegations took place in the year, elevating the recognition of the company further and their satisfaction about CDPLC's human resources.

The handing over of NC256 Sophie Germain Ship in July 2023 to the satisfaction of ship owners clearly indicated efficient management of the company's human resources amidst challenges. The event showed that employee forces under HRD & A are gearing up to expected levels gradually to ensure timely delivery in the future endeavours.

CDPLC Annual Family Get-Together brought together the families of all employees for a full day of fun games, team events, and many more activities to enjoy after a long lapse of years.

Similarly, the annual Cricket tournament at the NCC grounds also provided all employees an opportunity for friendly sports encounters together amidst their friends and relatives as spectators.

Occupational Health and Safety / prevention measures



Occupational health and safety remain a key driver of sustainability in the ship building and repair industry. In line with this, we consistently strive reach and maintain high standards in ensuring workplace safety and the wellbeing of our stakeholders. Although safety is an essential foundation of our business activities as well as our highest priority, we cannot accomplish it alone. The continuous improvement of a safe work environment is a key component of our corporate responsibility and a topical focus of our human activities. CDPLC adheres to the applicable standards, domestic regulations, and Local and International laws. These Laws and regulations are intentionally designed to prevent injuries, property damage/environmental, equipment breakdowns, and transportation incidents, as well as preserve the health of our employees in the workplace and during work-related activities.

Our workplace health and safety strategy extend to all other stakeholders /partner companies (Contractors & Subcontractors) who work for our company within the scope of operational activities. Our strong rapport with law enforcement agencies and our collaborations and initiatives within the community has contributed to CDPLC being recognized as one of the safest workplaces in Sri Lanka.

Our team-oriented approach to implementing health and safety measures allow us to maintain high standards in service provision while protecting our people and property. We rely on detailed rules and regular checks to meet set health and safety goals to ensure that all our production process, activities and transport areas remain within the parameters of optimal health and safety measures.

Safety and Accident Prevention

We aspire to prevent all workplace accidents and work-related occupational diseases in the long-term. As such, we regularly analyze the accident rate by projects as well as by site and type of accident. The fluctuations observed indicate the structural differences. We then analyze the problems to determine necessary measures. We then implement the necessary measures within projects and sites to match shipyard requirements.

MANAGEMENT DISCUSSION & ANALYSIS

Safety Performance

We draft and communicate a detailed statistical analysis of accidents and investigations of Major/Minor accidents which happened in the yard to all stakeholders in the shipyard including the management to implement suitable actions/Controls.

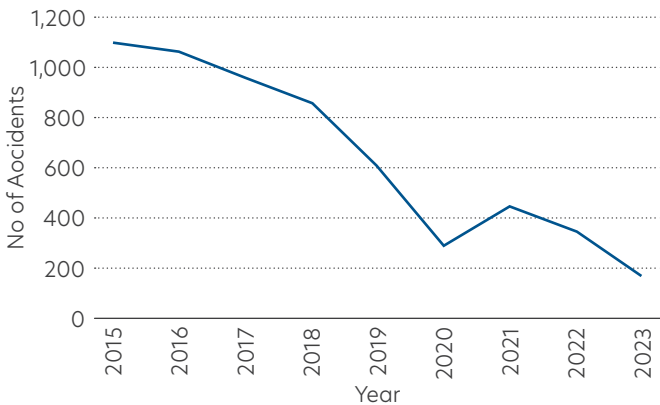


Figure 12 -Number of Accidents

We rely on a hierarchy of controls as well as awareness building and training to bring down the number of injuries and illnesses and improve our safety results.

During the year under review, we witnessed a decline in the number of accidents and an improvement in our safety performance in comparison to the previous year. (Graph).

Incident Investigation & Management

We are well aware that injuries, interruptions to work operations, and damage to property and equipment due to workplace incidents can be costly. As such, we systematically investigate and determine such incidents to take appropriate preventive measures. Our stakeholders can report such incidents through the incident reporting system (as well in MIS).

CDPLC investigates all incidents and near misses (Major/Minor) to determine contributing factors and root causes in order to prevent a reoccurrence. Thereafter, we compile lessons learned and identified to communicate the same to relevant parties. Meanwhile, during the year under review, we conducted additional actions to help improve our performance include safety training, Senior Management Observations, systems assessments, Project Safety Reviews, and safety observations.

Safety week, October 2023

In line with the government announcement of a national "Safety Week", CDPLC's MD/CEO and Management guided the senior management to follow the same at Colombo Dockyard PLC starting from 16th to 20th of October 2023.

This companywide event raised awareness and understanding of the value of safety (occupational H & S) as well as Fire prevention and environment protection programmes in the workplace. During Safety week, we facilitated several safety assurance programmes, such

including safety campaign banner, distribution of leaflets and knowledge sharing session for employees led by the management.



In addition, we conducted practical demonstrations and organized emergency drills at the yard and workshops (How to act during a chemical fire, Awareness of how to act during the Earthquake etc.). Safety week activities included a skit demonstrating health and safety guidelines around the work shop area. The dramatization demonstrated collaboration with management and employees to determine risks and put in place suitable controls. (ALARP).

All employees were encouraged to participate in this event with the full cooperation of management.

Workplace Inspection/Safety patrol/ Audits

Safety Patrol is a key element in our Hazard Identification & Risk Assessment process. Audit teams comprising of employees of all levels from managers to subcontract employees make yard visits weekly under the direct guidance of Chairman, Managing Director/CEO and Company directors to fulfill these requirements. Our leadership team including our MD/CEO chairman, directors take part in guiding safety patrols. CDPLC allocates 30 minutes to one hour per visit. The patrol team observe behavioral aspects of employees at the site for unsafe acts and the total man-hour involvement per year for this process is about 500-man hours. We regularly monitor the outcome of Safety patrol and related preventive measures/Operational controls to ensure that each department implement preventive measures in timely manner.

In addition, we carried out OSH audits and inspections in other general areas according to the Safety Inspections/ Audit calendar to identify potential Hazards and Risks in the workplace. In addition, we conducted an Occupational and an Environmental Noise survey and monitoring of Dust levels across the entire yard.

OSH Training & Awareness

We consider safety training as an essential element of employee wellbeing. As such, safety training is part of our overall training programmes to ensure that our employees comprehend and are able to use our processes and adhere to safety standards. We conducted numerous safety training and awareness programmes this year with the assistance of external experts.

Fire Awareness in the Workplace

In the ship building and repair business, fire safety is an indispensable precaution. Mindful of this, we conducted an Interactive Fire Safety Training session for our employees. The session explored fire hazards, risks, indications, precautions as well as action plans in case of a fire. "Fire Awareness in the Workplace", session was designed to train all members of staff within an organization in order to increase safety and first aid compliance in the workplace.



Display of Safety Signs boards

We clearly display the four conditions of safety signs from Mandatory, Hazardous Prohibition and Safe in our work place premises, sites as well as onboard vessels. This enables our employees and visitors to recognize hazards and risks during operations and take precautions.

Personal protective equipment /Protective Attire

In line with our health and safety strategy, we provide adequate safety gear, and protective attire to all employees. Our protective attire includes Personal Protective Equipment (PPEs), Safety Helmets, Safety Belts, Full Body Harness for the scaffolders, Ear Plugs, Earmuffs, Dust Masks, Gas Masks, Goggles for Chipping and Gas Cutting/Welding. We also provide

All employees are provided with adequate safety gear (PPEs) and protective attire relevant to their work tasks. Personal Protective Equipment (PPE) including Safety Helmets, Safety Work Overalls and Hand Gloves for rigging; welding and other specific requirements Belts, Full Body Harness for the scaffolders, Ear Plugs, Earmuffs, Dust Masks, Gas Masks, Goggles for Chipping and Gas Cutting/Welding etc. We also provide work overalls and hand gloves for rigging; welding and other specific requirements free of charge. In addition, we provide washing and laundry facilities to our staff.

While the above descriptions provide an overview of proactive and re-active health and safety arrangement in place across the organization and outlines key activities, we will continue to enhance these practices in future. Overall, the year under review proved to be successful in terms of progress we made on the health and safety front in tandem with our long-term growth goals.

CDPLC aims to improve upon the activities identified within this report and we will develop further priorities based on the findings of health and safety audits, consultation with the workforce and changes to law and industry standards. In addition to achieving our performance targets we aim to implement various improvements in 2024/5 through the delivery of a Safety Plan which incorporates our key objectives.

SYSTEM AND PROCESS IMPROVEMENT

Introduced Blasting grit vacuum recovery system for improving grit cleaning efficiency

During the year under review, we carried out a number of upgrades to our systems and processes to improve our manufactured capital in line with our overall growth targets.

We introduced a high-capacity grit vacuum recovery system to Chamber 1 with a powerful 90 kW unit with a grit recovery capacity of 10 tonnes/hour. Previously this system operated with a 37 kW sand recovery machine that possessed the recovery capacity of just 3 tonnes/hour.



Installed new Compressor in Dock No 4 North Pier to increase compressed Air capacity

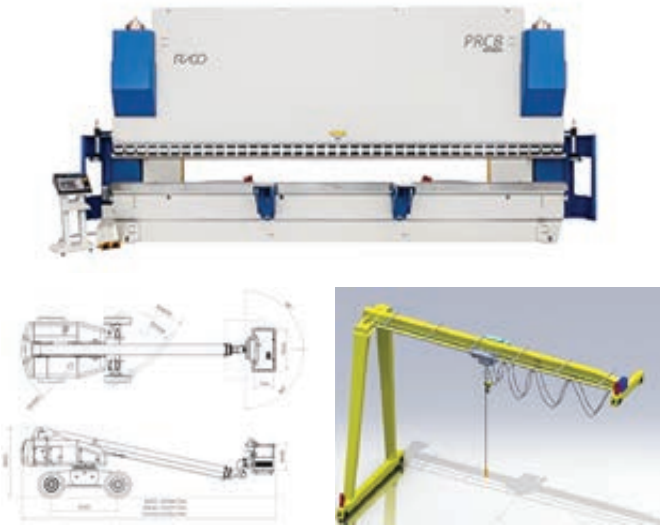
We successfully installed a new 1000cfm compressor to eliminate the compressed air shortage that consistently hampered production in dock no4.



MANAGEMENT DISCUSSION & ANALYSIS

Yard is in the process of procuring Aerial Work Platform Boom Lifts 2 sets (Cherry Pickers), Heavy Duty hydraulic Press, Hydraulic Shearing Machine & Semi Gantry Crane for improving Ship repair productivity.

Aiming to improve the efficiency of our production process in the Yard, CDPLC is replaced old, inefficient and unreliable machines during the year under review. At the moment, the Yard is in the process of purchasing two boom lift platforms, a heavy-duty hydraulic press, a hydraulic shear, and a semi-gantry crane.



CDPLC's Yard launched "Lean Management" as primary vehicle to carry forward multiple improvement projects both at corporate level & at ground level

We began the year 2023, launching the "LEAN Management" initiative with guidance from our Managing Director in line with "Happy Life, Sustainable future, Think Anew & Rise together" tagline. Simultaneously, we held a logo competition, which attracted 45 submissions. We are currently in the process of pursuing Lean initiatives through high impact priority projects.



Compliance: Quality, Health & Safety, Environmental, and Energy Management Systems

During the year under review, CDPLC remained steadfastly committed to upholding international standards, legal requirements, and local regulations to maintain compliance and ensure the quality of our services while creating a safe environment for all our stakeholders. In 2023, our Quality Management System (QMS) framework allowed us to uphold compliance with ISO 9001:2015.

We reached a significant milestone in July 2023 when the QMS framework underwent a comprehensive audit conducted by the esteemed agency, Lloyd's Register of Quality Assurance. The successful outcome of this audit culminated in the renewal of our ISO 9001:2015 certification, a testament to our enduring commitment to maintaining elevated standards.

The QMS, serving as a robust organizational structure, seamlessly integrates with all operational procedures within our management system. It furnishes effective control over organizational processes, empowering management to guide activities with precision.

Furthermore, our Occupational Health & Safety and Environmental Management Systems underwent rigorous surveillance audits by Lloyd's Register of Quality Assurance against ISO 45001:2018 and ISO 14001:2015 standards, respectively. These audits not only affirmed consistent compliance but also acknowledged ongoing improvements to satisfactory levels. The recently concluded surveillance audit of our Energy Management System against ISO 50001:2018 garnered positive remarks from auditors of the accreditation body, SGS Lanka.

In line with our commitment towards continual improvement of the Environmental Management System, CDPLC initiated several measures to minimize waste and manage it in a more environmentally friendly manner. This incorporated Yard demarcation, waste segregation at the point of generation, and research and development on reuse and recycling are some of the initiatives aimed at achieving better environmental outcomes.

In addition to scheduled third-party surveillance audits and internal audits to confirm consistent compliance, CDPLC underwent several second-party audits by renowned clients throughout the year under review. These audits assessed the appropriateness level of CDPLC's compliance to commence repairs and concluded with the highest satisfaction of auditors regarding the company's Management Systems.

This steadfast commitment to adherence and continuous improvement reflects CDPLC's dedication to excellence in Quality, Health & Safety, Environmental, and Energy management, solidifying our position as a reliable and compliant partner in the industry.

SUBSIDIARY ENGAGEMENT

Dockyard General Engineering Services (Pvt) Ltd (DGES), Dockyard General Engineering Services (Pvt) Ltd (DGES), a wholly owned subsidiary of Colombo Dockyard PLC, continues to maintain its position as a leading engineering entity in Sri Lanka, excelling in the delivery of top-notch construction and engineering services both domestically and internationally.

Throughout the fiscal year 2023, DGES has remained steadfast in its commitment to providing a comprehensive range of engineering solutions spanning mechanical, civil, and electrical disciplines. Our services encompass designing, fabrication, installation, repair, and maintenance, tailored to meet the diverse needs of clients across various sectors.

In response to the evolving market dynamics, DGES has strategically adjusted its business approach. Recognizing the impact of the pandemic on the construction sector, DGES has pivoted towards engaging in partnerships within the private sector to overcome challenges and ensure sustainable growth.

During the fiscal year 2023 DGES witnessed several notable achievements, demonstrating our unwavering dedication to excellence:

- 1. **Lake Rehabilitation Project:** DGES successfully completed a low-cost rehabilitation project aimed at preserving and enhancing the ecological balance of a local lake. This project underscores our commitment to environmental sustainability and community development.



- 2. **Factory Construction for Staintec (PVT) Ltd:** Our team accomplished the construction of a state-of-the-art factory at the Kogalla Export Processing Zone for Staintec (PVT) Ltd. This project showcased our expertise in meeting client specifications and significantly contributed to regional economic development.



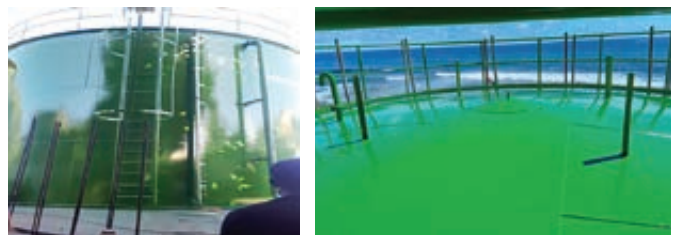
- 3. **Port Infrastructure Enhancement:** DGES made significant contributions to enhancing port infrastructure by constructing a workshop building on behalf of the Ports Authority. This project facilitated improved operational efficiency and highlighted our commitment to supporting critical infrastructure development.



- 4. **Complex Engineering Installations:** Our proficiency in executing complex engineering projects was evident in the successful installation of an air intake structure. This project emphasized our technical expertise and capability to deliver high-quality solutions even amidst challenging environments.



- 5. **Fabrication and Installation of 100,000L Diesel Tank in Maldives:** DGES successfully executed the fabrication and installation of a 100,000-liter diesel tank in Maldives. This project was completed within the allocated budget and has paved the way for future projects in the Maldives.



MANAGEMENT DISCUSSION & ANALYSIS

Ongoing Project Progress:

Projects such as the improvement of the old Pilot Station Building and the painting of decorative steel structures at the ATC Tower in Mattala are progressing smoothly. These endeavors underscore our unwavering commitment to achieving excellence in every aspect of our work, delivering results that meet and exceed the highest standards, all while adhering to predetermined timelines.



Exploration into Solar Projects:

Dockyard Solar, the green energy provider of Dockyard General Engineering Services (Pvt) Ltd, a fully owned subsidiary of Colombo Dockyard PLC, ventured into the solar energy sector leveraging its extensive experience of over 40 years in engineering project design, execution, and delivery. We collaborate with reputable consultants and seasoned contractors within the solar industry to ensure the provision of safe, efficient, and cost-effective solar power systems.

Our strategic partnerships with HT SAAE and AFORE enable us to supply high-quality PV modules, solar panels, and inverters. Currently, we are engaged in installing a 90 KW rooftop solar system at our head office, marking our inaugural project, and concurrently collaborating with our parent company, Colombo Dockyard, to implement a 108 kW rooftop solar system as our second endeavour. Furthermore, as part of our rebranding efforts, DGES is advancing under the brand name of Dockyard Solar, with a fresh logo symbolizing our commitment to sustainability and innovation in the renewable energy sector.



Dockyard Total Solutions (Pvt) Ltd.

Dockyard Total Solutions (Pvt) Ltd (DTS) is fully owned subsidiary of Colombo Dockyard PLC (CDPLC) and DTS was re-structured on January, 01, 2021 under the Companies Act No 7 of 2007 (Company Number PV 00208409). The Company's key focus at present is on CDL Management Objectives, with the aim to achieve short- and long-term goals as a Group.

DTS has contributed with Rs. 485.5 Mn to total revenue with the projects undertaken from CDPLC in the fiscal year 2023, compared to Rs. 349.9 Mn recorded during the last year. This represents the highest composition of Rs. 195.0 Mn (40%) from Steel related jobs and second highest of Rs. 78.0 Mn (16%) from Afloat ship repair jobs and balance revenue included from Scaffolding, Engineering Designs and Other services.

DTS is planning to expand its Steel related works in the future. The Company will focus on transferring expensive Indian Welders jobs under DTS to minimize the Group operations costs.

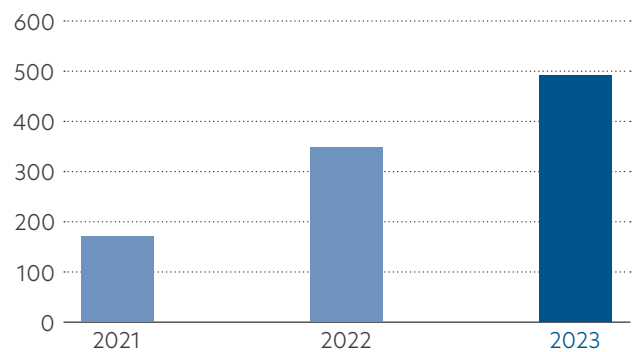


Figure 13 - Total Revenue (Rs.Mn)

FUTURE OUTLOOK

The year 2023/24 will go down in the history of the CDPLC as one of the most challenging yet momentous years. While we navigated the myriad of interconnected challenges with resilience and pragmatism, we carefully crafted our future path in tandem with new market trends as the industry progresses to accommodate a more environmentally conscious future.

As the shipping industry as well as the renewable energy field seek to reduce environmental impact through improved fuel efficiency and other environmentally friendly measures, CDPLC is prepared to explore new shipbuilding technologies and practices while further establishing our reputation as a reliable industry presence.

We will continue to monitor and manage external pressure prudently while chartering our own sustainable growth.

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. 39,325.1 Mn (2022 - Rs. 51,379.8 Mn) as at end 2023, 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)	2023	2022	Change	%
Income Statement				
Revenue	36,167.6	27,291.7	8,875.9	33
Gross Profit/(Loss)	(6,323.6)	2,599.8	(8,923.4)	(343)
Profit/(Loss) after Tax	(11,006.4)	687.0	(11,693.4)	(1702)
Balance Sheet				
Total Assets	39,325.1	51,379.8	12,054.7	(23)
Total Liabilities	36,034.4	43,256.6	(7,222.2)	(17)
Shareholders' Funds	3,086.1	7,915.6	(4,829.5)	(61)
Net Cash & Cash Equivalent	2,619.0	15,234.9	(12,615.9)	(83)
Interest bearing borrowings	23,850.9	24,038.5	(187.6)	(1)
Financial Ratios				
Earnings Per Share (Rs.)	(153.4)	9.6	(163)	(1,698)
Dividend Per Share (Rs.)	0.0	0.0	-	0
Net Assets Per Share (Rs.)	6.6	110.2	(103.6)	94
Gearing Ratio (%)	49	0.0	49	49
Return on Total Assets (%)	(31.0)	4.0	(35)	(875)
Working Capital to Assets (%)	(23.4)	7.0	(30.4)	(434)

Financial Performance of the Group

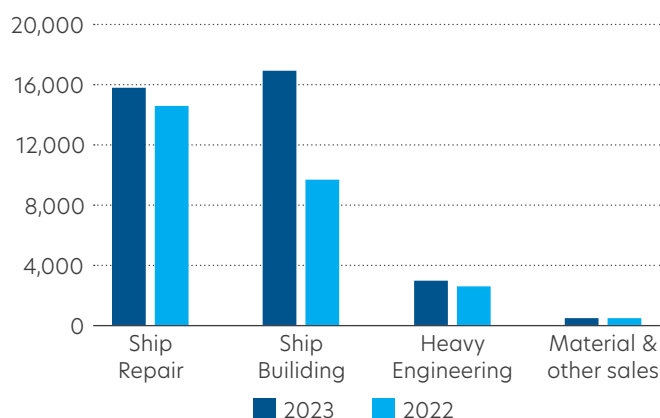
Group Revenue

In the financial year 2023, the Group recorded a total revenue of Rs. 36,167.6 million, marking a significant growth of 33% (Rs. 8,875.9 million) compared to the previous year's revenue of Rs. 27,291.7 million. Specifically, Shipbuilding revenue surged by 76%, while Ship repairs revenue saw a more modest increase of 9%. Ship repair revenue alone amounted to Rs. 15.8 billion in 2023, demonstrating an improvement over the previous year. These achievements were attributed to the Group's effective management strategies, which enabled them to navigate both local and global economic challenges.

In 2023, Dockyard General Engineering (Pvt) Ltd accounted for 9% of the total group revenue, Dockyard Total Solutions (Pvt) Ltd contributed 1%, and Ceylon Shipping Agency contributed 7%.

Heavy Engineering sector contributed Rs.2,963.6Mn revenue to the group revenue during the year 2023.

Total Group Revenue (Rs.Mn)

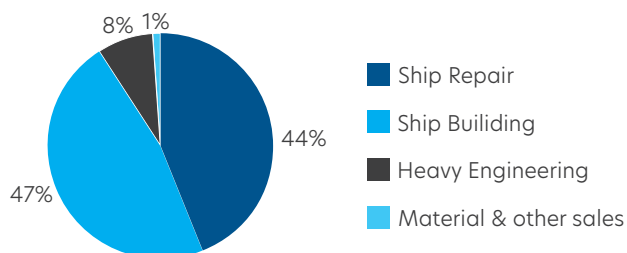


FINANCIAL REVIEW

Segments Contributed to the Group Revenue

The Group's revenue comprises income generated from its core activities, which include ship repairs, shipbuilding, heavy engineering, and material sales from subsidiary companies. In 2023, the shipbuilding sector emerged as the primary revenue driver, accounting for 47% of the total group revenue. Ship repairs followed closely, contributing 44% to the group revenue during the same period. The remaining sectors, heavy engineering, and material sales made smaller contributions of 8% and 1% respectively to the overall group revenue.

Group Revenue Composition 2023



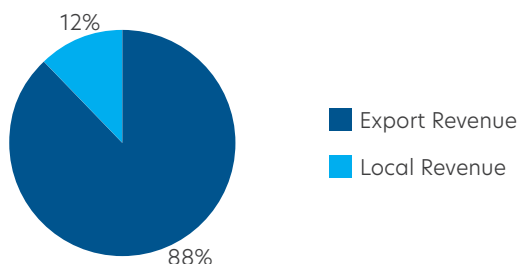
Group Export Revenue

The group's export revenue primarily comes from its shipbuilding and ship repair activities. In 2023, the total export revenue for the group amounted to Rs. 31,724.5 million, marking a notable increase of 36% compared to the previous year's export revenue of Rs. 23,308.07 million.

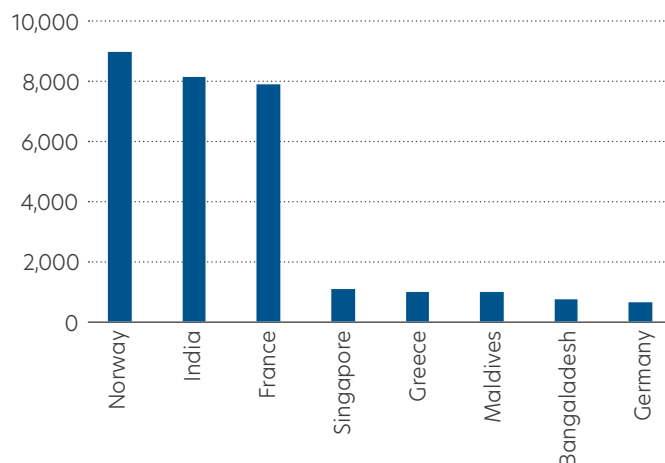
In 2023, Norway emerged as the company's primary overseas market, contributing 27% (Rs. 8,578.6 million) to the total export revenue. India followed closely behind, accounting for 23% (Rs. 8,171.7 million), while France secured the third position with 22% (Rs. 7,943.3 million) contribution to the total export revenue.

In 2023, the Indian market remained the primary overseas destination for the ship repair sector, contributing 52% (Rs. 8,171.7 million) to the total ship repair revenue. The US dollar and Euro remained the predominant Currencies for exports, making up 100% of the total export revenue. Fluctuations in the value of the Sri Lankan Rupee continued to influence the conversion of US dollar and euro proceeds. Notably, export revenue accounted for 88% of the total group revenue.

Export Revenue and Local Revenue 2023



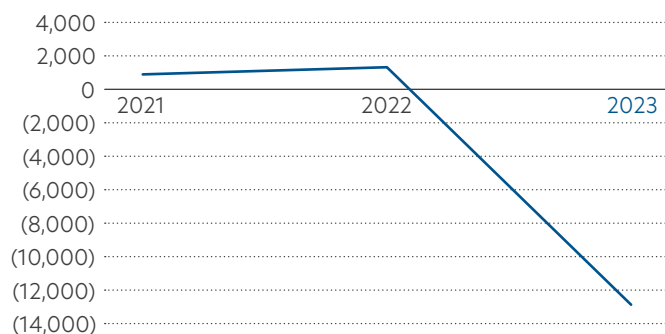
2023-Major overseas Markets - Export Revenue (Rs.Mn)



Group Earnings before Tax and Depreciation

In 2023, the Group's earnings before tax, depreciation, and amortization amounted to Rs. (12,849 mn), a significant decline from the previous year's earnings of Rs. 1,347.7 mn. Despite achieving a 32% increase in revenue compared to 2022, the shipbuilding sector's poor performance was the primary reason for this negative earning and the factors contributing to this downturn included the country's economic crisis, country's defaulting on debts, disruptions in the global supply chain, high interest rates on local and foreign loans and rapid fluctuations in exchange rates.

EARNINGS BEFORE TAX AND DEPRECIATION (Rs.Mn)



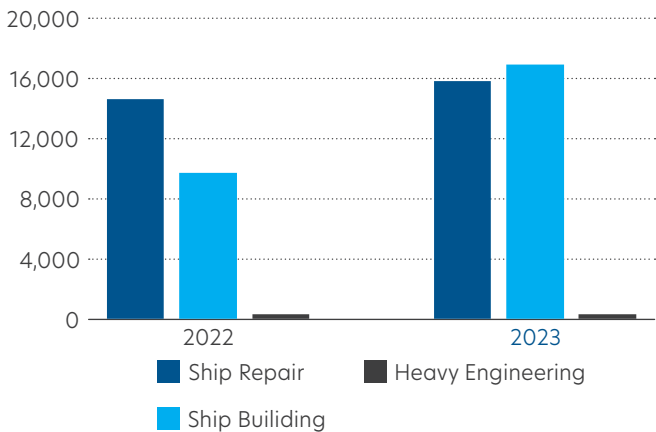
Group Other Income

Other income of the Group recorded as Rs.478.4 mn during the year 2023 and The scarp sale income is the major contributor which represents 69% of the total other income.

Financial Performance of the Company
Company's Revenue

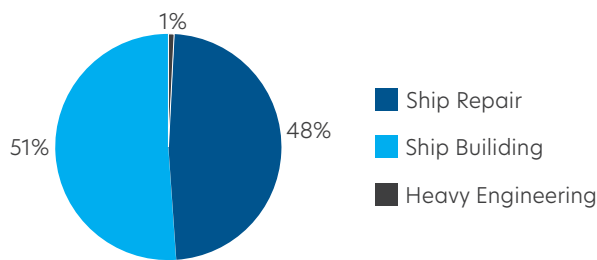
In the year 2023, the company's total revenue reached Rs. 33,101.7 mn, marking a notable 26% increase from the previous year's total revenue of Rs. 24,533.0 mn. Specifically, the company's shipbuilding revenue amounted to Rs. 16,973.0 mn, reflecting an impressive 76% growth compared to the previous year. Additionally, the ship repair revenue for 2023 totaled Rs. 15,862.7 million, representing a solid 9% growth compared to the previous year.

Company Revenue Comparison (Rs.Mn)



Out of total revenue of the company, 48% represents revenue from Ship repair business and 51% represents revenue from Ship Building and 1% from Heavy engineering.

Company Revenue Composition 2023



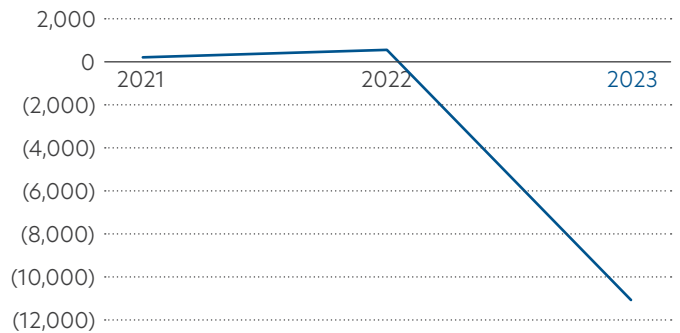
Company Contribution to Sri Lankan Economy

The Colombo Dockyard PLC has generated direct foreign revenue of Rs. 31,724.5 Mn (US\$ 97 Mn). This is mainly comprised of revenue generated from shipbuilding, ship repairs, heavy engineering and other nonoperating income

Company's Profit /(Loss) After Tax

In the year 2023, the Company experienced a loss after tax amounting to Rs. (11,127.0) million. The main factor behind this substantial loss was the poor performance of the shipbuilding sector. Several factors contributed to this downturn, including the country's economic crisis, defaulting on debts, disruptions in the global supply chain, high interest rates on local and foreign loans and rapid fluctuations in exchange rates.

Profit After Tax (Rs.Mn)



Major factors contributed to the low performance of the group and the company.

1. The company faced several challenges including delays in worker availability due to various factors such as COVID-19 restrictions, fuel shortages, political unrest, and migration of skilled workers. These challenges resulted in delays in vessel deliveries, leading the company to incur liquidated damages. Additionally, the company had to cancel two shipbuilding contracts, necessitating payment of compensations.
2. The country's default situation resulted in foreign customers refusing to accept bank guarantees from any Sri Lankan bank. Consequently, CDPLC had to secure bank guarantees from international banks by depositing 100% of the funds with them, as these banks were unwilling to take on any risk associated with Sri Lanka. Simultaneously, CDPLC had to finance the construction of vessels using borrowed funds. At the height of this crisis, CDPLC had to deposit over Euro 45 million in international banks, earning minimal interest rates, while being compelled to borrow domestically at exorbitant interest rates, reaching up to 29% for Sri Lankan Rupee borrowings and 12% for USD borrowings annually. This discrepancy in interest rates was a consequence of the differing national interest rates prevailing at the time.
3. Rapid fluctuations in exchange rates created difficulties in financial planning.

FINANCIAL REVIEW

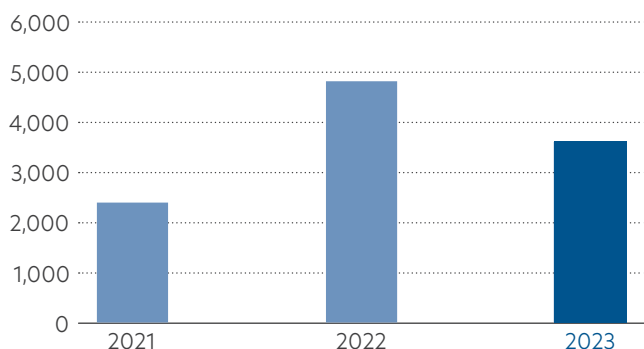
- The shipbuilding segment faced significant financial challenges due to disruptions in the global supply chain and the escalation of international prices for various raw materials such as steel, machinery, and other essential components. These factors had a notable adverse impact on the financial performance of the shipbuilding segment.
- Various challenges in the local market, including shortages, escalating operating costs, and Sri Lanka's poor reputation in international markets, have resulted in numerous difficulties for operations, customers, and international suppliers alike. These disruptions have created obstacles across multiple fronts, affecting the company's overall operations.

Financial Position of the Company

Total Assets

The Company's total assets as of 31st December 2023 were Rs. 36,048.8 Mn, as against Rs. 48,422.1 Mn in 2022. During the year the value of property plants and equipment has increased by 170% due to the revaluation of lands owned by the company. The Company has added Rs. 409Mn capital assets for yard productivity improvements and infrastructure development during 2023.

Total Assets (Rs.Mn)



Current Assets

In 2023, the Company's current assets decreased to Rs. 22,712.7 Mn from Rs. 43,182.2 Mn in 2022. This decline was primarily driven by a 37% decrease in inventories, resulting from the release of materials for shipbuilding projects that were purchased the previous year. Additionally, trade and other receivables decreased by 27% by the end of 2023. This reduction was attributed to a Rs. 4,496.0 Mn recovery of trade receivables and a Rs. 4,178.8 million decreases in prepayments.

Working Capital

The net working capital of the Company was at Rs. (8,429.9) Mn at the end of year 2023. The current ratio in 2023 stood at 0.73 indicating availability of current assets to serve the current liabilities of the company. The quick ratio of the company was also stood at 0.63 indicating the availability of current assets without inventories to pay current liabilities of the company.

Cash flow

Cash used in the Group's operations before working capital changes stood at Rs. 9,688.6 Mn in 2023 compared with cash generated Rs. 3,023.3 Mn in the previous year. Cash generated from operations decreased due to the negative contribution recorded mainly from shipbuilding operations compared to 2023. Net cash used in investment activities was Rs. 153.7 Mn during 2023, as against Rs. 263.4 Mn for previous year. The Group invested a total of Rs. 435.5 Mn in yard development and productivity improvement related investments. The Group's cash and cash an equivalent at the end of 31st December 2023 was Rs. 2,619.9 Mn, which is decreased against last year figure of Rs. 15,243.9 Mn

Net Assets Value per Share

The net assets value per share of the Company has decreased to Rs. 6.59 as of 31st December 2023 compared to Rs. 82 recorded for last year. the reduction of the net assets per share was due to the loss incurred during the year under review.

Capital Structure

Total assets of the Group stand at Rs. 39,325.1 Mn as at 31st December 2023, compared with Rs. 51,379.8 Mn in the previous year. Assets were funded by shareholders funds 7%, non-current liabilities 12% and current liabilities 81%.

Debt

Group's short term debts as at balance sheet date was Rs. 20,850.9 Mn. Short term loans have been obtained for working capital financing. There was a 13% reduction during the year due to destructing short term loans to long term loans.

Performance of the Share

The share price of the Company as at 31st December 2023 recorded at Rs. 50, showing a decline of of 15% compared to last year's closing price of Rs. 59. The share price recorded the highest price of Rs. 68 on 14th March 2023 and lowest of price of Rs. 48 on 27th December 2023.

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 75 to 122 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. 6,235.9 Mn represented by Rs. 3,221.3 Mn from wholly owned Subsidiary Dockyard General Engineering Services (Pvt) Ltd. (DGES), Rs. 485.5 Mn from wholly owned subsidiary Dockyard Total Solutions (Pvt) Ltd (DTS) and Rs. 2,529.1 Mn (SGD 10 Mn) from Ceylon Shipping Agency (Pte) Ltd (CSA) Singapore with 51% holding.

DGES has recorded a net profit of Rs. 122.6 Mn for 2023 compared to Rs. 132 Mn profit reported for 2022 showing a decline of 8%, DTS net loss was Rs. 37.1 Mn at the end of 2023. The CSA recorded a net profit of SGD 143,389 against the profit of SGD 107,386/- for 2022. The growth of the net profit of CSA was 34% at the end of 2023.

CORPORATE MILESTONES

year	Event
1974	Incorporation of Colombo Dockyard Limited (CDL) and started operation of a Ship repair facility with three drydocks: 1 x 30,000 DWT and 2 x 8,000 DWT; Docks Nos. 1, 2 & 3.
1975	Commencement of steel Shipbuilding in Sri Lanka. Yard No. 1: Mooring Barge for Colombo Port Commission (CPC). Yard No. 4: First naval vessel - 14 M Patrol Boat for Sri Lanka Navy.
1976	Incorporation of Ceylon Shipping Agency Pte Limited in Singapore, jointly with Ceylon Shipping Corporation.
1977	First vessel to Colombo Port Commission. Yard No. 13:100 T Barge.
1978	First Tug Boat built in Sri Lanka. Yard No. 25:365 BHP Towing Tug for Colombo Port Commission.
1981	Incorporation of Ceylon Bulk Carriers Limited, as a wholly owned subsidiary of CDL, which was renamed as Dockyard General Engineering Services (Pte) Limited in 1981.
1982	Incorporation of Colombo Drydocks Limited (CDD) as a Private Limited Liability Company. First Offshore Patrol Vessel (OPV) built in Sri Lanka. Yard Nos. 40/41:40 M Offshore Patrol Vessels for Sri Lanka Navy.
1983	Incorporation of Galle Slipway & Engineering (Private) Limited.
1983	CDD was converted into a Public Limited Liability Company and established as a Licensed Enterprise under the GCEC Laws (now BOI). First export order in Shipbuilding. Yard Nos. 57/58 Split Hopper Barges for Burma Ports Corporation, Myanmar.
1987 1988	First Shipbuilding project to the Republic of Maldives. Yard No. 78/81: Fish Collector Vessels for State Trading Organization (STO) 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
2009	The year of Success despite the global Economic Crisis. <ul style="list-style-type: none"> • Enhancing crane capacity by 20 tons 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 tons cargo vessel "Arabian Sea" built for the government of India. • Outsource of Heavy Engineering activities to the subsidiary of Dockyard General Engineering Services DGES.
2010	The year of Economic Prosperity <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.

year	Event
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". • Construction of 250 tons 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	<ul style="list-style-type: none"> • The year of Operational Environment Risk 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 • 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	<ul style="list-style-type: none"> • Celebrated 40 years anniversary of the Company • 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 • Completed and delivered NC 227- Multipurpose Platform Supply Vessel "Executive Tide" to Singapore. • Completed and delivered NC 228 - Multipurpose Platform Supply Vessel "Executive Sprite" to Singapore
2015	<ul style="list-style-type: none"> • Completed and delivered newly built vessel NC 230 - 400 Passenger cum 250 Ton Cargo Vessel "MV Lagoons" to India • Completed and delivered newly built two vessels NC 231 "Executive Brilliance" & NC 232 "Executive Balance" Multipurpose Platform Supply Vessel to Singapore
2016	Completed and Delivered newly build vessels NC 233 - 78M multi purpose platform supply vessel to Singapore and NC 239- 13 M Harbor tug , NC 240 -45 M barge to Maldives
2017	Completed and delivered newly build vessels NC 234 - 78M multipurpose platform supply vessel Singapore and NC 235/236- 78 M (9000Kw) anchor handling / offshore support vessel To Singapore
2018	Completed and delivered newly build vessel NC 237 - 78 M (9000Kw) Anchor Handling/Offshore Support Vessel, to Singapore
2019	Completed and delivered newly built vessel NC 243 - 2x2500 kw cable laying vessel to Japan
2020	<ul style="list-style-type: none"> • 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
2021	Completed and delivered newly built vessels NC 244-buoy tender vessel, NC 245- pilot station vessel to IRQA and NC 248- 19 M Fast Pilot Boat III to Sri Lanka Port Authority
2022	Completed and Delivered NC 250 5000DWT Bulk carrier 1 to Norway which was the 1st hybrid vessel constructed by the company for Europe market
2023	<ul style="list-style-type: none"> • Completed and delivered two numbers of 5000DWT bulk carriers NC 251 and NC 252 to Norway and completed and delivery of Cable Laying & repairing vessel NC 256 to France. • Award of 4 new shipbuilding contracts to build four numbers of 5000DWT bulk carriers to Norway • Introduce lean management practices to the company

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 2023 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 complying 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.

Composition of the Board

The current Board comprises of eight (as of 31/12/2023) Directors; six of them are Non-Executive Directors.

Mr. Thimira S. Godakumbura, Managing Director/CEO and Mr. J. Furukawa are executive directors of Colombo Dockyard PLC.

All Non Executive Directors submit a Declaration annually to the Board regarding their independence.

Non-executive Director, Mr. G A D L Ganlath is independent except for the fact that he holds office over nine consecutive years, which has been duly ratified and determined by the Board that he is nevertheless independent for the current year, as provided under the Listing Rules of the Colombo Stock Exchange (CSE), subject to the shareholders approving the Resolution as set out in item 3 of the Notice of Annual General Meeting. The Board so determined based on the annual declarations submitted by the non-executive directors. He has been duly re-elected by the shareholders at the Annual General Meeting of each year.

Necessary market announcements with regard to non-compliance of board composition and sub committees composition were made to CSE from time to time as required by the CSE Listing Rules.

Director	Position on the Board	Date of Appointment	Nature of Appointment
Mr. Sarath De Costa	Vice Chairman	21st June 1993	Non- executive/ Nominee Director
Mr. Thimira S. Godakumbura	Managing Director/ CEO	19th April 2023	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. C. C. Wickramatileka	Director	21st December 2023	Non-executive/ Public Director (Non-Independent)
Mr. V. G. L. A. Jayawardena	Director	07th Sep 2020	Non-executive/ Nominee Director
Mr. J. Furukawa	Director	23rd Jan 2023	Executive/ Nominee Director
Mr. D. L. Nihal	Director	29th November 2022	Non-executive/ Nominee Director

Board Members	Audit Committee	Remuneration Committee	Related Party Transaction Review Committee
Mr. Lalith Ganlath	Chairman	Chairman	Chairman
Mr. C. C. Wickramatileka ACA	Member	Member	Member
Mr. Sarath De Costa	Member	Member	Member
Mr. Thimira S. Godakumbura	-	-	Member

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	Jan	March	April	August	Sep	Nov	Dec
Mr. H. Tanaka (retired 21/12/2023)	✓	-	✓	-	-	✓	✓
Mr. Sarath De Costa	✓	✓	✓	✓	✓	✓	✓
Mr. Thimira S. Godakumbura (Appointed 19/04/2023)	-	-	✓	✓	✓	✓	✓
Mr. D. V. Abeysinghe (resigned 21/12/2023)	✓	✓	✓	✓	✓	-	✓
Mr. A. Horibe (resigned 23/01/2023)	✓	-	-	-	-	-	-
Mr. T Nakabe (or Alternate - Mr. S. Nozaki)	✓	✓	✓	✓	✓	✓	✓
Mr. G. A. D. L. H. Ganlath	✓	✓	✓	✓	✓	✓	✓
Mr. H. A. R. K. Wickramathilake	✓	✓	✓	-	-	✓	✓
Mr. V. G. L. A. Jayawardena	✓	✓	✓	✓	✓	✓	✓
Mr. D. L. Nihal	✓	✓	✓	✓	✓	✓	✓
Mr. J. Furukawa (Appointed 23/01/2023)	-	✓	✓	-	-	-	-
Mr. C. C. Wickramatileka (Alternate Director)	-	-	-	✓	✓	✓	✓

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 one director is independent, namely Mr. Lalith Ganlath (Chairman), other directors Mr. C. C. Wickramatileka who serves as a member of the committee is a Associate member of Institute of Chartered Accountant of Sri Lanka. and Mr. Sarath De Costa has been nominated to the Board by a major shareholder.

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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.

- Material ordering process.
- Budget 2023
- Yard operation
- Draft annual report 2022
- Debtors' status and recovery
- Financial performance of 2023
- Internal Audit reports

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 4 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 of the 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	January	March	August	November
Mr. H.A.R.K. Wickramathilake	✓	✓	✓	✓
Mr. Sarath De Costa	✓	✓	✓	✓
Mr. Lalith Ganlath	✓	✓	✓	✓

Remuneration Committee

The Remuneration Committee comprises of three Non Executive Directors, namely Mr. Lalith Ganlath (Chairman), (Independent) Mr. C. C Wickramatileka, and Mr. Sarath De Costa.

Report of the Remuneration Committee Policy

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

Functions

The Committee will assist the Board to decide on certain parameters in formulating the Remuneration Policy with the view to retaining highly qualified, experienced personnel in a very competitive environment while looking at the cost aspect for the benefit of all stakeholders of the Company. The Committee will have meetings as and when it deemed necessary to decide on the remuneration of the Managing Director/CEO. The aggregate remuneration paid to the executive and non-executive Directors are given in Note 08 to the Financial Statements.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee comprises of three Non Executive Directors, namely Mr. Lalith Ganlath (Chairman) who is an independent director, Mr. C. C. Wickramatileka, Mr. Sarath De Costa and one executive director namely Mr. Thimira S. Godakumbura, Managing Director/CEO of the company.

During the period under review the Committee met on 03 occasions and the Committee discussed and reviewed the related party transactions and found that during the year under review none of the transactions were needed to be referred to the Board since the value of transactions were far below the required norms. Related party transactions review committee meeting attendance details are given in below table.

	March	August	November
Mr. H.A.R.K. Wickramathilake	✓	✓	✓
Mr. Sarath De Costa	✓	✓	✓
Mr. Lalith Ganlath	✓	✓	✓
Mr. Thimira S. Godakumbura	✓	✓	✓

Annual General Meeting

The Company's 40th Annual General Meeting (AGM) was held on 19th April 2023 at the AGM 83 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 2022 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 2023 and to authorize the Directors to approve their remuneration
- To authorize the Directors to determine donations for the year 2023 and up to the date of the next AGM.
- A special resolution passed at the AGM to delete existing Article 80 of Articles Association of the Company and substitute the new Article 80 in its place.

Company Compliance with Corporate Governance Rules as per Section 7.10 & 9 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 PLC is the formation of our "Health, Environment, Safety and Productivity Improvement" (HESPI) Committee representing organization wise employees headed by the General Manager (Human Resource Development & Administration).

Following a satisfactory Technical Review, Colombo Dockyard PLC has been approved by LRQA (Lloyd's Register Quality Assurance Limited) as meeting the requirements ISO 9001:2015 (Quality Management Systems), ISO 14001:2015 (Environmental Management System) and ISO 45001:2018 occupational health and safety (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 are 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.

Statement of Compliance

As part of our commitment to upholding the highest standards of corporate governance and regulatory compliance, we provide regular updates to our existing Directors on relevant matters such as Corporate Governance, Listing Rules, securities market regulations, and other applicable laws.

We ensure that all necessary measures are taken to comply with the corporate governance requirements stipulated under the Listing Rules of the Colombo Stock Exchange. Our proactive approach ensures transparency, accountability, and integrity in our operations, fostering trust among our stakeholders and reinforcing our commitment to best practices in corporate governance.

Communication With Shareholders

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

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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	14 - 16
	A 1.1	Regular Board meetings	Complied	Composition of the Board	45
	A 1.2	Responsibilities	Complied	board responsibilities	44
	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	67
	A 1.4	Access to Company Secretary	Complied	Communication with Shareholders	47
	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	67
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	45
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Financial Acumen	45
Board Balance	A 5	Board Balance	Complied	Composition of the board	44
	A 5.1	Non-Executive Directors	Complied	Out of 8 directors, 6 directors are Non-executive directors	44
	A 5.2	Independent Non-Executive Directors	Complied	01 Independent non executive director	44
	A 5.4	Annual Declaration	Complied	Submitted the declarations as prescribed	44
	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	44
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	44 - 45
	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	44 - 45
Appointments to the Board	A 7	Formal and transparent procedure for Board appointments	Complied	Appointment, re-election and resignation	44 - 45
	A 7.2	Assessment of the capability of the Board to meet strategic demands of the company	Complied	Appointment, re-election and resignation	44 - 45
	A 7.3	Disclosure of New Board member profile and interests	Complied	Appointment, re-election and resignation.	44 - 45

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section	Page No
Re-election	A 8 - 8.2	Board members should be subject to election, and reelection by shareholders	Complied	Appointment, re-election and resignation	44 - 45
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	14 - 16
Directors' Remuneration	B 1	Establishment of the Remuneration Committee.	Complied	Remuneration Committee Report	46
	B 1 - 1.3	Membership of the remuneration committee to be disclosed and should only comprise Non Executive Directors	Complied	Remuneration Committee Report	46
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Remuneration Committee Report	46
Relations with Shareholders	C 1	Constructive use of the AGM and other General Meetings	Complied	Annual General Meeting	47
	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.	47
	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	47
	C 1.4	Heads of Board subcommittees to be available to answer queries	Complied	Subcommittee Chairmen are present at the AGM	44
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.	
Accountability and Audit	D 1.1	Balanced Annual Report	Complied	Communication with shareholders	47
	D 1.2	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	Complied	Communication with shareholders	47
	D 1.4	Directors Report declaration	Complied	Annual Report of the Board of Directors on the Affairs of the Company	67
	D 1.5	Financial reporting statement on board responsibilities	Complied	Statement of Directors' Responsibility	69
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	47
	D 2.2	Confirm assessment and risks identified and mitigated	Complied	Risk Management	52
	D 2.3	Internal Audit Function	Complied	Report of the Audit Committee	45
Audit Committee	D 3.1	Audit Committee composition	Complied	Audit Committee	45
	D 3.2	Terms of reference, duties and responsibilities	Complied	Report of Audit Committee	45
Related Party Transactions review Committee	D 4	Composition, Terms of reference, duties and responsibilities	Complied	Related Party Transactions Review Committee report	68

CORPORATE GOVERNANCE

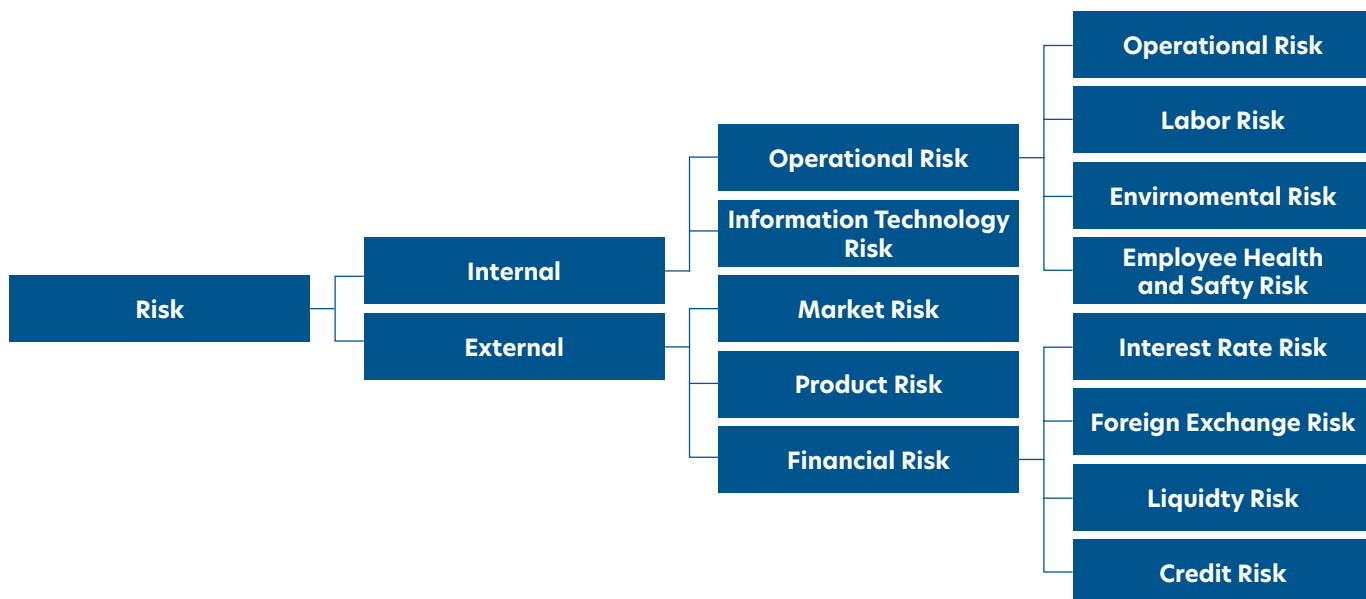
Levels of Compliance with the Colombo Stock Exchange's Listing Rules Section 07 & 09 - Rules on Corporate Governance are given in the following table.

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	44
Independent Directors	7.10.2 (a)	Two or one-third of Non-Executive Directors, whichever is higher should be independent	Not Complied Necessary market announcement made to CSE.	One Non-Executive Directors is independent.	44
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	44
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Composition of the Board	44
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	44
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	14 - 16
Disclosure relating to Directors	7.10.3 (d)	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (d) to the Colombo Stock Exchange	Complied	Profile of Directors	14 - 16
Remuneration Committee	7.10.5	A listed company shall have a Remuneration Committee	Complied	Remuneration Committee	46
Composition of Remuneration Committee	7.10.5 (a)	Shall comprise Non Executive Directors a majority of whom will be independent	Not Complied Necessary market announcement made to CSE.	All members are Non-Executive directors and one out of three directors is independent	44
Remuneration Committee Functions	7.10.5 (b)	Shall recommend the remuneration of the CEO and the Executive Directors, if any.	Complied	Remuneration Committee	46
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	46
		Statement of Remuneration Policy	Complied	Remuneration Committee	46
		Aggregated remuneration paid to Executive and NonExecutive Directors	Complied	Aggregated remuneration paid to Executive and NonExecutive Directors	96
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Report of the Audit Committee	46
Composition of Audit Committee	7.10.6 (a)	Shall comprise Non-Executive Directors, majority of whom will be independent	Not Complied Necessary market announcement made to CSE.	All members are Non executive directors and one out of three directors is independent	44

Subject	Rule No	Applicable requirement	Compliance status	Details	Page No
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an Independent Non-Executive Director.	45
		Chief Executive Officer and Chief Financial Officer should attend Audit Committee meetings	Complied	Chief Executive Officer and Chief Financial Officer attend meetings by invitation	46
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Complied	one member of the Audit Committee is a Fellow Member of Chartered Accountant of Sri Lanka.	45
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	45
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	45
		The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Complied	Audit Committee Report	45
		The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions	Complied	Audit Committee Report	45
Related Party Transactions Review Committee	9.14.8(4)	An affirmative declaration by the Board of Directors in the Annual Report that these Rules pertaining to Related Party Transactions have been complied with	Complied	Related Party Transaction Review Committee Report	68
Additional Disclosures by the Board of Directors	9.16 (i)	Declare all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested	Complied	Annual Report of Board of Directors	67
	9.16 (ii)	conduct a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so	Complied	Annual Report of Board of Directors	67
	9.16 (iii)	made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions	Complied	Annual Report of Board of Directors	67
	9.16 (iv)	disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations	Complied	Annual Report of Board of Directors	67

RISK MANAGEMENT

Our risk management strategy and processes look to manage material risk that could impact the Group's operations. In facilitating risk management, Colombo Dockyard break down the overall environmental, social and governance risk, operational risk, business risk and capital related risk into further identifiable categories as depicted below.



Risk Responsibility

While the Board of Directors and the board sub-committees oversee the overall risk strategy, the General Management team conduct risk analysis and makes recommendations to the board to enhance the effectiveness of risk measures. Our overall risk strategy follows the principles and guidelines outlined in the ISO 31000:2009 risk management system.

Meanwhile, our risk-based thinking is part and parcel of the ISO 45001:2018 (occupational health and safety (OH&S) management system) that we follow. As such, we periodically educate respective Managers on new risk management principles, parallel to Gap assessment of ISO 45001: 2018, following which we provide necessary training.

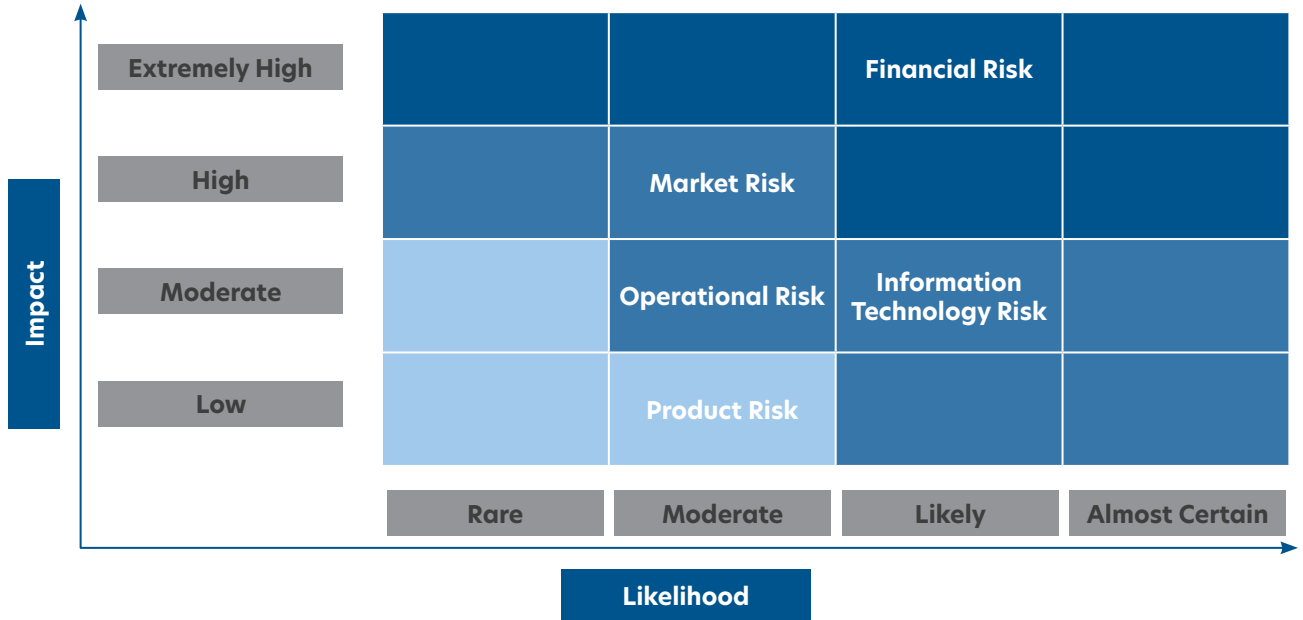
Risk volatility

The Marine and Ship building industry is inherently a '3D' industry (dirty, dangerous, difficult). As such, our internal and external risk factors are high concerns and require constant monitoring and proactive involvement. Mindful of this, we involve each business division in the risk process. In addition, we have developed a culture of awareness and responsibility which calls each individual employee to be risk aware and report their concerns to relevant heads.

Risk Assessment and Mapping

Our risk assessment tools include both qualitative and quantitative assessments of the likelihood of the various risks. The risks that we identify and map on a grid determine the materiality of each risk factor in relation to our operational success and value creation process. The map considers the likelihood of occurrence and potential impact. Risk Assessment can include occurring and the impact of these in terms of cost, schedule and/or performance. The position of a particular position on the risk map indicates whether the risk falls below or beyond the company's risk appetite. Afterwards, we determine the scope and extent of relevant risk mitigation action steps.

The below illustration depicts our risk map.



Risk management process

Our risk management process is comprehensive and systematic. The below illustration present how we approach risk management.



The head of each division across the Company is responsible for identifying and recording risk factors on a continuous basis in line with the Quality Management System of the Company. Each division maintains a risk register and updates it accordingly. Once identified, we continue to analyze the material risks and implement necessary and effective mitigating strategies. The Management Committee reviews and discusses the relevant risk factors, and pass their recommendations onto the Board.

Once the risk mitigation action steps are in place, the Audit Committee reviews the effectiveness of the risk management process. This includes all aspects from determining risks at Board level to measurement and feedback at operational level. In addition, internal control internal audit and independent assurance provide comfort and assurance to risk management. While internal controls focus on operations, the assurance provided by external audit and independent parties deals with any gaps in the process of identifying and managing risk.

Risk strategy implementation

In line with our risk strategy, we have categorized risks into Internal and external and conduct assessments to determine materiality and prepare solutions and appropriate responses. The below table presents a detailed view of our risk concerns, material impact and our responses.

RISK MANAGEMENT

INTERNAL RISK

Operational Risk Management

1. Operational Risk

Our Concern	Out Impact	Our Response
<p>Operational risk, which is inherent in all business activities, is the risk of potential financial loss and/ or business instability arising from failures in internal controls, operational processes or the systems that support them.</p> <p>It is recognized that operational risk can never be entirely eliminated and that the cost of minimizing it may outweigh the potential benefits. Accordingly, the group manages operational risk by focusing on risk management and incident management. The group has also put in place operating manuals, standard operating procedures, delegation of authority guidelines and a regular reporting framework, which encompasses operational and financial reporting</p> <p>Our core business activities are in keeping to international standards, compliance to such international conventions and regulatory procedures, is required. In addition, the framework under ISO 9001-2015(Quality Management Systems).</p> <p>QMS provides for management at various levels in CDPLC to systematically review and ensure Compliance with the requirements.</p>	<p>Failure to address these risks promptly and prudently will have a serious negative impact to its operations and the principle of "going concern".</p>	<p>Safety and Health of all our employees and visitors are considered as a prime responsibility and a Safety Culture that is not second to any of the developed international shipyards are inculcated through systematic education, training and prudent implementation of a Safety Management System that we envisage to transform to ISO 45001:2018. In addition, the framework under ISO 9001 : 2015 Quality Management System audited and certified by an accredited International Agency; namely, Lloyd's Register of Quality Assurance provides a prudent framework for encompassing all operational procedures to an integrated management System, giving sound control to the Management of what is being done in the Organization</p> <p>Risk of fire and potential damage is mitigated by taking proactive measures such as identifying potential fire risks, checking on combustible gases, both using Company Experts and third party inspectors; i.e., the Analysts of the Government Analyst Department, development of fire guards, fire prevention and control equipment etc In addition, employee training, on good housekeeping, continuous training, and systematic monitoring and control measures are taken to create a risk-free working environment.</p> <p>Acknowledging that operational risk can never be entirely eliminated and that the cost of elimination may outweigh the potential benefits, a preventive management approach is taken, with continuous upgrading.</p> <p>The measures taken are updating operating manuals & 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> <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	Out Impact	Our Response
Risks arising from unionized labour, political motivations, need for change, dearth of skilled labour and low productivity	Labour unrest Industrial action Lower productivity Impact of wage negotiations	Training and development, Grievance handling procedure , Engagement with unions, Consultative committee, welfare facilities for employees

3. Environmental impact of Operation

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

4. Risk on employees' health and safety

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

Information Technological Risk & Management

Our Concern	Out Impact	Our Response
Company sustainability depends on accurate information generated through an Integrated Management Information System for prudent and timely decision making.	Any disruption or failures of such a system, infrastructure and applications, may have a negative impact to the Company operations and perhaps would lead to financial losses.	This has been addressed by way of daily backups, standby file servers, regularized maintenance etc. Insurance cover is also taken to safeguard unforeseen losses. Our ICT Department has formulated a strategy Road Map to eFuture, where they identified to conduct ICT Business Continuity and Disaster Recovery Examination every month.

RISK MANAGEMENT

EXTERNAL RISK

Market Risk & Management

Our Concern	Out Impact	Our Response
Both Ship repair and Shipbuilding businesses are mainly generated from the foreign market. Accordingly, our competition too is global and perhaps more specifically regional. Today, severe competition is faced from China, India, Pakistan, Indonesia, Malaysia, Vietnam and Thailand. In addition, both Dubai and Singapore, which are larger players, can impact on the upper levels of the pricing. In view of these market pressures, it is essential that CDPLC focuses on providing competitive products and services, irrespective of the fact that our competitors continue to benefit from lower wage costs (in comparison with efficiency and productivity), flexible labor laws, supportive tariff structure, comparatively low energy costs and Government subsidies amongst others.	The pressure from international price competition on our Ship repairs, Shipbuilding and Offshore Engineering market share too will have a serious impact on business generation. The absence of protectionism in the local market and severe competition on Heavy Engineering business by other local contenders too affect the generation of business volumes and price. The country risk, attributed by the security situation, though completely beyond the control of the company, is covered by financial instruments, satisfying and easing the prospective customers, where eventually, the payments made are refundable, on demand.	Capitalizing on the current market circumstances and its futuristic forecasts, globally and regionally, the Company has adopted strategies to diversify its products portfolio and position itself in a niche market, based on competitive advantage. We are adopting new marketing strategies focusing on new geographical markets, new market segments and new channels. Focused yard expansion projects are in the pipeline, to attract available opportunities as much as possible, conquering the space limitations.

Financial Risk Management

Financial risks relate to our ability to meet financial obligations and mitigate credit risks, liquidity risks, currency risks, interest rate risk and price risks. To manage these risks, the Group's policies and financial authority limits are reviewed periodically. The Group's activities are exposed to a variety of financial risks, including changes in interest rates, foreign exchange rates and liquidity as well as credit risk.

1. Interest Rate Risk

Our Concern	Out Impact	Our Response
The Group's objective is to maintain an efficient optimal interest cost structure to minimize the adverse effects on fluctuating interest rates.	Impacts the Company's interest earnings, costs, cash flow and profitability.	The Group utilizes various financial instruments to manage exposures to interest rate risks arising from operational, financing and investment activities. Borrowing and investing interest rates are always being negotiated to the most feasible extent in our favor.

2. Foreign Exchange Risk

Our Concern	Out Impact	Our Response
Risk on foreign-currency fluctuation on sales and purchases, denominated primarily by the US dollar, Euros and the Singapore dollar, is high.	Exchange rates fluctuations make substantial impact on both revenue and cost structure leading to changes in final profitability.	This risk is minimized by hedging the currency: either by forward foreign exchange contracts in respect of actual or forecasted currency exposures or hedged naturally by matching sales or purchase of matching assets or liability of the same currency and amount. Where feasible, contracts are executed on a basket of currencies, minimizing the potential risks.

3. Liquidity Risk

Our Concern	Out Impact	Our Response
The Group manages its working capital requirements with the view to minimize the cost and maintain a healthy level of liquidity appropriate to the operating environment and expected cash flow of the Group. Working capital requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations	Inadequate net working capital would lead to unnecessary financing costs to the bottom line	To measure liquidity risk, the Company closely monitors its net operating cash flow, maintains a level of cash and cash equivalents and secured committed funding facilities from financial institutions.

4. Credit Risk

Our Concern	Out Impact	Our Response
The Group has no significant concentration on credit risk exposure to sales and trade with any single counter party	Possibility of incurring bad and doubtful debts and cost increases	Group credit exposure is closely monitored. Credit given is reviewed within the pre-determined approval procedures and contractual agreements made for long-term & high value transactions.

Product Risk Management

Our Concern	Out Impact	Our Response
Our core business operations, of building ships, repairing ships, offshore and heavy engineering, is to acceptable quality and to international standards. As such, we have to align ourselves continually with new technological developments and other requirements, rules and regulations, for our products to be marketable and services acceptable.	Failure and non-compliance of above factors would immediately lead to changing the market preference.	<p>To mitigate the potential risk, we have adopted a quality assurance approach, which ensures required levels of quality in our products and services: through the ISO 9001-2015 Quality Management System, certified by Lloyd's Register of Quality Assurance. Further, all our products and services are strictly subject to the approval and certification by Classification Societies, such as</p> <ul style="list-style-type: none"> • 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 2023 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. 33,068.5 Mn (2022 - Rs. 24,533.1 Mn) and net loss of Rs. 11,127.0 Mn. (2022 - Net Profit Rs. 516.5Mn) leaving the shareholders' value with Rs. 473.4 Mn (2022 - Rs. 5,880.9 Mn).

Dividend Approved

No dividend has been approved for the year end 2023.12.31 (2022 - Rs.0.00).

Dividend Pay Out Ratio

As per Colombo Stock Exchange Listing Rule No: 7.6 (xi), Company Dividend Payout Ratio was 0.0 during 2023 (2022 : 0.0).

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	2023	2022
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Revenue	9,059	10,624	6,839	6,546	33,068	24,533
Gross Profit/(Loss)	1,187	(1,019)	(2,882)	(4,248)	(6,962)	2,055
Profit/(Loss) after Tax	(389)	(2,733)	(6,772)	(1,171)	(11,127)	516
Shareholders' Fund	5,491	2,757	4,685	556	473	5,880
Total Assets	46,895	43,735	39,754	35,565	36,049	48,422

Shareholders Information

Share Capital

	2023-12-31	2022-12-31
Stated Capital Rs.	714,395,757	714,395,757
Number of Shares	71,858,924	71,858,924
Number of Shareholders	5,110	5,043
Voting Rights	1 Vote per Share	1 Vote per Share
Class of Shares	Ordinary Share	Ordinary Share

Distributing of Shareholding as at 31st December 2023

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

From	To	No of Share Holders	No of Shares	%
1	1000	4,060	662,577	0.92
1,001	10,000	870	2,768,960	3.85
10,001	100,000	157	4,559,718	6.35
100,001	1,000,000	17	4,423,212	6.16
1,000,001 above		6	59,444,457	82.72
		5,110	71,858,924	100.00

List of Largest 20 Shareholders as at 31st December 2023

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

Name	2023		2022	
	No. Of Shares	%	No. Of Shares	%
1 Onomichi Dockyard Company Limited	36,648,051	51.000	36,648,051	51.000
2 Employee's 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	797,625	1.110	897,625	1.249
8 Mr D.G. Wijemanna	500,000	0.696	-	-
9 Mrs T.T.A. De Silva Weerasooria	349,266	0.486	-	-
10 Harnam Holdings Sdn Bhd	315,083	0.438	265,123	0.369
11 Bank Of Ceylon-No2 A/C (Boc Ptf)	302,900	0.422	302,900	0.422
12 Seylan Bank Plc/Babarandage Don Joseph Charuka Suchendra	264,816	0.369	657,147	0.914
13 Star Packaging (Pvt) Ltd	250,000	0.348	245,000	0.341
14 Mr M.A. Jafferjee	223,464	0.311	223,464	0.311
15 Lanka Milk Foods (Cwe) Limited	219,948	0.306	219,948	0.306
16 J.B. Cocoshell (Pvt) Ltd	208,478	0.290	308,478	0.429
17 Hatton National Bank Plc/Arumapurage Peter Lasantha Fernando	180,000	0.250	177,000	0.246
18 E.W. Balasuriya & Co. (Pvt) Ltd Acc No 01	165,123	0.230	-	-
E.W. Balasuriya & Co. (Pvt) Ltd	-	-	165,123	0.230
19 Mr S.M.B. Obeysekera & Mrs C.N. Obeysekera	146,479	0.204	146,479	0.204
20 Sri Lanka Export Development Board	145,698	0.203	145,698	0.203
	63,513,337	88.386	63,198,442	87.948
Others	8,345,587	11.614	8,660,482	12.052
Total	71,858,924	100.000	71,858,924	100.000

Composition of Shareholding

The total number of shareholders of CDPLC is 5,110 as at 31st December 2023, which is 1% decrease compared to 5,043 as at 31st December 2022.

Category	No of Shareholders	No of Shares	%
Local Individuals	4,845	6,780,189	9.44
Local Institutions	191	27,394,836	38.12
Foreign Individuals	65	493,848	0.69
Foreign Institutions	9	37,190,051	51.75
Total	5,110	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 2023, the share price of Colombo Dockyard PLC recorded a reduction of 14.4% (Rs.8.5) compared to the previous year's closing price

Market price per Share	As at 2023-12-31	As at 2022-12-31
Highest during the year	Rs. 68.00 (14/03/2023)	Rs. 91.00 (21/01/2022)
Lowest during the year	Rs.48.00 (27/12/2023)	Rs.55.00 (28/11/2022)
As at end of the year	50.50	59.00

Market Capitalization

CDPLC has recorded its market capitalization as at the balance sheet date of 31st December 2023 as Rs. 3628.8 Mn (2022 - Rs. 4,239.6Mn.). CDPLC represent 0.09% (2022 - 0.10%) of the total market capitalization

Shares Trading	As at 2023-12-31	As at 2022-12-31
No of Transaction	3,044	3,423
No of Shares traded	2,398,267	3,001,939
Value of Share traded (Rs.)	146,383,309.40	210,974,340.60

Earnings per Share

The Earning per share (EPS) of (Rs 153.4) in the year 2023 recorded a decrease of 2241% compared to the last year EPS value of Rs. 7.19 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 2023 is 48.94% (2022 - 48.94%). Number of public shareholders as at 31st December 2023 was 5,104

Float Adjusted Market Capitalization

The float adjusted market capitalization as at 31st December 2023 was Rs. 1,791,057,225.00 with reference to rule no. 7.6 (iv) of the Listing Rules of the Colombo Stock Exchange.

HEAVY ENGINEERING

Keep supporting efforts to enhance the group revenue





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FINANCIAL CALENDAR 2023/2024

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

2024		
Approval of Financial Statements - 2023	31st May	2024
Interim Report - 4th Quarter - 2023	06th March	2024
Publishing of Annual Report - 2023	31st May	2024
Ex-Dividend Date	-	2024
Payment of Dividend	-	2024
41st Annual General Meeting - 2023	19th June	2024
Interim Report - 1st Quarter - 2024	21st May	2024
Interim Report - 2nd Quarter - 2024	15th August	2024
Interim Report - 3rd Quarter - 2024	15th November	2024
Financial Year-end	31st December	2024

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 2023, 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 31st May 2024. 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 Managing Director/CEO's Review on pages 12 to 13 in this Annual Report. This report forms an integral part of the Report of the Directors'

Future Developments

An overview of the future prospects of the Company is covered in the Managing Director/CEO's Review (pages 12 to 13).

Financial Statements

The Financial Statement of the Company and the Group for the year ended 31st December 2023 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 pages 75 to 122 of this Annual Report.

Auditors' Report

Company Auditors, KPMG, performed the audit on the Consolidated Financial Statements for the year end 31st December 2023, and the Auditors' Report issued thereon is given on pages 71 to 74 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 pages 81 to 92 of the Annual Report as required by Section 168 (1) (d) of the Companies Act

Principal Activities of the Company and the Group

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

Company Principal Business Activities

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

Going Concern of the Company

The non-recurring nature of the losses incurred, improved market conditions, healthier country status and current business strategy, the directors are satisfied that the Company, its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements (note 38)

Gross Income of the Group and the Company

The revenue of the Group during the year was Rs. 36,167.6 Mn (2022 - Rs. 27,291.8 Mn), while the Company's revenue was Rs. 33,068.5 Mn (2022 - Rs. 24,533.1 Mn) Analysis of the revenue is given in Note 05 to the Financial Statement on pages 93 to 94 of this Annual Report

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

Profit for the year:	2023	2022
	Rs'000	Rs'000
Group post - tax profit (Loss)	(11,006,427)	687,932
Amount attributable to Minority Interest	(17,208)	(14,214)
Profit / (Loss) attributable to the Shareholders of Colombo Dockyard PLC	(11,023,635)	673,718
Other Comprehensive Income/(Expense)	112,007	(77,507)
Retained Profit B/F	7,056,798	6,532,445
Available for sales of financial assets	-	-
Dividends Paid -	-	(71,858)
Retained Profit C/F	(3,854,830)	7,056,798

Group Reserves

Total Group Retained Earning Reserves at 31st December 2023, was amounted to (Rs. 3,854.8 Mn) (2022 - Rs. 7,056.7 Mn). The movements of the Reserves during the year are shown in the Statements of Changes in Equity on pages 77 to 78 on this Annual Report

Taxation

It is the Company policy to provide for deferred taxation based on the liability method, on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Further details are given in taxation note 09 on page 96.

Dividends

No dividend has been declared for the year ended 31st December 2023

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.

Shareholder Information

Information relating to earnings, dividends, and net assets per share and market value per share is given in from pages 58 to 59.

Property, Plant & Equipment

The Group's total capital expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 432.4 Mn (2022 - Rs. 498.2 Mn). The extent of the freehold lands held by the Group as at the balance sheet date is 1,103.7 perch (2022 - 1,103.7 perch) recorded at revalued amount. The details of Property, plant and equipment are given in Note 11 to the Financial Statements on page 99.

Market Value of Freehold Properties

The net book value of freehold properties owned by the Group as at 31st December 2023 is included in the accounts at Rs. 13,955.5 Mn (2022 - Rs. 5,356.9 Mn). An Independent Chartered Valuer/ Licensed Surveyors carried out a market value assessment of the Group's freehold lands as at 31st December 2023. The details of freehold lands owned by the Group are given in page 101 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 2023.

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 nil (2022 - Rs. 207,000/-) in terms of the resolution passed at the last Annual General Meeting

Company Records

The Directors have disclosed the nature and extent of their relevant interest in shares issued by the Company and interest in transactions or proposed transactions with the Company during the subject accounting period, to the Board

of the Company and such information has been duly entered in the Interest Register of the Company which is a part and parcel of this Annual Report and is available for public inspection under the provisions of the Act. All the Company Records that are required to maintain under the provisions of the Act are also available for public inspection.

The Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company and the Group for the year ended 31st December 2023 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 75 to 122 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 Eight Directors with wide range of Engineering, Financial, Legal and Commercial knowledge and experience. The following Directors held office as at the Balance Sheet date and their profiles appear on Pages 14 to 16 of this Annual Report.

Executive Directors

Mr. Thimira S. Godakumbura (MD/CEO)
Mr. J. Furukawa

Non-Executive Directors

Mr. Sarath de Costa (Vice Chairman)
Mr. T. Nakabe
Mr. Lalith Ganlath
Mr. V. G. L. A Jayawardena
Mr. D. L Nihal
Mr. C. C. Wickramatileka

Directorate

The Board of Directors of Colombo Dockyard PLC as at the date of report are given on page 14 of the Annual Report. The change in the directorate from the date of the last report to this report is as follows.

- Mr. J. Furukawa was appointed as a Nominee Director of Onomichi Dockyard Co. Ltd in place of Mr. A. Horibe with effect from 23/01/2023.
- Nominee Directors of Onomichi Dockyard Co. Ltd, namely Mr. H. Tanaka, Chairman of the Company retired and Mr. D. V. Abeysinghe resigned with effect from 21/12/2023.
- Mr. H. A. R. K. Wickramatileka resigned with effect from 21/12/2023.
- Mr. Chathura Chanaka Wickramatileka who has been appointed as the Alternate Director to Mr. H.A.R.K Wickramatileka ceased to be an Alternate Director with effect from 21/12/2023 and was appointed to serve as a Director on 21/12/2023 to fill the casual vacancy created due to the resignation of Mr. H A R K Wickramatileka, only until the next Annual General Meeting of the Company who shall be then eligible for re-election at the next Annual General Meeting of the Company and has been offered himself for re-election.

An Ordinary Resolution will be placed before the shareholders at the Annual General Meeting as set out in the Notice of Meeting (Item 04) accordingly

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

- (i) An Ordinary Resolution will be placed before the shareholders at the Annual General Meeting, as set out in the Notice of Meeting (Item 2) to approve that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. C S W de Costa, who has reached 72 years of age appointed as a director of the company in terms of Article 80(2) read together with Section 211 of the Companies Act No. 07 of 2007 subject to the shareholders approving the resolution as set out in item 2 of the Notice of Annual General Meeting, Mr. C S W de Costa's nomination made by Onomichi Dockyard Co. Ltd will take effect and continue to hold office.
- (ii) Further Ordinary Resolution will be placed before the shareholders at the Annual General Meeting, as set out in the Notice of Meeting (Item 3) to approve that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. G A D L H Ganlath, who has reached 72 years of age, and shall be re-appointed as a director of the Company in terms of Article 87 read together with Section 211 of the Companies Act No. 07 of 2007.

The Nominee Directors of Onomichi Dockyard Company Limited namely Mr. S C W de Costa, Mr. Thimira S. Godakumbura, Mr. T. Nakabe and Mr. J. Furukawa and the Nominee Directors of Employees Provident Fund and Sri Lanka Insurance Corporation Ltd namely Mr. D. L. Nihal and Mr. V G L A Jayawardena respectively continue to hold office.

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

Special Business

Amendment of the Article of Association of the Company

The Colombo Stock Exchange has revised its Listing Rules from the 1st of October 2023 and such amendments include, amongst other things, changes to the corporate governance rules applicable to listed entities. In order to comply with the requirements stipulated by the revised Listing Rules, it is necessary that certain amendments are made to the existing Articles of Association of the Company.

The Board seeks the approval of its shareholders by way of a special resolution, voted in favour by seventy-five percent of the shareholders present and voting, for the amendment for the Company's existing Articles of Association and to replace the same with a new set of Articles of Association at the Annual General Meeting of the Company as set out in the Notice of Annual General Meeting (item 8).

The proposed new set of Articles of Association and a comparison between the existing Articles of Association and the proposed Articles of Association are forwarded to the shareholders along with the Circular to shareholders dated 27/05/2024.

Board Sub-Committees

The Board of Directors have formed three Board subcommittees and attendances is given in pages 45 to 46 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 2023:

	2023-12-31	2022-12-31
L. Ganlath	578	578
C. C. Wickramathilake	1,000	0

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 the 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 120, 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 45 to 46 this Annual Report.

Corporate Governance

The Board of Directors of the Company has 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 44 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 2023 are given on page 59 of this report.

Contingent Liabilities and Commitments

There are no contingencies or commitments other than those disclosed in the Note 119 to the Financial Statements.

Group Employment

The number of persons employed by Colombo Dockyard PLC and its Subsidiaries as at 31st December 2023 was as follows:

	2023-12-31	2022-12-31
Group	2,029	1,822
Colombo Dockyard PLC	1,566	1,559

Directors' Declarations

The Directors declare that having considered all information and explanations made available to them that

- the Company complied with all applicable laws and regulations in conducting its business and are aware of changes, particularly to Listing Rules and applicable capital market provisions.
- they have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.
- the Company has made all endeavours to ensure the equitable treatment of Shareholders.
- they have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.
- No any material non-compliance with law or regulation and any fines which are material imposed by any government or regulatory authority in any jurisdiction where the company has operation.

Events after the Reporting Period

Please refer Note 39 for circumstances have arisen during the period between the Balance Sheet date and Directors signing of Accounts, that require disclosure or adjustment to the Financial Statements together with those disclosed in the Note 39 to the Financial Statements on page 122 of this Annual Report.

Annual General Meeting

The Annual General Meeting of Colombo Dockyard PLC will be held at the Grand Ballroom, Galadari Hotel, No. 64, Lotus Road, Colombo 01, Sri Lanka at 10.00a.m. on 19th June 2024. The Notice to the Annual General Meeting is given on page 124.

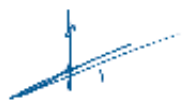
Auditors

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.

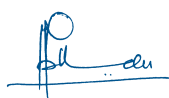
For and on behalf of the Board, Colombo Dockyard PLC



J. Furukawa
Director



Thimira S. Godakumbura
Managing Director/CEO



Manori Mallikarachchi
Company Secretary/Legal Consultant

31 May 2024
Colombo, Sri Lanka
Annual Report 2023

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) and listing rules of Colombo Stock Exchange.

The Composition of the Committee is as follows:

Mr. Lalith Ganlath - *Chairman*

Mr. Sarath de Costa

Mr. C. C. Wickramatileka

Mr. Thimira S. Godakumbura - *(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

Reviewing and Communication of Related Party Transactions

The Committee has diligently reviewed all RPTs conducted throughout the financial year and has provided comprehensive feedback and observations to the Board of Directors. Our thorough examination ensures transparency, fairness, and adherence to regulatory standards in all dealings involving related parties. By actively engaging in this oversight process, we uphold the principles of good governance and safeguard the interests of our stakeholders.

Ensured that all transactions involved with related parties are in the best interests of all stakeholders, maintain a high level of transparency in the procedures, and adhere to the regulations outlined in the Listing Rules

Non-Recurrent Related Party Transactions

There are no non-recurrent Related Party Transactions exceeding 10% of the Equity or 5% of the Total Assets of the company in the reporting period.

Recurrent Related Party Transactions

There are no recurrent Related Party Transactions exceeding 10% of the consolidated gross revenue/income of the Group for the reporting period.

Meetings

Meetings were held during 2023 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 46.

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.



Lalith Ganlath
Chairman

Related Party Transaction Review
Committee

31 May 2024
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

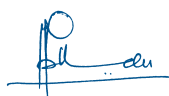
Further, the Board of Directors wishes to confirm that the Company has met all the requirements under the Section 07 Continuing Listing Requirements and section 09 corporate Governance of the Listing Rules of the Colombo Stock Exchange. Company has taken proper and sufficient internal controls and accounting 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 71, 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 119. 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

31 May 2024
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 2023 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

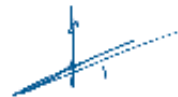
There are no departures from the prescribed accounting standards in their adoption. The accounting policies used in the preparation of the Financial Statements are most appropriate and are consistently applied.

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.



Thimira S. Godakumbura
Managing Director/CEO



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

31 May 2024
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 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information as set out on pages 75 to 122 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 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for professional Accountants 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.

Material Uncertainty in relation to Going Concern

We draw attention to Note 38 of the financial statements, which indicates that the Group and Company incurred a net loss of Rs. 11,006 Mn and Rs. 11,127 Mn respectively during the year ended 31 December 2023 and as at that date the Group's and the Company's accumulated losses amounted Rs. 3,855 Mn and 5,874 Mn respectively. Further, the Group's and the Company's current liabilities exceed the current assets by Rs. 6,704 Mn and Rs. 8,430 Mn respectively.

These events or conditions, along with other matters as set forth in Note 38 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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. All rights reserved.

C. P. Jayatilake FCA
Ms. S. Joseph FCA
R. M. D. B. Rajapakse FCA
M. N. M. Shameel FCA
Ms. P. M. K. Sumanasekara FCA

T. J. S. Rajakarier FCA
W. K. D. C. Abeyratne FCA
Ms. B. K. D. T. N. Rodrigo FCA
Ms. C. T. K. N. Perera ACA
R. W. M. O. W. D. B. Rathnadiwakara FCA

W. W. J. C. Perera FCA
G. A. U. Kanunaratne FCA
R. H. Rajan FCA
A. M. R. P. Alahakoon ACA

Principal: S. R. I. Perera FCMA(UK), LLB, Attorney-at-Law, H. S. Goonewardene ACA, Ms. F. R. Ziyad FCMA(UK), FCIT
K. Somasundaram ACMA(UK)

INDEPENDENT AUDITORS' REPORT



Revenue recognition on ship building	
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 amounting to Rs 16,973 Mn. for the year ended 31 December 2023.</p> <p>In all material respects revenue related to ship buildings are recognized over time, i.e, applying percentage of completion.</p> <p>The percentage of completion on ship building was measured with reference to the proportion of the contract cost incurred for work performed at each reporting date against the estimated total contract cost of the contract at completion.</p> <p>Therefore, the recognition of revenue and profit relies on estimates made by the management in relation to the final out-turn of the revenue and costs on each contract. Any changes to these estimates could give rise to material variance in the amount of the revenue and profit/loss recognized in a given financial period.</p> <p>There is a high degree of risk and significant management judgment associated with estimating the amount of revenue to be recognised by the Group based on the final out-turn on contracts. Accordingly, revenue recognition from construction contracts is considered a key matter.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> • 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. We have also tested the mathematical accuracy of the percentage of completion computations. • 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.
Revaluation of Freehold Land	
Refer the note 11 to the financial statements	
Risk Description	Our Response
<p>As at 31st December 2023, freehold land is carried at fair value and classified as property, plant and equipment. The Group has recorded a net gain on revaluation of Freehold Land amounting to 8,719.5 Mn as at 31st December 2023.</p> <p>Freehold land is measured at revalued amounts in the statement of financial position. The Group has engaged independent professional with appropriate expertise in valuing properties, in locations of properties being valued to determine the revalued amounts of the lands in accordance with recognised industry standards.</p> <p>We identified revaluation of freehold land as a key audit matter because of the significant judgement and estimates involved in assessing the fair value of the Freehold Land.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> • Assessing the objectivity, independence, competence, and qualification of the external valuers. • Assessing the key assumptions applied and conclusions made by the valuers in deriving the fair value of the properties and comparing the same with evidence of current market values and consultation with internal specialist. • Reviewing the work carried out by component auditors where necessary. • Assessing the adequacy of the Group disclosures in the 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 auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT



- 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 the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

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

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

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

Chartered Accountants
Colombo, Sri Lanka

3 June 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December,	Note	Group		Company	
		2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Revenue	5	36,167,621	27,291,727	33,068,504	24,533,068
Cost of sales		(42,491,260)	(24,691,895)	(40,030,522)	(22,478,192)
Gross profit		(6,323,639)	2,599,832	(6,962,018)	2,054,876
Other income	6	478,425	4,425,940	479,700	4,428,628
Distribution expenses		(84,854)	(74,851)	(80,047)	(72,075)
Administrative expenses		(3,899,855)	(3,233,314)	(3,421,186)	(2,877,431)
Other operating income / (expenses)		(1,204,740)	(1,907,546)	(1,204,202)	(1,922,367)
Finance cost	7.1	(2,678,990)	(1,398,110)	(2,666,383)	(1,389,701)
Finance income	7.2	293,844	370,091	275,909	365,389
Profit / (loss) before tax	8	(13,419,809)	782,042	(13,578,227)	587,319
Income tax expenses	9	2,413,382	(94,110)	2,451,136	(70,795)
Profit / (loss) for the year		(11,006,427)	687,932	(11,127,091)	516,524
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of free hold land		8,719,549	-	8,015,214	-
Defined benefit plan actuarial gains / (losses)	26.4	160,010	(110,724)	155,238	(112,957)
Deferred Taxes		(2,663,868)	33,217	(2,451,136)	33,887
Fair value change of instruments valued at FVOCI		(309)	4,794	311	4,794
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences - foreign operations		(41,327)	180,686	-	-
Other comprehensive income for the year, net of tax		6,174,055	107,973	5,719,627	(74,276)
Total comprehensive Income for the year		(4,832,372)	795,905	(5,407,464)	442,248
Profits / (losses) attributable to;					
Owners of the company		(11,023,635)	673,718	(11,127,091)	516,524
Non - controlling interests		17,208	14,214	-	-
Profit / (loss) for the year		(11,006,427)	687,932	(11,127,091)	516,524
Total comprehensive income attributable to;					
Owners of the company		(4,829,533)	691,789	(5,407,464)	442,248
Non - controlling interests		(2,839)	104,116	-	-
Total comprehensive income for the year		(4,832,372)	795,905	(5,407,464)	442,248
Earnings per share (Rs.)	10.1	(153.41)	9.38	(154.85)	7.19

The accounting policies and explanatory notes from pages 81 to 122 form an integral part of these Financial Statements. Figures in brackets indicate deductions

STATEMENT OF FINANCIAL POSITION

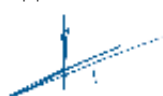
As at 31 December,	Note	Group		Company	
		2023 (Rs:'000)	2022 (Rs:'000)	2023 (Rs:'000)	2022 (Rs:'000)
ASSETS					
Non current assets					
Property, plant and equipment	11	13,955,597	5,356,999	12,626,310	4,673,492
Investment property	12	-	-	2,865	2,865
Intangible assets	13	17,224	31,261	16,278	29,588
Right - of - use asset	14.1	244,962	176,543	242,270	176,543
Investment in subsidiaries	15	-	-	13,652	11,901
Investments classified as fair value through OCI	16.1	22,568	22,257	22,568	22,257
Deferred tax asset	17.1	15,014	17,044	-	-
Other financial assets including derivatives	20	420,474	333,304	412,226	323,333
		14,675,839	5,937,408	13,336,169	5,239,979
Current assets					
Inventories	18	3,716,313	5,541,456	3,243,803	5,140,001
Trade and other receivables	19	16,304,826	21,283,040	14,036,585	19,268,764
Other financial assets including derivatives	20	197,623	182,352	192,750	177,180
Amounts due from related parties	21	-	-	935,269	431,359
Investments classified as fair value through profit or loss	16.2	-	65,770	-	-
Cash and cash equivalents	22.1	4,430,580	18,369,828	4,304,315	18,164,909
		24,649,342	45,442,446	22,712,722	43,182,213
Total assets		39,325,181	51,379,854	36,048,891	48,422,192
EQUITY AND LIABILITIES					
Stated capital					
Stated capital	23	714,396	714,396	714,396	714,396
Exchange equalization reserve	23.1	101,067	122,347	-	-
Fair value through OCI reserve	23.2	21,838	22,147	22,458	22,147
Retained earnings		(3,854,830)	7,056,798	(5,874,062)	5,144,363
Revaluation Reserves		6,103,684	-	5,610,650	-
Equity attributable to equity holders of the parent		3,086,155	7,915,688	473,442	5,880,906
Non-controlling interest					
Non-controlling interest		204,623	207,462	-	-
Total equity		3,290,778	8,123,150	473,442	5,880,906
Non current liabilities					
Interest bearing borrowings	24	3,000,000	-	3,000,000	-
Lease liability	14.2	160,967	134,792	160,052	134,792
Deferred tax liability	17.2	211,018	-	-	-
Employee benefits	26	1,308,865	1,234,651	1,272,743	1,200,602
		4,680,850	1,369,443	4,432,795	1,335,394
Current liabilities					
Interest bearing borrowings	24	20,850,998	23,222,965	20,850,998	23,222,965
Other financial liabilities including derivatives	25	-	-	1,751	2,273
Trade and other payables	27	8,572,386	12,702,622	6,848,307	10,961,091
Lease liability	14.2	41,376	34,659	31,728	34,659
Amounts due to related parties	28	-	2,738,537	1,688,741	3,859,818
Income tax payable	29	67,648	52,036	-	-
Dividend payable	30	10,487	10,515	10,487	10,515
Bank overdrafts	22.2	1,810,658	3,125,927	1,710,642	3,114,571
		31,353,553	41,887,261	31,142,654	41,205,892
Total equity and liabilities		39,325,181	51,379,854	36,048,891	48,422,192

The accounting policies and explanatory notes from pages 81 to 122 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

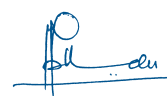
The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board of Directors of Colombo Dockyard PLC.



Thimira S. Godakumbura
Managing Director/CEO



J. Furukawa
Director



Manori P. Mallikarachchi
Company Secretary

31 May 2024
Colombo, Sri Lanka.

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to equity holders of parent							
	Stated Capital (Rs.'000)	Retained Earnings (Rs.'000)	Fair Value Through OCI Reserve (Rs.'000)	Exchange Equalization Reserve (Rs.'000)	Revaluation Reserve (Rs.'000)	Total equity (Rs.'000)	Non-Controlling Interest (Rs.'000)	Total (Rs.'000)
Balance as at 01 January 2022	714,396	6,532,445	17,353	31,563	-	7,295,757	103,346	7,399,103
Total comprehensive income for the year								
Profit for the year	-	673,718	-	-	-	673,718	14,214	687,932
Other comprehensive income								
- Actuarial gain/(loss) on retirement benefit obligations	-	(110,724)	-	-	-	(110,724)	-	(110,724)
- Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation	-	33,217	-	-	-	33,217	-	33,217
- Fair value gain/(loss) of investments valued at FVOCI	-	-	4,794	-	-	4,794	-	4,794
- Foreign currency translation differences - foreign operations	-	-	-	90,784	-	90,784	89,902	180,686
- Cash flow hedges - changes in fair value	-	-	-	-	-	-	-	-
Transactions with owners of the company contributions by and distributions								
- Dividends paid		(71,858)				(71,858)		(71,858)
Balance as at 31 December 2022	714,396	7,056,798	22,147	122,347	-	7,915,688	207,462	8,123,150
Balance as at 01 January 2023	714,396	7,056,798	22,147	122,347	-	7,915,688	207,462	8,123,150
Total comprehensive income for the year								
Profit for the year	-	(11,023,635)	-	-	-	(11,023,635)	17,208	(11,006,427)
Other comprehensive income								
- Actuarial gain/(loss) on retirement benefit obligations	-	160,010	-	-	-	160,010	-	160,010
- Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation	-	(48,003)	-	-	-	(48,003)	-	(48,003)
- Fair Value gain/(loss) of investments valued at FVOCI	-	-	(309)	-	-	(309)	-	(309)
- Foreign currency translation differences - foreign operations	-	-	-	(21,280)	-	(21,280)	(20,047)	(41,327)
- Revaluation Reserves	-	-	-	-	8,719,549	8,719,549	-	8,719,549
- Deferred tax on Land Revaluation	-	-	-	-	(2,615,865)	(2,615,865)	-	(2,615,865)
Transactions with owners of the company contributions by and distributions								
- Dividends paid	-	-	-	-	-	-	-	-
Balance as at 31 December 2023	714,396	(3,854,830)	21,838	101,067	6,103,684	3,086,155	204,623	3,290,778

STATEMENT OF CHANGES IN EQUITY

Company	Stated Capital (Rs:'000)	Retained Earnings (Rs:'000)	Fair Value Through OCI Reserve (Rs:'000)	Revaluation Reserve (Rs:'000)	Total (Rs:'000)
Balance as at 01 January 2022	714,396	4,778,767	17,353	-	5,510,516
Total comprehensive income for the year					
Profit / (loss) for the year	-	516,524	-	-	516,524
Other comprehensive income					
- Actuarial gain/(loss) on retirement benefit obligation	-	(112,957)	-	-	(112,957)
- Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation	-	33,887	-	-	33,887
- Fair value gain/(loss) of investments valued at FVOCI	-	-	4,794	-	4,794
- Cash flow hedge - changes in fair value	-	-	-	-	-
Transactions with owners of the company					
Contributions by and distributions	-	-	-	-	-
- Dividends paid	-	(71,858)	-	-	(71,858)
Balance as at 31 December 2022	714,396	5,144,363	22,147	-	5,880,906
Balance as at 01 January 2023	714,396	5,144,363	22,147	-	5,880,906
Total comprehensive income for the year					
Profit / (loss) for the year	-	(11,127,091)	-	-	(11,127,091)
Other comprehensive income					
- Actuarial gain/(loss) on retirement benefit obligation	-	155,238	-	-	155,238
- Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation	-	(46,572)	-	-	(46,572)
- Fair value gain/(loss) of investments valued at FVOCI	-	-	311	-	311
- Revaluation Reserves	-	-	-	8,015,214	8,015,214
- Deferred tax on Land Revaluation	-	-	-	(2,404,564)	(2,404,564)
Transactions with owners of the company					
Contributions by and distributions	-	-	-	-	-
- Dividends paid	-	-	-	-	-
Balance as at 31 December 2023	714,396	(5,874,062)	22,458	5,610,650	473,442

The accounting policies and explanatory notes on pages 81 to 122 form an integral part of these Financial Statements.
(Figures in brackets indicate deductions)

STATEMENT OF CASH FLOWS

For the year ended 31 December,	2023 (Rs:'000)	2022 (Rs:'000)	2023 (Rs:'000)	2022 (Rs:'000)
Cash flow from operating activities				
Profit/(loss) before tax	(13,419,809)	782,042	(13,578,227)	587,319
Adjustments for,				
Depreciation of property, plant and equipment (Note 08)	552,683	548,326	471,891	463,640
Amortization of intangible assets	17,463	17,414	16,737	16,713
Provision for retirement benefit obligations (excluding actuarial gains/losses)	312,258	187,368	301,006	178,531
Provision/(reversal) for bad and doubtful debts	5,801	123,409	(6,573)	149,804
Provision for/(reversal) of obsolete stocks	98,627	30,933	105,449	27,248
(Profit)/loss on disposal of property, plant and equipment	(4,389)	(1,602)	-	-
Provision for/(reversal) of warranty provision	46,119	18,632	52,948	26,889
Foreign exchange (gain)/loss (unrealized)	16,991	(53,600)	-	(53,600)
Net change in fair value of financial instruments	(311)	154,167	(1,750)	154,167
Bad debts written off	133,422	-	133,422	-
Amortization of corporate guarantees	-	-	(2,795)	(1,596)
Interest expense on lease	29,216	20,784	24,301	20,784
Amortisation of right-of-use assets	95,985	63,160	52,414	55,926
Amortization of prepaid staff benefits	31,939	18,348	30,758	17,523
Interest income	(254,401)	(221,662)	(245,151)	(219,735)
Dividend income	-	(111)	-	(111)
Interest expenses	2,649,774	1,377,326	2,642,082	1,368,917
Operating profit/(loss) before working capital changes	(9,688,632)	3,023,366	(10,003,488)	2,792,419
(Increase)/decrease in inventory	1,726,516	(3,309,920)	1,790,749	(3,473,699)
(Increase)/decrease in trade and other receivables	4,517,994	(9,813,567)	4,896,585	(9,764,647)
(Increase)/decrease amounts due from related parties	-	-	(503,910)	(184,270)
Increase/(decrease) trade and other payables	(4,103,706)	5,307,241	(4,111,298)	5,042,701
Increase/(decrease) amounts due to related parties	(2,738,537)	2,738,537	(2,171,077)	3,478,667
Cash generated from/(used in) operating activities	(10,286,365)	(2,054,341)	(10,102,439)	(2,108,829)
Interest paid	(2,649,774)	(1,377,326)	(2,642,082)	(1,368,917)
Gratuity paid	(78,035)	(19,025)	(73,626)	(18,796)
Tax paid	(18,320)	(15,509)	-	-
Net cash generated from/(used in) operating activities	(13,032,494)	(3,466,202)	(12,818,147)	(3,496,542)
Cash flow from investing activities				
Purchases of property, plant and equipment	(435,519)	(500,820)	(412,922)	(470,973)
Proceeds from disposal of property, plant and equipment	4,749	2,232	-	-
Interest received	314,246	162,075	304,996	156,518
Staff loans granted during the year (Note 20.1)	(316,095)	(68,439)	(313,795)	(63,989)
Staff loans recovered during the year (Note 20.1)	213,132	207,174	209,332	202,305
Investments in FVTPL financial assets	65,770	(65,770)	-	-
Dividend received	-	111	-	111
Net cash generated from/(used in) investing activities	(153,717)	(263,437)	(212,389)	(176,028)

STATEMENT OF CASH FLOWS

For the year ended 31 December,	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Cash flow from financing activities				
Long / Medium terms loans obtained during the period	3,000,000	-	3,000,000	-
Short terms loans obtained during the period	56,171,846	32,500,971	56,171,846	32,500,971
Repayment of short term loans	(58,543,813)	(20,303,156)	(58,543,813)	(20,303,156)
Dividend paid	(28)	(71,212)	(28)	(71,212)
Payment of lease liability (Note 14)	(65,773)	(59,237)	(54,134)	(51,863)
Net cash generated from/(used in) financing activities	562,232	12,067,366	573,871	12,074,740
Net increase/(decrease) in cash and cash equivalents during the period	(12,623,979)	8,337,727	(12,456,665)	8,402,170
Cash and cash equivalents at the beginning of the period (Note 22)	15,243,901	6,906,174	15,050,338	6,648,168
Cash and cash equivalents at the end of the period (Note 22)	2,619,922	15,243,901	2,593,673	15,050,338

The accounting policies and explanatory notes from pages 81 to 122 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 2023 comprise the Company and its Subsidiaries (together referred as the "Group").

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

1.3 Group Information

Of the three subsidiaries within the Group, the company has 100% holding of Dockyard General Engineering Services (Private) Limited (Incorporated in Sri Lanka) and Dockyard Total Solutions (Private) Limited (Incorporated in Sri Lanka) and 51% holding of Ceylon Shipping Agency (Private) Limited (Incorporated in Singapore). Onomichi Dockyard Co. Ltd, incorporated in Japan is the parent company of Colombo Dockyard PLC.

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The consolidated financial statements of the Group and the separate financial statements of the Company which comprise of the statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows, together with the significant accounting policies and explanatory notes (the "financial statements") have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs / LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007.

2.2 Responsibility of the Financial Statements

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

2.3 Basis of Measurement

The financial statements of the Group and the Company have been prepared on an accrual basis and under the historical cost basis except for the following items in the statement of financial position.

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

2.4 Functional and Presentation Currency

The consolidated financial statements are prepared in Sri Lankan Rupees which is the Group's functional currency, except for the foreign subsidiary whose functional currency is different as it operates in different economic environment. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless stand otherwise.

2.5 Going Concern

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

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

The Directors have also assessed the prevailing macroeconomics conditions in the country and the impact on the operations of the Group companies when determining the basis of preparing the financial statements for the year ended 31st December 2023. Fair judgement has been made taking into consideration the prevailing economic uncertainties in the country, limitations in the foreign exchange market, sharply rising interest rates, when making the going concern assumption for the Group. Please refer note 38 for further detailed analysis of going concern.

3. Significant Accounting Policies

3.1 Summary of Significant Accounting Policies

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.2 Basis of Consolidation

Business Combinations

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

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

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

The Group measures goodwill at the acquisition date as:

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

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

3.2.1 Subsidiaries

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

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

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

Non-Controlling Interests ("NCI")

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

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

Loss of Control

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

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

3.2.2 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intragroup transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Groups interest in the investee.

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

3.3 Foreign Currency

3.3.1 Functional Currency and Presentation Currency

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

3.3.2 Foreign Currency Transactions

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

At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Non-monetary items measured at fair value are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items measured at historical cost are translated at the rates prevailing on the date of transaction. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for the Group's net investment in foreign operations/ subsidiaries.

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

3.3.3 Foreign operations/ Subsidiaries

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

The exchange differences arising on the translation are taken directly to other comprehensive income.

3.3.4 Foreign exchange forward contracts

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

3.3.5 Materiality and aggregation

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

3.4 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized 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 recognized 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 Revaluation

Revaluation is performed on freehold land by professionally qualified valuers using the open market value at least once in every three years or when there is a substantial difference between the fair value and the carrying amount, to ensure that the fair value does not differ materially from its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

A revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, in which case the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation surplus. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

3.5.1.6 Depreciation

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

The estimated useful lives and depreciation rates are as follows:

Company - Colombo Dockyard PLC

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

Group - Dockyard General Engineering Services (Private) Limited

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

Dockyard Total Solutions (Pvt) Ltd

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

Ceylon Shipping Agency (Private) Limited

Asset Category	Useful Life (Years)	Depreciation Rate (%)
Office Equipment	10	10%
Computers	3	33%
Furniture and Fittings	10	10%
Office Renovation	5	20%

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

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

3.5.2 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of the business, use in the production or supply of goods or services or administrative purposes. Investment properties are initially measured at its cost including related transaction costs and subsequently measure at cost.

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

3.5.3 Intangible Assets

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

3.5.3.1 Software

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

3.5.3.2 Subsequent Expenditure

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

3.5.3.3 Amortisation

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

Asset Category	Useful Life (Years)	Amortization Rate (%)
Computer Software	03	33%

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

3.5.4 Right to use assets

3.5.4.1 Basis of recognition

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

3.5.4.2 Basis of measurement

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

3.5.5 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is comprised of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the

estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sales. The cost of the inventories is assigned by using specific identification of their individual costs and first-in-first out formulas.

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

3.5.6 Cash & Cash Equivalents

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

3.6 Financial Instruments

- (a) Recognition and initial measurement Trade receivables are initially recognized 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.

NOTES TO THE FINANCIAL STATEMENTS

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at fair value.

Financial assets - Business model assessment:

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model, (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - eg., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

Financial Assets-Assessment whether contractual cash flows are solely payments of principal and interest:

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

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

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

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

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

Financial assets - Subsequent measurement and gains and Losses

Financial assets at 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.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(c) Derecognition

Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and reward of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Financial Liabilities

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

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

Offsetting

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

Determination of Fair Values

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

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

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

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

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

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

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

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

(d) Impairment policy

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

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

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

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

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

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

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

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

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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 Group recognizes gain or losses on the settlement of a defined plan when the settlement occurs.

Local Subsidiary

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

Foreign Subsidiary

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

3.7.1 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

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

3.8 Provisions

A provision is recognised if, as a result of a past event the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

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

3.8.1 Provision for Warranty

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

3.8.2 Provision for Slow Moving Stocks

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

3.9 Income Statement

3.9.1 Revenue

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

3.9.1.1. Revenue Recognition

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

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Timing of transferring the goods and services to the customer is determined based on judgments taking into the consideration of the nature of the goods and services that offers to the customers.

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

Construction contracts

Revenue from construction related contracts is recognised upon satisfaction of a performance obligation agreed in the contract. At contract inception, the Group determines whether it satisfies the performance obligation over time or at a point in time.

The revenue recognition occurs at a point in time when control of the asset is transferred to the customer. For each performance obligation satisfied over time, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

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

Sale of goods

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

Rendering of services

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

Other Income

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

Profits or losses from disposal of property, plant and equipment recognised having deducted from proceeds on disposal, the carrying value of the assets and the related expenses.

Foreign currency gains and losses are reported on a net basis.

Income from scrap sales are recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods Rental, income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term. Other income is recognised on an accrual basis.

3.9.2 Expenditure Recognition

3.9.2.1 Operating Expenses

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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. 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 recognized 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.

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

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

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

Transfer Pricing

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

3.10 Segmental Information

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

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

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

3.11 Related Party Transactions

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

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

3.12 Cash Flow Statement

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

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

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

3.13 Earnings Per Share

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

3.14 Events Occurring After the Reporting Period

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

Critical accounting estimate/ judgement	Disclosure Reference	
	Note	Page
Income tax expense	9	96 - 98
Property, plant and equipment	11	99 - 102
Intangible assets	13	102
Deferred tax assets / liabilities	17	105
Employee benefits	26	110 - 111
Provision for warranty claims	27.1	112

NOTES TO THE FINANCIAL STATEMENTS

4.1 Sri Lanka Accounting Standards not yet effective as at 31st December 2023

The Institute of Chartered Accountants of Sri Lanka has issued a number of new amendments to Sri Lanka Accounting Standards (SLFRSs/ LKASs) that are effective for annual periods beginning after the current financial year. Accordingly, the Group has not early adopted them in preparing these financial statements.

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

Classification of liabilities as current or non-current and non-current liabilities with covenants (Amendments to LKAS 1)

The amendments aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenant. The amendments apply for annual reporting period beginning on or after 1 January 2024.

The amendments in classification of liabilities as current or non-current (Amendments to LKAS 01) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability, income or expenses or the information that entities disclose about those items.

Supplier finance arrangements (Amendments to LKAS 7 and SLFRS 7)

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual reports beginning on or after 1 January 2024.

Lease liability in a sale and leaseback (Amendments to SLFRS 16)

The amendment is intended to improve the requirements for sale and leaseback transactions in SLFRS 16. It does not change the accounting for leases unrelated to sale and leaseback transactions. The amendment applies retrospectively to annual reporting periods beginning on or after 1 January 2024.

Lack of exchangeability (Amendment to LKAS 21)

The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The amendments apply to annual reporting periods beginning on or after 1 January 2025.

5. REVENUE

For the year ended 31 December,	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Ship repair	15,862,753	14,585,106	15,862,753	14,585,106
Ship building	16,973,056	9,668,515	16,973,056	9,668,515
Heavy engineering	2,963,642	2,575,898	265,498	279,543
Material & other sales	424,422	465,580	-	-
Gross revenue (Note 5.1, 5.2)	36,223,873	27,295,099	33,101,307	24,533,164
Turnover tax	(56,252)	(3,372)	(32,803)	(96)
Total revenue	36,167,621	27,291,727	33,068,504	24,533,068
Less: Cost of sales	(42,491,260)	(24,691,895)	(40,030,522)	(22,478,192)
Gross profit / operating results (Note 5.3)	(6,323,639)	2,599,832	(6,962,018)	2,054,876
5.1 Project types segment revenue (Business segment)				
Ship repair				
Tankers	5,352,660	4,366,301	5,352,660	4,366,301
General cargo	1,044,016	1,391,862	1,044,016	1,391,862
Container carriers	2,471,339	2,472,425	2,471,339	2,472,425
Passenger vessels	-	268,849	-	268,849
Fishing trawlers	101,333	119,751	101,333	119,751
Tugs	464,158	325,167	464,158	325,167
LPG tankers	474,696	539,564	474,696	539,564
Dredgers	710,692	-	710,692	-
Navel vessels	585,374	158,807	585,374	158,807
Cement carriers	167,429	18,437	167,429	18,437
Offshore support/ supply vessels	1,215,012	89,528	1,215,012	89,528
Barge	101,640	272,138	101,640	272,138
Bulk carriers	3,063,139	3,971,047	3,063,139	3,971,047
Research vessel	10,036	16,017	10,036	16,017
Others	101,229	575,213	101,229	575,213
	15,862,753	14,585,106	15,862,753	14,585,106
Ship building				
Bulk Carries	9,029,663	4,123,609	9,029,663	4,123,609
Cable laying vessels	7,943,393	5,525,034	7,943,393	5,525,034
Launching vessels	-	19,872	-	19,872
	16,973,056	9,668,515	16,973,056	9,668,515
Heavy engineering				
Heavy fabrication	1,154,528	1,842,854	199,457	268,348
Services	1,325,558	298,152	47,099	11,195
Power generation	483,556	434,892	18,942	-
	2,963,642	2,575,898	265,498	279,543
Material and other sales				
Material and other sales	424,422	465,580	-	-
Total revenue	36,223,873	27,295,099	33,101,307	24,533,164

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE (CONTD.)

For the year ended 31 December,	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
5.2 Geographical segment revenue				
India	8,171,702	8,589,993	8,171,702	8,589,993
Maldives	973,326	1,678,676	973,326	1,678,676
UAE	177,819	347,362	177,819	347,362
Sri Lanka	4,499,336	3,983,656	1,376,770	1,221,721
Singapore	1,094,526	705,066	1,094,526	705,066
Japan	323,378	203,258	323,378	203,258
Germany	631,793	39,453	631,793	39,453
Greece	999,824	74,526	999,824	74,526
Hong Kong	145,346	337,243	145,346	337,243
Malaysia	232,160	92,610	232,160	92,610
France	7,943,393	5,525,034	7,943,393	5,525,034
Norway	8,578,699	4,130,102	8,578,699	4,130,102
Cyprus	217,928	162,506	217,928	162,506
Pakistan	35,439	413,921	35,439	413,921
Bangladesh	728,228	-	728,228	-
Russia	-	349,576	-	349,576
Others	1,470,976	662,117	1,470,976	662,117
	36,223,873	27,295,099	33,101,307	24,533,164
5.3 Segmental Operating Results				
Ship repairs	5,664,997	4,478,862	5,664,997	4,478,862
Ship building	(12,813,258)	(2,501,774)	(12,813,258)	(2,501,774)
Heavy engineering	652,387	398,469	186,243	77,788
Material & other sales	172,235	224,275	-	-
	(6,323,639)	2,599,832	(6,962,018)	2,054,876

6. OTHER INCOME

For the year ended 31 December,	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Exchange gain (both realized and unrealized)	-	4,055,972	-	4,055,972
Scrap sales	331,539	332,098	331,539	332,098
Dividend income	-	111	-	111
Profit/(loss) on disposal of property, plant and equipment	4,389	1,602	-	-
Management fees	-	-	1,890	1,902
Amortization of corporate guarantees	-	-	2,273	1,596
Lease rental	-	-	8,205	8,508
Miscellaneous income	142,497	36,157	135,793	28,441
	478,425	4,425,940	479,700	4,428,628

7. NET FINANCE INCOME/(EXPENSE)

For the year ended 31 December,	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
7.1 Finance cost				
Interest on bank overdrafts and short term loans (Note 7.3)	(2,649,774)	(1,377,326)	(2,642,082)	(1,368,917)
Interest on lease liability (Note 14.2)	(29,216)	(20,784)	(24,301)	(20,784)
	(2,678,990)	(1,398,110)	(2,666,383)	(1,389,701)
7.2 Finance income				
Interest income from investments	210,323	174,577	201,073	174,577
Other interest income	44,078	48,264	44,078	45,157
Amortization of pre paid staff cost (Note 20.2)	31,939	18,348	30,758	17,523
Net change in fair value of financial instrument at FVTPL	7,504	128,902	-	128,132
	293,844	370,091	275,909	365,389
	(2,385,146)	(1,028,019)	(2,390,474)	(1,024,312)

7.3 In accordance with LKAS 23 Borrowing cost, the company has incurred an interest costs amounting to Rs.1,194.92 Mn (2022 - Rs.805.54 Mn) which was related to the shipbuilding projects which were fallen under the definition of 'qualifying assets'. Company treated interest cost on such loans, which were directly attributable to the acquisition, construction or production of a qualifying asset as part of project cost and not as an interest cost, and charge to the Cost of Sales.

NOTES TO THE FINANCIAL STATEMENTS

8. PROFIT BEFORE TAX

For the year ended 31 December,	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Is stated after charging all expenses / (reversals) including the following;				
Directors' emoluments	27,287	30,304	17,147	20,244
Auditors remuneration - on statutory audit	6,649	6,368	3,419	3,273
Business promotion expenses	84,854	74,851	80,047	72,075
Depreciation on property, plant & equipment	552,683	548,326	471,891	463,640
Amortization of intangible assets	17,463	17,414	16,737	16,713
Donations	-	10,295	-	207
Provision for/(reversal of)				
- Bad and doubtful debts	63,051	149,804	63,051	149,804
- Obsolete and slow moving stocks	98,627	30,933	105,449	27,248
- Warranty claims	79,581	18,632	86,410	26,889
Staff related cost				
- Salaries and wages	6,373,563	5,254,046	6,100,563	4,959,137
- Defined benefit plan cost - gratuity	312,258	187,368	301,006	178,531
- Defined contribution plan cost - EPF	266,644	251,269	252,732	219,766
ETF	66,661	62,817	63,183	54,941
Amortization of pre-paid staff cost	30,969	18,348	30,758	17,523

9. INCOME TAX EXPENSE

For the year ended 31 December,	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
On the current years profit (Note 9.2)	44,576	32,561	-	-
Under/(over) provision in previous year	(7,581)	(660)	-	-
Deferred taxation (Note 17.2)	(2,450,377)	62,209	(2,451,136)	70,795
Total tax expense on profit / (loss)	(2,413,382)	94,110	(2,451,136)	70,795

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	30%
Investment income	30%
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 30% on its taxable profits.

Dockyard Total Solutions (Pvt) Ltd.

As per the Inland Revenue Act, the Company is liable to pay income tax at 30% on its taxable profits.

(ii) Income tax on overseas operations

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

For the year ended 31 December,	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
9.2 Reconciliation between current tax expense and the accounting profit				
Profit / (loss) before tax	(13,419,760)	782,042	(13,578,227)	587,319
Impact of allowable and disallowable expenses	(104,183)	(492,471)	(60,628)	(423,588)
Tax loss utilized during the year	-	(163,731)	-	(163,731)
Statutory profit/(loss) from business	(13,523,943)	125,840	(13,638,855)	-
Statutory profit/(loss) from Colombo Dockyard PLC	(13,638,855)	-	-	-
Statutory profit/(loss) from Dockyard General Engineering Services (Pvt) Ltd	137,973	113,199	-	-
Statutory profit/(loss) from Dockyard Total Solutions (Pvt) Ltd.	(41,790)	-	-	-
Statutory profit/(loss) from Ceylon Shipping Agency (Ate) Ltd	18,729	12,641	-	-
Tax loss claimed during the year	-	-	-	-
Taxable income/(Loss)	(13,523,943)	125,840	-	-
Tax at the rate of 14%	-	212	-	-
Tax at the rate of 17%	3,184	2,149	-	-
Tax at the rate of 24%	-	13,220	-	-
Tax at the rate of 30%	41,392	16,980	-	-
Provision for taxation on current year profit	44,576	32,561	-	-

9.3 Deferred taxation

Company

The deferred tax liability is arrived at by applying the effective income tax rate of 30% applicable for the year of assessment 2023/2024 to the temporary difference as at 31 December 2023.

Subsidiaries

Dockyard General Engineering Services (Pvt) Ltd.

The deferred tax asset is arrived at by applying the income tax rate of 30% to the temporary differences of Dockyard General Engineering Services (Pvt.) Ltd. as at 31 December 2023.

Dockyard Total Solutions (Pvt) Ltd.

The deferred tax asset is arrived at by applying the income tax rate of 30% to the temporary differences of Dockyard Total Solutions (Pvt) Ltd.. as at 31 December 2023.

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 2023.

NOTES TO THE FINANCIAL STATEMENTS

9. INCOME TAX EXPENSE (CONTD.)

9.4 Tax losses carried forward

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

As per the Inland Revenue Act No 24 of 2017	Group		Company	
	2023 (Rs'000)	2022 (Rs'000)	2023 (Rs'000)	2022 (Rs'000)
Balance at the beginning of the Year	9,194,243	9,880,617	9,194,243	9,880,617
Tax losses set-off against the current year profits	-	(686,374)	-	(686,374)
Tax losses incurred during the year	13,638,855	-	13,638,855	-
Balance at the end of the year	22,833,098	9,194,243	22,833,098	9,194,243

	Group		Company	
	2023 (Rs'000)	2022 (Rs'000)	2023 (Rs'000)	2022 (Rs'000)
Tax losses recognised for the deferred tax purpose	9,445,386	1,379,088	9,445,386	1,379,088
Deferred tax asset recognized on tax losses	2,833,616	413,726	2,833,616	413,726

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	
	2023	2022	2023	2022
Amount used as the numerator				
Profit/(loss) for the period (Rs. '000)	(11,006,427)	687,932	(11,127,091)	516,524
Less : Non controlling interest (Rs. '000)	(17,208)	(14,214)	-	-
Profit/(loss) attributable to equity shareholders of Colombo Dockyard PLC (Rs. '000)	(11,023,635)	673,718	(11,127,091)	516,524
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 2022	(153.41)	9.38	(154.85)	7.19

11. PROPERTY, PLANT AND EQUIPMENT
11.1 Group

	Drydocks	Land	Road ways	Building	Plant, Machinery & Equipment	Electrical Installation	Motor Vehicles	Inventory Items	Office Equipment, Furniture & Fittings	Loose Tools	Boats & Launches	Capital Work In Progress	Total
	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000
Balance as at 01 January 2023	1,195,859	62,950	14,190	2,171,839	7,341,757	382,277	256,249	121,249	673,431	379,074	6,494	141,500	12,746,869
Additions during the year	-	-	-	234,118	-	-	453	11,197	62,664	24,928	-	98,732	432,092
Transfers/adjustments during the year	1,789	-	-	36,074	22,678	-	-	1,063	5,691	-	-	(67,295)	-
Revaluation	-	8,719,549	-	-	-	-	(4,950)	-	(189)	(3,566)	-	-	8,719,549
Disposals during the year	-	-	-	(244)	-	-	-	-	(189)	-	-	-	(8,949)
Exchange gain/loss	-	-	-	-	-	-	-	-	(1,152)	-	-	-	(1,152)
Balance as at 31 December 2023	1,197,648	8,782,499	14,190	2,207,913	7,598,309	382,277	251,752	133,509	740,445	400,436	6,494	172,937	21,888,409
ACCUMULATED DEPRECIATION													
Balance as at 01 January 2023	715,583	-	13,935	900,339	4,306,553	314,294	232,227	96,328	442,752	358,891	6,494	-	7,387,396
Charge for the year	12,974	-	106	81,350	354,055	9,169	14,445	7,534	60,074	12,976	-	-	552,683
Transfer/adjustments during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(213)	-	(4,950)	-	(2)	(3,555)	-	-	(8,720)
Exchange gain/loss	-	-	-	-	-	-	-	-	(1,020)	-	-	-	(1,020)
Balance as at 31 December 2023	728,557	-	14,041	981,689	4,660,395	323,463	241,722	103,862	501,804	368,312	6,494	-	7,930,339
Balance as at 01 January 2023	-	-	-	-	2,327	-	-	-	136	10	-	-	2,473
Impairment loss for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2023	-	-	-	-	2,327	-	-	-	136	10	-	-	2,473
CARRYING AMOUNT													
As at 31 December 2023	469,091	8,782,499	149	1,226,224	2,935,587	58,814	10,030	29,647	238,505	32,114	-	172,937	13,955,597
As at 31 December 2022	480,276	62,950	255	1,271,500	3,032,877	67,983	24,022	24,921	230,543	20,172	-	141,500	5,356,999

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

11.2 Company

	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
COST	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Balance as at 01 January 2023	1,195,859	45,785	14,190	1,733,548	7,017,815	382,277	189,308	121,272	560,771	252,097	6,495	141,500	11,660,918
Additions during the year	-	-	-	-	228,738	-	153	11,197	60,815	9,889	-	98,703	409,495
Transfers/adjustments during the year	1,789	-	-	36,074	22,678	-	-	1,063	5,691	-	-	(67,295)	-
Revaluation	-	8,015,214	-	-	-	-	-	-	-	-	-	-	8,015,214
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2023	1,197,648	8,060,999	14,190	1,769,622	7,269,231	382,277	189,461	133,532	627,277	261,986	6,495	172,908	20,085,627
ACCUMULATED DEPRECIATION													
Balance as at 01 January 2023	715,583	-	13,935	852,699	4,174,997	314,294	169,020	96,316	392,700	251,387	6,495	-	6,987,426
Charge for the year	12,974	-	106	64,747	317,251	9,169	11,399	7,520	44,867	3,858	-	-	471,891
Transfers/adjustments during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2023	728,557	-	14,041	917,446	4,492,248	323,463	180,419	103,836	437,567	255,245	6,495	-	7,459,317
CARRYING AMOUNT													
As at 31 December 2023	469,091	8,060,999	149	852,176	2,776,983	58,814	9,042	29,696	189,710	6,741	-	172,908	12,626,310
As at 31 December 2022	480,276	45,785	255	880,849	2,842,818	67,983	20,288	24,956	168,071	710	-	141,500	4,673,492

(Group / Company)

Notes:

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

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 2023. Valuation details of the lands of the Group are as follows,

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

Extent of the land	852.5 Perches
No. of buildings	02
Cost	Rs. 20,931,444
Valuation	Rs. 7,500,000,000
Estimate Price per Perch	Rs. 8,800,000

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

Extent of the land	37.99 Perches
No. of buildings	01
Cost	Rs. 1,807,000
Valuation	Rs. 133,000,000
Estimate Price per Perch	Rs. 3,500,000

- (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. 380,000,000
Estimate Price per Perch	Rs. 4,250,000

- (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. 650,000,000
Extent of the building is above freehold lands	25,134 sqm (2014 - 25,134 sqm)
Estimate Price per Perch	Rs.6,300,000

- (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. 71,500,000
Estimate Price per Perch	Rs. 10,000,000

- (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. 48,000,000
Estimate Price per Perch	Rs. 3,750,000

Note: The valuation techniques applied for land valuation is Open Market Value Basis, Which under the level 03 fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Freehold dry-docks	5,215	5,215	5,215	5,215
Roadways	13,132	13,132	13,132	13,132
Freehold buildings	348,483	320,419	330,328	302,264
Plant, machinery and equipment	2,651,362	2,013,490	2,591,079	1,874,428
Electrical installation	292,836	289,425	292,836	289,425
Motor vehicles	189,088	185,862	135,695	132,345
Inventory items	80,945	74,010	80,907	74,010
Office equipment, furniture and fittings	339,726	297,914	303,584	285,803
Loose tools	102,103	-	-	-
Boats / launches	6,495	6,495	6,495	6,495
	4,029,385	3,205,962	3,759,271	2,983,117

12. INVESTMENT PROPERTY

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (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 2023. 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. 650,000,000

Note:

Rental income from investment property

2023 Rs. 8,205,700

2022 Rs. 8,508,160

13. INTANGIBLE ASSETS

Cost	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Balance at the beginning of the year	137,958	135,389	132,119	130,516
Additions during the year	3,427	2,569	3,427	1,603
Balance at the end of the year	141,385	137,958	135,546	132,119
Amortization				
Balance at the beginning of the year	106,697	89,283	102,531	85,818
Charge for the year	17,464	17,414	16,737	16,713
Balance at the end of the year	124,161	106,697	119,268	102,531
Carrying amount	17,224	31,261	16,278	29,588

14. RIGHT-OF-USE ASSETS

	Group		Company	
	2023	2022	2023	2022
14.1 Assets held under lease have been recognised as right-of-use assets under SLFRS 16.				
Balance at the beginning of the year	176,543	203,049	176,543	195,815
Additions for during the year	61,011	36,654	14,748	36,654
Remeasurement	103,393	-	103,393	-
Termination of Leases	-	-	-	-
Amortisation charge for the year	(95,985)	(63,160)	(52,414)	(55,926)
Balance as at 31 December 2023	244,962	176,543	242,270	176,543
14.2 Corresponding liability for the right-of-use assets has been recognised under other liabilities.				
Adjustment on initial application of SLFRS 16	169,451	193,640	169,451	186,266
Additions for the year	96,698	14,264	79,411	14,264
Accretion of interest	29,216	20,784	24,301	20,784
Remeasurement	(27,249)	-	(27,249)	-
Termination of Leases	-	-	-	-
Lease payments	(65,773)	(59,237)	(54,134)	(51,863)
Balance as at 31 December 2023	202,343	169,451	191,780	169,451
Non-current	160,967	134,792	160,052	134,792
Current	41,376	34,659	31,728	34,659
14.2.2 Amounts recognised in profit or loss				
<i>14.2.2.1 Lease under SLFRS 16 for the year ended 31 December 2023</i>				
Interest on lease liabilities	29,216	20,784	24,301	20,784
Right - of - use asset amortisation	95,985	63,160	52,414	55,926
Operating leases under LKAS 17 for the year ended 31 December 2023				
Rent expense	-	-	-	-
<i>14.2.2.2 Amounts Recognised in statement of cash flows under SLFRS 16</i>				
Lease rent paid	(65,773)	(59,237)	(54,134)	(51,863)

15. INVESTMENTS IN SUBSIDIARIES

15.1 INVESTMENTS OF COLOMBO DOCKYARD PLC

	Incorporated in	2023			2022		
		No of shares	Percentage holding	Cost (Rs. '000)	No of shares	Percentage holding	Cost (Rs. '000)
Dockyard General Engineering Services (Pvt) Ltd.	Sri Lanka	61,999	100%	11,044	61,999	100%	8,771
Add: Fair value of financial guarantees				1,751			2,273
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
				13,652			11,901

NOTES TO THE FINANCIAL STATEMENTS

16. OTHER INVESTMENTS

As at 31 December,	Group						Company					
	2023			2022			2023			2022		
	No. of shares	Fair value (Rs. 000)	No. of shares	Cost (Rs. 000)	Fair value (Rs. 000)	No of shares	Cost (Rs. 000)	Fair value (Rs. 000)	No of shares	Cost (Rs. 000)	Fair value (Rs. 000)	
16.1 Investments classified as fair value through OCI												
16.1.1 Investments in shares												
Sri Lanka Port Management and Consultancy Services Limited	1,002	10	17,619	1,002	10	16,989	10	17,619	1,002	10	16,989	
Associated Newspapers of Ceylon Limited	10,000	100	4,949	10,000	100	5,268	100	4,949	10,000	100	5,268	
	-	110	22,568	-	110	22,257	-	110	22,568	-	110	22,257

Note: Investment in shares are long term strategic investments and there were no addition or disposal during the year. The valuation technique of level 3 inputs are based on the net asset per share. Range (1,000 - 10,000)

16.2 Investments classified as fair value through profit or loss

16.2.1 Investment in Unit Trusts

NDB wealth money plus	-	-	1,583,876	40,000	40,466	-	-	-	-	-	-
First capital money market fund	-	-	10,871	25,000	25,304	-	-	-	-	-	-
Capital alliance money market fund	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	65,000	65,770	-	-	-	-	-	-
	-	-	-	65,000	65,770	-	-	-	-	-	-

17. DEFERRED TAXATION

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
17.1 Deferred Tax Asset / Liabilities				
Balance at the beginning of the year	17,044	46,036	-	36,908
Prior year Adjustment	443	-	-	-
Provision /(reversal) during the year (Note 17.2)	(213,491)	(28,992)	-	(36,908)
Transferred from deferred tax liability	-	-	-	-
Transferred to deferred tax liability	-	-	-	-
Balance at the end of the year	(196,004)	17,044	-	-
17.2 Provision /(reversal) for the year				
Provision/(reversal) during the year recognized in profit/(loss)	2,450,377	(62,209)	2,451,136	(70,795)
Provision/(reversal) during the year recognized in other comprehensive income	(2,663,868)	33,217	(2,451,136)	33,887
Provision/(reversal) during the year recognized in comprehensive income	(213,491)	(28,992)	-	(36,908)

	2023		2022	
	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	(3,253,328)	(975,998)	(3,140,914)	(942,274)
Temporary difference on revaluation gain from Land	(8,719,549)	(2,615,866)	-	-
Temporary difference on retirement benefit obligations	1,308,865	392,660	1,242,130	372,195
Temporary difference on stock provision	215,886	64,766	117,260	35,178
Temporary difference on warranty provision	139,202	41,761	98,833	29,650
Temporary difference on provision for bad and doubtful debts	193,592	58,078	327,005	98,102
Temporary difference on tax losses carried forward	9,445,386	2,833,616	1,379,088	413,726
Temporary difference on right-of-use asset	(240,580)	(72,174)	(32,079)	(9,624)
Temporary difference on Lease Liability	257,179	77,154	66,970	20,091
	(653,346)	(196,004)	58,293	17,044
Company				
Temporary difference on property, plant & equipment	(3,140,454)	(942,136)	(3,052,596)	(915,779)
Temporary difference on revaluation gain from Land	(8,015,214)	(2,404,564)	-	-
Temporary difference on retirement benefit obligations	1,272,744	381,823	1,200,602	360,181
Temporary difference on stock provision	194,889	58,467	89,441	26,832
Temporary difference on warranty provision	99,545	29,864	63,553	19,066
Temporary difference on provision for bad and doubtful debts	193,592	58,078	327,005	98,102
Temporary difference on tax losses carried forward	9,445,386	2,833,616	1,379,088	413,726
Temporary difference on right-of-use asset	(242,270)	(72,681)	(176,544)	(52,963)
Temporary difference on Lease Liability	191,780	57,533	169,451	50,835
	-	-	-	-

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 2023, in accordance with LKAS 12 paragraph 46.

NOTES TO THE FINANCIAL STATEMENTS

18. INVENTORIES

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Raw materials	3,648,483	5,509,938	3,190,158	5,083,061
Goods in transit	283,716	148,777	248,534	146,380
	3,932,199	5,658,715	3,438,692	5,229,441
Less: Provision for inventories (Note 18.1)	(215,886)	(117,259)	(194,889)	(89,440)
	3,716,313	5,541,456	3,243,803	5,140,001

18.1 Movement in provision for inventories

Balance at the beginning of the year	117,259	86,326	89,440	62,192
Provision/(reversal) made during the year	98,627	30,933	105,449	27,248
Amounts written off during the year	-	-	-	-
Balance at the end of the year	215,886	117,259	194,889	89,440

19. TRADE AND OTHER RECEIVABLES

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Trade receivables	3,804,783	8,000,347	3,223,571	7,859,639
Less: Provision for bad and doubtful debts (Note 19.1)	(208,912)	(336,533)	(193,592)	(333,587)
	3,595,871	7,663,814	3,029,979	7,526,052
Accrued revenue	6,132,136	3,807,529	4,981,787	2,389,978
VAT recoverable (Note 19.2)	228,872	156,851	228,872	156,851
Deposits and prepayments	4,446,205	8,661,177	4,419,112	8,597,998
Cash Margins kept for LC's	851,138	-	851,138	-
Other receivables	1,050,604	993,669	525,697	597,885
	16,304,826	21,283,040	14,036,585	19,268,764

19.1 Movement in provision for bad and doubtful debts

Balance at the beginning of the year	336,533	213,124	333,587	183,783
Provision made during the year	63,051	149,804	63,051	149,804
Reversals made during the year	(57,250)	(26,395)	(69,624)	-
Bad debts written off during the year	(133,422)	-	(133,422)	-
Balance at the end of the year	208,912	336,533	193,592	333,587

Bad debt write off related to a ship repair receivable from Eid Heavy Lift - As (Norway) and through a legal process Company was able to recover \$ 700,000 which covered the total direct cost, out of the total bill value of \$ 1,115,000 This provision has been made in full during the year 2021 and no impact to the Profit / (Loss) of the current year.

19.2 Movement in VAT Recoverable

Gross Refund Due	156,851	174,278	156,851	174,278
During the Year VAT Recoverable	98,609	-	98,609	-
Provision Made	(26,588)	(17,427)	(26,588)	(17,427)
Net VAT Refund recognized	228,872	156,851	228,872	156,851

20. Other financial assets including derivatives

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Non current				
Loans given to employees (Note 20.1)	361,389	302,355	353,875	293,611
Pre paid staff benefits (Note 20.2)	59,085	30,949	58,351	29,722
	420,474	333,304	412,226	323,333
Current				
Loans given to employees (Note 20.1)	167,742	163,697	165,467	160,892
Pre paid staff benefits (Note 20.2)	28,131	16,381	27,283	16,288
Guarantee benefit assets	1,751	2,274	-	-
	197,623	182,352	192,750	177,180
	618,097	515,656	604,976	500,513
20.1 Loans given to employees				
Balance at the beginning of the year	513,384	652,119	500,514	638,830
Loans granted during the year	316,095	68,439	313,794	63,989
Loans recovered during the year	(213,132)	(207,174)	(209,332)	(202,305)
	616,347	513,383	604,976	500,514
Transfer to pre paid staff benefits	(87,216)	(47,331)	(85,634)	(46,011)
Balance at the end of the year	529,131	466,052	519,342	454,503
Non current	361,389	302,355	353,875	293,611
Current	167,742	163,697	165,467	160,892
20.2 Prepaid staff benefits				
Balance at the beginning of the year	47,331	46,141	46,010	45,274
Additions during the year	70,854	19,537	70,382	18,259
Amortization	(30,969)	(18,348)	(30,758)	(17,523)
Balance at the end of the year	87,216	47,331	85,634	46,010
Non current	59,085	30,949	58,351	29,722
Current	28,131	16,381	27,283	16,288

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%	-	-

NOTES TO THE FINANCIAL STATEMENTS

20. Other financial assets including derivatives (CONTD.)

20.3 Forward exchange contracts / Derivatives

	2023	2022
FV gain/ loss of Derivative		
Derivative Liability (Previous Year Closing)	-	154,167
Profit or Loss	-	(154,167)
Derivative Asset	-	-
Discontinue the Hedge - Reverting the opening		
Derivative Liability (Previous Year Closing)	-	-
Other Comprehensive income	-	-

21. AMOUNTS DUE FROM RELATED PARTIES

	Relationship	Group		Company	
		2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Dockyard General Engineering Services (Pvt) Ltd	Subsidiary	-	-	190,757	231,792
Dockyard Technical Services (Pvt) Ltd.	Subsidiary	-	-	744,512	199,567
Ceylon Shipping Agency Pte Ltd	Subsidiary	-	-	-	-
		-	-	935,269	431,359

22. CASH AND CASH EQUIVALENTS

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
22.1 Favourable balances				
Fixed deposits	2,164,878	4,427,456	2,164,878	4,345,907
Repurchase agreement	-	62,000	-	-
Call deposits	816,399	1,198,126	816,399	1,198,126
Cash at bank	1,438,927	12,669,799	1,314,011	12,611,187
Cash in hand	10,376	12,447	9,027	9,689
	4,430,580	18,369,828	4,304,315	18,164,909
22.2 Unfavourable balances				
Bank overdrafts	(1,810,658)	(3,125,927)	(1,710,642)	(3,114,571)
Cash and cash equivalents for the purpose of the cash flow statement	2,619,922	15,243,901	2,593,673	15,050,338

23. STATED CAPITAL

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Issued and fully paid				
71,858,924 Ordinary shares (2022 - 71,858,924)	714,396	714,396	714,396	714,396

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meeting of the shareholders or one vote per share in the case of a poll.

23.1 Exchange equalization reserve

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

23.2 Fair through OCI reserve

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

24. INTEREST BEARING BORROWINGS

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Balance at the beginning of the year	23,222,965	11,025,187	23,222,965	11,025,187
Loans obtained during the year	59,171,846	34,901,730	59,171,846	34,901,730
Loan repayments during the year	(56,511,375)	(29,749,586)	(56,511,375)	(29,749,586)
Adjustment in respect of exchange rate fluctuations	(2,032,438)	7,045,634	(2,032,438)	7,045,634
Balance at the end of the year	23,850,998	23,222,965	23,850,998	23,222,965
Loan payable within one year	20,850,998	23,222,965	20,850,998	23,222,965
Loan payable after one year	3,000,000	-	3,000,000	-
	23,850,998	23,222,965	23,850,998	23,222,965

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 7.5 % - 12.5 % range. Where the LKR loans were at 11% - 15% range.

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

25. OTHER FINANCIAL LIABILITIES INCLUDING DERIVATIVES

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Current				
Corporate guarantees	-	-	1,751	2,273
	-	-	1,751	2,273

NOTES TO THE FINANCIAL STATEMENTS

26. EMPLOYEE BENEFITS

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Balance at the beginning of the year	1,234,651	955,584	1,200,602	927,910
Provision made in the profit / (loss) during the year (Note 26.3)	312,258	187,368	301,005	178,531
Payments made during the year	(78,034)	(19,025)	(73,626)	(18,796)
Actuarial (gain)/loss recognized in Other Comprehensive Income	(160,010)	110,724	(155,238)	112,957
Balance at the end of the year (Note 26.1 and 26.2)	1,308,865	1,234,651	1,272,743	1,200,602
26.1 The amount recognized in the Statement of Financial Position are as follows;				
Present value of unfunded obligations	1,308,865	1,234,651	1,272,743	1,200,602
Present value of funded obligations	-	-	-	-
Total present value of obligations	1,308,865	1,234,651	1,272,743	1,200,602
Fair value of plan assets	-	-	-	-
Present value of net obligations	1,308,865	1,234,651	1,272,743	1,200,602
Unrecognized net actuarial gains/ (losses)	-	-	-	-
Recognized liability for defined benefit obligations	1,308,865	1,234,651	1,272,743	1,200,602
26.2 Movement in the present value of defined benefit obligations				
Liability for defined benefit obligations as at 01 January	1,234,651	955,584	1,200,602	927,910
Actuarial (gains)/ losses	(160,010)	110,724	(155,238)	112,957
Benefit paid by the plan	(78,034)	(19,025)	(73,626)	(18,796)
Current service costs	80,568	76,067	72,891	71,822
Interest cost	231,690	111,301	228,114	106,709
Liability for defined benefit obligations as at 31 December	1,308,865	1,234,651	1,272,743	1,200,602
26.3 Expense recognized in Profit or Loss for the year ended,				
Current service costs	80,568	76,067	72,891	71,821
Interest on obligation	231,690	111,301	228,114	106,710
	312,258	187,368	301,005	178,531
26.4 Gain / (loss) recognized in Other Comprehensive Income	160,010	(110,724)	155,238	(112,957)

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 2023 amounting to Rs. 1,272.74 Mn and used the following key assumptions.

	2023	2022
Rate of interest	12%	19%
Rate of salary increment	9%	15%
Rate of COLA increment	0%	15%
Staff turnover factor	1%	1%
Retiring age (years) - Male	60	60
- Female	60	60

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.

	2023	2022
Rate of interest	13%	19%
Rate of salary increment	13%	20%
Staff turnover factor	1%	1%
Retiring age (years) - Male	60	60
- Female	60	60

26.5 Sensitivity of assumptions used

Colombo Dockyard PLC

A quantitative sensitivity analysis for significant assumptions used by the Company as at 31 December 2023 is as shown below:

Effect on the employee benefit obligation	Discount rate	Salary escalation rate
	(Rs.'000)	(Rs.'000)
As per the current assumptions	1,272,743	1,272,743
Increase by one percentage point	1,184,664	1,370,198
Decrease by one percentage point	1,372,752	1,185,929

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 2023 is as shown below:

Effect on the employee benefit obligation	Discount rate	Salary escalation rate
	(Rs.'000)	(Rs.'000)
As per the current assumptions	32,253	32,253
Increase by one percentage point	31,185	33,535
Decrease by one percentage point	33,549	31,177

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.

Discount rate was determined based on yields available on government bonds or high quality corporate bonds at the balance sheet date with the term that matches that of the liabilities.

Weighted average duration of retirement benefit obligation is 14.3 years (2022 - 15.5 Years).

NOTES TO THE FINANCIAL STATEMENTS

27. TRADE AND OTHER PAYABLES

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Trade payables	2,853,046	1,533,884	1,606,313	753,277
Subcontract payables	1,503,814	1,487,995	1,503,814	1,487,995
Progress bills	73,122	6,000,331	73,122	6,000,331
Provision for warranty claims (Note 27.1)	127,996	81,877	99,545	46,597
Accrued expenses and other provisions	2,951,966	2,416,166	2,705,891	2,255,803
Other payables	988,900	1,072,179	859,622	417,088
VAT payable	73,542	12,618	-	-
	8,572,386	12,702,622	6,848,307	10,961,091
27.1 Provision for warranty claims				
Balance at the beginning of the year	81,877	86,049	46,597	42,512
Provision/(reversals) made during the year	79,581	18,632	86,410	26,889
Claims made during the year	(33,462)	(22,804)	(33,462)	(22,804)
Balance at the end of the year	127,996	81,877	99,545	46,597

28. AMOUNTS DUE TO RELATED PARTIES

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Ceylon Shipping Agency (Pte) Ltd.	-	-	627,518	917,283
Dockyard General Engineering Services (Pvt) Ltd	-	-	219,931	20,385
Dockyard Total Solutions (Pvt) Ltd.	-	-	841,292	183,613
Onomichi Dockyard Company Ltd	-	2,738,537	-	2,738,537
	-	2,738,537	1,688,741	3,859,818

29. INCOME TAX PAYABLE

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Balance at the beginning of the year	52,036	35,587	-	-
Provision for income tax on current year's profits	44,680	32,561	-	-
Over provision of income tax in respect of prior year	(10,748)	(660)	-	-
Tax paid during the year	(18,320)	(15,509)	-	-
Additional provision write off	-	57	-	-
Balance at the end of the year	67,648	52,036	-	-

30. DIVIDEND PAYABLE

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Balance at the beginning of the year	10,515	9,869	10,515	9,869
Dividends declared during the year	-	71,858	-	71,858
Payments during the year	(28)	(71,212)	(28)	(71,212)
Balance at the end of the year	10,487	10,515	10,487	10,515

31. FINANCIAL INSTRUMENTS

As at 31 December,	Note	Group		Company	
		2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
31.1 Financial instruments - Statement of Financial Position (SOFP)					
The Financial instruments recognize in the Statement of Financial Position are as follows:					
Financial assets					
Fair value through profit and loss					
SOFP Line Item:					
Investments classified as fair value through profit or loss	16.2	-	65,770	-	-
Total		-	65,770	-	-
Amortised cost					
SOFP line Item:					
Other financial assets including derivatives - Non Current					
	20	420,474	333,304	412,226	323,333
Trade and other receivables	19	16,304,826	21,283,040	14,036,585	19,268,764
Other financial assets including derivatives - Current	20	197,623	182,352	192,750	177,180
Amounts due from related parties	21	-	-	935,269	431,359
Cash and cash equivalents	22.1	4,430,580	18,369,828	4,304,315	18,164,909
Total		21,353,503	40,168,524	19,881,145	38,365,545
Fair value through other comprehensive income					
SOFP Line Item:					
Investments classified as FVTOCI	16.1	22,568	22,257	22,568	22,257
Total		22,568	22,257	22,568	22,257
Financial liabilities					
Other financial Liabilities					
SOFP line Item:					
Loans and borrowings - Current	24	23,850,998	24,038,588	23,850,998	24,038,588
Trade and other payables	27	8,572,386	12,605,050	6,848,307	10,961,091
Other financial liabilities including derivatives - Current	25	-	-	1,751	2,273
Amounts due to related parties	28	-	2,738,537	1,688,741	3,859,808
Lease Liability	14.2	202,343	169,451	191,780	169,451
Bank overdrafts	22.2	1,810,658	2,310,304	1,710,642	2,298,948
		34,436,385	41,861,930	34,292,219	41,330,159

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.

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL INSTRUMENTS (CONTD.)

	Group			Company		
	Level 01 (Rs. '000)	Level 02 (Rs. '000)	Level 03 (Rs. '000)	Level 01 (Rs. '000)	Level 02 (Rs. '000)	Level 03 (Rs. '000)
As at 31 December 2023						
Financial assets						
Unquoted equity investments - unquoted shares	-	-	22,568	-	-	22,568
	-	-	22,568	-	-	22,568
Financial liabilities						
Forward exchange contracts (Derivatives)	-	-	-	-	-	-
Corporate guarantee	-	-	-	-	-	1,751
	-	-	-	-	-	1,751
As at 31 December 2022						
Financial assets						
Unquoted equity investments - unquoted shares	-	-	22,257	-	-	22,257
Fair value through profit or loss investments	-	154,167	-	-	154,167	-
	-	154,167	22,257	-	154,167	22,257
Financial liabilities						
Forward exchange contracts (Derivatives)	-	-	-	-	-	-
Corporate guarantee	-	-	-	-	-	2,273
	-	-	-	-	-	2,273

31.3 Valuation techniques and significant unobservable inputs

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

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

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

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

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

Unquoted shares have been valued based on the net asset basis

Significant Unobservable inputs

Unquoted shares : Net asset per share

Revaluation of Land: Estimated price per perch, Estimated price per square feet

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

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

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

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

32. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk
 - (i) Currency risk
 - (ii) Interest rate risk

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

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

Risk management framework

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

32.1 Credit risk

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

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

32.1.1 Exposure to credit risk

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

As at 31 December	Group		Company	
	2023 (Rs.'000)	2022 (Rs.'000)	2023 (Rs.'000)	2022 (Rs.'000)
Trade and other receivables	3,804,783	8,000,347	3,223,571	7,859,639
Other financial assets including derivatives	618,097	515,656	604,976	500,513
Investments classified as fair value through profit or loss	-	65,770	-	-
Amount due from related parties	-	-	935,269	431,359
Total exposure to the credit risk	4,422,880	8,581,773	4,763,816	8,791,511

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT (CONTD.)

Impairment losses

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

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

Age	Group (Rs. '000)			Company (Rs. '000)		
	Gross	Expected credit losses	Net	Gross	Expected credit losses	Net
Within 90 days	3,127,844	(15,545)	3,112,299	2,546,632	(225)	2,546,407
Within 180 days	228,826	(460)	228,366	228,826	(460)	228,366
181-365 days	119,215	(933)	118,282	119,215	(933)	118,282
More than 365 days	328,898	(191,974)	136,924	328,898	(191,974)	136,924
	3,804,783	(208,912)	3,595,871	3,223,571	(193,592)	3,029,979

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 2023

Financial liabilities	Group (Rs. '000)			Company (Rs. '000)		
	Carring Amount	Less than one year	More than one year	Carring Amount	Less than one year	More than one year
Lease Liability	202,343	41,376	160,967	191,780	31,728	160,052
Interest bearing borrowings	23,850,998	20,850,998	3,000,000	23,850,998	20,850,998	3,000,000
Trade and Other Payable	8,371,268	8,371,268	-	6,675,639	6,675,639	-
Bank overdrafts	1,810,658	1,810,658	-	1,710,642	1,710,642	-
	34,235,267	31,074,300	3,160,967	32,429,059	29,269,007	3,160,052

32.3 Market risk

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

(i) Currency risk

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

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

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

Currency	Average rate		Closing rate	
	2023	2022	2023	2022
U. S. Dollar	331.62	316.54	324.25	366.71
Euro	358.85	334.56	358.45	393.49
Singapore Dollars	247.27	228.96	246.39	272.89
Japanese Yen	2.38	2.40	2.30	2.77

Sensitivity analysis

A strengthening or weakening of Sri Lankan Rupees as indicated below, against the major foreign currencies as at 31 December 2023 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 2023		
U. S. Dollar - Net Liability USD 14.60 Mn	(236,664)	236,664
Euro - Net Asset Euro 4.27 Mn	76,547	(76,547)
Singapore Dollars - Net Liability SGD 1.79 Mn	(22,027)	22,027
As at 31 December 2022		
U. S. Dollar - Net Liability USD 17.62 Mn	323,150	(323,150)
Euro - Net Liability Euro 5.83 Mn	114,731	(114,731)
Singapore Dollars - Net Liability SGD 0.26 Mn	3,526	(3,526)

(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.

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:

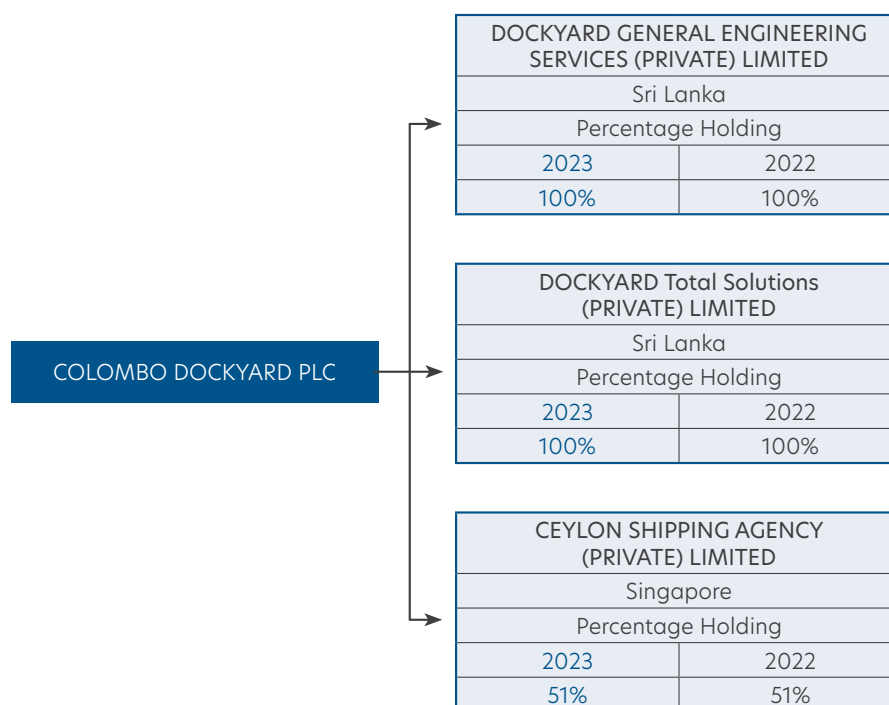
Increase/(decrease) in variable interest rates

(100 basis points movement)

	Effect on Profit before Tax	
	Strengthen (Rs. '000)	Weakening (Rs. '000)
As at 31 December 2023		
On variable rate instruments -USD	194,264	(194,264)
As at 31 December 2022		
On variable rate instruments -USD	(22,129)	22,129

NOTES TO THE FINANCIAL STATEMENTS

33. LIST OF SUBSIDIARIES



34. NON-CONTROLLING INTEREST

	Principal place of business	Operating segment	Ownership interest held by Non Controlling Interest	
			2023	2022
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,	2023 (Rs.'000)	2022 (Rs.'000)
Revenue	2,529,103	2,168,897
Profit	35,117	29,008
Profit attributable to Non Controlling Interest	17,208	14,214
Other comprehensive income	-	-
Total comprehensive income	35,117	29,008
Total comprehensive income attributable to Non Controlling Interest	17,208	14,214
Current assets	816,083	1,056,568
Non-current assets	207	629
Current liability	(398,691)	(633,804)
Non-current liability	-	-
Net asset	417,599	423,393
Net asset attributable to Non Controlling Interest	204,623	207,462
Cash flow from operating activities	(22,072)	(68,346)
Cash flow from investing activities	56	19
Cash flow from financing activities	-	-
Net increase in cash and cash equivalents	(22,016)	(68,327)
Dividend paid to Non Controlling Interest during the year	-	-

35. CONTINGENT LIABILITIES

(a) On behalf of Colombo Dockyard PLC, banks have given Bank Guarantees to the Company's suppliers / customers amounting to Rs. 758 Mn (2021 - Rs. 8,217 Mn) as at the reporting date.

Bank	Letter of credit (Rs.'000)	Performance & bid bonds (Rs.'000)	Advance and Retention Bonds (Rs.'000)	Miscellaneous Bonds (Rs.'000)	Total (Rs.'000)
Bank of Ceylon PLC	222,716	10,163	21,000	-	253,879
National Development Bank PLC	-	-	-	22,500	22,500
Standard Chartered Bank	460,974	-	737,332	-	1,198,306
	683,690	10,163	758,332	22,500	1,474,685

(b) Colombo Dockyard PLC has issued Corporate Guarantees behalf of its Subsidiary amounting to Rs. 2,177,000,000 (2021 - Rs. 527,000,000) as at the reporting date.

Name of the Company	Relationship (Rs.'000)	Miscellaneous (Rs.'000)	Total (Rs.'000)
Dockyard General Engineering Services (Private) Limited	Subsidiary	2,177,000	2,177,000
	-	2,177,000	2,177,000

(c) Legal Cases

- I Pending proceedings pursuant to the case against the arrested vessel MV Sai Arambh and its owner (Case No: 05/2020/Rem) in the Admiralty Court of Colombo to recover the bills due on completed ship repairs.
- II Files of 14 complaints closed with a determination of no further action, and 03 complaints were withdrawn by the applicants pursuant to 17 claims by retired employees based on non-consideration of NRCLG for EPF/ETF calculations by the company (CN/COM/202103/44 and others).

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

36. CAPITAL COMMITMENTS

There was no contracted capital expenditure approved by the Board of Directors as at 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

37. TRANSACTIONS WITH RELATED PARTIES

Company	Name of Directors	Nature of Interest	Particulars of Financial Dealings	2023 (Rs'000)
Dockyard General Engineering Services (Pvt) Ltd	Mr. Thimira S. Godakumbura / Mr. J. Furukawa / Mr. K. Nayakarathne	Subsidiary (100%)	Heavy engineering income	37,769
			Fees for management services	1,937
			Lease rental income	4,170
			Dividend income	-
			Purchase of materials	3,746
			Obtaining sub contracting services	22,545
			Bond handling cost	-
	Transportation cost	33,466		
Ceylon Shipping Agency (Pte) Ltd	Mr. Thimira S. Godakumbura	Subsidiary (51%)	Purchase of materials	2,529,103
Dockyard Total Solutions (Pvt) Ltd	Mr. Thimira S. Godakumbura / Mr. J. Furukawa	subsidiary (100%)	Supply of multi skilled labor	484,586
Onomichi Dockyard Company Ltd	Mr. T. Nakabe	Parent	Obtaining technical services	-

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 2023, the Group only carried out related party transactions which were recurrent in nature, the aggregate of which did not exceed the threshold of 10% of the gross consolidated revenue or income, thereby being in compliance with Section 9 of the CSE Listing Rule.

(A) TRANSACTIONS WITH KEY MANAGERIAL PERSONNEL

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

(i) Loans to the Directors

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

(ii) Compensation paid to Key Management Personnel

	2023 (Rs.'000)	2022 (Rs.'000)
Short Term Employment Benefit	84,701	81,772
Total Employment Benefit	84,701	81,772

(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. Going concern

Colombo Dockyards PLC [CDPLC] the Group and the Company made a net loss of Rs. 11,006 Mn and Rs. 11,127 Mn respectively for the Year ended 31st December 2023 and as at that date the Group's and the Company's accumulated losses amounted Rs. 3,855 Mn and Rs. 5,874 Mn respectively. The Group's and the Company's current liabilities exceed the current assets by Rs. 6,704 Mn and Rs. 8,430 Mn respectively. Further, the Group and the Company has total borrowings Rs. 23,851 Mn and out of that Rs. 20,851 Mn are short term and will be matured within the applicable forward looking period. The current year loss included a provision of Rs. 1,430 Mn for the Group and the Company future losses anticipated on ship building projects currently in progress which is going to be delivered in 2026. This loss is due to the confluence of a number of unusual circumstances affecting the Company set out in more detail below.

Background

Prior to 2020 the ship building division of CDPLC focused mainly on the Asian market with vessels of lesser complexity. This market was expected to become increasingly competitive in future due to a number of political and economic factors. In view of this CDPLC made a conscious decision to enter the European markets and aim for more high-end, complex and modern vessels such as Cable Laying & Repairing Vessels and Hybrid Bulk Carriers.

In 2020 this was achieved with the securing of the first European order for 6 number of 5000 DWT hybrid bulk carriers for Misje Eco Bulk AS - Norway. CDPLC has successfully delivered 3 number of vessels and another 3 is under construction.

In the same year 2020, CDPLC signed a contract with FT Marine SAS - France a subsidiary of leading telecommunications company in Europe for Cable Laying and Repairing vessel which was delivered in July 2023. These vessels are of a highly advanced nature, specialized in laying and repairing long-distance communications and power cables on the seabed. It is believed that there are only around 100 vessels of this type in operation around the world and CDPLC has delivered 2 of these vessels (with one to France in 2023 and one to Japan in 2019) making a significant presence in the Cable Laying Vessels market. With the successful deliveries of these shipbuilding projects the Company has developed a strong reputation as a reliable and high-end shipbuilder in the international market.

However, in order to enter this new market and due to lack of experience in these particular sectors, CDPLC was forced to quote very low prices with limited profit margins. This was considered a sensible, calculated decision at that time as part of its long-term development strategy and well within its financial capabilities.

Impact of National Crisis

Sri Lanka faced consecutive major crisis during the last 3 years, which had significant impact on the operations of the Company. Key items of note are,

1. Delays in worker availability, including transport problems starting with Covid 19, the fuel shortages, political unrest, and the migration of many skilled workers. This led to delays in the deliveries of vessels which forced the Company to pay Liquidated Damages as well as to cancel two shipbuilding contracts with the payment of compensations to the Buyer. Company had to compromise the expected profit from those cancelled projects during the year 2023 which deepened its' losses.
2. The Country default led to foreign customers refusing to accept bank guarantees from any Sri Lankan banks. This forced CDPLC to obtain bank guarantees from international banks after keeping 100% deposits with these banks as they were not willing to accept any exposure to Sri Lanka at the time. CDPLC at the same time was forced to build these vessels out of borrowed funds. At the peak of this crisis CDPLC had to deposit over Euro 45 million in international banks earning almost 0% interest, while was forced to borrow in Sri Lanka for rates as high as 29% for LKR borrowings and 12% for USD borrowings per annum. This was due to the disparity of national interest rates between countries at the time.

The management coordinated with the Central Bank, the Ministry of Finance, other Government Authorities and international financial institutions for assistance to overcome these problems, however, they too were unable to provide any alternative solutions to these problems given the significance of the ongoing crisis at national level.

During the Year ended 31st December 2023, the Company incurred a net interest cost of Rs 3,591 Mn including Rs 1,195 Mn interest cost charged under the Cost of Sales, reflecting these unusually high interest rates.

3. Rapid fluctuations in exchange rates created difficulties in financial planning and the Company recorded an exchange loss of Rs 1,099 Mn for the year ended 31st December 2023 as the Rupee appreciated.
4. Global supply chain disruption and rising international prices for many raw materials including steel, machinery, and other major components had a significant negative impact on the financial results of the shipbuilding segment.
5. General Disruptions in the local market including shortages, rising operating costs as well as poor reputation of Sri Lanka in international markets specially during 2022 and 2023 has created numerous difficulties in both operations, among customers as well as international suppliers.

NOTES TO THE FINANCIAL STATEMENTS

At the peak of the crisis, the very survival of Colombo Dockyards was uncertain as the Company had to overcome a series of critical crisis, each of which could have had a fatal impact on the Company. However, despite all these challenges, CDPLC was able to deliver 5 (4 to Norway and 1 to France) of these vessels to the full satisfaction of its European customers after entering European Market in 2020.

The high value of these vessels, the timing of the contracts in relation to the financial crisis of the country as well as the decision to accept a low price to enter these advanced markets and the other factors mentioned above, all came together to create a significant loss for the Company.

Future Outlook

The management believes that most of the problems outlined above have been fully or partially overcome. With the improving country situation and proactive actions taken by the management, the shipbuilding segment is expected to be able to better manage its challenges and deliver their vessels on time and on cost in future. In December 2023, Company signed another four shipbuilding contracts to design, build and deliver 04 Nos of 5000 DWT hybrid bulk carriers for Misje Eco Bulk AS - Norway, at higher price points.

Due to its very unique cyclical nature shipbuilding markets did not perform well during 2012 to 2022 period. However, as per the latest predictions shipbuilding markets will significantly improve and ship prices will rise from 2024 to 2030. During this period, it is expected that most shipyards will come out from the red and show significantly improved financial performance compared to the previous years. As a result of these market improvements and the reputation that the Company has built in these advance markets during past few years, Company is getting increasing number of inquiries for new shipbuilding projects. The Company continues to build hybrid bulk carrier vessels while aiming for new Shipbuilding business at higher price points, leveraging the improved market condition and the reputation built up in these markets.

Further, the ship repair business is expected to provide a steady cash inflow, and the management hopes to grow this line of business in the immediate future. From 2021 to 2023, the ship repair segment showed lucrative financial performances which is expected to continue for upcoming years as well. The company is planning to invest in 2 projects in Hambantota and Colombo aiming to develop the ship repair segment further.

In addition to its major two segments namely Shipbuilding and ship repairing, Company is aggressively marketing its heavy engineering segment majorly focusing on Maldives. There are few inquiries in the pipeline to design build and deliver underwater restaurants and the management is confident that the Company will be able to secure some of these projects in near future.

The company has adequate credit lines arranged with most of the major banks in the country and the expected cash inflows will be sufficient to meet the Company's commitment when due. At the same time, Company is in the process of securing preferential funding options and the efforts are going in a very positive direction. Expected improvements of the economic situation in Sri Lanka, specially the coming out from default status, will add further comfort to the financial performances of the Company.

Management remains confident that the Company will be able to show significant improvements in its financial performances in coming years as these losses are not of a recurring nature, supported by the improved market condition, healthier country status and its current business strategy.

Management acknowledges that material uncertainty remains over the Company's ability to meet its funding requirements. However, as described above, and having evaluated the non-recurring nature of the losses incurred, improved market conditions, healthier country status and current business strategy, the Management has a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements which assumes that the Company/ the Group will be able to continue its operations and will discharge its liabilities including repayment of loans and interest thereon, in the normal course of business.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate."

39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

40. COMPARATIVE INFORMATION

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The presentation and classification of the financial statements of the previous period, have been adjusted, where relevant, for better presentation.

TEN YEARS FINANCIAL SUMMARY

Income Statement

For the year ended 31st December	2023 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn
Revenue	33,068	24,533	14,885	8,079	10,145	13,169	12,052	9,973	14,407	13,707
Cost of Production	(40,030)	(22,834)	(13,048)	(7,480)	(10,038)	(12,232)	(10,607)	(8,736)	(13,616)	(12,508)
Gross Profit	(6,962)	2,055	1,835	599	107	937	1,445	1,237	791	1,199
Other Expenses	(4,705)	(4,514)	(2,264)	(1,806)	(2,274)	(1,986)	(1,918)	(1,828)	(1,714)	(1,607)
Profit before Other Income	(11,667)	(2,816)	(428)	(1,207)	(2,167)	(1,049)	(473)	(591)	(923)	(408)
Other Operating Income	479	4,428	467	164	166	1,060	202	143	170	347
PROFIT FROM OPERATION	(11,188)	1,612	39	(1,043)	(2,001)	11	(271)	(448)	(753)	(61)
Net Interest Costs	(2,390)	(1,025)	278	(206)	190	160	197	10	59	281
Profit before Tax	(13,578)	587	317	(1,249)	(1,811)	171	(74)	(438)	(694)	220
Taxation	2,451	(71)	(147)	(97)	(123)	(27)	(69)	6	(14)	(11)
NET PROFIT FOR THE YEAR	(11,127)	516	171	(1,346)	(1,935)	144	(143)	(432)	(708)	209
Retained Profit b/f	5,144	4,778	4,611	6,119	8160	8,108	8,302	8,722	9,646	9,724
Profit available for Appropriation	(5,983)	5,312	4,782	4,773	6,225	8,252	8,159	8,290	8,938	9,933
Issue of Bonus Shares	-	-	-	-	-	-	-	-	-	-
Final Dividends/Other Comprehensive Income	109	(168)	(4)	(162)	(113)	(92)	(51)	12	(216)	(287)
	(5,874)	5,144	4,778	4,611	6,112	8,160	8,108	8,302	8,722	9,646

Balance Sheet

As at 31st December	2023 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn
ASSETS										
Property Plant & Equipment	12,626	4,673	4,667	4,803	4,231	4,049	3,806	4,038	4,328	4,281
Investments & Taxes	710	567	751	913	920	695	608	594	523	520
	13,336	5,240	5,418	5,716	5,151	4,744	4,414	4,632	4,851	4,801
Current Assets										
Inventories	3,243	5,140	1,693	878	505	718	647	1,235	985	956
Trade & Other Receivables	15,167	19,877	10,141	4,812	4,984	5,491	7,002	11,005	9,503	8,052
Cash & Cash Equivalent	4,304	18,165	6,827	4,191	3,986	4,115	4,642	2,110	1,870	2,631
	22,714	43,182	18,662	9,881	9,475	10,324	12,291	14,350	12,358	11,639
TOTAL ASSETS	36,049	48,422	24,081	15,597	14,626	15,068	16,705	18,982	17,209	16,440
EQUITY & LIABILITIES										
Stated Capital	714	714	714	714	714	714	714	714	714	714
Other Reserves	22	22	17	(105)	(6)	93	16	15	15	15
Revaluation Reserve	5,611	-	-	-	-	-	-	-	-	-
Revenue Reserves	(5,874)	5,144	4,778	4,611	6,118	8,160	8,108	8,302	8,722	9,646
Share Holders Fund (Net Worth)	473	5,880	5,510	5,220	6,826	8,967	8,838	9,031	9,451	10,375
Non-Current Liabilities										
Interest bearing borrowings	3,000	-	-	-	-	-	-	-	-	-
Lease Liability	161	135	156	186	167	-	-	-	-	-
Retirement benefit Obligation	1,273	1,201	928	1,015	860	842	899	839	870	857
	4,433	1,336	1,084	1,201	1,027	842	899	839	870	857
Current Liabilities										
Trade & Other Payables	8,572	14,860	6,273	2,714	3,086	2,531	3,448	1,676	2,332	1,958
Interest bearing Borrowings	20,850	24,038	11,025	6,441	3,671	2,713	3,494	7,410	4,507	3,221
Income Tax Payable	-	-	-	-	-	-	-	-	-	-
Dividends Payable	10	10	9	10	11	15	26	26	40	27
Bank Overdraft	1,711	2,298	178	11	5	-	-	-	9	2
	31,143	41,206	17,485	9,176	6,773	5,259	6,968	9,112	6,888	5,208
	36,049	48,422	24,081	15,597	14,626	15,068	16,705	18,982	17,209	16,440

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 Forty First Annual General Meeting of Colombo Dockyard PLC will be held at the Grand Ballroom, Galadari Hotel, No.64, Lotus Road, Colombo 1, Sri Lanka at 10.00 a.m. on the 19th of June 2024 for the following purposes.

Routine Business

1. To receive the Report of the Directors on the Affairs of the Company, the Audited Accounts for the year ended 31st December 2023 and the Report of the Auditors.
2. To pass the ordinary resolution set out below with or without modifications to appoint Mr. C S W de Costa who has reached 72 years of age, as a Director of the Company;
"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. C S W de Costa who is seventy-two (72) years of age, appointed as a Director of the Company in terms of the Article 80(2) and shall be re-appointed in as per Section 211 of the Companies Act No. 7 of 2007".
3. To pass the ordinary resolution set out below with or without modifications to appoint Mr. G A D L H Ganlath who has reached 72 years of age, as a Director of the Company;
"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. G A D L H Ganlath who is seventy-two (72) years of age and shall be re-appointed as a Director of the Company in terms of Article 87 and read together with Section 211 of the Companies Act No. 7 of 2007".
4. To pass the ordinary resolution to appoint Mr. Chathura Chanaka Wickramatileka as a Director of the Company, who was appointed to fill a casual vacancy on 21/12/2023 until the next Annual General Meeting of the Company, who is eligible for re-election and offered himself for re-election.
"IT IS HEREBY RESOLVED THAT Mr. Chathura Chanaka Wickramatileka be and is hereby appointed as a Director of the Company in terms of Article 93 read together with Article 87 of the Articles of Association of the Company."
5. To pass the ordinary resolution to appoint Mr. Chanaka Anthony Mahen Jayamaha as a Director of the Company, who was appointed to fill a casual vacancy on 06/03/2024 until the next Annual General Meeting of the Company, who is eligible for re-election and offered himself for re-election.
"IT IS HEREBY RESOLVED THAT Mr. Chanaka Anthony Mahen Jayamaha be and is hereby appointed as a Director of the Company in terms of Article 93 read together with Article 87 of the Articles of Association of the Company."
6. To re-appoint Messrs. KPMG the retiring Auditors and authorize the Directors to fix their remuneration.
7. To authorize the Directors to determine donations for the year 2024 and up to the date of the next Annual General Meeting

Special Business

8. To pass the Special Resolution set out below to adopt the Articles of Association circulated to shareholders with the Circular dated 27.05.2024.

“IT IS HEREBY RESOLVED THAT the Articles of Association circulated to the shareholders along with Circular dated 27.05.2024 is hereby approved and adopted in place of the existing Articles of Association of the Company “.

By order of the Board
COLOMBO DOCKYARD PLC



Manori Mallikarachchi
Company Secretary

27 day of May 2024
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. Sarath de Costa	of Colombo (or failing him)
Mr. Thimira S. Godakumbura	of Colombo (or failing him)
Mr. T. Nakabe	of Colombo (or failing him)
Mr. J. Furukawa	of Colombo (or failing him)
Mr. K. Kobatake	of Colombo (or failing him)
Mr. Lalith Ganlath	of Colombo (or failing him)
Mr. V G L A Jayawardena	of Colombo (or failing him)
Mr. D L Nihal	of Colombo (or failing him)
Mr. Chathura C. Wickramatileka	of Colombo(or failing him)
Mr. Chanaka A.M. Jayamaha	of Colombo

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Forty First Annual General Meeting of the Company to be held on **19th June 2024** at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereon.

	For	Against
1. To approve the Ordinary Resolution with or without modification, as set out in item 2 in the Notice of Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Ordinary Resolution with or without modification, as set out in item 3 in the Notice of Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the Ordinary Resolution with or without modification, as set out in item 4 in the Notice of Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
4. To approve the Ordinary Resolution with or without modification, as set out in item 5 in the Notice of Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
5. To approve the Ordinary Resolution with or without modification, as set out in item 6 in the Notice of Annual General Meeting to re-appoint Messrs. KPMG the retiring Auditors, and authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To approve the Ordinary Resolution with or without modification, as set out in item 7 in the Notice of Annual General Meeting to authorize the Directors to determine donations for the year 2024 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
7. To approve the Special Resolution with or without modification as set out in item 8 in the Notice of Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....
Signature

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

FORM OF PROXY

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

Sarath De Costa
Vice Chairman

Thimira S. Godakumbura
Managing Director/CEO

T. Nakabe
Director

J. Furukawa
Director

Lalith Ganlath
Director

C. C. Wickramathilake
Director

D. L. Nihal
Director

V. G. L. A. Jayawardena
Director

AUDIT & REMUNERATION COMMITTEE

Lalith Ganlath (Chairman)
C. C. Wickramathilake
Sarath de Costa

RELATED PARTY TRANSACTION COMMITTEE

Lalith Ganlath (Chairman)
C. C. Wickramathilake
Sarath de Costa
Thimira S. Godakumbura

COMPANY SECRETARY

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

CORPORATE MANAGEMENT

Thimira S. Godakumbura
Managing Director/CEO

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

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

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

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

P. S. Abeysinghe
General Manager (Yard
Development)

K. N. G. W. Kariyawasam
General Manager (Production)

Manjula Hettiarachchi
ACTG. General Manager
(Compliance)/Management
Representative

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

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

M. Rohan De Silva
General Manager (Dockyard Total
Solutions (Pvt) Ltd)

Lal Hettiarachchi
General Manager (Design
Development) Dockyard Total
Solutions (Pvt) Ltd

AUDITORS

KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar
Mawatha, Colombo 3, Sri Lanka.

ACCOUNTING YEAR END

31st December

REGISTRARS

P & W Corporate Secretarial (Pvt)
Ltd,
No.3/17,
Kynsey Road,
Colombo 8.

SUBSIDIARY COMPANIES

Dockyard General Engineering
Services (Pvt) Ltd.
223, Jayantha Mallimarachchi
Mawatha,
Colombo 14, Sri Lanka. www.dges.lk

Ceylon Shipping Agency (Pte) Ltd
No. 35, Selegie Road # 09-16,
Parklane
Shopping Mall
Singapore - 188307.

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

BANKERS

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

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