



COLOMBO DOCKYARD PLC

"...an Odyssey of Excellence"

Sailing Ahead with Quality and Efficacy



Vision

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

Mission

We strive:

To be the most competitive and viable business entity in South in Shipbuilding, Ship Repairs, 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.

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Sailing Ahead with Quality and Efficacy

For a period spanning 4 decades Colombo Dockyard PLC (CDPLC) has stood as a symbol and moniker of astounding quality and unparalleled excellence.

With an emphasis on repairing and building ships utilizing state of the art facilities, backed by the most skilled work force in the region, every dockyard and shipping fraternity in the continent recognizes and acknowledges that CDPLC are masters of their trade.

We value our reputation for maintaining the highest standards very seriously at all times. In fact when it comes to stellar workmanship, stunning quality and delivering projects punctually without setbacks CDPLC have remained steadfast and true to the word.

4 decades of top caliber services in ship building and repairing sheds light on our legacy and our endeavor to provide the finest, reliable and professionally ascertained quality on any coast. In the future we will strive to expand and cruise to seas of positive change and with it sail ahead with ever increasing quality and ever heightening efficacy, in our odyssey of excellence.



Quality Policy

We always satisfy our customers' requirements consistently and cost effectively, strive to exceed their expectations and add value to the interests of our other stakeholders in a viable corporate environment.

Environment Policy

Our policy is to conduct our present and future operations in an environmentally friendly manner as befitting a good corporate neighbor and citizen, through the implementation of an Environmental Management System.

To meet our commitment, we shall,
Meet or exceed applicable legislation and regulations as well as industry standards and practices.

Periodically review established environmental objectives and targets in order to continually improve our Environmental Management System performance.

Effectively communicate with employees, customers, neighbors and other stakeholders regarding our Environmental Management System and its performance.





Safety Policy

Colombo Dockyard PLC recognizes its corporate responsibility to provide a safe and healthy work environment for all personnel who have legitimate business in such work environment.

Colombo Dockyard PLC shall:

Provide safe plant, machinery, equipment and systems of work.

Ensure compliance with relevant statutory regulatory requirements; and

Provide procedures, information, instructions training and supervision to employees, contractors, customers and visitors to ensure their safety.



Corporate Profile

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

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

Colombo Dockyard, in existence for over four decades, continues to keep its eyes on the horizon,



- Largest and only Private Sector Ship repairs and Shipbuilding Yard in Sri Lanka Certified by ISO 9001 – 2008 by Lloyds Registrar (LR).
- Providing employment over 3,200.
- Shipyard has received prominent Sri Lanka awards for Highest Exporters and Best Corporate and Best Annual Report, in Recognition of outstanding Contribution to Engineering Export for Sri Lanka.
- Delivered 230 specialized and sophisticated vessels and repaired over 9,000 ships to worldwide cliental.
- State of the art manufacturing facilities at Yard Operations.
- Competitiveness in the Global markets in terms of Price, Quality and Delivery.
- Shipbuilding orders in hand over Rs. 26,000 Mn.

pre-empting trends and preparing for transformation. While the Company remains medium scale ship yard in the Asian region, our differentiation lies in the way we do business.

Five core values that have helped Colombo Dockyard in its odyssey, **Flexibility, Innovation, Being Customer Centric, Environment 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 special position in this industry.

Financial Highlights

	2014 Rs. Mn	2013 Rs. Mn	Change	
			Rs. Mn	%
Revenue for the Year				
Ship Repairs	3,857	3,533	324	9.17
Shipbuildings	9,830	12,314	(2,484)	(20.17)
Heavy Engineering	20	14	6	42.86
	13,707	15,861	(2,154)	(13.58)

Export Revenue	13,191	15,357	(2,166)	(14.10)
Local Revenue	516	502	14	2.78
Gross Profit	1,199	1,615	(416)	(25.76)
Profit before Tax	220	732	(512)	(69.95)
Taxation	(11)	91	(102)	112.09
Net Profit after Tax	209	824	(615)	(74.63)
Profit Available for Appropriation	9,645	9,756	(111)	(1.13)
Company Value Addition	4,167	4,784	(619)	(12.94)
Company Value Addition %	29	29	-	-
Local Value Addition	6,880	7,988	(1,108)	(13.87)
Employees Salaries & Benefits	3,242	3,297	55	1.67

Balance Sheet

Total Assets	16,440	16,228	212	1.30
Total Liabilities	6,064	5,745	(319)	(5.50)
Share Holders' Fund	10,375	10,484	(109)	(1.04)
Net Cash & Cash Equivalent	2,630	3,325	(695)	(20.90)

Information Per Ordinary Share

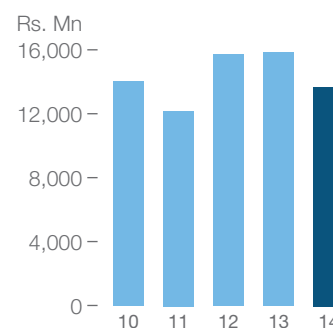
Earnings (Rs.)	2.91	11.46	(8.55)	(74.60)
Net Assets (Rs.)	144.39	145.90	(1.51)	(1.02)
Market Value (Rs.)	193.00	189.60	3.00	1.79
Dividends Approved (Rs.)	3.00	4.00	(1.00)	(25.00)

Market Capitalization Rs. Mn	13,869	13,624	244	1.79
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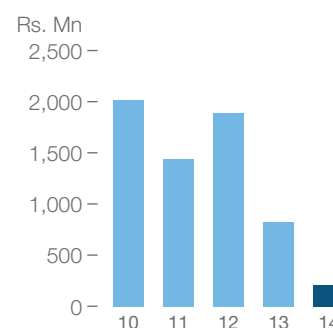
Financial Ratios

Net Profit after Tax (%)	1.5	5.2	(3.7)	(70.93)
Return On Investment (%)	1.3	5.1	(3.8)	(74.50)
Return On Assets (%)	1.2	5.0	(3.8)	(76.00)
Interest Cover (Times)	-0.7	4.5	(5.2)	(114.40)
Return On Equity (%)	2.0	8.0	(6.0)	(75.00)
Gearing Ratio (%)	0.0	0.0	0.0	0.00

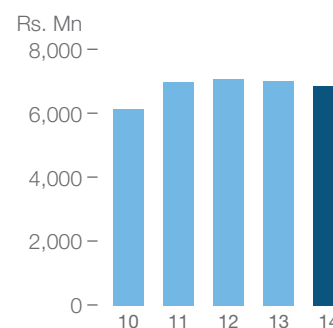
Total Revenue



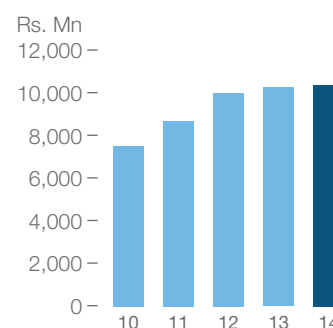
Profit After Tax



Net Working Capital



Shareholders Funds



Integrated Reporting Summary

Integrated Reporting Contents Elements	Annual Report Reference Page
Organizational overview and external environment: What does the organization do and what are the circumstances under which it operates?	Page 4,8,12 and 24
Governance How does the organization's governance structure support its ability to create value in the short, medium and long-term?	Page 8 and 46
Business Model What is the organization's business model?	Page 8 and 78
Risks and Opportunities What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?	Page 52
Strategy and Resource Allocation Where does the organization want to go and how does it intend to get there?	Page 8 to 11 and 12 to 17
Performance To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?	Page 8, 12 and 39
Outlook What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?	Page 8 to 11 and 12 to 17
Basis of Preparation and Presentation How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?	

Chairman's Statement



“Sri Lanka’s geographic location in the cross currents of international shipping routes, will continue to be an advantage for the Colombo Dockyard to attract international business for shipbuilding and repairs.”

The Colombo Dockyard PLC is a vibrant representation of a collaboration that has lasted for over 20 years between Japanese and Sri Lankan private sectors. I am greatly honoured by this opportunity to steer this partnership forward. In accepting this new responsibility, I would like to express my appreciation to the Onomichi Dockyard of Japan, for their confidence in me, and I look forward to working in cooperation with all shareholders. I would also like to express my deep appreciation to the former Chairman and MD/CEO for Their contributions to the development of this Company. Although they have bid us goodbye, they have left behind an indelible legacy in the heart of this Company.

As the new Chairman, one of my first public tasks will be the presentation of this annual report to all the stakeholders of the Company. In doing so, I would like to set out the strategic vision for the Company’s future and plans for growth, over the short to medium term.

On the offset, I would like to state that the Company is not expected to undergo any major changes in terms of its ownership and business model. The Onomichi Dockyard of Japan does not envisage any changes to its current majority shareholding of 51% and it will continue its appointment of three members to the Board of Directors, including the Chairman. Onomichi will also continue to support the Colombo Dockyard’s strategic decisions, technology transfers, quality and productivity systems.

At present the Colombo Dockyard’s business comprises the three areas of shipbuilding, ship repairs and supply of steel fabrications for heavy industries through its fully owned subsidiary the Dockyard General Engineering Services (DGES), the. Ship building accounts for approximately 75% of total turnover, ship repairs about 24% of the business and steel fabrications for heavy industries accounts for the balance 1% of the business. This business composition will be continued into the next 2-3 years with expansion anticipated in all three areas. In this context my contribution to the Company will be in guiding it through a growth phase, by diversifying into new markets, expanding business and becoming more internationally competitive, over the next 3-5 years.

Chairman's Review

Situation Analysis

Globally, the prevailing low oil prices can be expected to have negative impacts on revenues of the Colombo Dockyard, as we are mainly manufacturing offshore support vessels for the oil drilling industry. With oil prices on a declining trend, investment interest in oil drilling is also slowing down, which may have a knock-on effect on our future orders for offshore support vessels. Meanwhile, at a domestic front, the strong Sri Lankan rupee has reduced our international competitiveness against other dockyards in the Asian region. However, on the flip side the strong dollar has made imports cheaper, lowering our import raw material costs. Two other factors that affect our future growth prospects are the high interest rates and difficulty in accessing land for expansion. While interest rates have seen a gradual decline over the last few years, the current rates, in the ranges of 12%, remains relatively high. Access to suitable land is becoming increasingly urgent, as the Colombo Dockyard needs land to expand, to support future output growth.

Sri Lanka's geographic location in the cross currents of international shipping routes, will continue to be an advantage for the Colombo Dockyard to attract international business for shipbuilding and repairs. The close proximity to the growing Indian market in particular, may offer many opportunities for the Company in the coming years. Sri Lanka's educated and English speaking workforce, is another positive situation. A significant weakness is the comparatively lower labour productivity.

In reviewing the strengths and weaknesses of the Company, one of our greatest strengths is in being the only private sector shipyard and heavy industry manufacturer, for the

"To sustain growth at the Colombo Dockyard over the short term, we will focus on productivity improvements that will reduce costs, while also increasing business volumes."

whole of Sri Lanka. The Company's long history has resulted in the build-up of specialised expertise for ship repairing, and has established us as a reputed shipyard in the Asian region. Due to these reasons we enjoy a high rate of repeat clients.

A weakness, is the comparatively higher labour costs and lower productivity due to overstaffing and narrow job specialisation. Currently the Company is over staffed compared to other Asian shipyards. Our competitors in China, Malaysia, Singapore, Myanmar and Vietnam too, operate under the multi-skilling model. In Sri Lanka, the heavy reliance on traditional job specialisation, is reducing our international competitiveness. Employees in Sri Lanka, also face difficulty in commuting to and from work, due to strained public transport systems, which again contributes to lower productivity.

The Colombo Dockyard is facing rising competition from the emerging markets of Bangladesh, Myanmar and Vietnam. These countries already enjoy investments in shipyards and heavy industries, from Japan and other advanced nations. This will soon improve their technology and quality standards. The combination of higher productivity with improved quality standards in these emerging shipyards will soon pose a serious threat to the Colombo Dockyard by being able to match our quality at lower prices.

At present the Colombo Dockyard's capacities can accommodate the construction of four new vessels per year, and about 160 ship repairs per year. This limitation is determined by the available dock space. The Colombo Dockyard has a total of four dry docks. Therefore, under current manufacturing systems, we have already reached



saturation point and cannot increase business volumes. For logistical reasons associated with ship building and maintenance, land expansion should ideally be within the Port premises. However, to-date, it has not been possible to acquire suitable land. Our subsidiary, DGES on the other hand, has the capacity to grow its volumes.

Growth Strategy

For sustained growth into the future, the Colombo Dockyard requires physical expansion space. Therefore, we will continue to negotiate with the relevant authorities to acquire suitable land for expansion. As the only heavy industry Company for steel structures and fabrications, Sri Lanka's national infrastructure development plans indicate many growth opportunities for DGES. We are already planning a new factory facility to manufacture steel bridges.

To sustain growth at the Colombo Dockyard over the short term, we will focus on productivity improvements that will reduce costs, while also increasing business volumes. At present the Company can manufacture four ships annually. I believe this can be increased to five ships by introducing more efficient production systems. Proposed new international maritime regulations will also provide new opportunities. Vessels will soon be required to comply with water treatment regulations. The Colombo Dockyard is capable to provide ships with ballast water purification systems that will comply with International Maritime Organisation regulations. This will be a large new market for the Company.



Our future long term growth strategy will have a five pronged approach, where we will seek growth opportunities in the five areas of technology, logistics, energy, communications,

and infrastructure. Technology developments have opened avenues to manufacture high value, specialised vessels. While these vessels require greater technical skills, such niche markets are less competitive and are more profitable than standard vessels. While the Colombo Dockyard's current level of technology cannot accommodate such vessels, this is possible in the near future through a strategic partnership, for technology transfer. We are already developing employee skills to support manufacture of hi-tech systems, sensor technologies and electro-hydraulic control systems. Meanwhile, in the transportation area, there are opportunities to manufacture vessels to transport equipment. International developments in renewable energy too, could lead to opportunities for Colombo Dockyard. Sri Lanka's road development projects meanwhile, will create demand for steel fabrications from DGES.

Appreciations

I would like to extend my warm appreciations to all the Board of Directors, employees, customers and the national authorities for the support of the Company during the year. I look forward to their continuous cooperation.

Dr. Toru Takehara
Chairman

2nd March, 2015
Colombo

Managing Director / CEO's Review



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

I am pleased to report on the performance of our Company and subsidiaries for the year 2014, demonstrating another busy year that saw an income of Rs. 14.6 billion. All Business Units contributed to this moderate result, including the growth of our Net Fixed Assets by 2.6%.

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

Having spent nearly two decades of my life in the service of this company, the opportunity to present my first annual report as the CEO and Managing Director of the Colombo Dockyard, is perhaps one of the greatest honours of my life. Taking over from an industry figurehead like my predecessor, Mr. Mangala Yapa, I know I have some very big shoes to fill. However, I will endeavour to discharge my duties to the best of my abilities, and with the best long term interests of this organisation in mind, at all times.

I also take this opportunity, with all the employees of the Company, to extend my warmest thanks to our outgoing Chairman, Mr. Akihiko Nakauchi, and to our outgoing Managing Director / CEO, Mr. Yapa, while offering a warm welcome to our new Chairman Dr. Toru Takehara, who assumed duties on 1st September, 2014.

An Exciting Year

In addition to my taking over the helm of the Colombo Dockyard, 2014 was a memorable year for a number of reasons. To start with, in 2014, the Colombo Dockyard celebrated its 40 year anniversary. We celebrated this historic occasion with a small but intimate religious ceremony with our staff, where we commemorated our journey over the past four decades, and asked for blessings for the future. On another celebratory note, the successful completion and delivery of the biggest ship ever built by the Colombo Dockyard, or any Sri Lankan Company, at 99 meters in length, became a reality in 2014. We also gained recognition for our work, with the Central Bank awarding us the “Global Commerce Excellence Award” for our contribution towards national exports. Meanwhile, our annual report for the year 2013 won Gold, as the best annual report in the Services Sector, for the fourth consecutive year, at the Annual Reports Awards, presented by the Institute of Chartered Accounts of Sri Lanka.

Managing Director / CEO's Review

On the business development front, despite the persistent downturn in the global shipyard business, I am excited to report that the Colombo Dockyard has attracted orders from new markets. In 2014, for the first time in our history, we secured orders for ship repairs from Ethiopia and Germany. These are new markets for us, as our markets have traditionally been closer to home, from such destinations as India, Singapore, and of course right here from Sri Lanka. During the year we also successfully completed 160 ship repair orders and delivered three new ships, while securing eight more new ships to be delivered during the 2015 – 2017 period. We also continued to maintain strong business relationships with ship owners in the region. Our high quality ship repair services exceed expectations of our customers and are above the average quality and service levels offered in other regional ship yards.

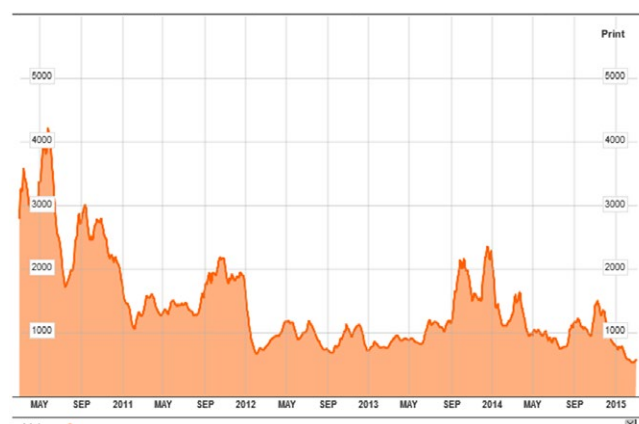
Ship Building Operations

International demand for new ships and maintenance continued to remain sluggish following the global recession of 2008/9. Exacerbating this situation, we are facing rising competition from regional shipyards that are resorting to price competition to stay afloat in this shrinking market. As shipyards generate high overheads even in times of low operations, due to the technical nature of the business involving machinery, equipment and skilled labour, the past five years have been exceptionally difficult for the financial health of the Colombo Dockyard.

Therefore, in an attempt to sustain growth, the Colombo Dockyard launched an aggressive business development strategy in 2012, that saw the company take on new and hitherto untried ship building projects. Under this diversification strategy we undertook the complex engineering task of building two 400 passenger ships for an Indian client.

While this venture has ultimately been successful in terms of product quality and customer satisfaction, we also experienced significant loss of contribution through this project. This was mainly due to our workers having to gain experience on the job, in building such vessels, and also due to capacity constraints in accommodating the construction of two ships of such complexity and large size. As a result, There were less contribution generated from these two ships, which had a severe negative impact on our bottom line when the orders were completed by end-2014.

As I took over the position of CEO/ MD, in April 2014, an immediate challenge was to ensure the successful completion of this tender, while also minimising losses. Failure to deliver would have been detrimental to the reputation of the Company. I am happy to report that despite our lack of experience in building this type of vessels, the Colombo Dockyard's unparalleled seal of quality, teamwork, and ability to learn, has made this project a great success. One vessel was delivered in October 2014, and the second, was handed over in February 2015.



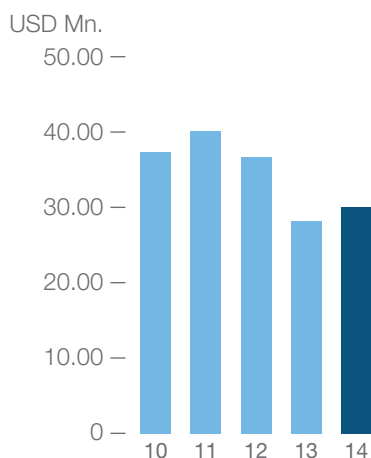
Baltic Dry Index measures the demand for shipping capacity versus the supply issued by London based Baltic-exchange.



Ship Repair Operations

We experienced space constraints for the ship repairs during the year, due to the construction of the two passenger vessels taking up nearly 25% of the yard space available for ship repairing. Nevertheless, the ship repair sector reported a marginal growth in 2014, against the previous year. This sector is expected to show improved results in years to come with more space now available for ship repair work.

Ship Repair Revenue

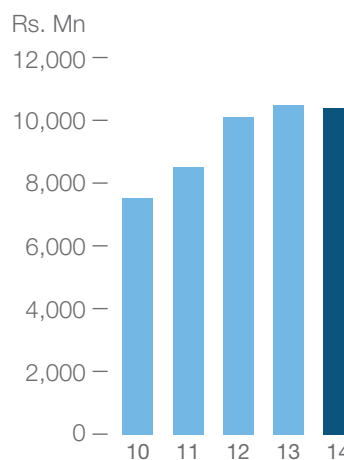


Financial Performance

As a result of the unplanned cost overflows from the two passenger vessels discussed above, our revenue dropped by 14% against 2013. Our profitability plummeted by almost 75%, against 2013. We were also not able to offset the higher costs through rupee depreciation, as the rupee remained exceptionally stable throughout the year. However, our profitable ship repair business contributed significantly towards alleviating the overall impact on profitability. We closed the year with profits after tax at Rs 209.2 Mn, compared to Rs 823.7 Mn in 2013. The lower profitability of the Colombo Dockyard also weighed down Group profitability by 68.5% against the previous year.

Although short term profits showed a lower rate of growth in 2014, the Company acquired expertise and experience in medium scale passenger ship building technology. We now have hands on experience in state of the art passenger vessel building technology that is fully compliant with international maritime laws (SOLAS). This is another landmark achievement in the growth trajectory of the Company. Although such value creation cannot be quantified and added to the Shareholder Fund, such expertise will definitely give returns in the years to come.

Shareholders' Fund



Managing Director / CEO's Review

Safety, Health and Labour Relations

Due to our continuing focus on improving workplace safety standards, I am happy to report a 36% reduction in accidents at work, during the year. In addition, we continued to enjoy a cordial relationship with the Dockyard Unions. Our latest collective agreement with the union is operational for the three year period, 2014 – 2016, until a new agreement is signed.

We have invested over Rs 18.0 Mn in training during 2014, to support our growth through skill building and efficiency enhancements of our work teams. During the year, we also revised upwards, the training fees at our specialised maritime training facility and accommodated 350 trainees from a number of technical institutes for on the job and class room training.

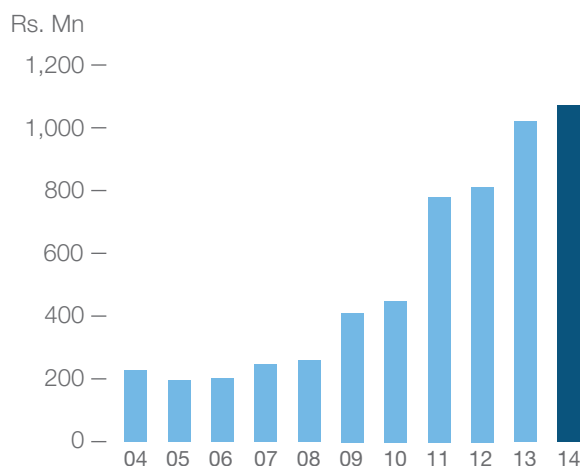
Infrastructure Development

During the year the Company enhanced capacity by adding a 500 MT press, with advanced technology, and a four story service building with 20,000Sq feet, at a cost of Rs. 500.0 mn

Performance of Subsidiary

Our fully owned subsidiary Dockyard General Engineering Services (Pvt) Ltd (DGES) meanwhile, recorded a strong year, with a Rs 1.1 bn turnover, which is an 5.2% increase against 2013 and a profit after tax of Rs 91.4 Mn.

DGES Revenue



“As the CEO of the Colombo Dockyard, my primary task is to ensure that our growth is sustained into the future. To do this, I plan to leverage our tried and tested strengths. The main threat to our growth over the short term remains the low demand and rising competition scenario.”

Partners

Ceylon Shipping Agencies (Pte) Ltd, of Singapore, continued to serve as our value added partner in sourcing urgent material, especially for ship repairs.

Share Prices

Despite the difficulties of the year, our share price saw an upward movement, indicating market confidence in the Company's future. Share prices closed at Rs 193.00 as at 31st December 2014, compared to Rs 189.60 by end-December 2013.

Plans for the Future

Having spent nearly 20 years of my life with this company, I believe one of our greatest strengths is our adaptability and ability to learn. From being a small scale ship repairing facility two decades ago, with an annual turnover in the range of Rs 25 Mn to Rs 30 Mn, we have now grown into a shipyard with an annual turnover exceeding Rs 14,000 Mn. This growth has been supported by large injections of infrastructure, training, and skill development under the patient guidance of our Japanese majority shareholder. Today we are debt free and fully equipped to compete as an international standard shipyard.

As the CEO of the Colombo Dockyard, my primary task is to ensure that our growth is sustained into the future. To do this, I plan to leverage our tried and tested strengths. The main threat to our growth over the short term remains the low demand and rising competition scenario, which I do not see changing for the better in 2015. Therefore, I believe it is imperative that we reduce our operating costs, while maintaining, or enhancing, our quality standards, to become more price competitive. I believe our core strengths of adaptability and ability to learn, will enable this transition.

Therefore, a core area of focus in 2015, will be on identifying and eliminating waste, and improving production efficiencies, to reduce overall operating costs. New technologies, new production and management methods and waste reduction techniques will be utilised to realise this. We are already expanding our existing rain water harvesting mechanisms from one dry dock to the second dry dock. This will contribute significant savings on water bills, while also helping to reduce the environmental impact of our operations. In addition, Colombo Dockyard engineers were sent to Japan, to study the latest developments in work-study planning, to streamline our operations for maximum productivity. During the new financial year, we will continue to identify new and innovative methods to increase our competitiveness.

Our second growth strategy will be to expand our shipbuilding portfolio to include a wider range of small vessels. To date, our small-scale ship building has been mainly confined to offshore support vessels. However, the Colombo Dockyard has the capacity to accommodate other types of vessels, such as harbour tugs and barges.

A third growth strategy will be to increase business volumes. In 2015 we expect enhanced dry dock and berthing space for ship repairs, which we hope will increase our capacity by 10%, without an increase in operating costs. We will also continue to renew existing agreements with shipping lines to retain volumes.

Already our Shipbuilding order book for 2015 has been secured and our existing workload will see us into 2017. Our current shipbuilding orders include four offshore support vessels for Singapore, which is in addition to an ongoing order for four more offshore vessels. With business growth, we will also consider expanding our operations to another location.

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



Ranil Wijegunawardane
Managing Director/ CEO

02nd March, 2015
Colombo

Board of Directors

(As at 2014.12.31)



1. Dr. Toru Takehara

Chairman

Phd. in Mechanical Engineering Nagaoka University of Technology, Japan

Appointed to Colombo Dockyard PLC (CDPLC) Board on 01st September 2014.

Director of CDPLC Subsidiaries, Dockyard General Engineering Services (Pvt) Ltd and Ceylon Shipping Agency (Pte) Ltd, Singapore.

2. Sarath De Costa

Vice Chairman

Dip. Foundry Engineering

Former Consul General for Sri Lanka in Osaka, Japan.

Appointed to 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., and Ceylon Shipping Agency (Pte) Ltd., Singapore. Also serves as Vice President of Sri Lanka - Japan Business Co-operation Committee, Japan.

He also serves as Vice President - Sri Lanka - Japan Business Co-operation Committee, Life Member - Japanese Sri Lanka Technical Co-operation Association and a Member - Sri Lanka Japan Friendship Society.



He was a Representative - Board of Investment of Sri Lanka (1992 - 1997) 05 years, Vice President - Japanese Sri Lanka Technical Co-operation Association, Patron - Department of Neurosurgery Trust (National Hospital), Trustee - National Health Development Fund (Ministry of Health), Special Envoy / Advisor- Board of Investment of Sri Lanka from 2006 and a Member of Advisory committee - Ministry of Wild Life Resources Conservation.

3. Ranil Wijegunawardane

Managing Director/ CEO

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

Appointed to the Colombo Dockyard PLC (CDPLC) Board as Managing Director/ CEO on 10th April 2014.

Over 31 Years experience in the field of Finance, of which 20 years at CDPLC. Overlook finance affairs of two subsidiaries, Dockyard General Engineering Services (Pvt) Ltd and Ceylon Shipping Agency (Pte) Ltd.

Serves as Chairman of Dockyard General Engineering Services (Pvt) Ltd., Director of Ceylon Shipping Agency (Pte) Ltd., and Director of Sri Lanka Port Management & Consultancy Services (Pvt) Ltd. Committee Member of National Chamber of Exporters of Sri Lanka (NCE), Member



of Lloyd's Register - South Asia Advisory Committee, Member of DNV GL - South Asia Committee.

Exposure: Corporate Management Program organized by AOTS Japan (2011), IFRS - Study program conducted by CA Sri Lanka/ ACCA (2011), Business Law for Managers conducted by National University of Singapore (NUS).

4. Y. Kijima

Director

Bachelor of Naval Architect, Hull Engineering

Appointed to the CDPLC Board on 25th March 2008. Former Technical Advisor to CDPLC. Joined Onomichi Dockyard Co, Ltd. Japan in 1969 as Manager in Hull Repair section at Onomichi Dockyard Co, Ltd. Appointed Director of Asahi Sangyo, subsidiary of Onomichi Dockyard Co, Ltd.

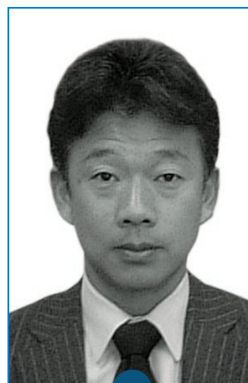
He is an Expert in Hull Repair in the Japan International Corporation Agency.

5. T Nakabe

Director

B.A (British American Literature) Tamagawa University

Appointed to CDPLC Board in March 2010, and is the President of Onomichi Dockyard Co, Ltd Japan.





6

6. 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 Ganlath's Secretarial Services (Pvt) Ltd, Foreign Investment Facilitators (Pvt) Ltd., Migration Facilitators (Pvt) Ltd., He is also a Director of Electro Amp (Pvt) Ltd., and D G Plantations (Pvt) Ltd., Registered Australian Migration Agent.

7. H A R K Wickramathilake

Director

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

Appointed to the CDPLC Board in 1995. Chairman, Mercantile Marine Management Ltd., Mercantile Emerald Shipping (Pvt) Ltd., Royali Power (Pvt) Ltd and Royali Agro (Pvt) Ltd. Director of Mercantile Shipping Company PLC and several other companies in the Mercmarine Group.

8. Janaki Kuruppu

Director

B.Sc (Maths) University of Colombo, MA (Statistics) University of Missouri USA

Appointed to the CDPLC Board in August 2010. The present Chairperson of the Sri Lanka Tea Board, she is also the



7



8



9

Chairperson of the Mother Sri Lanka Trust and the Advisor on Food Security at the President's Office of Sri Lanka. She has had an illustrious career of over 20 years in a variety of industries which covers research and consultancy, agri-business, food manufacturing, retailing, banking, academics, media and engineering and held Director positions at Commercial Bank PLC, Sathosa, Cargills Ceylon PLC and as Managing Director of the Nielsen Company. She is also a member of the global steering committee of AgriFin which is an agriculture finance fund set up by the World Bank and the Bill & Melinda Gates Foundation to support the activities of financing for Agriculture, particularly for smallholder farmers.

9. P. Kudabalage

Director

B.Com (Hons) University of Kelaniya, FCA, FCMA, FCPM

Mr. Piyadasa Kudabalage was appointed to the Board of Colombo Dockyard PLC in May, 2011. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka. He holds a B.Com (Hons) Degree from the University of Kelaniya. He is also a fellow member of the Institute of Certified Management Accountants of Sri Lanka and the Institute of Certified Professional Managers of Sri Lanka.

Mr. Kudabalage is the Managing Director of Sri Lanka Insurance Corporation Ltd., and he is also the Managing Director / Chief Executive Officer of Litro Gas Lanka Ltd, Litro Gas Terminal Lanka (Pvt) Ltd, Canwill Holdings (Pvt) Ltd, Sinolanka Hotels & Spa (Pvt) Ltd, Taprobane Hotels & Spa (Pvt) Ltd, Helanco Hotels & Spa (Pvt) Ltd., and Canowin Hotels and Spas (Pvt) Ltd. He is the Chairman of the People's Merchant Finance PLC. He also serves the Boards of Peoples' Bank Management Services Rakshana, Sri Lanka Insurance Corporation (Pvt) Ltd – Maldives, People's Leasing & Finance PLC, People's Leasing & Finance PLC, People's Leasing Property Development Ltd, People's Microfinance Ltd as a director and a Senior Partner of M/s P Kudabalage & Company, Chartered Accountants.

He has well over 25 years experience in the mercantile sector and has held several senior positions prior to assuming the duties of the aforesaid companies.

Key Management Profile



1

1. Ranil Wijeygunawardana

Managing Director/CEO

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

Over 31 Years experience in the field of Finance, of which 20 years is at CDPLC. Overlook finance affairs of two subsidiaries, Dockyard General Engineering Services (Pvt) Ltd., and Ceylon Shipping agency (Pte) Ltd.

Serves as Director of Ceylon Shipping Agency (Pte) Ltd., and Chairman of Dockyard General Engineering Services (Pvt) Ltd.

Serves as Chairman of Dockyard General Engineering Services (Pvt) Ltd., Director of Ceylon Shipping Agency (Pte) Ltd., and Director of Sri Lanka Port Management & Consultancy Services (Pvt) Ltd. Committee Member of National Chamber of Exporters of Sri Lanka (NCE), Member of Lloyd's Register – South Asia Advisory Committee, Member of DNV GL – South Asia Committee.

Exposure: Corporate Management Program organized by AOTS Japan (2011), IFRS – Study program conducted by CA Sri Lanka/ ACCA (2011), Business Law for Managers conducted by National University of Singapore (NUS).



2

2. D.V. Abeysinghe

General Manager (Projects & Engineering)

BSc Engineering (Hons) from University of Moratuwa, C Engineering, M.I.E (SL), MCPM (SL)

With over 29 years at CDPLC, he is experienced in Shiprepair, Heavy Engineering and Shipbuilding sectors including 01 year training on shipbuilding, repairing and maintenance in Japan.

3. N.M.K.B. Nayakarathne

General Manager (Commercial)

B.Sc Engineering (Hon) from University of Moratuwa

He has more than 30 years experience in the related field of which 26 years has been at CDPLC and 2 years overseas.

4. Mangala De Silva

General Manager (Human Resource Development & Administration)

MBA. (Sri.J), Dip. M . CIM (UK), MABE (UK), Attorney-At-Law

Has over 25 years of experience at CDPLC in the field of Human Resource Management and Administration. A life member of the Bar Association of Sri Lanka, PIM Alumni Association and member of the Association of Business Executives (UK). Qualified as a Lead



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Auditor certified by LRQA. Trained in Solving Human & Organizational Problems, under AOTS in Nagoya, Japan.

5. Shantha Perera

General Manager (Production)

B.Sc.Eng. (Hons) University of Moratuwa

Over 29 years experience in the field of Heavy engineering, Ship repair and Shipbuilding, with 24 years at CDPLC and 4 years overseas holding managerial level positions in Quality Control, Training Development, Project Management and Production Management.



6. T.G. Weerasinghe

General Manager (DGES)

BSc Eng. University of Peradeniya

With over 20 years experience at CDPLC and 5 years at DGES, experienced in Shiprepair, Shipbuilding and in Heavy Engineering sectors. He has trained in Japan for 3 months in Ship Building Management. Member of the Ceylon National Chamber of Industries.



7. R.M. Vajira Rathnayaka

General Manager (Logistic)

B.Sc, MBA (Aus), GDMM (S'pore)

Joined CDPLC in 1996.

Has over 19 years of experience at CDPLC in the field of Chemical Engineering and Logistics.



8. P.D. Gihan Ravinatha

Chief Financial Officer

FCA

Over 12 years' experience in the field of Finance, with 8 years at audit sector and 4 years at CDPLC.



Fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) having an excellent academic track record including first in order of merit of final part I examination and first in order of merit for the subject of Management Accounting in 2006. He is currently reading for the Master of Business Administration (MBA) at Post Graduate Institute of Management, University of Sri Jayawardenepura.

9. Manori Mallikarachchi

Manager (Legal)/Company Secretary

Attorney-at-Law & Notary Public

Joined CDPLC in 1996.

Has over 19 years of experience at CDPLC in the field of Legal, Secretarial & Compliances.



This year the Company's Shipbuilding sector delivered three vessels and signed new contracts for the construction of four more vessels for a Singaporean Owner. The new orders further strengthen our track record for building Offshore Support Vessels, which has been the niche, we have been focusing on since 2006.

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"M.V. CORALS" a 400 passenger vessel built by Colombo Dockyard PLC for India (Delivered in 2014 October)

Management Discussion and Analysis

The Operating Environment and Economic Trends

Global Economy

WORLD BANK : Global Economic Prospects | January 2015

Global Outlook: Disappointments, Divergences, and Expectations Global Economic Prospects, January 2015

As in the previous three years, growth in 2014 has disappointed. Compared with the June 2014 Global Economic Prospects, global growth was revised down by 0.2 percentage point in 2014 to 2.6 percent, 0.4 percentage point to 3 percent in 2015.

Increasingly divergent trends are at work in major economies. The recovery gained traction in the United States and the United Kingdom but is struggling in the Euro Area and Japan, while a carefully managed slowdown is underway in China.

Several major forces shape the global outlook in 2015-16: easy, but tightening, financial conditions; continued soft commodity prices; and weak global trade.

Risks to this slow-moving global recovery are significant and tilted to the downside.

The forces driving the global outlook and the associated risks pose significant policy challenges.

The global economy is still struggling to gain momentum as many high-income countries continue to grapple with legacies of the global financial crisis and emerging economies are less dynamic than in the past.

Global growth in 2014 was lower than initially expected, continuing a pattern of disappointing outturns over the past several years. Growth picked up only marginally in 2014, to 2.6 percent, from 2.5 percent in 2013. Beneath these headline numbers, increasingly divergent trends are at work in major economies.

Several major forces are driving the global outlook: soft commodity prices; persistently low interest rates but increasingly divergent monetary policies across major economies; and weak world trade. In particular, the sharp decline in oil prices since mid-2014 will support global activity and help offset some of the headwinds to growth in oil-

importing developing economies. However, it will dampen growth prospects for oil-exporting countries, with significant regional repercussions.

Overall, global growth is expected to rise moderately, to 3.0 percent in 2015, and average about 3.3 percent through 2017. High-income countries are likely to see growth of 2.2 percent in 2015-17, up from 1.8 percent in 2014, on the back of gradually recovering labor markets, ebbing fiscal consolidation, and still-low financing costs. In developing countries, as the domestic headwinds that held back growth in 2014 ease and the recovery in high-income countries slowly strengthens, growth is projected to gradually accelerate, rising from 4.4 percent in 2014 to 4.8 percent in 2015 and 5.4 percent by 2017. Lower oil prices will contribute to diverging prospects for oil-exporting and importing countries, particularly in 2015.

World Economic Outlook (WEO) Update

Cross Currents

January 2015

- Global growth will receive a boost from lower oil prices, which reflect to an important extent on higher supply. But this boost is projected to be more than offset by negative factors, including investment weakness as adjustment to diminished expectations about medium-term growth continues in many advanced and emerging market economies.
- Global growth in 2015-16 is projected at 3.5 and 3.7 percent, downward revisions of 0.3 percent relative to the October 2014 World Economic Outlook (WEO). The revisions reflect a reassessment of prospects in China, Russia, the euro area, and Japan as well as weaker activity in some major oil exporters because of the sharp drop in oil prices. The United States is the only major economy for which growth projections have been raised.
- The distribution of risks to global growth is more balanced than in October. The main upside risk is a greater boost from lower oil prices, although there is uncertainty about the persistence of the oil supply shock. Downside risks relate to shifts in sentiment and volatility in global financial markets, especially in emerging market economies, where lower oil prices have introduced external and balance sheet vulnerabilities in oil exporters. Stagnation and low inflation are still concerns in the euro area and in Japan.



Shipping Industry

Around 90% of world trade is carried by the international shipping industry.

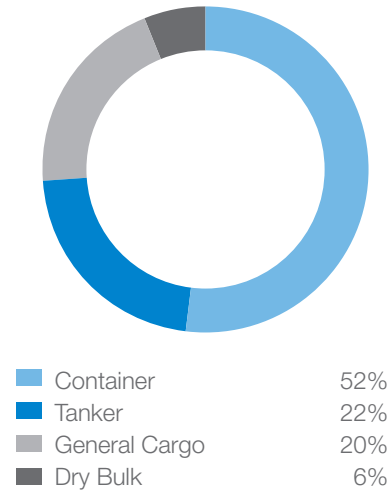
Without shipping the import and export of goods on the scale necessary for the modern world would not be possible.

Shipping Market Trend

- The shipping market continues to be very difficult. Since the 2008 market collapse, freight earnings have averaged only \$12,145 per day, less than half the \$27,178 per day in the 6 years before 2008
- Today's rate is \$11,270/day. The operating cost of an "average" ship is about \$7,000/day
- During the recession the world cargo fleet has increased by 60% while sea trade has only grown by only 27% (Chart 2: Growth of Sea Trade & Cargo Fleet).
- As a result surplus tonnage has accumulated over the last seven years (Chart 3: Layup & Shadow Surplus). Layup is low because slow steaming is absorbing the shadow surplus, but will speed up when freight rates improve, releasing the surplus.
- This surplus must be removed before the market returns to prosperity. The time this takes depends on demand growth; shipyard capacity and investment.

Seaborne trade continues to expand, bringing benefits for consumers across the world through competitive freight costs. Thanks to the growing efficiency of shipping as a mode of transport and increased economic liberalization, the prospects for the industry's further growth continue to be strong.

Value of World Seaborne Trade (US\$)



There are over 50,000 merchant ships trading internationally, transporting every kind of cargo. The world fleet is registered in over 150 nations, and manned by over a million seafarers of virtually every nationality.

Sri Lanka Economy

The Gross Domestic Product (GDP) grew by 7.7 per cent during the first half of 2014 compared to the growth of 6.4 percent recorded during the corresponding period of 2013.

This growth was primarily driven by the expansion in the Industry sector supported by the growth in services and Agriculture sectors.

Consequently, the Industry sector grew by 12.4 per cent during the first half of the year which was mainly attributable to the higher growth recorded in construction, mining and quarrying and manufacturing sub sectors.

Meanwhile, the Service sector grew by 6.1 per cent supported by the growth in sub sectors such as wholesale and retail trade, transport and communication and hotels and restaurants in line with favourable developments in external trade activities. The Agriculture sector recorded a growth of 3.1 per cent during the first half of the year supported mainly by the growth in fishing, coconut and other food crops sub sectors, in the midst of unfavorable weather conditions which adversely affected the paddy production.

Management Discussion and Analysis

The economy is projected to grow by 7.8 per cent in 2014 compared to the growth of 7.3 per cent recorded in 2013.

Consequently, growth during the second half of the year is projected to be around 7.9 per cent.

This growth is expected to be supported by all major sectors of the economy. Accordingly, the expansion in the Industry sector is projected to be sustained particularly through the growth in manufacturing and construction sub sectors. The growth momentum in the Services sector, driven by high growth in the wholesale and retail trade sub sector, with the expected growth in both external and domestic trade activities together with expansion in hotels and restaurants and transport and communication sub sectors with increasing demand would be the main contributors to expected growth.

The Agriculture sector is projected to grow at a moderate level with the expected decline in paddy production during the Yala season, amidst the increased output in fishing, other food crops, coconut and tea sub sectors during the second half of the year.

Prospects for 2015

Continuing the growth momentum, the Sri Lankan economy is expected to grow by around 8 per cent in 2015 as projected under the medium term macro-economic framework.

Favourable developments in domestic economic conditions and the gradual recovery in global economic environment would stimulate the growth momentum in 2015. In the domestic front, continuation of low interest rates prevailing in the market in line with low and stable inflationary environment and prudent monetary measures are expected to contribute in boosting private investment activities during 2015. In the fiscal front, commitment of the government to facilitate the growth trajectory through infrastructure development would continue in 2015 as well. In the external front, recovery of major trading partner economies would accelerate external demand contributing to an improved trade balance. Consequently, all major sectors of the economy i.e., Agriculture, Industry and Services are expected to grow favourably contributing to the projected growth.

The core inflation, on an annual average basis, decreased gradually from 4.1 per cent in January to 3.2 per cent in September 2014.

“With acquired experience and improvement to the final product, the vessels built by the Company have been able to secure charters immediately the vessel is delivered to the Owners. These Vessels have been chartered to oil majors such as ‘Petrobras’ of Brazil, ‘Petronas’ of Malaysia, SHELL of Netherlands, INPEX of Japan.”

This decelerating trend was observed for more than a year since June 2013. The year-on-year core inflation, which showed a mixed movement with low volatility, increased marginally from 3.5 per cent in January to 3.7 per cent in September 2014.

Inflation is expected to remain below mid-year single digit levels during the remainder of the year. This positive outlook is to be supported by well anchored inflation expectations, prudent monetary management, favourable price movements in the Non-food category and the moderation of prices in some agricultural commodities.

Inflation is expected to remain at around 4 per cent during the remainder of 2014 and below 5 per cent in the medium term. The recent reduction in domestic energy prices would have a direct as well as an indirect downward impact on inflation in the period ahead. The benign outlook for inflation is also supported by relatively stable international commodity prices and well anchored inflation expectations.

Appropriate forward looking monetary policy measures are expected to be implemented to maintain inflation at a level below 5 per cent.

Exchange Rate Movements

The exchange rate policy in 2014 is focused on allowing exchange rate flexibility, while absorbing excess liquidity in the foreign exchange market in order to prevent undue appreciation of the Sri Lankan rupee. Such intervention helped the central bank to accumulate official reserves and smoothen short term volatility of exchange rates. The Sri Lankan rupee gradually appreciated throughout the year amidst steady foreign exchange inflows by way of increasing export earnings from both goods and services, higher workers' remittances and inflows to the financial account in the form of the issuance of international sovereign bonds, foreign inflows to the government securities market, foreign direct investments, foreign loan inflows to the government and private sector and foreign investments in the CSE. Accordingly, the Sri Lankan rupee appreciated by 0.3 per cent against the US dollar by end September 2014. Meanwhile, reflecting the cross currency exchange rate movements, the Sri Lankan rupee appreciated against the pound sterling (1.8 per cent), euro (9.1 per cent) and Japanese yen (4.5 per cent), while depreciating against the Indian rupee (0.3 per cent) by end September 2014.

However, during the month of September, the Sri Lanka rupee depreciated marginally by 0.13 per cent in the backdrop of increasing imports and volatility in the equity and government securities markets.

Shipbuilding Sector

Overview of the Sector

This year the Company's Shipbuilding sector delivered three vessels and signed new contracts for the construction of four more vessels for a Singaporean Owner. The new orders further strengthen our track record for building Offshore Support Vessels, which has been the niche, we have been focusing since 2006. With acquired experience and improvement to the final product, the vessels built by the Company have been able to secure charters immediately the vessel is delivered to the Owners. These Vessels have been chartered to oil majors such as PETROBRAS of Brazil, PETRONAS of Malaysia, SHELL of Netherlands, INPEX of Japan to name a few. In some instances, Colombo Dockyard built vessels have been the Charterers preferred choice due to the Vessels reliability and high levels of crew comfort provided in these class of vessels.

Table 1 lists projects that were completed in the year 2014 and Table 2 lists projects that are presently under construction (work in progress) and which are scheduled to be delivered in 2015, 2016 & 2017.

Table 1

Project Name	Yard No.	Customer	Delivered	Country
Multipurpose Platform Supply Vessel Executive Tide	NC/0227	High Fortune Pte Ltd	January 2014	Singapore
Multipurpose Platform Supply Vessel Executive Sprite	NC/0228	Blue Castle Pte Ltd	July 2014	Singapore
400 Passenger cum 250 T Cargo Vessel MV Corals	NC/0229	Union Territory of Lakshadweep Administration Kavaratti	October 2014	India

Source: Company Data

Management Discussion and Analysis

Table 2: Projects to be completed and delivered in 2015, 2016 & 2017

Project Name	Yard No.	Customer	Scheduled Delivery	Country
400 Passenger cum 250 T Cargo Vessel MV Lagoons	NC/0230	Union Territory of Lakshadweep Administration Kavaratti.	February 2015	India
Multipurpose Platform Supply Vessel – TBN*	NC/0231	Able Sky Pte Ltd	March 2015	Singapore
Multipurpose Platform Supply Vessel – TBN*	NC/0232	Coastline Global Pte Ltd	July 2015	Singapore
Multipurpose Platform Supply Vessel – TBN*	NC/0233	Mighty Treasure Pte Ltd	November 2015	Singapore
Multipurpose Platform Supply Vessel – TBN*	NC/0234	Starry Wealth Pte Ltd	March 2016	Singapore
150 Ton Bollard Pull Anchor Handling Tug Supply Vessel – TBN*	NC/0235	Autumn Dragon Pte Ltd	May 2016	Singapore
150 Ton Bollard Pull Anchor Handling Tug Supply Vessel – TBN*	NC/0236	Proud Dragon Pte Ltd	September 2016	Singapore
150 Ton Bollard Pull Anchor Handling Tug Supply Vessel – TBN*	NC/0237	Noble Dragon Pte Ltd	February 2017	Singapore
150 Ton Bollard Pull Anchor Handling Tug Supply Vessel – TBN*	NC/0238	Galaxy Dragon Pte Ltd	June 2017	Singapore

*TBN – To Be Named

Source: Company Data

Key Operational Initiatives

The Management of the Company took some key operational initiatives in the form of significant upgrades to the infrastructure over the recent years which have played a vital role in the reduction of construction time of a Vessel. Installation of the 500 Ton Press, Installation of the 160 Ton Crane, and the Installation of the CNC machine for steel processing, increased our productivity by a number of folds. These initiatives have reduced the production man hours, improved the efficiency and reduced wastage of the steel processing activity.

Opportunities and Threats

With the rising demand in the world for oil and gas exploration and production, the company has rightfully identified the opportunities for growth prevalent in this sector especially in the field of its supporting infrastructure.

Similarly with the world looking out for alternative energy sources, there has been a rise in setting up offshore wind farms in the European region. This has brought about a rise in specific type of vessels required for the installation of these structures out at sea and vessels required to maintain these structures.

Setting up of these wind farms and deep water offshore oil and gas explorations will create demand for AHTSVs, PSVs and similar type of vessels.

With the setting up of new ports locally and regionally, it will bring about a new demand for Harbor Tugs, Work Boats etc... which are also part of our main focused sectors of our marketing activities.

Therefore, even during a shrunk market scenario in the shipping sector, our target market is moderately active and can capitalize on these markets. In addition, considering the facts revealed by market surveys, a large number of vessels currently operating in the offshore sector are now spending their final stage of their useful lifetime. Thus the Company has potential opportunities to grab and fulfill these requirements. The threat that we foresee is that even other far eastern shipyards have gradually shifted their attention to this niche market segment due to reaching a saturation point in the large vessel market segment which they were previously serving.

Considering regional markets, countries like India have major plans for the development of its infra-structure which also entails enhancing their passenger transportation fleets operating around its coastline. Already we have reaped encouraging results of transparent and professional cooperation with the Indian shipping fraternity, being awarded the construction of two numbers high end spec 400 Passenger cum 250 T Cargo Vessels and two numbers 250 Passenger cum 100 Ton Cargo Vessels for the Government of India.

Risks and Concerns

Statutory burdens, Financing Costs and high cost of Production inputs such as water, electricity and labour makes the company vulnerable. In addition, majority of inputs for shipbuilding are sourced from abroad and continuous increase in such imports have become a concern. Although the sector contributes immensely to the local economy, there is no State support or any kind of incentives offered, which is available to this sector in other countries. This is one of the major concerns the company has and these factors could affect our competitiveness in the international arena. As the company space is limited within the Port of Colombo, it has adversely impacted on expansion of the shipyard capacity in order to attract orders of comparatively larger vessels. Further, a large amount of revenue is generated from a few clients, thus the Company needs to give due consideration on the completion of these agreements without any cancellations. Since cancellation of any orders may adversely impact the revenue and profitability of the Company.

Future outlook of the sector

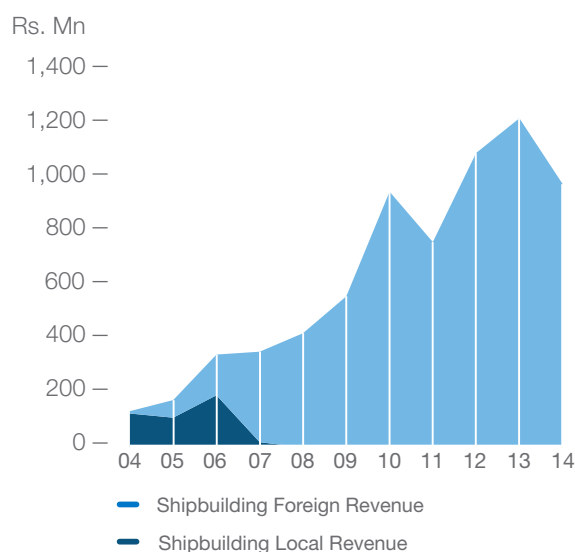
Although the global economy shows signs of improvement, the recovery has been slow, patchy and fragile. But with the rising offshore drilling activities, increasing production activities and with the exploration moving in to deeper, harsher and more challenging environments, a corresponding demand for Offshore Support Vessels is expected in the future.

With a track record of delivering more than 17 Offshore Support Vessels and 8 more OSVs on order, we are well placed to meet this demand by providing value added propositions to Customers.

In the local context, there are emerging opportunities with the commencement of the Hambantota Port and the Colombo South Harbour, which would open up new avenues for new business in the Tugs and Work Boat category.

The company has built up a track record of delivering on time, on budget, a high quality product. We have set up a system that continuously looks for ways to improve efficiency, whether through the enhancement of infra-structure and processes or through increasing productivity, innovation and quality of service. All this we perform using environmentally friendly practices and ethos, which we believe adds to our competitive edge.

Shipbuilding Revenue



Management Discussion and Analysis

Contribution to the Economy

The Shipbuilding sector not only contributed in a big way for the significant increase in the Company's annual turnover but also it has contributed enormously towards the foreign exchange generation to the local economy incidentally earning nearly 1.3% of the export revenue. Being the largest foreign income generating business activity the Company has placed a high priority towards this sector. All shipbuilding contracts undertaken since 2007 are exclusively for foreign buyers generating 100% foreign earning on shipbuilding contracts.

Ship Repair Sector

	2014	2013
Repaired in drydocks		
No. of Vessels	85	76
Total DWT	832,816	833,117
Total GRT	616,015	568,315
Afloat repaired		
No. of Vessels	63	83
Total DWT	1,495,345	1,493,939
Total GRT	981,081	996,238
Total number of vessels		
No. of Vessels	148	159
Total DWT	2,328,161	2,327,056
Total GRT	1,597,096	1,564,553

Overview of the Sector and Market changes

The market turn around, where is it ? Why is this market turn around phenomena not materializing as many pundits had predicted. The latest explanation is a "mysterious" situation where the market trends have moved in ways that contradict any of the predictions.

The year 2013 was marked as a year passing the threshold of difficulty; the year 2014 has taken it to levels higher than ever as presumed as the recession conditions stretched unexpectedly across the year.

The initial indications of a market turnaround was short lived as the expected recovery did not materialize, thus many predictions were proved wrong again!

The shipping industry players have been grappling to figure out when it will turn around and start to ascend, towards the end of 2014 we witnessed a glimmer of hope that the worst is over and the turn around has "finally" arrived, after quite a long wait of more than 3 years !

The year 2014 can be termed as one of the toughest years in terms of unpredictability of global / regional economic conditions, coupled with key machinery (Dock side Crane) maintenance were carried out affecting yard capacity for optimum performance during down time.

The year under review had many occasions, where owners have differed drydocking repairs by postponement of scheduled dockings. This trend had been continuing over the past few years, with the owners taking the extreme measures to spend even tightly to survive the difficult times.

The ship owner's "Survival Strategy" in drastic recession times is to minimize/ stop spending and delay the repairs as much as possible within the statutory regulations. This results in owners focusing on the mandatory classification society identified repairs.

The mandatory requirement for drydocking once in every two and a half years, has been extended to once in every five years, provided the owners carry out an in-water survey and clear the classifications requirements. This procedure has been gaining momentum with the technological advances in marine paints that can effectively protect the hull of the vessel for five years.

Thus the demand for drydocking has been obviously lower than in previous years, with many owners taking advantage of this regulation, this can be termed "God send" to ship owners in these tough market conditions, but not for the shipyards.

As a survival strategy the bigger vessel owners have laid-up of their non performing fleet to minimize losses, in recent times we can see activation of laid up tonnage with recovery of the market.

Increased Market Pressures on pricing and time / Regional Competition gaining momentum

The ship repair sector continues to counter heavy competition from the new yards that have gained momentum in their operations.

“ The year 2014 can be termed as one of the toughest years in terms of unpredictability of global / regional economic conditions.”

The owners demand for speedier turnaround times and even lower prices as competition levels are tighter with yards hungry for business, as the available (Business) pie is shared amongst new comers and the old players on the block.

The phenomenal changes in the markets have resulted in change of vessel types being operated in our regional waters. Neighboring Indian fleet dynamics have evolved over the past few recession years, with majority of old fleet heading for scrap yards and new tonnage replacing them.

This has resulted in a continuation of the smaller size vessels being accommodated for repairs in Dock No. 04 (125,000 DWT), with multiple drydockings taking place frequently.

The aggressive drive to fill in the void created by reducing the number of tankers due to market conditions as well as size restrictions has been successfully addressed by targeting other types of vessels. Mainly Container Carriers, Dredgers, Bulk Carriers, Cattle Carriers and Offshore Support Vessels.

The resultant buyers market with additional new alternatives (New shipyard entrants in the region gaining momentum) have created a steady competitive structure in the region, where the buyer (owner) has alternative options at a cheaper price as the new entrants are driving to establish themselves. (Even at loss making pricing levels to undercut competition).

Colombo has managed to survive this onslaught by providing a differentiated value proposition to the clients, with quality workmanship, timely delivery and a competitive pricing package. This offering is bundled with the strategic location convenience Colombo provides with its proximity to major marine routes.

Proportionate revenue contribution to total revenue of the company

The Year 2014 also saw the balance on ship repair to shipbuilding tilt towards shipbuilding, ship repairs generating 28% and 72% from shipbuilding. This has been the general phenomenon in many ship yards world-wide.

Ship repairs and Shipbuilding sectors operate sharing common resources in the shipyard, prime drydock slots have been released to accommodate the new-build hulls for completion of their assembly and final docking work scope.

During the year 2014, we have released Dock No. 01 (30,000 DWT) for shipbuilding projects for a cumulative period of 152 days. During the year 2013 the Dock No. 01 (30,000 DWT) drydock has been released for ship building for 303 days.

The Dock No.1 and 4 have been allocated to as and when needed to accommodate the newly built vessels, enabling them to be delivered on schedule.

Key Operational Initiatives and Achievements

The number of vessels repaired during the year 2014 has been 137 as against 144 vessels repaired during 2013. The Dead Weight handled during the year 2014 has increased to 2,303,124 Tons from 2,221,300 Tons in 2013.

The total number of vessels repaired in drydock is 78 (867,461 DWT) in 2014 as against 72 (788,873 DWT) in 2013. The 125,000 dwt drydock No.04 continued to accommodate various types of vessels, including a livestock carrier.

The Dock No.01-30,000 DWT drydock handled 14 (2) vessels with total of 63,710 DWT (1,423 DWT) (Released for Shipbuilding for 152 days), the Dock No.04-125,000 DWT Drydock handled 42 (47) vessels with a total 773,149 DWT (763,897 DWT) and Dock No.03-9,000 Dwt drydock handled 22 (23) vessels with a total Dwt of 30,602 DWT (23,701 DWT).

Management Discussion and Analysis

Establishing in Selected new Markets and Strategies / Entry into Diving Support Vessel Sector

The efforts to establish Colombo Dockyard as a reliable repair center for high end offshore support vessels have been successful with professional handling of the key projects diving support Vessel Seamec II (Owned by Seamec Ltd.) and Well Stimulation vessel Samudra Nidhi, (ONGC) reliable repairs with on time delivery.

These type of projects involve maintenance of highly sophisticated machinery and equipment; the shipyard mustered an experienced team to tackle the key project successfully.

Successful entry into this sector has opened up new avenues into high end repair of Diving / Multipurpose Support Vessels.



Well stimulation vessel Samudra Nidhi and Diving Support Vessel Seamec II accommodated in Drydock No. 01 during her repair call to Colombo.

Major Lay-up repairs carried out on livestock carrier Al Messilah: Colombo Dockyard has been a favored location for livestock carriers that return back for loading ports in Australia. Colombo handled many livestock carriers during the 90's, this was a key project handled successfully placing Colombo back again as a contender for these specialized vessels.



Livestock Carrier M.V. Al Messilah accommodated in Drydock No. 4 (125,000 DWT) during her repairs at CDPLC

Continued Brand building for “Colombo Dockyard” as a strategic repair center

Selected geographical areas were targeted with aggressive sales promotion campaign in Europe, Far East and the Indian subcontinent. This has been successful in breakthrough projects in the offshore sector and attracting major players such as Rickmers Ship Management, Germany.

Participation at the major marine exhibitions SMM Hamburg coupled with sales visits to meet the owners to promote the ship repair faculty with the active influence of the respective representatives in the territories has been successful, where good business has been generated.



MV. Fancort Kontor container carrier owned/managed by Rickmers Reederei GmbH & Cie. KG, Germany, accommodated in Dock No.01 during her call.

“ Selected geographical areas were targeted with aggressive sales promotion campaign in Europe, Far East and the Indian subcontinent. This has been successful in breakthrough projects in offshore sector and the attracting major players.”

Colombo Dockyard participated at the SMM 2015, one of the biggest marine exhibitions globally, which attracts the world shipping decision makers to Hamburg. At this event the shipyard partnered with M/s. Combitrade GMBH our representative in Germany. At this event we managed to portray the Colombo's ship repair capabilities to the European market.

Selected territories were penetrated with higher intensity with strengthened relationships and follow-up visits and campaigns have been carried out to enhance the 'Colombo Dockyard' presence in these regions. These efforts have successfully managed to place Colombo Dockyard as a "reliable" international shipyard meeting the quality standards of the ship owners at one of the strategic locations in the marine map.

Afloat Repair Unit

Afloat Repairs were tough as there was a limitation of yard space to handle afloat repairs, due to drydocking repair projects accommodating the available berth space.

One of the significant repairs carried out as an afloat project this year was the MV. Sea Lion. This vessel which had undergone engine trouble in the Indian Ocean, was towed to Colombo for repairs. The Greek owned vessel was accommodated at the Dolphin repair pier, where her engine repairs and other related repairs were carried out successfully.

ORV. Samudra Ratnaka was accommodated for major afloat repairs; the specialized research vessel was owned / managed by the Shipping Corporation of India.



ORV. Samudra Ratnaka accommodated at afloat repair berth during her repair call.

Afloat Repair unit drive to focus on vessel owners requirements for voyage repairs / port stay repairs. This unit handled significant repairs in Colombo, Galle and Trincomalee port during the year.

The afloat repair projects handled during the year 2014 were 59 (1,435,663 DWT) as against 72 (1,432,427 DWT) handled in 2013.

Management Discussion and Analysis

New Owners to Colombo

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

Vessel Name	Country	Owner
M.V. "CORSA"	Israel	A & A Shipping Ltd
M.T. "INTREPID REPUBLIC"	Cyprus	Bernhard Schulte Shipmanagement (Cyprus) Ltd
F.T. "LU RONG YUAN YU 118"	Sri Lanka	Blue Ocean Fishery (Pvt) Ltd
M.V. "MSC SIERRA -II"	Greece	Costamare Inc.
M.V. "YASAWA PRINCESS"	Maldives	Deep Blue Dive Centers Ltd
TUG "GLOBAL DESTINY"	Greece	Diavlos Salvage & Towage Ltd
M.T. "GEORGIOS"	Greece	Equity Shareholdings Ltd
M.V. "JAL VAHINI"	India	Global United Shipping India (Pvt) Ltd.
M.Y. "PANGAEA"	U.S.A.	Hill Robinson Internation Inc
LPG/C "GAS CHALLENGER"	Sri Lanka	Laugfs Maritime Services (Private) Limited
M.V. "GREEN OCEAN - 1"	India	Meenakshi Fishing & Trading Co.
M.V. "VYACHESLAV TIKHONOV"	Russian Federation	Novoship Technical Management
M.V. "ALAM AMAN II"	Singapore	Pacc Ship Managers Pte Ltd
TUG "OCEAN RESCUER"	Marshall Islands	Riya Shipping Corporation
M.V. "MALDIVES PRIDE"	Malaysia	Sawahil Lines (M) Sdn Bhd (852176K)
M.T. "SN AZZURRA"	India	Selandia Ship Management (India) Pvt. Ltd
M.V. "KOTA ANGGUN"	Singapore	Selandia Ship Management (Singapore) Pvt. Ltd
M.V. "ENDEAVOR"	France	Setaf Saget
M.V. "ANDROMACHE"	Seychelles	Seychelles Peoples Defence Forces
M.T. "SEYCHELLES PARADISE"	Seychelles	Seychelles Petroleum Company Limited
M.T. "SEAFALCON"	Singapore	Shipmate Pte Ltd
M.V. "KARISHMA II"	India	Shreeji Shipping Services (India) Limited
MSV "SEAMEC II"	India	South East Asia Marine Engineering & Construction Ltd
LPG/C "ORIENTAL OKI"	Philippines	Swan Shipping Corporation
M.V. "PACIFIC VENUS"	Taiwan,	Taichi Shipping Co., Ltd.
F.T. "CHUN I NO.217"	Taiwan	Tching Fuh Fishery Co. Ltd
M.V. "FALCON TRADER II"	Japan	Victoria Ship Management, Inc

Light at the end of the tunnel!

Finally light at the end of the tunnel! We can see the global markets recover, but the recovery remains uneven or shaky. Main economies returning "back to black" after a torrid recession period gives a positive outlook for 2015 and beyond.

This effect is visible across the shipping industry, where steady growth needs to be nurtured with care and supportive demand giving reason for optimism across the industry. The Industry predictions indicate as the year goes on that the markets are expected to strengthen with steady recovery of the markets.

Learnings in these tight market conditions have streamlined the in-house operational systems to counter these operational threats. Internal processors have been strengthened to mitigate the increased risk areas; looking at best practices used in other international shipyards to address this situation suitably.

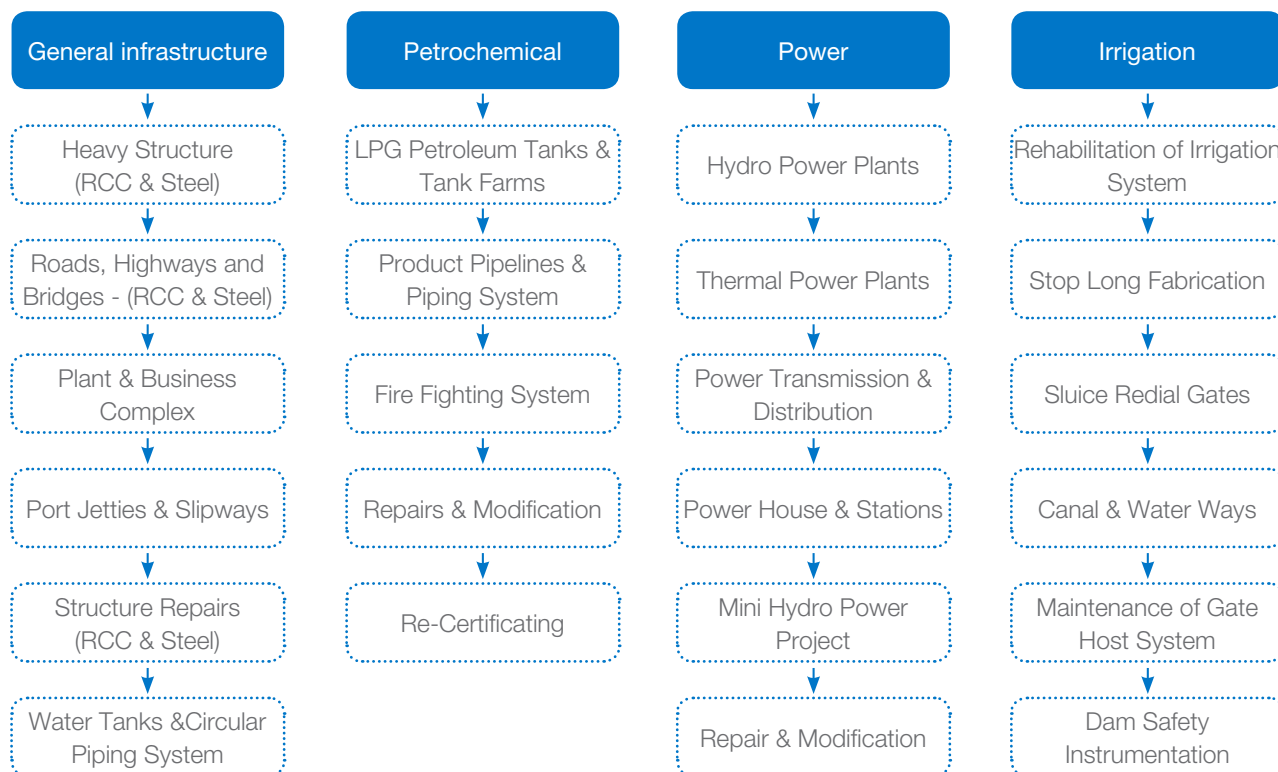
In this journey of excellence we have striven to build stronger relationships with our clients that will be carefully nurtured resulting in a sound base of repeat clients that will stay with “Colombo Dockyard” in any turbulent market.

In conclusion the ship repair sector has performed relatively well in a challenging time and one of the toughest years, is geared to take on the market challenges head on with an optimistic mind set and looking for the light at end of the tunnel.

Heavy Engineering Sector

Dockyard General Engineering Services (Pvt) Ltd., (DGES a fully owned subsidiary of Colombo Dockyard PLC (CDPLC), has emerged as a competent, reliable engineering entity meeting challenging needs in the engineering and Heavy Engineering sectors and allied services, in Sri Lanka. This transformation was mainly due to the repositioning of the heavy engineering arm of CDPLC to merge with DGES in 2009, in order to enhance the operating capacity. The focus diversified from General Engineering Services & Maintenance for which it was established, to higher end engineering work. The focus on distinctive fields of engineering such as general infrastructure, petrochemical, power and energy and irrigation was intensified after the strategic change.

Business Spectrogram



Management Discussion and Analysis

DGES Overall Outlook during 2015 and beyond

With our vision of being the premier heavy engineering service provider in South Asia, coupled with our dedication to perfection and uncompromising commitment, for the years ahead DGES will focus on upcoming national development projects like the Upgrading of Katunayake International Airport Project, Second New Kelani Bridge Project, Galle Port Development Project, Sampur Industrial Zone Project which is centred around the Trincomalee harbour, etc.

DGES is ready to undertake any complex and complicated projects in the field of heavy engineering utilising their unique engineering knowledge gained from Ship Repair, Ship Building and Heavy engineering since 1974. DGES is geared by the innovative & challenging leadership comprising local and Japanese expertise, a versatile and experienced management team, and a highly skilled and motivated workforce together with their dynamic combination drive the company to achieve the goals while ensuring that customers are provided right time, right quality and right price project deliveries.

The consistent Financial Stability of DGES enables the company to keep up with technological innovations and continue upgrading their State-of-the Art Workshops, thereby guaranteeing the effective and efficient delivery of the project output.

Pipeline projects for 2015

- Sand blasting and painting of inner and out surface of older Laxapana penstock number C & D has been awarded and will commence in early 2015.
- Surface treatment of boiler structure of Norochcholai Coal Power Plant for Ceylon Electricity Board.
- Remedial works of Victoria Dam Project.

DGES performance for year 2014

Expiration of project life times of most major national projects constructed in late nineties has created a potential market opportunity where their life time needs to be extended by recertification work. DGES has identified this market opportunity and concentrated more on repair work of such projects in the year 2014. As a pioneer in the field of engineering, DGES made a significant contribution to the nation and successfully undertook the projects listed below.

Remedial work of Polgolla Dam for Mahaweli Authority of Sri Lanka



Remedial Work of Polgolla Project

Dam safety & water resource planning is one of the mega projects funded by the World Bank through Mahaweli Authority of Sri Lanka to raise the operational safety of reservoirs. DGES contributed to this mega project by delivering Polgolla Dam Remedial Works in an admirable manner. As a first move, ten sluice gates as well as the gate drive system were repaired for smooth operation. The Sigma corrosion protection system was applied to the entire dam & its structure including both mechanical and concrete surfaces. DGES was able to convert the entire gate operation to a PLC based computerized system. The new system is reliable, sophisticated and easy to operate and enables the opening of the entire barrage within 30 minutes. Additionally, DGES successfully designed & built a trash rack cleaning machine for the Polgolla tunnel intake.

Repair Work of Surface Preparation

DGES is the regional expert in the field of surface preparation and application of industrial paints with a life time exceeding 10-15 years. The Government institutions' faith on the capability of DGES has resulted in the company being awarded the following projects.

Lankapana Hydro Power Plant

1. Successfully completed painting of outer surface of New Laxapana Penstocks No 1 and 2.
2. Sand blasting and painting of inner and out surface of old Laxapana penstock number C & D is awarded and will commence in early 2015.

Roughness Upgrading Project for Road Development Authority

DGES utilized their unique skills to upgrade the roughness of Uswetakeiyawa Road for the Road Development Authority and the wet sand blasting of UDA stone paved area in Arcade shopping mall in Independence Square.

Surface treatment of boiler structure of Norochcholai Coal Power Plant for Ceylon Electricity Board

This is a vital economic point in Sri Lanka. The main contractor, China Machinery Engineering Corporation has selected Dockyard General Engineering Services [Pvt] Ltd., for surface treatment of boiler structure of Norochcholai 300 MW Coal Power Plant with the consultation of the Ceylon Electricity Board considering the unique expertise in the painting sector. The repair scope is finalized and execution is scheduled for the year 2015.

Repair Work of Petrochemical and Power Sectors

Petrochemical Sector – Repair work at Litro Gas Terminal Lanka Ltd., Gas Terminals

In 1999 the company was involved in the construction of Shell Gas Terminal at Muthurajawela (presently known as Litro Gas Terminal) to construct a LPG plant with 4 nos of 4000 m² LPG spheres, 7500 m³ Fire water tank and whole piping and firefighting system. Since then DGES has become a trustworthy partner and continually carries out recertification, repair and maintenance work of all Gas terminals in Sri Lanka.



Fabrication and installation of LPG Piping System for Litro Gas Lanka Ltd.

Power Sector “ Repair of Sapugaskanda Power Plant

In 2000, the company undertook all steel fabrication related to the 40 MW Diesel Power Plant Extension Project Sapugaskanda of the Ceylon Electricity Board under the main contractor of MAN B&W Diesel AG, Augsburg, Germany. In the year 2014 the Ceylon Electricity Board awarded major repair works to DGES i.e. to repair and paint all piping systems, exhaust chimney structure etc.

Fabrication and Installation of Piping System for Hambantota Gas Terminal of Litro Gas Lanka Ltd

DGES successfully completed Suction and Ship Loading LPG pipe line with a length of 30 m for Hambantota LPG Terminal Design, Fabrication, and Installation of Steel Structures for the Development of Intelligent Transportation System for the Southern Expressway

Development of Intelligent Transport System for Southern Expressway

DGES received the challenge of designing, fabrication & erection of structures for all electronic sign boards. The erection of 21 gantries in a live highway is a tough task as we receive a rather limited erection time. DGES maintains high quality, accuracy and safety throughout the project. Currently 90% of work is completed to the satisfaction of the client.



Installation Steel Structures for the development of the intelligent transportation system for Southern Expressway

Management Discussion and Analysis

Supply, delivery and installation of traffic signs

DGES shall supply, install and maintain traffic signs such as traffic regulatory signs, warning signs, delineators and guide signs of outer circular highways. The project is in progress. Factory Complex at Alawwa for Ceylon Biscuit Limited.

We are specialists for steel building complexes and RCC, Plants, and buildings. Last year DGES successfully completed a coconut processing factory complex at Alauwa for Ceylon Biscuit Limited. The Factory Building consists of a 40 Ton steel structure and floor area of 1750 m², 12m height. Major features are Sandwich panel roof of 976 m² and Epoxy Floor of 900 m². Additionally, DGES successfully completed the construction of the Asphalt Road Area of 1300 m².

Gammaduwa Mini-Hydro Power Plant

We have an impressive track record for Mini Hydro Power projects in Sri Lanka. DGES completed a ninth plant at Gammaduwa. From design to delivery, our qualified staff ensures that every aspect is completed to exacting standards. We have completed following components in the Gammaduwa Mini Hydro Power Plant.

1. Weir structure (Length = 35m / Height = 4m)
2. Headrace Channel (Internal size 900 x 900 , Length = 620 m)
3. Aque duct channel (Internal size 900 x 900 , Length = 370 m)
4. Desalting tank (Size: 16m x 4m x 4m)
5. Fore bay tank (Size: 12m x 6m x 4m)

Crane Beam Repair at South Asian Gateway Terminals (SAGT) and Dock of Colombo Dockyard PLC

The rectification work completed by DGES in Crane Beam at SAGT was a specialized job requiring very specific knowledge. Concrete and steel reinforcements exposed to seawater are susceptible to its corrosive effects. In the SAGT Crain Beam Repair project, affected concrete were removed and exposed the reinforcement bars by Hydro Blasting in such a way that the rest of the structure remained undisturbed. Reinforcement arrangement was replaced where necessary and protected with an anodic protective seal and concreting work completed with special cement original shape and strength.

With the knowledge and experience gained from the SAGT Cane Beam Repair project, DGES has undertaken repair work of Dock – 4 with capacity 125, 000 T DWT in Colombo Dockyard PLC.

Financial Review

Group Financial Highlights

For the Year (Rs. Mn)	2014	2013	Change	%
Income Statement				
Revenue	14,665.8	16,741.8	(2,076.0)	(12.4)
Gross Operating Profit	1,445.0	1,884.3	(439.3)	(23.3)
Profit after Tax	292.4	929.1	(636.7)	(68.5)
Balance Sheet				
Total Assets	17,444.9	17,044.9	400.0	2.3
Total Liabilities	6,423.3	5,989.3	(434.0)	(7.2)
Shareholders' Funds	11,021.5	11,055.5	(34.0)	0.3
Net Cash & Cash Equivalent	2,961.7	3,519.8	(558.1)	(16.0)
Interest Bearing Borrowings	3,264.5	2,151.5	(1,113.0)	(52.0)
Financial Ratios				
Earning Per Share (Rs.)	4.05	12.89	(8.8)	(69.0)
Dividend Per Share (Rs.)	3.00	4.00	(1.0)	(25.0)
Net Assets Per Share (Rs.)	153.39	153.86	0.4	(0.3)
Gearing Ratio (%)	0.00	0.00	0.0	(0.0)
Return on Total Assets (%)	1.0	5.1	(4.1)	(80.3)
Working Capital to Assets (%)	40.1	41.8	(1.7)	(4.0)

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

With total assets of Rs. 17,444.9 Mn (2013 - Rs. 17,044.9 Mn) as at end 2014, the Group serves a global customer base through its core business activities of ship repairs, shipbuilding and heavy engineering services to over 25 countries.

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

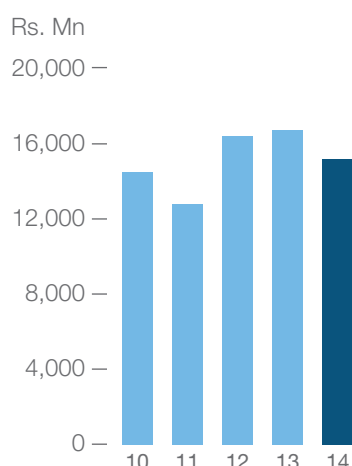
As the Group's operations involve providing a range of products and services to a broad spectrum of customers in many geographical locations, no one factor, in the Management's opinion, determines the Group's financial condition or the profitability of the Company's operations.

Financial Review

Financial Performance

Group Revenue

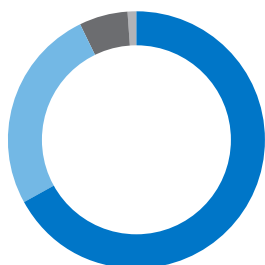
The Group achieved a total revenue of Rs. 14,665.8 Mn for the financial year 2014 showing a negative growth of 12.4% (Rs.2,076.0 Mn) as against last year recorded Rs. 16,741.8 Mn mainly attributed to the decline on new shipbuilding sector operations.



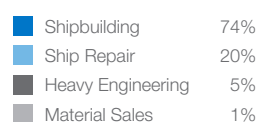
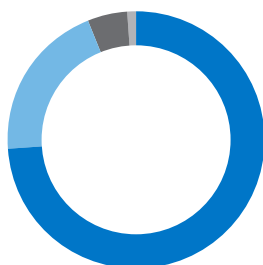
Segmental Contribution to the Group Revenue

Group revenue includes the Company's core activity of ship repairs, shipbuilding and heavy engineering & material sales from subsidiary companies. The major revenue contributor for the group has become shipbuilding with 67% compared to 74% recorded last year.

2014 - Group Revenue



2013 - Group Revenue



Group revenue includes the Company's core activity of ship repairs, shipbuilding and heavy engineering & materials sales from subsidiary companies. The major revenue contributor for the group has become shipbuilding with 67% compared to 74% recorded last year.

Export Revenue

The group's export revenue includes the revenue generated mainly from shipbuilding and ship repair operations. Total export revenue recorded for 2014 is Rs. 13,191.4 Mn compared to Rs. 15,390.4 Mn a reduction of 14.2% (Rs. 2,198.6 Mn) compared to last year. The major overseas market of the Group during the year becomes Singapore with 52.6% (Rs. 7,710.4 Mn) of the total export revenue followed by India with 29.4% (Rs. 4,311.7 Mn).

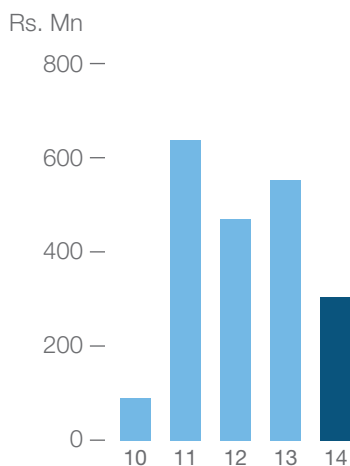
However, the Indian market continued to be the major overseas market for the ship repair sector, with a contribution of 44.2% of the total export ship repair revenue under 2014.

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

Earnings Before Tax and Depreciation

The Group's earnings before tax, depreciation and amortization recorded as Rs. 812.7 Mn during the year compared to last year's figure of Rs. 1,293.9 Mn. The reduction was primarily due to the negative growth on shipbuilding revenue during the year compared to 2013.

Other Operating Income



Other operating income of the Group excluding interest income has decreased to Rs. 305.4 Mn during the year from Rs. 551.9 Mn recorded for last year. The reduction of 44.6% (Rs. 246.5 Mn) was mainly due to the 57.1% drop on exchange gain to Rs. 168.3 Mn as against the exchange gain of Rs. 392.8 Mn recorded for 2013.

Profit after Tax

The Company recorded a profit after tax of Rs. 209.2 Mn during the year under review representing a 74.9% negative growth relative to the year 2013 figure of Rs. 823.7 Mn. This reduction was mainly attributed to the drop on shipbuilding business volume and cost over run on two 400 passenger vessels due to unplanned delay on delivery. Further, severe competition on attracting new shipbuilding orders compared to last year. The Company has achieved a 1.5% net profit margin during the year compared to 5.2% recorded for the year 2013.

Contribution to Sri Lankan Economy

The Gross Domestic Product (GDP) grew by 7.7 per cent during the first half of 2014 compared to the growth of 6.4 percent recorded during the corresponding period of 2013.

This growth was primarily driven by the expansion in the Industry sector supported by the growth in the service and Agriculture sectors.

Consequently, the Industry sector grew by 12.4 per cent during the first half of the year which was mainly attributable to the higher growth recorded in construction, mining and quarrying and manufacturing sub sectors.

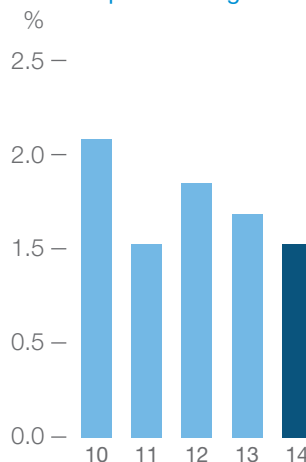
Meanwhile, the Services sector grew by 6.1 per cent supported by the growth in sub sectors such as wholesale and retail trade, transport and communication and hotels and restaurants in line with favourable developments in external trade activities. The Agriculture sector recorded a growth of 3.1 per cent during the first half of the year supported mainly by the growth in fishing, coconut and other food crops sub sectors, in the midst of unfavorable weather conditions which adversely affected the paddy production.

The economy is projected to grow by 7.8 per cent in 2014 compared to the growth of 7.3 per cent recorded in 2013.

The direct value addition generated by the Company was Rs. 4,164.6 Mn, (2013- Rs. 4,784.1 Mn). This mainly comprised of revenue generated from shipbuilding, ship repairs, heavy engineering and other non operating income. The local value addition generated by the Company was Rs. 6,879.7 Mn (50.1%) compared to Rs. 7,987.8 Mn (50.4%) recorded for 2013.

Colombo Dockyard PLC as a single business entity contributes average 1.30% to Sri Lankan annual industrial export earnings.

Contribution to Sri Lankan Export Earnings



The details of Company direct value distribution is given on page 45 .

Financial Review

The Company's total assets as at 31 December 2014 were Rs. 16,439.9 Mn, as against Rs. 16,228.4 Mn, the 1.3% increase (Rs. 211.5 Mn).

Exchange Rates

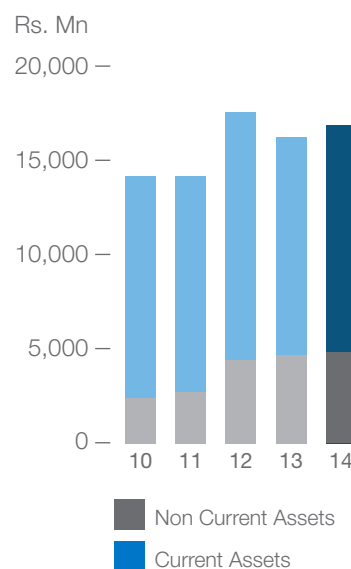
The Sri Lankan exchange rate policy in 2014 is focused on allowing exchange rate flexibility, while absorbing excess liquidity in the foreign exchange market in order to prevent undue appreciation of the Sri Lankan rupee. Such intervention helped the Central Bank to accumulate official reserves and smoothen short term volatility of exchange rates. The Sri Lankan rupee gradually appreciated throughout the year amidst steady foreign exchange inflows by way of increasing export earnings from both goods and services, higher workers' remittances and inflows to the financial account in the form of the issuance of international sovereign bonds, foreign inflows to the government securities market, foreign direct investments, foreign loan inflows to the government and private sector and foreign investments in the CSE. Accordingly, the Sri Lankan rupee appreciated by 0.3 per cent against the US dollar by end September 2014. Meanwhile, reflecting the cross currency exchange rate movements, the Sri Lankan rupee appreciated against the pound sterling (1.8 per cent), euro (9.1 per cent) and Japanese yen (4.5 per cent), while depreciating against the Indian rupee (0.3 per cent) by end September 2014.

However, during the month of September, the Sri Lanka rupee depreciated marginally by 0.13 per cent in the backdrop of increasing imports and volatility in the equity and government securities markets.

Financial Position

Total Assets

The Company's total assets as at 31 December 2014 were Rs. 16,439.9 Mn, as against Rs. 16,228.4 Mn, the 1.3% (Rs. 211.5) increase (Rs. 211.5 Mn) represents growth on Property, Plant and Equipment and Trade & Other Receivables. Total non-current assets value of Rs. 4,800.8 Mn is an increase of 2.6% (Rs. 122.3 Mn) against last year representing a growth on Property, Plant & Equipment.

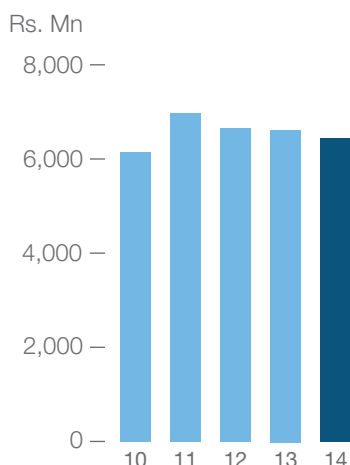


Current Assets

Current assets of the Company has increased from Rs. 11,549.8 Mn in 2013 to Rs. 11,639.0 Mn in 2014, the marginal increase of Rs. 89.2 Mn (0.7%) against last year and it is mainly attributed to the increase on trade debtors & other receivables and Inventories.

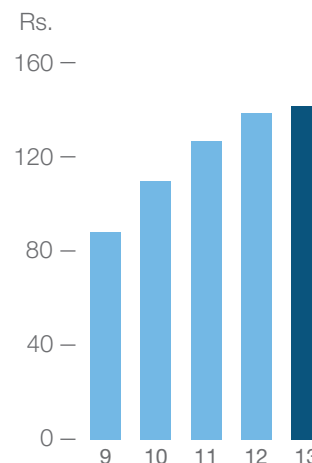
Working Capital

The net working capital records a marginal reduction during the year under review with Rs. 6,431.6 Mn as against last year figure of Rs. 6,620.9 Mn.



Net Assets Value Per Share

In line with capacity and facility expansion, the net assets value per share of CDPLC remains at Rs 144.39 as at 31st December 2014.



Cash flow

Cash generated from Group's operations before working capital changes stood at Rs. 781.6 Mn in 2014 compared with Rs. 1,292.8 Mn in the previous year. Cash generated from operations decreased compared to the previous year, due to negative working capital changes when compared with last year.

Net cash used in investment activities was Rs. 386.7 Mn during 2014, as against Rs. 376.9 Mn the previous year. The Group invested a total of Rs. 524.8 Mn in yard development and productivity improvement related investments. The Group's cash and cash equivalents at the end of 31st December was Rs. 2,961.6 Mn, which is a 15.8% (Rs. 558.2 Mn) reduction over last year.

Capital Structure

Total assets of the group stands at Rs. 17,444.9 Mn as at 31st December 2014, compared with Rs. 17,044.9 Mn in the previous year. Assets were funded by shareholders funds (63.1 per cent), non-current liabilities (5.0 per cent) and current liabilities (31.9 per cent).

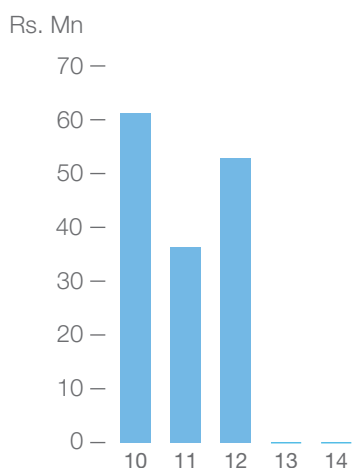
Financial Review

Debt

Group's total debt was Rs. 3,264.6 Mn as at balance sheet date, 51.7% (Rs. 1,113.2 Mn) more than in 2013. This was primarily due to the increase on short term interest bearing borrowings. Group's long-term debts continued to reduce and as at 31st December 2014, total long-term debt was zero.

The Company gearing level continues to be at zero level points, from 2013.

Group Longterm Debts



Performance of the Share

The share price of the Company as at 31st December 2014 recorded at Rs. 193.0, a growth of 2% compared to last year's closing price of 189.60. A 23.7% growth trend is noted in All Share Price Index in the Colombo Stock Exchange as at 2014-12-31 compared with 2013-12-31. The share price recorded the highest price of Rs. 210.0 on 26th December 2014 and lowest of price of 173.2 on 31st May 2014.

Financial Reporting

Colombo Dockyard Plc is committed to adopting the best practices in financial reporting to with providing most updated developments in financial reporting and disclosure. The financial reports on page 86 to 136 have been prepared in compliance with Sri Lanka Accounting Standards.

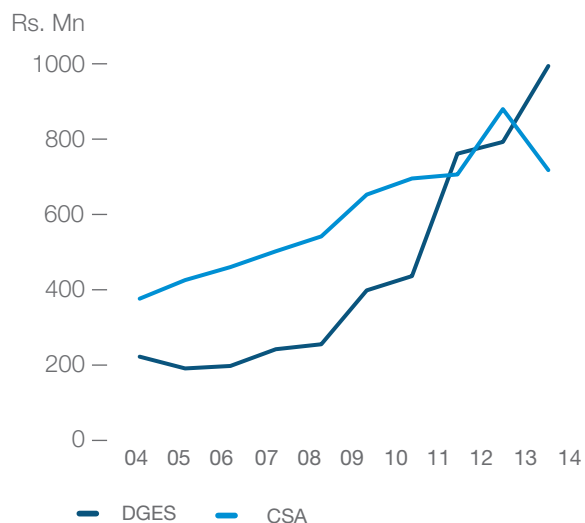
Our Achievement

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. As a result, our 2013 Annual Report was adjudged the Gold Award in the Service Sector at the 2014 Annual Report Awards conducted by the Institute of Chartered Accountants of Sri Lanka.

Subsidiaries Performance

The total revenue from subsidiary companies recorded as Rs. 1,677.7 Mn of which Rs. 1,070.1 Mn from wholly owned Subsidiary of Dockyard General Engineering Services (Pvt) Ltd. (DGES), and Rs. 607.6 Mn (SGD 5.9 Mn) from Ceylon Shipping Agency (Pte) Ltd (CSA) with 51% holding.

Subsidiary Revenue



Statement of Value Addition (Company)

	2014 Rs. 000	2013 Rs. 000
Ship Repairs	3,856,875	3,533,120
Shipbuilding	9,830,234	12,314,837
Heavy Engineering	19,938	13,512
Operating Revenue	13,707,047	15,861,957
Other Income	316,891	559,179
Total Revenue	14,023,938	16,421,136
Less: Cost of Materials & Services purchased from External Sources	9,855,983	11,637,015
Value Addition	4,167,955	4,784,121
Value Addition as a % on Revenue	29.7%	29.1%
Distributed as Follows:		
To Employees as Remuneration & Benefits	3,242,565	3,297,516
To Shareholders as Dividends	287,437	574,871
To Lenders as Interest	92,856	100,131
To Government Taxes	218,338	157,700
Retained in the Business		
-as Depreciation	404,907	405,013
-as Revenue Reserves	(78,148)	248,890
Value Distribution	4,167,955	4,784,121
Value Distribution %		
To Employees as Remuneration & Benefits	77.8%	68.9%
To Shareholders as Dividends	6.9%	12.0%
To Lenders as Interest	2.2%	2.1%
To Government Taxes	5.2%	3.3%
To Retained in the Business	7.8%	13.7%

Corporate Governance

Colombo Dockyard PLC (CDPLC) is committed to meeting high standards of corporate governance. Its Corporate Governance Principles reflect its strong belief in protecting and enhancing shareholder value in a sustainable way. 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 recognises 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 2014 with reference to the Code of Best Practice of the Institute of Chartered Accountant Sri Lanka, the requirements of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

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

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

Board of Directors

The core responsibility of the directors is to exercise their judgment to act in what they reasonably believe to be the best interests of the Company and for the creation of long-term value and return for shareholders.

The Board is responsible for the Group's overall performance objectives, financial plans and annual budget, major investments, divestment and funding proposals, financial performance reviews, risk management and corporate governance practices.

To ensure the efficient discharge of its responsibilities and to provide Independent oversight of Management, the Board has established Board Sub Committees, including the Audit Committee and Remuneration Committee. These committees are primarily made up with Non-Executive Directors. The respective roles and responsibilities of each of the Board sub Committees are included in this report.

Board Members	Audit Committee	Remuneration Committee
H A R K Wickramathilaka (FCA)	Chairman	Chairman
Lalith Ganlath	Member	Member
Sarath De Costa	Member	Member

The current Board comprises of nine Directors; six of them are Non-Executive Directors. The Board's chairman, Dr T. Takehara and Mr. Kijima are Executive Directors. Mr. Ranil Wijegunawardane who is the Managing Director & CEO, of Colombo Dockyard PLC is also an Executive Director.

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

Non-Executive Directors, Mr. H.A.R.K. Wickramathilake and Mr. Lalith Ganlath are independent except for the fact that they hold offices over nine consecutive years, which has been duly ratified and determined by the Board that they are nevertheless independent for the current year, as provided under the Listing Rules of CSE, as they have been duly re-elected by the shareholders at the Annual General Meeting of each year.

The Board so determined based on the annual declaration submitted by the Non-Executive Directors.

Director	Position on the Board	Date of Appointment	Nature of Appointment
Dr. T. Takehara	Chairman	01 September 2014	Executive/Nominee Director
Sarath De Costa	Vice Chairman	21 June 1993	Non-Executive/Nominee Director
Ranil Wijegunawardane	Managing Director/CEO	10 April 2014	Executive/Nominee Director
Y. Kijima	Director	25 Mar 2008	Executive/Nominee Director
T. Nakabe	Director	24 March 2010	Non-Executive/Nominee Director
Lalith Ganlath	Director	21 June 1993	Non-Executive/Public Director (Independent)
H.A.R.K. Wickramathilake	Director	28 April 1995	Non-Executive/Public Director (Independent)
Janaki Kuruppu	Director	25 August 2010	Non-Executive/Nominee Director
Piyadasa Kudabalage	Director	03 May 2011	Non-Executive/Nominee Director

The composition of the Board Sub Committees ensures an equitable distribution of responsibilities among Board Members to maximize the effectiveness of the Board and foster active participation and contribution.

Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances between the different committees with its greater involvement in key business and executive decisions, and membership of the Audit and Remuneration Committees, with their respective oversight roles, is mutually exclusive.

Type of Meetings	Number of Meetings Held	Attendance
Board Meetings	07	81%
Audit Committee	06	89%
Remuneration Committee	02	83%

To focus on a director's attendance at formal meetings alone may lead to a narrow view of a director's contribution. Contributions from each director can be made in many forms, such as bringing strategic relationships to the Group and providing guidance to Management or exchanging of views outside the formal environment of the Board and/or Board Sub Committee meeting.

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

Audit Committee

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

Corporate Governance

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. The role of an audit committee member is becoming more complex and demanding and generally pressure is probed brought upon the audit committee to look at all internal and external areas of importance. It will focus on a systems of internal control financial reporting process compliance with the laws and regulations and other best practices for Corporate Governance.

The Committee ensures the independence of the External Auditors and confirms the compliance with the requirements under the Act in relation to appointment, re-appointment and removal of the External Auditors. The Committee makes recommendations to the Board as appropriate on matters relating to financial controls, reporting internal controls in compliance with legal and ethical requirements and risk management.

The Committee confirms to the best of their knowledge that the functions of the Audit Committee are in accordance with the requirements under the Listing Rules of the Colombo Stock Exchange.

The Committee review different areas as notable. This year the Committee has reviewed internal control systems of all the areas and recommendations received were submitted to the Board for implementation. As a result the following areas were reviewed and shortcomings were rectified and systems were improved by obtaining services of experts in relevant fields.

The Company's operational risk exposure and insurance program review, Methodology of Annual Stock Count, Loose tool management system, Control over purchase of IT equipment & effectiveness of E-system, Procedure related to scrap disposal, Review of Management Letter submitted by the external auditors and Risk Management.

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 6 occasions and reports on the meeting were presented to the Board.

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

Remuneration Committee

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

Report of the Remuneration Committee Policy

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

Functions

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

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

The aggregate remuneration paid to the executive and Non-Executive Directors are given in Note 8 to the Financial Statements on page No. 107.

The Directors are Equipped with Complete, Adequate and Timely Information and Resources. The Management of Colombo Dockyard PLC provides adequate managerial and operational reports and financial statements of the Group to the Board on a regular basis. As a general rule, the necessary reports/information is submitted to Directors at least four days before the meeting. So that Directors get a better understanding about the matters prior to the meeting. Thus the discussion may be more focused on the questions that the Board or sub-Committee has about the matters. Senior managers who can provide insight into the matters at hand would be present at the relevant time during the meetings.

Quarterly financial highlights performance and developments of the Group are presented at Board Meetings. The Chief Financial Officer and Senior Managers if necessary are also present at the meeting to address queries the Board may have.

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

Annual General Meeting

The Company's 31st Annual General Meeting (AGM) was held on 10th April 2014. At the AGM 171 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 2013 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 2014 and to authorise the Directors to approve their remuneration.
- To authorise the Directors to determine donations for the year 2014 and up to the date of the next AGM.

Compliance with Corporate Governance Rules as per Section 7.10 of the Listing Rules of the Colombo Stock Exchange and the below table discloses the level of compliance with the above Rules.

Rule No	Requirement	Compliance Status	Details
7.10 (a)	Statement confirming that as at the date of the Annual Report, Company is in compliance with the Corporate Governance Rules	Compliant	Please refer page 46
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report.	Compliant	Please refer page 47
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on Corporate Governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report.	Compliant	Please refer page 46
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise.	Compliant	Please refer pages 18-19
7.10.3 (d)	Provide a brief resume of any new Director appointed to the Board.	Compliant	Please refer page 18-19

Corporate Governance

Rule No	Requirement	Compliance Status	Details
7.10.5	A listed company shall have a Remuneration Committee.	Compliant	Please refer the Remuneration Committee report on pages 48
7.10.5 (a)	The Remuneration Committee shall comprise of a minimum of two independent Non-Executive Directors or a majority of independent Non-Executive Directors, whichever is higher.	Compliant	The Remuneration Committee comprises of a majority of independent Non-Executive Directors
	One Non-Executive Director shall be appointed as Chairman of the committee by the Board.	Compliant	Mr. H.A.R.K Wickramathilake functions as Chairman of the Remuneration Committee.
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration of the MD/Chief Executive Officer.	Compliant	Please refer the Remuneration Committee report on pages 48
7.10.5 (c)	The Annual Report shall set out: The names of the Directors that comprise of the Remuneration Committee.	Compliant	Please refer page 48
	A statement of remuneration policy.	Compliant	Please refer the Remuneration report on page 48
	Aggregate remuneration paid to Executive and Non-Executive Directors.	Compliant	Committee report on pages 48
7.10.6	A listed company shall have an Audit Committee.	Compliant	Please refer the pages 47
7.10.6 (a)	The Audit Committee shall comprise of a minimum of two independent Non-Executive Directors, or a majority of independent Non-Executive Directors, whichever is higher.	Compliant	The Audit Committee comprises of a majority of independent Non-Executive Directors.
	One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Compliant	Mr. H.A.R.K Wickramathilake functions as the Chairman of the Audit Committee.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	Compliant	The CEO and CFO attended all Committee meetings.
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body.	Compliant	The Chairman of the Audit Committee is a member of professional accounting bodies.
7.10.6 (b)	The Audit Committee shall have functions as set out in section 7.10 of the listing rules.	Compliant	Please refer Audit Committee report on pages 48
7.10.6 (c)	The Annual Report shall set out:		
	The names of the Directors who comprise the Audit Committee.	Compliant	Please refer Audit Committee report on pages 47
	The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination.	Compliant	Please refer Audit Committee report on pages 48
	A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules.	Compliant	Please refer Audit Committee report on pages 48

The Management of the Company is committed to assist the Board to implement and strengthen good corporate governance practices.

The Board exercises its discretion to seek independent professional advice if deemed necessary to ensure that full information and advice is available before any important decision is made.

Independent Internal Audit Function

The Internal Audit Function of the Company is provided by the Internal Audit Staff (Financial & System Review) provided by the, B.R De Silva & Co, Chartered Accountants, which reports directly to the MD/CEO on all audit matters.

The internal audits performed are aimed at assisting the Board and Management in the discharge of their corporate governance responsibilities as well as improving and promoting effective and efficient business processes within the Company.

Subsidiary Monitoring Framework

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

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

Corporate Responsibility for Sustainable Business Performance

Sustainability at Colombo Dockyard PLC is about striving for excellence and continuous improvement in identifying, understanding and responding to evolving environmental, social and governance challenges facing our business today.

Corporate responsibility towards society and the environment is regarded as a fundamental aspect of our strategy execution and decision-making process and is prominently

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

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.

Communication with Shareholders

All CDPLC price-sensitive information is disseminated to its shareholders via the Colombo Stock Exchange (CSE). Disclosure is never done on a selective basis. Financial and other performance data is given where appropriate, to give shareholders a better insight into the Company's performance.

The Annual Report and Quarterly Report produced with group information and as per the rules of the Securities & Exchange Commission and Colombo Stock Exchange are produced to the CSE and then to the shareholders. The website (www.cdl.lk) maintained by the Company offers macro level information of the Company to interested persons.

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

Risk Management

Introduction

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

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

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

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

Our Approach

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

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

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

Thus, we as a responsible business entity, focus on long term sustainable value to all our stakeholders by identifying the risks, both existing and potential: the objective being, to assess all the risks identified determine their most probable impact, and take precautions as far as reasonably practicable by taking prompt actions to mitigate them.

The following Key Risks are identified as exiting risks, to which we are exposed, on our core and related businesses and have categorized them as Internal and external, for assessment and to facilitate taking adequate precautionary measures. Risk Assessment can include both qualitative and quantitative assessments of the likelihood of the various risks occurring and the impact of these in terms of cost, schedule and/or performance. The assessment of such risks and the related responses are set out below:

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

Internal Risks

Operational Risk Management

Our Concern

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

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

Our core business activities are in keeping to international standards, compliance to such international conventions and regulatory procedures, is required. In addition, the framework under ISO 9001-2008 QMS provides for management at various levels in CDPLC to systematically review and ensure Compliance with the requirements.

Our Impact

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

Our Response

Safety and Health of all our employees and visitors are considered as a prime responsibility and a Safety Culture that is not second to any of the developed international shipyards are inculcated through systematic education, training and prudent implementation of a Safety Management System that we envisage to conform to OHASAS 18001 in the near future.

In addition, the framework under ISO 9001 : 2008 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 Organisation.

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 house keeping, continuous training, and systematic monitoring and control measures are taken to create a risk-free working environment.

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

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

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

The assignment of the internal audit to a third party is another step taken to improve transparency and accountability. Thus, both the Quality Management Systems Procedures are subject to independent, competent auditors improving the overall control over these processes and transparency.

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

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

Risk Management

Information Technological Risk & Management

Our Concern

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

Our Impact

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

Our Response

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

External Risks

Market (Strategic) Risk & Management

Our Concern

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

Our Impact

The pressure from international price competition on our SR, NC and OE market share too will have a serious impact on business generation. The absence of protectionism in the local market and severe competition on Heavy Engineering business by other local contenders too affect the generation of business volumes and price. The country risk, attributed by the security situation, though completely beyond the control

of the company, is covered by financial instruments, satisfying and easing the prospective customers, where eventually, the payments made are refundable, on demand.

Our Response

Capitalising 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 a new marketing strategy based on the Blue Ocean Strategy (BOS) concept: a systematic approach to make the competition irrelevant.

Focused yard expansion projects are in the pipeline, to attract available opportunities as much as possible, concurring the space limitations.

Financial Risk Management

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

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

Interest Rate Risk

Our Concern

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

Our Impact

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

Our Response

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

Foreign Exchange Risk

Our Concern

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

Our Impact

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

Our Response

This risk is minimised by hedging the currency: either by forward foreign exchange contracts in respect of actual or forecasted currency exposures or hedged naturally by matching sales or purchase of matching assets or liability of the same currency and amount. Where feasible, contracts are executed on a basket of currencies, minimizing the potential risks.

Liquidity Risk

Our Concern

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

Our Impact

Inadequate net working capital would lead to un-necessary financing costs to the bottom line.

Our Response

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

Credit Risk

Our Concern

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

Our Impact

Possibility of incurring bad and doubtful debts and cost increases.

Our Response

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

Product Risk Management

Our Concern

Our core business operations, of building ships, repairing ships, offshore and heavy engineering, is to acceptable quality and to international standards. As such, we have to align ourselves continually with new technological developments and other requirements, rules and regulations, for our products to be marketable and services acceptable.

Our Impact

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

Our Response

To mitigate the potential risk, we have adopted a quality assurance approach, which ensures required levels of quality in our products and services: through the ISO 9001-2008 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

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

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

Corporate Milestones

Year	Event
1974	Incorporation of Colombo Dockyard Limited (CDL) and started operation of a Shiprepair facility with three drydocks: 1 x 30,000 DWT and 2 x 8,000 DWT; Docks Nos. 1, 2 & 3.
1975	Commencement of steel Shipbuilding in Sri Lanka. Yard No. 1: Mooring Barge for Colombo Port Commission (CPC). Yard No. 4: First naval vessel - 14 M Patrol Boat for Sri Lanka Navy.
1976	Incorporation of Ceylon Shipping Agency Pte Limited in Singapore, jointly with Ceylon Shipping Corporation.
1977	First vessel to Colombo Port Commission. Yard No. 13:100 T Barge.
1978	First Tug Boat built in Sri Lanka. Yard No. 25:365 BHP Towing Tug for Colombo Port Commission.
1981	Incorporation of Ceylon Bulk Carriers Limited, as a wholly owned subsidiary of CDL, which was renamed as Dockyard General Engineering Services (Pte) Limited in 1981.
1982	Incorporation of Colombo Drydocks Limited (CDD) as a Private Limited Liability Company. First Offshore Patrol Vessel (OPV) built in Sri Lanka. Yard Nos. 40/41:40 M Offshore Patrol Vessels for Sri Lanka Navy.
1983	Incorporation of Galle Slipway & Engineering (Private) Limited. CDD was converted into a Public Limited Liability Company and established as a Licensed Enterprise under the GCEC Laws (now BOI). First export order in Shipbuilding. Yard Nos. 57/58 Split Hopper Barges for Burma Ports Corporation, Myanmar.
1987	First Shipbuilding project to the Republic of Maldives. Yard No. 78/81: Fish Collector Vessels for State Trading Organization (STO).
1988	CDD commences operation of the 125,000 DWT Newly Built Drydock and CDL functions as the Managers for CDD.

Year	Event
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	Internationalisation of Shipbuilding Activities & a 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 for 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.

Year	Event
2008	<p>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 to enhance Shipbuilding capacity.</p> <ul style="list-style-type: none"> New technological adaptation: Use of “line heating” technology, Computer Aided Designs (CAD) and Computer-Numerically Controlled Plate Marking and Cutting Technologies for Steel Aluminum, MIG, TIG and Submerged Arc Welding Techniques.
2009	<p>The year of Success despite the global Economic Crisis</p> <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 ton 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	<p>The year of Economic Prosperity</p> <ul style="list-style-type: none"> Completion of the five largest vessels in 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.
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 million. Commencement of repairing LPG carriers and establishment of related infrastructural facility “Cryogenic Workshop” with an investment of Rs. 1 million. Construction of 250 Ton bollard in the Port Trincomalee to enhance the bollard pull testing facilities for new shipbuilding projects.

Year	Event
2012	<ul style="list-style-type: none"> The year of Sustainability in Stormy Waters 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 lifting capacity. Commissioning of 2nd Plasma Cutting Machine at KRY Site.
2013	<ul style="list-style-type: none"> The year of Operational Environmental Risk Commissioning of Largest Crane Lifting facility with 160 Ton capacity. Successfully delivered and handed over 3 shipbuilding contracts namely “Greatship Ragini”, “Executive Valour” and “Executive Courage” to owners meeting all contractual & technical specifications. Awarded 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 ultrasonic cooler cleaning plant with waste water treatment.
2014	<ul style="list-style-type: none"> A challenging year for Delivering Largest Engineering Projects Successful delivery of 1st 400 Passenger Vessel to India. The largest ship ever built by Sri Lanka as well as Colombo Dockyard PLC. Successful delivery of 2 Nos Multipurpose Platform Supply Vessels to Singapore. Awarded 4 new Shipbuilding Contracts to a Singapore Customer. Award Green Channel Facility to clear imported materials from BOI. Presented “Global Commerce Excellence Award” by the Central Bank of Sri Lanka for the significant contribution on generating foreign earnings to the Sri Lankan economy during 2014.

The Operational Impact of 365 days

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

Total Revenue

Rs. 14 Bn.

The Company managed to reach total revenue of Rs. 13.7 Bn as against Rs. 15.8 Bn recorded for last year. The 13.2% decline on revenue is mainly attributed on undue delays experienced on two 400 Passenger Vessels built for India.

Foreign Revenue

97%

Export earnings generated in 2014 was over 97.2% of the total Revenue. This represents 100% foreign generated Shipbuilding revenue.

Direct Employment

3,200 Nos

The Company provides direct employment for over 3,200 employees including permanent, project basis and subcontract employees.

Capital Expenditure

Rs. 500 Mn.

Company added above capital values for yard productivity improvements and infrastructure development during 2014 which includes Rs. 106.0 Mn WIP Projects.

Steel Output

5,810 Tons

The Company recorded a 26.1% negative growth on Steel Output during 2014 as against 7,865 steel tons done in 2013.

Local Value Addition

Rs. 6,880 Mn.

Company operation generates over 50% local value addition.

Delivery of New Vessels

3 Nos

Delivery of 3 vessels in one financial year. All of these deliveries are for foreign ship owners.

Employee Retention

99.5%

Despite many economical downturns both locally and globally, we have had few employee resignations during 2014.

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 Manager (Legal) / Company Secretary has been dedicatedly assigned to maintains long-term relationships with the investors and analysts and addresses 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 2014 the Company continued to provide, timely, accurate disclosures like quarterly financial announcements, press releases and interviews with media, publication of the Annual Report etc.

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

Further, the company is very much concerned about its statutory commitments to society. Thus, The Company audited the Financial Statement and Balance Sheet for the year 31st December 2014 has been made available to CSE within three months of the Balance Sheet date.

Financial Performance

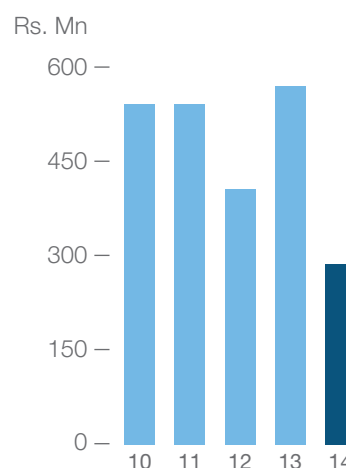
During the year under review, the Company achieved total revenue of Rs. 13,707.0 Mn (2013 - Rs. 15,861.4 Mn.) and net profit of Rs. 209.2 Mn. (2013 - 823.7 Mn) strengthening the shareholders' value with Rs. 10,375.4 Mn.

During the year under review, the Company achieved total revenue of Rs. 13,707.0 Mn and net profit of Rs. 209.2 Mn. strengthening the shareholders' value with Rs. 10,375.4 Mn.

Dividend Approved

Directors have approved a first and final dividend of Rs. 3.00 per Share (2013 - Rs. 4.00) based on the profit for the year 2014.

Dividend Paid



Dividend Pay Out Ratio

As per Colombo Stock Exchange Listing Rule No: 7.6 (xi), Company Dividend Payout Ratio was 103.0% during 2014 compared to 34.9% recorded for 2013.

Shareholder Information

Financial Reporting

CDPLC is committed to adopting the best practices in financial reporting, signifying this when the Company for 2013 was presented a Gold award in the Service sector at the 2014 Annual Report Award Ceremony organised by the Institute of Chartered Accountants of Sri Lanka.

	1st Quarter Rs. Mn	2nd Quarter Rs. Mn	3rd Quarter Rs. Mn	4th Quarter Rs. Mn	2014 Rs. Mn	2013 Rs. Mn
Revenue	4,026	2,940	2,915	3,826	13,707	15,861
Gross Operating Profits	424	133	239	403	1,199	1,615
Profit after Tax	110	(74)	13	160	209	824
Shareholders' Fund	10,307	10,233	10,246	10,373	10,375	10,484
Total Assets	22,795	15,421	15,438	16,440	16,440	16,248

Share Capital

	31/12/2014	31/12/2013
Stated Capital Rs.	718,589,240	718,589,240
Number of Shares	71,858,924	71,858,924
Number of Shareholders	4,740	4,946
Voting Rights	1 Vote per Share	1 Vote per Share
Class of Shares	Ordinary Share	Ordinary Share

Distributing of Shareholding as at 31st December 2014

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

From	To	No of Share Holders	No of Shares	%
1	1,000	3,789	634,029	0.88
1,001	10,000	805	2,267,099	3.16
10,001	100,000	118	3,536,711	4.92
100,001	1,000,000	21	4,692,513	6.53
1,000,001	above	7	60,728,572	84.51
		4,740	71,858,924	100.00

Public Shareholding

As per Rule No: 7.6 (iv) of the Colombo Stock Exchange, the percentage of shares held by the Public as at December 2014 is 48.94% (2013 – 34.12%)

List of Largest 20 Shareholders

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

	Name	2014.12.31	%	2013.12.31	%
01	Onomichi Dockyard Company Ltd	36,648,051	51.000	36,648,051	51.000
02	Employees Provident Fund	11,744,009	16.343	10,649,365	14.820
03	Sri Lanka Insurance Corporation Ltd –General Fund	3,592,998	5.000	3,592,998	5.000
04	Sri Lanka Insurance Corporation Ltd - Life-Fund	3,592,548	4.999	3,592,548	4.999
05	Sri Lanka Ports Authority	2,186,191	3.042	2,186,191	3.042
06	Employees' Trust Fund Board	1,730,069	2.408	1,730,069	2.408
07	National Savings Bank	1,234,706	1.718	642,075	0.894
08	Bank of Ceylon No. 1 Account	851,183	1.185	413,700	0.576
09	Mellon Bank N.A. Florida Retirement System	429,046	0.597	291,161	0.405
10	Bank of Ceylon No. 2 Account	336,000	0.468	336,000	0.468
11	Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	262,086	0.365	191,736	0.267
12	HSBC Intl Nom Ltd-SSBT-Russell Institutional Fund	256,644	0.357	-	-
13	Peoples Bank	249,362	0.347	222,362	0.309
14	Union Assurance PLC/No-01 A/C	238,350	0.332	238,350	0.332
15	Lanka Milk Foods (CWE) Limited	219,948	0.306	219,948	0.306
16	Star Packaging (Pvt) Ltd	215,000	0.299	-	-
17	David Pieris Motor Company Limited	175,787	0.245	-	-
18	HSBC Intl Nom Ltd-State Street Munic C/o SSBT-Uni	173,369	0.241	-	-
19	Mercantile Investments and Finance PLC	169,050	0.235	-	-
20	DFCC Bank A/C 1	160,000	0.223	200,000	0.278

Shareholder Information

Composition of Shareholding

The total number of shareholders of CDPLC is 4,740 as at 31st December 2014, which is a 9.6% reduction compared to 4,946 as at 31st December 2013.

	No of Shareholders	No of Shares	%
Local Individuals	4,445	4,352,830	6.06
Local Institutions	197	28,845,637	40.14
Foreign individuals	83	629,441	0.88
Foreign institutions	15	38,031,016	52.92
	4,740	71,858,924	100.00

Market Value per Share

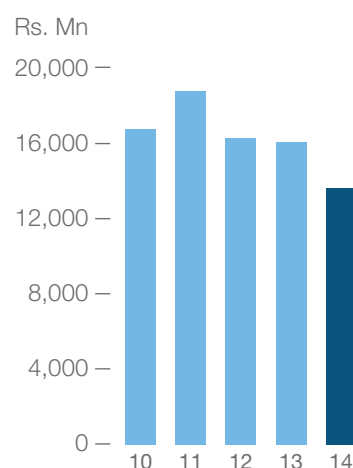
As per Rule No: 7.6 (xi) of the Listing Rules of the Colombo Stock Exchange, at the end of the year 2014, the share price of Colombo Dockyard PLC recorded a growth of 1.8% compared to the previous year's closing price.

Market price per Share	As at 31/12/2014	As at 31/12/2013
Highest during the year	210.00 (26/12/2014)	248.80 (09/05/2013)
Lowest during the year	173.20 (31/03/2014)	170.00 (06/12/2013)
As at end of the year	193.00 (31/12/2014)	189.60 (31/12/2013)

Market Capitalisation

CDPLC has recorded its market capitalisation as at the balance sheet date of 31st December 2014 as Rs. 13,869 Mn. (2013 – Rs. 13,624 Mn.). CDPLC represent approx. 1.0% of the total market capitalisation.

Market Capitalisation



Shares Trading

	As at 31/12/2014	As at 31/12/2013
No of Transaction	2,467	2,193
No of Shares traded	4,478,767	2,335,458
Value of Share traded (Rs.)	871,522,406	505,509,224

Earnings per Share

The Earning per share (EPS) of Rs. 2.91 for the year 2014 compared to the last year EPS value of Rs. 11.46. 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.

Sustainability Report

Overview

The Preface

Given that we place key sustainability practices at the forefront of our business and comply uncompromisingly with sustainability principles we practice at corporate levels will eventually become a global concept. This enables us to visualize the path we intend to map for our company's sustainability, supporting us in our journey to excel at corporate sustainability.

Period of Reporting

This Corporate Sustainability Report is prepared for the period from 1st January 2014 to 31st December 2014.

Stakeholder Engagement

Throughout the years, we have been inextricably linked to various core stakeholder groups, all of who are now an integral facet of our business operations and are elements that drive sustainability within our organisation.

Governance of Sustainability

Colombo Dockyard functions on a stringent top down approach in all its functions to ensure visionary leadership and good imbuings of the best practices.

Similarly, sustainability practices too are practiced on these lines. The visionary strategies of the Chairman and Board of Directors are communicated to the CEO and Senior Management, who enact these policies while fine-tuning them for maximum efficiency.

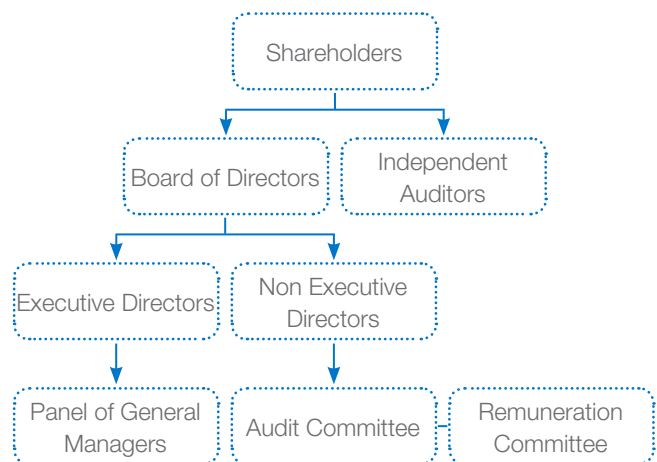
Governance and Risk Management

Ours is a Company that continually raises the bar in every aspect, which has resulted in extraordinary results, both qualitative and quantitative we consistently post. The Governance and Risk Management Sustainability Report goes hand in hand with our improvement initiatives as we are cognizant that Colombo Dockyard is a business that operates in a cyclical environment, where global milieus can have an impact on our business, where standards and environmental compliance is imperative and where we must exploit opportunities but remain prudent toward risk.

Throughout the years, we have been inextricably linked to various core stakeholder groups, all of who are now an integral facet of our business operations and are elements that drive sustainability within our organisation.

You will find the Governance & Risk Management initiatives that govern our company on pages 46 - 55 in this Annual Report for a more comprehensive detail of the stringent features we introduce constantly into our inner workings to ensure that the business remains sustainable on all fronts.

The Governing Structure of Colombo Dockyard PLC



Sustainability Report

Economic Sustainability

As an export oriented company, Colombo Dockyard PLC contributed 1.0% of the total national export, generating Rs. 13,708 Mn revenue from export earnings during 2014.

Domestic Value Addition (DVA) of Colombo Dockyard for its total shipbuilding and ship repair is 50%. The ship repair sector created approximately 86% of Domestic Value Addition, while the shipbuilding sector created 34% of Domestic Value Addition in 2014. This high rate of DVA has been achieved due to the use of indigenous expertise, skills and competency we have within our team to build and repair ships that are accepted by an international clientele.

At present, Colombo Dockyard has proved that its far-reaching business plans and policies are astute. The Company has recorded a consistent growth rate in its export revenue over the last thirteen years since 2000.

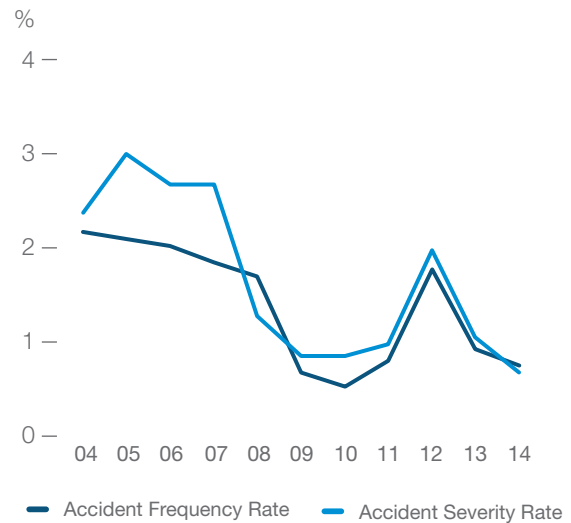
Compliance Report

The Safety Policy of the CDPLC highlights the needs of creating a safe work environment, maintaining a high standard in Occupational Health and also of protecting the Environment. In this context we have instituted numerous initiatives throughout the year 2014 to ensure that our employees work should be in a Healthy and Safe work environment.

Safety Performance

The Year 2014 was a special year to CDPLC as it recorded its all time best safety performance to the degree that Accident Severity is concerned. As the graph depicts, the yard had been able to record its lowest Accident Severity rate and third lowest Accident frequency rate during the year 2014. Frequent and customised training programs conducted throughout the year is the backbone behind this remarkable achievement. Undoubtedly Ship Repair is a 3D" industry where it involves with, dirty, difficult and dangerous operations. In such setting continual improvement in HSE performance encouraging all stakeholders of the company.

Safety Performance Frequency



We are aware and concerned about the Hazards and Risks our employees face in their day to day activities, and the effects on the Health of employees due to their occupation. In this respect a fresh Hazard Identification and Risk Assessment is carried out in all workshops during 2014 by the relevant departments to re-evaluate the possible Risks and accordingly introduce effective controls. During the process, special attention has been given to identify the minimum Personal Protective Equipment (PPE) requirement in each work station. This methodology which was carried out is an essential tool in the OHSAS 18001:2007 Safety Management System. The Yard has done a Gap analysis for certifying its existing Safety Management System to OHSAS 18001:2007 and during the year 2014 one of the most important steps of the process, the Legal Requirements Identification was completed and currently planning to obtain accreditation by 2015.

Compliance to National & International Standards

It was a eventful and very successful year in 2014, sustaining, re-evaluating and seeing the advancement of the CDPLC Quality Management System (QMS). For the first time, the company QMS has undergone two surveillance audits and the certificate renewal audit of ISO 9001:2008 during the year 2014. In this moment, it is noteworthy to mention the continuous support and great commitment of all levels of employees extended throughout the year to keep the QMS

up to date was the key to successful completion of all these important audits. The continuous dedication and guidance of MD/CEO and all GMs really facilitated to up lift the position of QMS and end of the day, the Company was able to conclude the year without a single nonconformity report to the QMS, despite extensive and comprehensive 03 external audits conducted by the accreditation body, LRQA. While greatly appreciating the valiant effort of the organisation for keeping the QMS up to date using several innovative actions including software, LRQA had certified CDPLC having scope for the next three year period.

- The Design and Construction of ocean going vessels, including high speed aluminium crafts.
- Dry docking of ships of a maximum capacity 130,000 DWT, repairing of ships and offshore structures.
- Engineering, project management and manufacture of pressure vessels, piping and heavy engineering structures.
- The testing of tug Bollard pull force, maximum capacity 250 tones-force, at a special facility at Clappenburg Point, Trincomalee.
- Stockholding of steel, its pre processing and fabrication for ship repair and ship building activities, at the Kelani River Yard (KRY) site.

Meanwhile, the organizational leadership has decided to rearrange the existing QMS in line with the upcoming ISO 9001:2015 standard and accordingly a training session was conducted by the General Manager-Client Training Services, LRQA on “Management of Risk, Opportunity and Change” during the month of December 2014. The objective of these sessions was to identify the possible changers to the existing QMS for certifying it to the new standard & be one of the first few organisations to accomplish this task.

In addition to attending to the ISO requirement, the Company has played an active and vital role during the year 2014 in connection with the national level policy making discussions & researches in marine environmental protection activities. Together with the Marine Environment Protection Authority (MEPA) the Company assisted several national universities for their research on marine environment. Also the organisation played an active role in discussions led by MEPA on developing the National Ballast Water Management Strategy,

adopting MARPOL Annex VI (International Convention for the Prevention of Pollution under IMO) & implementation of the National Oil Spill Contingency Planning.

It is generally recognised that all businesses have a major role to play in preventing pollution and reducing releases of harmful emissions into the environment and this is particularly true of the shipping industry. The impact of pollution on fragile ecosystems is particularly severe in the marine environment, and hence steps have been taken to install an oil water separator (OWS) during the year 2014.

Health, Environment & Safety (HES)

We are committed to operating a sustainable, responsible organisation that protects the Health Environment and Safety of those with whom we have relationships with in our stakeholder environment and the communities where we conduct our activities.

We are committed to maintaining a level of health, environmental and safety performance as a leader in the Ship repair, Ship building and Heavy engineering industry, and demonstrating respect for the individual and the environment. We steadfastly believe that incomparable HSE management is a key component in achieving excellent company performance and making CDPLC a world-class organisation and responsible corporate citizen. We know that successful HSE management involves integrating sound principles and practice into our day to today activities and business management and good performance levels are achieved by the collaborative effort of all employees. Thus, compliance with this policy is the responsibility of every employee and contractor employee of CDPLC.

Sustainable Development

We will endeavor to conserve resources and minimise or eliminate adverse HSE effects and risks that may be associated with our products, facilities and operations. We will promote the sustainable and efficient use of natural resources, waste minimisation, recycling, energy efficiency, and responsible product stewardship in our business activities.

In accordance with that a prismatic energy saving day lighting system was installed as an Energy saving technique at the newly constructed Steel fabrication work shop at Dock No 3.

Sustainability Report

Compliance

We will comply with relevant legal requirements, laws and regulations wherever we operate. However, with regard to compliance with local HES legislation as a minimum standard, and always strive to exceed minimal level of HES national legislation.

The HSE Policy of the CDPLC highlights the needs of creating a Safe work environment, maintaining a high standard in Occupational Health and also of protecting the Environment.

Our intention is to achieve zero harm to our people, zero harm to our facility and our environment. In this context we have instituted numerous initiatives throughout this year to ensure that our employees work in a Healthy and Safe work environment to comply with National Government Safety Health and Environmental norms.

Hes Awareness / Training During the There of the Month Campaign

Safety, health and environment awareness/training to employees is considered as a top priority during the theme of the month campaign. In this standpoint the Organisation has identified the training needs associated with its Occupational Health, Safety and Environmental Risks and its Management System a number of Safety training and awareness programs was conducted by the Safety Department for the benefit of employees in sector wise and in the training center. Few training and awareness programs were conducted by outside resource personnel as well.

An Awareness Program by Promoting Working Safely With Electricity

Safety in the workplace is job number one for employer and employee alike. It is especially important for those who install and service electrical systems. Nothing can replace a worker or loved one that has died or suffered the irreparable consequences of an electrical accident. No matter how much an employer tries to safeguard its workers or how much safety training is provided; the ultimate responsibility lies with the worker. The human factor is part of every accident or injury. Electrical hazards have always been recognised, Electrical power can be very dangerous if not controlled through engineering, maintenance and education. The moral obligation to protect workers who may be exposed to electrical hazards is fundamental, but there are legal and other factors too

The HSE Policy of the CDPLC highlights the needs of creating a Safe work environment, maintaining a high standard in Occupational Health and also of protecting the Environment.

are additional benefits of Electrical Safety programs. Sound safety practices also were discussed to minimize the hazards associated

Personal Protective Equipments Awareness

Personal protective equipment, or PPE, is designed to protect workers from serious workplace injuries or illnesses resulting from contact with chemical, radiological, physical, electrical, mechanical, or other workplace hazards. Besides face shields, safety glasses, hard hats, and safety shoes, protective equipment includes a variety of devices and garments such as goggles, coveralls, gloves, vests, earplugs, and respirators.

The purpose of personal protective equipment is to reduce employee exposure to hazards when engineering and administrative controls are not feasible or effective to reduce these risks to acceptable levels. PPE is needed when there are hazards present. The Yard mandatory PPES requirement also was reviewed this year to the based on the risk/hazard of activity, operation, location, past accidents/incidents and other local and international requirements were taken into discussion with all stakeholders in the yard. Mandatory PPE program will be displayed in the strategic places in the yard.

Fire Awareness in the Workplace

Fire is the single biggest threat to any business, whatever its size. Most businesses do not recover following a major fire, and those that do have to absorb significant losses. Raising staff awareness of potential hazards can avoid a fire starting in the first place, and training staff to act responsibly in the event of a fire will ensure the workforce is protected should the worst happen.

This Interactive Fire Safety Training month will: Empower staff with the knowledge and understanding of how to act responsibly in the event of a fire :Raise awareness of potential risks and hazards :Ensure to operate within the law and protect workforce and business against significant losses as a result of fire.

They need to know what action should be taken in case of fire including: How to warn others, the location and use of escape routes, assisting visitors or members of the public, the location of a nominated assembly point, the use of the fire equipment provided and how to summon the fire service. Sufficient numbers of employees trained in the use of fire extinguishers should always be present when the workplace is occupied. The training provided should ensure these tasks are carried out efficiently and safely."

"Fire Awareness in the Workplace", has been designed to train all members of staff within an organisation in order to increase safety and aid compliance in the workplace.

Awareness of Yard Safety Rules & Procedures

Health and safety training is the foundation of a successful health and safety program. Such training should give management, supervision and workers an appreciation of their personal responsibilities for health and safety within the framework of the minimum standards outlined by legislation.

It is not, however, a question of training only new workers and apprentices. All levels of management, from the chairmen to site supervisors, must be involved in health and safety training. In addition to the transfer of knowledge and skills, training promotes positive attitudes and a culture in which all parties within a firm collaborate to establish and maintain worksite health and safety. Management and supervision need training in such topics as health and safety program planning and accident investigation. Workers need training in specific health and safety topics such as PPE, ladders, scaffolding, and work practices that protect both themselves and those around them.

In addition, there are several different situations where employers have a duty to ensure that workers are trained (e.g. Hot work, Scaffolding, Working in Confined Spaces, Handling of gases). In some cases, the training may be part

of a worker's trade background. In other cases, there may be requirements for workers to be trained in the procedures used by the employer.

Personal Protective Equipment /Protective Attire Number of Safety Attires Provided For Employees in the year 2014

Description	Unit	2014
Ear plug with cord	Sets	850
Gloves (riggers)	Pairs	3,865
Gloves (cotton)	Pairs	5,240
Gloves (wrist length)	Pairs	5,135
Gloves (Elbow length)	Pairs	11,356
Gloves (Rubber)	Pairs	2,330
Goggles (chipping)	Numbers	2,000
Goggle (welding)	Numbers	1,311
Safety spectacles	Numbers	658
Helmet - Spares	Numbers	3,500
Chin Strips		1,000
Harness		250
Hammock		
Jacket	Numbers	325
Leg guards	Pairs	125
Life Jackets	Numbers	120
Masks	Numbers	611,750
Overalls	Numbers	4,500
Respirators	Numbers	1,050
Cartridge		2,700
Safety belts	Numbers	190
Safety helmets	Numbers	200
Safety shoes	Pairs	1,520
Safety Torch	Numbers	283
Full body Harness	Numbers	15

Personal protective equipment (PPE) refers to protective clothing, helmets, goggles, or other garments or equipment designed to protect the wearer's body from injury. The hazards addressed by protective equipment include physical,

Sustainability Report

electrical, heat, chemicals, biohazards, and airborne particulate matter. Protective equipment may be worn for job-related occupational safety and health purposes, as well as for sports and other recreational activities.

The purpose of personal protective equipment is to reduce employee exposure to hazards when engineering and administrative controls are not feasible or effective to reduce these risks to acceptable levels. PPE is needed when there are hazards present. PPE has the serious limitation that it does not eliminate the hazard at its source. Personal protective equipment, commonly referred to as "PPE", is equipment worn to minimise exposure to a variety of hazards.

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 Belts, Full Body Harness for the Scaffolders, Ear Plugs, Ear Muffs, Dust Masks, Gas Masks, Goggles for Chipping and Gas Cutting/Welding etc, Work Overalls and Hand Gloves for rigging; welding and other specific requirements are also provided free of charge. In addition washing and laundry facilities are also provided.

Safety Patrol/Safety Inspections and Audits

Safety Patrol is a key element in our Hazard Identification & Risk Assessment process. Every audit team comprises of all levels of employees, from managers to subcontract employees make yard visits weekly under the direct guidance of a Company director to fulfill the above requirements. Total time allocation per visit is about one and half hours and the total man-hour involvement per year for this process is about 480 man hours. A new module to enter all Safety Patrol reports and action plans data into our MIS was implemented. As done in the previous year Safety Audits and Inspections were carried out in the Workshops and other general areas according to the Safety Inspections/Audit calendar to identify potential Hazards and Risks which are present in the work environment. In addition an Occupational and an Environmental Noise survey on board NC vessels and monitoring of Dust levels were conducted quarterly during this year.

Recognising and addressing the hazards of oxygen enrichment

Oxygen safety in manufacturing facilities is an important topic for reasons such as the lack of familiarity with the product. If the concentration of oxygen falls below the acceptable limit of 19.5%, the space is oxygen-deficient. If the concentration exceeds the limit of 23%, then the space is oxygen-enriched, increasing the likelihood of explosions or fires by increasing the potential of any combustible or flammable material to be ignited as well as the rate of reaction.

It is important to note that fire chemistry starts to change when the concentration of oxygen increases to as little as 23%. Materials easily ignited in air not only become more susceptible to ignition, but also burn with added violence in the presence of oxygen. These materials include clothing and hair, which have air spaces that readily trap the oxygen.

Poster campaign together with awareness camping was carried out throughout the yard during them of the month campaign.

Safety Tool Box Meeting (Workshop/Gangway/On board vessels)

Communication is one of the best ways to prevent accidents and one of the best ways of communicating the importance of safety. A toolbox talk is a short safety talk, normally delivered at the workplace (not a training room) and on a specific subject matter. It should be short (10 – 15 minutes) and to the point with a specific safety message. Toolbox meetings are very common in the construction industry.

The objective is to raise awareness of a particular aspect of the work but to do it on a regular basis so that the good safety message is reinforced. Attendance should be recorded.

Toolbox Talks can be used for post accident communications, re-enforcement of safe work practice, pre-task planning and talking points for hands on training. Toolbox Talks are a brief discussion of relevant safety issues but they do not replace formal safety training. The meeting is held at the beginning of a shift, after lunch/break, or incorporated into another operational meeting. There are a range of benefits of conducting a TBM: they provide a mechanism for communication and consultation on safety and production

in which all employees participate; They are a great way to conduct training on safety or production topics of local concern; Conducting toolbox meetings enhance the authority and competency of leading hands, team leaders and supervisors; and Toolbox meetings give managers and supervisors a mechanism for developing their team, managing their section, and planning their work. It is also an excellent forum for conducting, reviewing, and consulting on risk assessments. If the toolbox meetings in a section do nothing else but review the risk assessments and SWP for their section then they make an extremely valuable contribution to safety, productivity and training.

Integration of HSE data into electronic modules HES Management Electronic data entry E-Tool has been designed to support the process described in the Management Standards by providing a broad indication to organisations of how to rate the performance in managing the risks associated in the work place. Data can be used in a number of ways to indicate an organisation's performance to identify those standards which need improvement and those which the organisation are currently performing well on; or across different parts of the organization, with a view to identifying good parts that may have practices that would be beneficial for other parts to adopt and for identifying hot spots.

Sustaining Our Community

Our community remains integral to the sustainable development facet of our business, as we strongly believe that sustainable measures must be instilled into the wider spheres of our community to permeate larger economic prosperity.

We have redefined the CSR perception within Colombo Dockyard by creating a good atmosphere for Employee Volunteerism, encouraging employees to participate in various projects changes, billed to transform attitudes, perceptions and values. This creative approach has become an immediate success. CDPLC prompted a different milieu on the concept that sustainable development begins among our team.

We have focused therefore on uplifting our employees' lifestyles via rewards and remuneration including introducing higher salaries and advances and streamlining processes and systems that instigates a good work/life balance. We

have instituted initiatives that encourage employees to take all their statutory leave, have implemented transport and recreational facilities and have begun working with sub-contract associations, suppliers and customers to implement some of the best practices. Having instituted a culture where we encourage our team to look beyond themselves and into the community, we have seen our team volunteer in social projects that they have found themselves, working in the field to make their communities better. This permeation comes from top management but has seen an intrinsic ownership taken over by the team which is commendable.

Human Resource Development

As a people oriented company, CDPLC believes in adaptability and inclusiveness rather than rigidity and a hierarchy in developing our HR policies. Employee participation in decision-making, empowerment and transparency are key attributes inbuilt within the HR value proposition of the Company. We have been able to align our human resource management strategies with our strategic business objectives seamlessly, by encouraging constant dialogue, instilling trust, and demonstrating organisational justice. While a well standardised set of documented procedures (ISO certified) provides a firm foundation and guidance, the company always takes a holistic perspective in HR decision making, and at no point have we constrained or delineated ourselves within mechanistic predefined structures or frameworks when it comes to managing HR issues.

Our HR perspective is both unique and powerful; it establishes the linkages between employee commitment, customer requirements, and stakeholder interests.

The HR transformation process of CDPLC emphasizes on a philosophical employee.

The "New CDPLC Man" who is economically stable, socially responsible, organisationally loyal, internally disciplined, technically competent, functionally knowledgeable & equipped with shared goals takes a lead role in the organisational HR transformation process.

Sustainability Report

Adopting prudent policies and practices, the Company places a high emphasis on the development of our human capital. We are constantly inculcating a learning culture, where opportunities are provided to employees to continually expand their capacities; nurturing new and expansive patterns of thinking, while their collective aspirations are facilitated to achieve desired results.

At the heart of our HR strategy, lies the central focus of building and ensuring organisational commitment among employees. The Company maintains a development-oriented performance evaluating system and recognises employees who perform exceedingly well and who are committed to the organisation. Deserving employees are honoured with annual awards, based on different performance and commitment measurement criteria used in selecting the Best Safety Inspector, Best Employee of each Division, Best Division/Department, Best Employee Suggestions, Best Subcontractor Company and Best Social Worker for example, in motivating them towards desired corporate goals. These awards are offered based on impartial and unbiased evaluations guaranteeing equality and transparency, which further strengthens the harmonious employer-employee relations that have been built over the years through unbiased and proactive HR interventions.

Further, all employees are treated with equality and rewarded aptly for their performance. This is further emphasized by articulating and implementing non-discriminatory employment practices on the grounds of gender, ethnicity, religion or place of abode.

We categorically do not employ any person under the legal age of employment nor do we condone child labour or unfair labour practices in any way.

We comply very stringently with all rules, regulations and obligations laid down by the International Labour Organisation and related regulations instituted by the Ministry of Labour.

Workforce Strength

CDPLC has a total workforce of 1642 as at 31st December 2014, excluding subcontract employees.

Workforce Strength and Employment by Age and Sex, 2014

Work Category	Male				Female				Grand Total
	18 to 30 Years	30+ to 40	40+ & above	Total	18 to 30 Years	30+ to 40	40+ & above	Total	
Managing Director / CEO			1	1					1
Divisional Head			5	5					5
Executive	28	56	113	197	1	2	4	7	204
Supervisory	22	25	178	225					225
Clerical	5	10	25	40	5	10	5	20	60
Industrial	262	396	489	1,147					1,147
Grand Total	317	487	811	1,615	6	12	9	27	1,642

The above analysis demonstrates that there is no discrimination based on employee age, though a significant skew is observed towards senior employees, which is a typical phenomenon in organisations inherent with a life-long employment approach. The Company believes in engaging young people, from the basics at shop floor level in developing core competencies that are vital to develop and maintain the organisation's technological prowess. Thus, as a policy, HR is focused on attracting technical talent that can emphasize the CDPLC foundation.

Rewards, Remuneration and Benefits

Employee Recognition

Colombo Dockyard provides high salary and remuneration benefits to our team, well above local industry standards. The Company recognises the right of employees to engage in Collective Bargaining and uses such initiatives to engage in a dialogue to address issues of mutual interest and relevance when deciding levels of annual remuneration and benefits granted to employees.

The Company duly recognizes employees and work teams who excel in line with corporate objectives. Higher contributions in areas such as productivity improvement, efficiency gains, innovation, customer satisfaction, extraordinary commitment, safety assurance and community development endeavors are highlighted and rewarded annually, providing the necessary impetus and reinforcement for such valued achievements.

The annual Best Employee Awards of the Company was held on the 23rd of August 2014 at the University of Visual & Performing Arts Colombo 07, for the tenth consecutive year. 24 employees were awarded certificates and trophies, including two high achievers who received special awards for their excellent commitment towards the ISO quality management system. One award was for Social and Employee Welfare, while the other was presented to two sub-contract team members for excellent production performance. Six Special Merit Awards were also presented to the best divisions of the Company.

We also recognised the dedicated services of all those team members who have served the Company over a long period of time. During the last 17 years, we have had a total of 1,337 team members with us, serving over 15 years. These long standing team members were awarded gold sovereigns.

Number of employees awarded with Gold Sovereigns during the last 17 years

Year	Employees Awarded	Year	Employees Awarded
1998	76	2007	69
1999	431	2008	43
2000	22	2009	118
2001	32	2010	13
2002	71	2011	22
2003	114	2012	14
2004	78	2013	20
2005	80	2014	7
2006	127		
		TOTAL	1,330

The Company continued its annual Employee & Family get-together at leisure world - Kaluaggala on 7th September 2014 as a full day event, with the participation of 7000 people including all employees of the Company. This grand ceremony creates a good background to enhance our employees' work life balance whilst motivating better productivity at work.

Transparency and Open Dialogue

We strongly believe in a culture of open dialogue and have continued to institute effective communication strategies that will propagate this culture. From cross functional teams, to open forums, to numerous communication channels, we have effectively managed a two way conduit that empowers our team to comment, give ideas and discuss Company issues that will have an impact on the macro picture of the organisation.

Magazines, reports, proposals, circulars, notices, an Employee Suggestion Scheme, in-house radio and television channels used as communication tools play a prominent role in creating a communicative culture within the Company.

Sustainability Report

Yard TV: The In-House Television Channel

Yard TV is a creative solution introduced to enhance two way communication and transparency within the Company, while improving general awareness and encouraging knowledge dissemination. Yard TV:

- telecasts live discussions, programmed videos from and to various locations through LAN on TVs, Projectors and PCs. Videos on productivity, progress, health and safety, security and fire alerts, employee discipline, punctuality, customer relation, relationship management with stakeholders, training, workshops, seminars, various functions and ceremonies, significant occasions (contract signing, keel laying, launching and delivering), core activities such as yard cleaning, fire evacuation programmes and safety patrols are programmed and distributed
- shares knowledge in international experiences, exhibitions, technological improvement and changes, innovations in the marine engineering industry via interviews and the relevant videos.
- facilitates the retrieval of previous telecasts from the media library.
- captures important events from National and International TV channels, telecasting these for general awareness, knowledge and entertainment.

“Ape Handa” – In-House Radio Channel

The in-house radio works over the Public Address System to communicate at macro level. The radio deals with current issues relevant to the Company including live interviews with different stakeholders (management, trade unions, Project Managers and all employees as relevant), while highlighting safety messages, management communiqués and other relevant news.

Quarterly In-House Publication “Vinivida”

CDPLC publishes and distributes Vinivida (Transparency), the internal quarterly magazine for all employees. This is a publication that is distributed free of charge and deals with contemporary management themes relevant and pertinent to the Company. It also deliberates on critical issues. It is found to be an effective and direct communication medium that delivers messages to team members based at all levels.

Welfare benefits provided to Employees

Colombo Dockyard PLC has created a very dynamic but a unique mechanism to achieve one of its main corporate objectives of enhancing stakeholder satisfaction through sustainable development. Therefore, the Company is concerned about its employee welfare services as well as the social welfare of the country. The “Welfare Mechanism” has four leverages such as,

1. Employee Services & Logistics Department
2. The Welfare Association of Colombo Dockyard PLC
3. In-house Health Center
4. Employee Volunteerism

In order to optimise productivity and efficiency and to institute our policy of a good work/life balance among our team, the Employee Services Department of the Company provides a range of benefits to its employees. Such as,

1. Providing quarters and dormitory facilities for selected single and married employees at very concessionary rates.
2. Providing breakfast, tea and snacks free of charge, while lunch and dinner is provided at a subsidised rate, for all employees and trainees.
3. Providing comprehensive health and life insurance coverage for all employees and their close family members, with an efficient mechanism which improves both employee health aspects as well as the productivity of the Company. Further, children of employees who have been entered to Government universities and technical colleges are provided the health insurance coverage up to 25 years or until the completion of their higher studies.
4. The Company maintains its own medical center engaging the professional services of two MBBS doctors providing 24 hour treatment. Medical doctors work only during the day, but are on call for emergencies. The Medical Center has been facilitated with necessary medical tests in collaboration with reputed hospitals. First aid-points also have been placed at critical operational areas in the Yard with two ambulances ready with 24-hour services. Health assessments are conducted on an annual basis for employees working at various health risk points.

CDPLC has created a very dynamic but a unique mechanism to achieve one of its main corporative objectives of enhancing stakeholder satisfaction through sustainable development.

5. The Transport Department which operates under the Employee Services Department provides transport facilities for employee trips, funeral visits, sport activities, community related social philanthropic work at very concessionary rates, whilst serving for employee transportation for office attendance, transport arrangement for local and overseas customers and number of other official visits free of charge.
6. Organising New Year dawn ceremonies, National Independence Day, employee get-together events, other official ceremonies are done by the employee services department.
7. Carryout in-house pest controlling, Dengue and other health campaigns, food and hygienic campaigns, general Yard cleaning activities, washing of all sanitary facilities.
8. The department operates an in-house industrial kitchen with 36 carders to provide lunch and dinner for all employees, which works around the clock. Breakfast for the employees is arranged through the Internal Welfare Association, maintaining separate kitchen.
9. Operate seven (7) buffet centers at various locations in the yard with modern facilities including TVs for employees to enjoy their meals.
10. Provides employee overalls, safety shoes, soap for all employees including trainees.

The Company's Welfare Association (CDLWA) with a membership encompassing all permanent employees, operates as a voluntary movement taking a lead role in providing a range of benefits and other welfare facilities to its members, their family members and the general society.

Sports activities, religious and cultural events/ceremonies, family days and annual trips, maintaining holiday bungalows, providing breakfast for employees, providing laundry facilities, as well as community oriented projects such as annual blood donation, "Sramadhana" campaigns are also organised by the Welfare Association with the help and guidance of the Management of the Company.

Scholarship Awards for University Students

CDPLC provides scholarships for undergraduate children of its team members annually. The value of a scholarship is Rs. 4,000 per month per student and is granted for twelve months a year during the entire period of his/her university career. During 2014, the Company provided new scholarships for 6 undergraduates with total value of Rs. 288,000, excluding the previous years' scholarships which monthly remittances are continuously banked to the students' personal saving accounts.

'Diriya Pranama' the Scholarship Awards Ceremony

The Welfare Association joined the management of CDPLC to grant scholarships to 29 students excelling in the Grade Five Scholarship Examination, who are children of employees and sub-contract employees. The ceremony to award these scholarships "Diriya Pranama" was conducted at the in-house Training Center on the 29th November 2014. A student's value development and exam preparation seminar series was also conducted, for the next year's candidates.

Seminar "Pre-Preparation for Exams"

The Welfare Association joined the management of CDPLC, conducted a full day Seminar for 50 students who were hoping to sit for O/L and A/L exams, at the in-house training center, on 18th September 2014. The seminar was conducted by a panel of lecturers from the University of Sri Jayewardenepura and University of Colombo.

Sustainability Report

Employee Extracurricular Activities

Believing strongly that extracurricular activities hone leadership capabilities, teamwork and unity, Colombo Dockyard together with the Welfare Association provides maximum facilities for the development of sport activities among team members. The initiatives have certainly borne fruit given that CDPLC won fourth place at the Mercantile Athletic Games organised by the Mercantile Athletic Federation of Sri Lanka in 2014 too, gaining a total of 39 medals; 14 gold medals, 10 silver and 15 bronze medals.

Continuation of Corporate Social Responsibility Projects

Mother Sri Lanka

Mother Sri Lanka MSL is a collaborative effort of the public and the private sectors in the country leveraging on the strengths of each sector. The vision of mother Sri Lanka, aims to see the 20 million people hold their heads high in pride as Sri Lankans believing in themselves and their ability to be united under one flag, as one proud nation.

Having understood the valuable concept behind the MSL projects, the Company volunteers to support them. Thus, about 60 employees as a group contributed the National Award Ceremony conducted by the MSL, for winning school from every province in Sri Lanka, during 2014. Further, the Company supported a National cultural and value sharing program conducted in Jaffna, during December 2014. About 200 students from the University of Moratuwa and school children of ten schools in the western and southern provinces went to Jaffna to share their cultural values among a similar cohort of students in Jaffna. This two day program was facilitated by few officers and former MD/CEO of Colombo Dockyard PLC.

Refurbishment of Director's Room of National Hospital – Sri Lanka

Colombo Dockyard PLC and its subsidiary, the Dockyard General Engineering Services (Pvt) Ltd., Supported the NHSL for refurbishing and modernising its Director's office in 2014. Since the project was completed as a collaborative effort with contributions from few other Companies, Colombo Dockyard PLC too supported completing all Civil and electrical works with engineering expertise. The project was successfully completed and the official opening of the office was done in 1st of January 2015.

“Visithuru Lamalokaya Nawa Wasare Ashirwadayai”

“Sahurdhayamaya Ekamuthuwa”, a recognised volunteer team in the Colombo Dockyard PLC for aesthetic performances, conducted a full day program for children who are living in the “Shilpa” children development center, Narahenpita which is governed under the custody of the National Child Protection Authority, on 1st of January 2014. Organising a live concert with the children, providing them food, providing a pack of gift pack for every child, including books, TVs and various other gifts to the common use of the Center, was a memorable moment for the isolated children.

Poson Bethigee Saraniya - 2014

“Sahurdhayamaya Ekamuthuwa”, conducted its annual mission of community focused meritorious campaign on “Praja Sathkaraka Bathigee Saraniya – 2014” at “City Home for the Elders and Children” Wickramasinghepura, Baththaramulla on 14th June 2014, for a five hour period.

The program commenced at 2.30 pm with a Dhamma ceremony conducted for one hour, focusing the spiritual wellbeing of the elders and children who were dwelled in the Elders Care Center. Then, the “Sahurdhayamaya Ekamuthuwa” started performing a series of Buddhist Songs “Bathi Gee” which they have been trained for over three months’ for the happiness of the elders and children who are indeed in an isolated situation in society. Meanwhile snacks, refreshments and dinner was provided to the elders. The conclusion of the campaign was done with a familiarisation session focusing on individual elders; whilst making them realise that they are our own children, mothers and fathers holistically. The invaluable contribution made by the elders knowingly or unknowingly towards the betterment of society was re-emphasized and appreciated whilst providing them with small gifts packs to suit their day to day needs.

Annual “Shramadana” Campaigns

The Welfare Association joined the management of CDPLC and launched two “Sramadhana Campaigns” in 2014. The first campaign was done at the entire territory of Deegavapiya Temple - Ampara on, 2014.02.15, and 95 employees of the Company contributing. The second campaign was done at Basilica Church – Ragama on 3rd August 2014, with 63 employees of the Company including the MD/CEO of Colombo Dockyard PLC, contributing as well.

Annual Blood Donation Campaign

The Welfare Association of the Company conducted its annual blood donation campaign on 22nd March 2014. This program held at the in-house training center and 165 donors contributed their blood to the National Blood Bank of Sri Lanka.

Donations for Flood Victims

The Welfare Association of the Company launched a meal (Lunch) distribution campaign for flood victims of the Agalawattha area, Kaluthara, on 6th June 2014. About 900 lunch packets were served for the victims.

Donations for Drought Victims

The Welfare Association of the Company and the Independent Dock workers Union of and the Management of the Company donated more than 750 bags of dry provisions to drought victims of Kiriibban Wewa, and the Janakapura area of Padeniya. This campaign was done on 15th August 2014.



Financial Calendar 2014/2015

2014

Approval of Financial Statements	February 24, 2014
Interim Report - 4th Quarter-2013	February 28, 2014
Dispatch of Annual Report - 2013	March 07, 2014
Payment of Dividend	March 17, 2014
31st Annual General Meeting - 2013	April 10, 2014
Interim Report - 1st Quarter-2014	May 15, 2014
Interim Report - 2nd Quarter-2014	August 15, 2014
Interim Report - 3rd Quarter-2014	November 15, 2014
Financial Year-end	December 31, 2014

2015

Interim Report - 4th Quarter - 2014	February 28, 2015
Approval of Financial Statements	March 02, 2015
Dispatch of Annual Report - 2014	March 10, 2015
Ex-Dividend Date	March 12, 2015
Payment of Dividend	March 23, 2015
32nd Annual General Meeting - 2014	April 07, 2015
Interim Report - 1st Quarter - 2015	May 15, 2015
Interim Report - 2nd Quarter-2015	August 15, 2015
Interim Report - 3rd Quarter-2015	November 15, 2015
Financial Year-end	December 31, 2015

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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 2014, 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 2nd March 2015. The report also includes certain disclosures required to be made under Listing Rules of the Colombo Stock Exchange and are guided by the recommended best practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Colombo Stock Exchange.

Review of Business

A review of the operation of the Company during the financial year and results of those operations and future developments are stated in the Chairman's Statement on page 8 to 11 and Managing Director/CEO's Review on page 12 to 17 in this Annual Report. These reports form an integral part of the Report of the Directors'.

Principal Activities

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

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 an 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 for purchasing and shipping to Colombo office with minimum time period.

Future Developments

An overview of the future prospects of the Company is covered in Chairman's Statement (page 8 to 11), the Managing Director/CEO's Review (page 12 to 17) and Management Discussion Analysis of this report (page 24 to 38).

Financial Statements

The Financial Statement of the Company and the Group for the year ended 31st December 2014 are duly certified by the Chief Financial Officer and approved by two Directors together with the Company Secretary in complying with the Companies Act No. 07 of 2007 are given on page 86 to 136 of this Annual Report.

Auditors' Report

Company Auditors, KPMG, performed the audit on the Consolidated Financial Statements for the year end 31st December 2014, and the Auditors' Report issued thereon is given on page 85 of this Annual Report as required by the Section 168 (1) (c) of the Companies Act No. 07 of 2007.

Accounting Policies and Changes

The Accounting Policies adopted in the preparation of Financial Statements of the Company and the Group are given on page 92 to 103 of the Annual Report as required by Section 168 (1) (d) of the Companies Act.

Going Concern

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

Gross Income

The revenue of the Group during the year was Rs. 14,665.7 Mn (2013 - Rs. 16,741.8 Mn), while the Company's revenue was Rs. 13,707.0 Mn (2013 - Rs. 15,861.4 Mn). Analysis of the revenue is given in Note 5 to the Financial Statement on pages 104 to 105 of this Annual Report

Profit & Appropriation

	2014 Rs'000	2013 Rs'000
Profit for the year:		
Group post -tax profit	292,456	929,132
Amount attributable to Minority Interest	(1,588)	(3,053)
Profit attributable to the Shareholders of Colombo Dockyard PLC	290,868	926,079
Other Comprehensive Income	(29,962)	146,066
Retained Profit B/F	10,266,948	9,769,674
Bonus Issue	-	-
Dividends - Paid Rs. 4/- per share (2013 - Rs. 8/- per share)	(287,437)	(574,871)
Retained Profit C/F	10,240,417	10,266,948

Reserves

Total Group Retained Earning Reserves at 31st December 2014, was amounted to Rs. 10,240.4 Mn (2013 – Rs. 10,266.9 Mn). The movements of the Reserves during the year are shown in the Financial Statements of Changes in Equity on pages 88 to 89 on this Annual Report.

Taxation

It is the Company policy to provide for deferred taxation based on the liability method, on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Further details are given in taxation note 9 on page 107.

Dividends

The Board of Directors have authorised the payment of the first and final Dividend of Rs. 3.00 per share for the year ended 31st December 2014 (2013 - Rs. 4.00).

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

At the balance sheet date, the Company was solvent and the net current assets was Rs. 6,431.6 Mn (2013 – Rs. 6,620.9 Mn) and the value of the Company's assets less liabilities and stated capital was Rs. 9,661.0 Mn (2013 - Rs. 9,769.4 Mn). The profit of the company attributable to the equity holders of the company was Rs. 209.2 Mn (2013- Rs 823.7 Mn), amount set aside for dividend has been Rs. 215.5 Mn (2013 - Rs. 287.4 Mn).

Shareholder Information

Information relating to earnings, dividends, and net assets per share and market value per share is given in from pages 59 to 62.

Property, Plant & Equipment

The Group's total capital expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 524.8 Mn. (2013 - Rs. 658.7 Mn). The extent of the freehold lands held by the Group as at the balance sheet date is 1,103.7 perch (2013 - 1,103.7 perch) recorded at cost. The details of Property, plant and equipment are given in Note 11 to the Financial Statements on page 112.

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

Market Value of Freehold Properties

The net book value of freehold properties owned by the Company and Group as at 31st December 2014 is included in the accounts at Rs. 4,344.6 Mn. (2013 – Rs. 4,233.0 Mn).

An Independent Chartered Valuer/Licensed Surveyors carried out a market value assessment of the Group's freehold land as at 31st December 2014. The details of freehold properties owned by the Company are given in Note 11.3 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 2014.

Pending Litigation

In the opinion of the Directors and the Company Lawyer, pending litigation against the Company is disclosed in Note 33 of the Financial Statements and will not have a material impact on the financial position of the Company or its future operations.

Corporate Donations

Total donations made by the group during the year was amounted to Rs. 447,166/- (2013-Rs. 6,451,811/-) 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 2014 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 86 to 136 have been prepared in conformity with the requirement of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange.

The Board of Directors

The Board of Directors of the Company consist of Nine (2013-9) Directors with a wide range of Engineering, Financial, Legal and Commercial knowledge and experience. The following Directors held office as at the Balance Sheet date and their profiles appear on pages 18 to 19 of this Annual Report.

Executive Directors

Dr. T. Takehara – Chairman
Mr. Ranil Wijegunawardane – Managing Director/CEO
Mr. Y. Kijima

Non-Executive Directors

Mr. Sarath De Costa – Vice Chairman
Mr. T. Nakabe
Mr. Laliith Ganlath
Mr. H.A.R.K. Wickramathilake
Mrs. Janaki Kuruppu
Mr. Piyadasa Kudabalage

Alternate Directors

Mr. Y. Imai
Mr. Kentaro Usu

Directorate

The Board of Directors of Colombo Dockyard PLC as at the date of report are given on pages 18 to 19 of the Annual Report. The change in the directorate from the date of the last report to this report is as follows.

- Mr. Mangala P.B. Yapa (Managing Director/CEO) who was nominated and appointed as a Nominee Director of Onomichi Dockyard Co., Ltd., Japan on 22/04/2004 retired from his services immediately after the 31st Annual General Meeting on 10/04/2014 and Mr. Ranil Wijegunawardane was nominated and appointed as the Managing Director/CEO of the Company in place of Mr. Mangala P.B. Yapa, as a Nominee Director of Onomichi Dockyard Co. Limited, Japan in terms of Article 80 (2) of the Articles of Association of the Company, effective from 10/04/2014, immediately after the 31st Annual General Meeting.
- Mr. Akihiko Nakauchi (Chairman) who was nominated and appointed as a Nominee Director of Onomichi Dockyard Co., Ltd., Japan on 28/10/2009 retired with effect from 31/08/2014 and Dr. Toru Takehara was nominated and appointed as the Chairman in place of Mr. Akihiko Nakauchi, as a Nominee Director of Onomichi Dockyard Co. Limited, Japan in terms of Article 80 (2) of the Articles of Association of the Company, with effect from 01/09/2014.

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

The Nominee Directors of Onomichi Dockyard Company Limited namely Dr. Toru Takehara, Messrs. Sarath de Costa, Ranil Wijegunawardane, T. Nakabe and Y. Kijima and the Nominee Director of the Employees' Provident Fund. Mrs. Janaki Kuruppu continue to hold office. Mr. Piyadasa Kudabalage a nominee director of Sri Lanka Insurance Corporation Ltd., has tendered his resignation with effect from 2015/01/21.

Board Sub-Committees

The Board of Directors have formed two Board subcommittees and their composition and attendances is given in page 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 2014:

	31/12/2014	31/12/2013
L. Ganlath	578	578
H A R K Wickramathilake	1,103	1,103

Interest Register

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

Human Resources

The Company continued to invest in Human Capital Development and implement effective human resource practices and policies to develop and build an efficient and effective workforce aligned with corporate objectives and to ensure that its employees are developing the skills and knowledge required for future success of the Company. Specific measures taken in this regard are detailed in the Sustainability Report on pages 63 to 75.

Environmental Protection

The Company and Group, to the best of its knowledge have not engaged in activity, which is detrimental to the environment. Specific measures taken to protect the environment are given in the Sustainability Report on pages 63 to 75 of this Annual Report.

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

Group Employment

The number of persons employed by Colombo Dockyard PLC and its Subsidiaries as at 31st December 2014 was as follows:

	2014	2013
Group	1,669	1,800
Colombo Dockyard PLC	1,642	1,773

Directors' Interest in Contracts and Related Party Transactions

Directors' interest in contracts of the Company is disclosed in Note 35 to the Financial Statement on page 133, 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 and Remuneration Committee are presented on page 47 of this Annual Report.

Corporate Governance

The Board of Directors of the Company have acknowledged the adoption of good governance practices; an essential factor in today's corporate culture. The policies followed by the Company are explained in the Corporate Governance Statement on page 46 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 2014 are given on page 61 of this report.

Contingent Liabilities and Commitments

There are no contingencies or commitments other than those disclosed in the Note 33 to the Financial Statements.

Events After Balance Sheet Date

No circumstances have arisen and no material events have occurred during the period between the Balance Sheet date and Directors signing of Accounts, that require disclosure or adjustment to the Financial Statements other than those disclosed in the Note 36 to the Financial Statements on page 134 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 1 Sri Lanka at 10.00 a.m. on the 07th day of April 2015.

The Notice to the Annual General Meeting is given on page 138.

Auditors

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

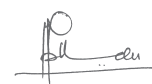
For and on behalf of the Board,
Colombo Dockyard PLC



Dr. T. Takehara
Chairman



Ranil Wijegunawardane
Managing Director/CEO



Manori Mallikarachchi
Company Secretary

2nd March 2015
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.
- 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.

Further, the Board of Directors wishes to confirm that the Company and its Subsidiaries have met all the requirements under the Section 07 Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange.

Company has taken proper and sufficient internal controls and accounting records for safeguarding assets. The applications of the internal controls are monitored through a independent Financial & Management System Review Team contracted with B. R. De Silva & Co, Chartered Accountants.

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

Company external auditors Messrs KPMG, appointed in accordance with the resolution passed at the last Annual General Meeting were provided with free access to undertake required inspection they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, given on page 85, 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 have been paid or provided where relevant except as specified in Note No 33 to the Financial Statements on Contingent Liabilities on page 132.

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

2nd March 2015
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 2014 are prepared and presented in compliance with the following:

- Sri Lanka Accounting Standards (SLFRSs) 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,
- Listed 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 your 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.

We also wish to inform that the Group is well aware of the changes required to the Financial Statements and already incorporated to meet the new requirements of the new/ revised Sri Lanka Financial Reporting (SLFRS) Accounting Standards, effective from 1st January 2012.

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 your 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. 33 to the Financial Statements in the Annual Report.



Ranil Wijeygunawardana
Managing Director/CEO



Gihan Ravinatha
Chief Financial Officer

2nd March 2015
Colombo, Sri Lanka

Independent Auditors' Report



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

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Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF COLOMBO DOCKYARD PLC Report on the Financial Statements

We have audited the accompanying 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 December 31, 2014, 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 a summary of significant accounting policies and other explanatory information, set out on pages 86 to 136 of the annual report.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at December 31, 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- The basis of opinion and scope and limitations of the audit are as stated above.
- In our opinion:
 - 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,
 - The financial statements of the Company give a true and fair view of its financial position as at 31st December 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statement of the Company and the Group comply with the requirement of sections 151 and 153 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo
2nd March 2015

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

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

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st December,	Note	Group		Company	
		2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)
Revenue	5	14,665,792	16,741,841	13,707,047	15,861,469
Cost of Sales		(13,220,726)	(14,857,533)	(12,507,645)	(14,246,088)
Gross Profit		1,445,066	1,884,308	1,199,402	1,615,381
Other Income	6	305,489	551,977	316,891	559,179
Distribution Expenses		(29,225)	(44,289)	(22,595)	(37,142)
Administrative Expenses		(1,713,456)	(1,779,445)	(1,585,618)	(1,659,896)
Other Operating Income / (Expenses)		31,175	(23,951)	31,175	(23,951)
Net Finance Income	7	295,822	289,519	280,995	278,925
Profit before Tax	8	334,871	878,119	220,250	732,495
Income Tax Expenses	9	(42,415)	51,013	(10,961)	91,266
Profit for the year		292,456	929,132	209,289	823,761
Other Comprehensive Income					
Fair Value Change of Available for Sale Financial Assets		1,660	3,457	1,660	3,457
Foreign Currency translation differences - Foreign operations		(10,740)	8,993	-	-
Defined benefit plan actuarial gains / (losses)		(32,523)	162,631	(35,153)	161,539
Tax on Other Comprehensive Income - Reversal / (Expenses)		2,561	(16,565)	3,297	(16,485)
Other Comprehensive Income for the year, net of tax		(39,042)	158,516	(30,196)	148,511
Total Comprehensive Income for the year		253,414	1,087,648	179,093	972,272
Profits attributable to;					
Owners of the company		290,868	926,079	209,289	823,761
Non - controlling interests	32	1,588	3,053	-	-
Profit for the year		292,456	929,132	209,289	823,761
Total comprehensive income attributable to;					
Owners of the company		257,089	1,080,188	179,093	972,272
Non - controlling interests	32	(3,675)	7,460	-	-
Total Comprehensive Income for the year		253,414	1,087,648	179,093	972,272
Earnings per Share (Rs.)	10.1	4.05	12.89	2.91	11.46

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

Statement of Financial Position

As at 31st December,		Group		Company	
	Note	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	4,344,630	4,233,042	4,253,606	4,146,640
Investment Property	12	-	-	2,865	2,865
Intangible Assets	13	9,788	12,369	7,373	11,736
Investment in Subsidiaries	14	-	-	2,083	1,592
Other Investments	15	15,304	13,644	15,304	13,644
Deferred Tax Assets	16	105,991	114,290	105,991	114,290
Other Financial Assets Including Derivatives	19	420,119	395,543	413,674	387,816
		4,895,832	4,768,888	4,800,896	4,678,583
Current Assets					
Inventories	17	1,069,606	848,544	955,471	752,546
Trade and Other Receivables	18	8,305,064	7,713,755	7,871,787	7,278,117
Other Financial Assets Including Derivatives	19	169,595	142,068	167,801	140,157
Amounts due from Related Parties	20	-	-	12,160	8,789
Income Tax Receivable	28	-	40,854	-	40,854
Cash and Cash Equivalents	21	3,004,886	3,530,808	2,631,803	3,329,424
		12,549,151	12,276,029	11,639,022	11,549,887
Total Assets		17,444,983	17,044,917	16,439,918	16,228,470
EQUITY AND LIABILITIES					
Stated Capital	22	714,396	714,396	714,396	714,396
Exchange Equalisation Reserve		449	5,926	-	-
Available for Sale Reserve		15,194	13,534	15,194	13,534
Retained Earnings		10,240,417	10,266,948	9,645,870	9,755,873
Equity Attributable to Owners of the Company		10,970,456	11,000,804	10,375,460	10,483,803
Non-Controlling Interests		51,103	54,780	-	-
Total Equity		11,021,559	11,055,584	10,375,460	10,483,803
Non-Current Liabilities					
Deferred Tax Liability	16	9,942	4,888	-	-
Employee Benefits	25	867,384	829,024	857,071	815,745
		877,326	833,912	857,071	815,745
Current Liabilities					
Interest Bearing Borrowings	23	3,221,441	2,140,589	3,221,441	2,140,589
Trade and Other Payables	26	2,225,945	2,928,982	1,866,735	2,638,510
Other Financial Liabilities Including Derivatives	24	-	18,561	491	18,890
Amounts due to Related Parties	27	-	-	90,665	103,229
Income Tax Payable	28	29,154	33,087	-	-
Dividends Payable	29	26,364	23,278	26,364	23,278
Bank Overdrafts	21	43,194	10,924	1,691	4,426
		5,546,098	5,155,421	5,207,387	4,928,922
Total Equity and Liabilities		17,444,983	17,044,917	16,439,918	16,228,470

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



P.D. Gihan Ravinatha
Chief Financial Officer

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



Dr. Toru Takehara
Chairman



Ranil Wijegunawardena
Managing Director/CEO



Manori P. Mallikarachchi
Company Secretary

2nd March 2015
Colombo, Sri Lanka

Statement of Changes in Equity

Group	Attributable to equity holders of parent				Total (Rs.'000)	Non- controlling Interest (Rs.'000)	Total Equity (Rs.'000)
	Stated Capital (Rs.'000)	Retained Earnings (Rs.'000)	Available for Sale Reserve (Rs.'000)	Exchange Equalisation Reserve (Rs.'000)			
Balance as at 01st January 2013	714,396	9,769,674	10,077	1,340	10,495,487	47,827	10,543,314
Total Comprehensive Income for the year							
Profit for the Year	-	926,079	-	-	926,079	3,053	929,132
Other Comprehensive Income	-	146,066	3,457	4,586	154,109	4,407	158,516
Transactions with owners of the Company, Contributions and distributions							
- Dividends Paid		(574,871)	-	-	(574,871)	(507)	(575,378)
Balance as at 31st December 2013	714,396	10,266,948	13,534	5,926	11,000,804	54,780	11,055,582
Total Comprehensive Income for the year							
Profit for the Year	-	290,868	-	-	290,868	1,588	292,456
Other Comprehensive Income	-	(29,962)	1,660	(5,477)	(33,779)	(5,265)	(39,042)
Transactions with owners of the Company, Contributions and distributions							
- Dividends Paid	-	(287,437)	-	-	(287,437)	-	(287,437)
Balance as at 31st December 2014	714,396	10,240,417	15,194	449	10,970,456	51,103	11,021,559

Company	Stated Capital (Rs.'000)	Retained Earnings (Rs.'000)	Available for Sale Reserve (Rs.'000)	Total Equity (Rs.'000)
Balance as at 01st January 2013	714,396	9,361,929	10,077	10,086,402
Total Comprehensive Income for the year				
Profit for the year	-	823,761	-	823,761
Other Comprehensive Income	-	145,054	3,457	148,511
Transactions with owners of the Company, Contributions and distributions				
- Dividends Paid	-	(574,871)	-	(574,871)
Balance as at 31st December 2013	714,396	9,755,873	13,534	10,483,803
Comprehensive income for the year				
Profit for the Year	-	209,289	-	209,289
Other Comprehensive Income	-	(31,855)	1,660	(30,195)
Transactions with owners of the Company, Contributions and distributions				
- Dividends Paid	-	(287,436)	-	(287,436)
Balance as at 31st December 2014	714,396	9,645,870	15,194	10,375,460

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

Statement of Cash Flows

For the Year Ended 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)
Cash Flow from Operating Activities				
Profit Before Tax	334,871	878,119	220,250	732,495
Adjustments for,				
Depreciation of Property, Plant and Equipment	412,452	410,453	398,137	397,240
Amortisation of Intangible assets	6,988	5,335	6,771	5,335
Provision for Retirement Benefit Obligations	136,657	157,637	134,099	154,732
Provision for (Reversal of) Bad and Doubtful Debts	(7,041)	480	(7,969)	1,684
Provision for /(Reversal of) Obsolete Stocks	(31,539)	7,586	(32,830)	8,617
(Profit)/Loss on Disposal of Property, Plant and Equipment	(1,893)	(8,776)	(1,825)	(8,776)
Foreign Exchange (Gain)/Loss (Unrealised)	99,461	110,822	110,199	101,812
Net Change in Fair Value of Financial Instruments	(21,637)	(50,746)	(21,637)	(50,746)
Interest Income	(167,200)	(236,771)	(152,697)	(226,518)
Amortisation of Corporate Guarantees	-	-	(329)	(156)
Dividend Income	(189)	(194)	(9,396)	(6,284)
Interest Expenses	20,614	18,928	20,353	18,902
Operating Profit Before Working Capital Changes	781,544	1,292,873	663,126	1,128,337
(Increase)/Decrease in Inventories	(189,523)	458,984	(170,094)	440,764
(Increase)/Decrease in Trade and Other Receivables	(591,450)	571,287	(585,701)	586,362
(Increase)/Decrease in Amounts Due from Related Parties	-	-	(3,371)	24,294
Increase/(Decrease) in Trade and Other Payables	(703,043)	(1,876,009)	(779,431)	(1,758,440)
Increase/(Decrease) in Amounts Due to Related Parties	-	-	(12,564)	(32,032)
Cash Generated from/(used in) Operating Activities	(702,472)	447,135	(888,036)	389,285
Interest Paid	(20,613)	(18,928)	(20,353)	(18,902)
Gratuity Paid	(130,820)	(108,419)	(127,926)	(108,041)
Income Tax (Paid) / Set offs	10,420	(31,032)	41,489	-
Net Cash Generated from/(used in) Operating Activities	(843,485)	288,756	(994,826)	262,342

For the Year Ended 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)
Cash Flow from Investing Activities				
Acquisition of Property, Plant and Equipment	(523,989)	(658,755)	(505,044)	(647,127)
Proceeds from Disposal of Property, Plant and Equipment	2,004	12,360	1,936	12,361
Interest Received	174,389	236,771	160,351	226,518
Staff Loans granted during the year	(200,326)	(202,709)	(197,901)	(197,118)
Staff Loans recovered during the year	165,736	148,596	161,911	146,385
Redemption of Short Term Investment	-	38,000	-	-
(Investment) / Redemption of Debentures	-	62,875	-	62,875
Acquisition of Intangible Assets	(4,578)	(14,268)	(2,578)	(13,635)
Dividends Received	189	194	9,396	6,284
Net Cash Generated from/(used in) Investing Activities	(386,574)	(376,936)	(371,928)	(403,457)
Cash Flow from Financing Activities				
Repayment of Long Term Loans	(14,434)	(27,470)	(14,434)	(27,470)
Repayment of Short Term Loans	(5,705,213)	(6,738,885)	(5,705,213)	(6,738,885)
Loans obtained during the year	6,675,865	6,939,531	6,675,865	6,939,531
Dividends Paid	(284,350)	(571,149)	(284,350)	(570,642)
Net Cash Generated from/(used in) Financing Activities	671,867	(397,973)	671,867	(397,466)
Net Increase/(Decrease) in Cash and Cash Equivalents during the year	(558,192)	(486,153)	(694,886)	(538,581)
Cash and Cash Equivalents at the beginning of the year (Note 21)	3,519,884	4,006,037	3,324,998	3,863,579
Cash and Cash Equivalents at the end of the year (Note 21)	2,961,692	3,519,884	2,630,112	3,324,998

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

Notes to the Financial Statements

1. REPORTING ENTITY

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 the Port of Colombo.

The consolidated financial statements of the Company as at and for the year ended December 31, 2014 comprise of the Company and its Subsidiaries (together referred as the "Group").

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

The Board of Directors acknowledge this responsibility as set out in the 'Statement of Directors' Responsibility for Financial Statements', 'Annual Report of the Board of Directors' and in the statement appearing with the statement of Financial Position of this Annual Report.

These Financial Statements include the following components:

- **The Consolidated Statement of Profit or Loss and Other Comprehensive Income:** providing information on the financial performance of the Group and the Company for the year. (Refer page 86)
- **The Consolidated Statement of Financial Position:** providing information on the financial position of the Group and the Company as at reporting date (Refer page 87)
- **The Consolidated Statement of Changes in Equity:** providing information on the movements of stated capital and reserves of the Group and the Company for the year. (Refer page 88 to 89)
- **The Consolidated Statements of Cash Flows:** providing information on the generating of cash and cash equivalents and utilisation of the same. (Refer page 90 to 91)
- **Notes to the Financial Statements:** comprising of accounting policies and other explanatory notes. (Refer page 92 to 136)

The Financial Statements were authorised for issue by the Board of Directors on March 02, 2014.

2.2 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 amortised Cost.
- Available-for-sale financial assets measured at fair value.
- Liability for defined benefit obligation recognised based on actuarial valuation. (LKAS 19)

The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading.

2.3 Functional and Presentation Currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis Of Consolidation

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

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

3.1.1 Subsidiaries

Subsidiaries are entities control by the Group. The Group controls an entity when 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. All financial statements of subsidiaries prepared for the same reporting period as the parent company which is twelve months ending 31st December. Subsidiaries are consolidated from the date on which control is transferred to the Company and commences until the date that control ceases.

There are no restrictions on the ability of the subsidiaries to transfer funds to the Company (The Parent) in the form of cash dividends or repayment of loans and advances.

3.1.2 Non Controlling Interest

Non Controlling Interest are measure at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

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

3.1.3 Loss of Control

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

3.1.4 Transactions eliminated on consolidation

Inter group balances and transactions and any unrealized income and expenses arising from inter group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's 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.

3.2 Foreign Currency

3.2.1 Functional Currency and Presentation Currency

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

3.2.2 Foreign Currency Transactions

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

Notes to the Financial Statements

At each reporting date, monetary items denominated in foreign currencies are translated at the closing rate.

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

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

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

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

3.2.3 Foreign Operations/Subsidiaries

The statement of financial position and statement of the profit or loss and other 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. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss and other comprehensive income.

The results and financial position of foreign operations that have functional currency different from the presentation currency (LKR) of the Consolidated Financial Statements are translated into LKR as follows;

- Assets and liabilities of each Statement of Financial Position presented are translated at the date of that Statement of Financial Position.
- Income and expense for each Statement of profit or loss are translated at the exchange rates at the dates of the transactions; and

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve except to the extent that the translation difference is allocated to Non-Controlling Interest.

Exchange differences arising on monetary items that form part of reporting the entity's net investment in a foreign operation/subsidiary are recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation/subsidiary, as appropriate.

In the consolidated financial statements such exchange differences are recognised initially in the other comprehensive income and when a foreign operation is disposed of, the relevant amount in the translation reserves is transferred to profit or loss.

3.2.4 Foreign exchange forward contracts

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

3.3 Assets and the Bases of Their Valuation

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

3.3.1 Property, Plant & Equipment

3.3.1.1 Recognition and Measurement

Property, plant and equipment are recognised if it is probable that future economic benefits 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.

When parts of an item of property, plant and equipment have deferent useful lives, they are accounted for as separate items (Major components) of property, plant and equipment.

3.3.1.2 Owned Assets

The cost of an item of property, plant and equipment comprised its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes the cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs that are directly attributable to the qualifying assets.

3.3.1.3 Investment Property

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

3.3.1.4 Subsequent Costs

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

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

3.3.1.5 Derecognition

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

3.3.1.6 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or another amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives and depreciation rates are as follows:

Company – Colombo Dockyard PLC

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

Notes to the Financial Statements

Ceylon Shipping Agency (Private) Limited

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

Depreciation of an asset begins when it is available for use where as 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.

3.3.2 Intangible Assets

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

3.3.2.1 Software

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

3.3.2.2 Subsequent Expenditure

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

3.3.2.3 Amortisation

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

Amortisation is recognised in the profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for

use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives and depreciation rates are as follows:

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

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

3.3.3 Inventories

Inventories are measured at lower 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.

3.3.4 Cash and Cash Equivalents

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

3.3.5 Impairment of Non Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the value in use and its fair value less cost to sale and is determined for an individual asset, unless the asset

does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the assets are considered impaired and is written down to its' recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using pre - tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment loss of continuing operations are recognised in the statement of comprehensive income in those expenses categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 'exceed' the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

3.4 Financial Instruments

3.4.1 Financial Assets

a) Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchase or sale of financial assets that require delivery of asset within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, unquoted equity investments and derivative financial instruments.

b) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the statement of profit or loss.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss. The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any

Notes to the Financial Statements

discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the statement of profit or loss in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in the statement of profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and

management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to the statement of profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

c) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.4.2 Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

3.4.3 Financial Liabilities

a) Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, transaction costs that are directly attributable to the acquisition or issue of such financial liability.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

b) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

d) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3.4.4 Fair value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30

3.4.5 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the Financial Statements

3.5 Post Employment Benefits

3.5.1 Defined Benefit Plan

Company

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

Local Subsidiary

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

Foreign Subsidiary

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

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

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

3.6 Provisions

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

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

3.6.1 Provision for Warranty

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

3.6.2 Provision for Slow Moving Stocks

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

3.7 Statement of Profit or Loss

3.7.1 Revenue

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

3.7.1.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and the associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes, and after eliminating sales within the Group. The following specific criteria are used for the purpose of recognition of revenue.

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

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

3.7.1.1.2 Sale of Goods

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

3.7.1.1.3 Other Income

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

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

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

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

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

Other income is recognised on an accrual basis.

3.7.2 Expenditure Recognition

3.7.2.1 Operating Expenses

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

3.7.2.2 Warranty Claims/Provisions

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

3.7.2.3 Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received may recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated

to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.7.2.4 Borrowing Costs

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

3.7.3 Net Finance Income / (Expenses)

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

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

3.7.4 Taxation

As per Sri Lanka Accounting Standards – 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) are 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 / or deferred tax assets / liabilities as appropriate in the period in which such determination is made.

Notes to the Financial Statements

3.7.4.1 Current Taxes

Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to (be recovered from) 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 with 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 9 and 28)

3.7.4.2 Deferred Taxation

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

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

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

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

3.8 Segmental Information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's

other components, whose operating results are reviewed regularly by the Group management committee (being the chief operating decision-maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

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

3.9 Related Party Transactions

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

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

3.10 Statement of Cash Flows

The statement of cash flows has been prepared using the 'indirect method' in accordance with Sri Lanka Accounting Standard - LKAS7 on 'Statement of Cash Flows'. Cash and cash equivalent comprise of 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 flow and interest paid is classified under the operating cash flows for the purpose of presentation of Statement of Cash Flows.

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 equivalent for the purpose of the Statement of Cash Flow.

3.11 Earnings Per Share

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

3.12 Events Occurring After The Reporting Period

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

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

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

Standard issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards issued, which the Group reasonably expects to be applicable at a future date. The group intends to adopt those standards when they become effective.

a) SLFRS 9 – Financial Instruments

SLFRS 9 as issued reflects the replacement of LKAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in LKAS 39. This standard becomes effective for annual periods beginning on or after January 01, 2015. The adoption of SLFRS 9 will have an impact on classification and measurement of Group's financial assets.

a) SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces the existing revenue recognition guidance including LKAS 18 Revenue and LKAS 11 Construction Contracts.

SLFRS 15 is effective for annual reporting periods beginning on or after 01st January 2017, with early adoption permitted.

The Group is currently in the process of evaluating the potential effect of these standards on its financial statements and the impacts of the adoption of these standards have not been quantified as at the reporting date.

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 expenses	09	107
Property, plant and equipment	11	112
Intangible assets	13	118
Deferred tax assets / liabilities	16	119
Employee benefits	25	125
Provision for warranty claims	26	127

Notes to the Financial Statements

For the Year Ended 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)
5. REVENUE				
Ship Repair	3,856,251	3,533,120	3,856,251	3,533,120
Shipbuilding	9,830,858	12,314,837	9,830,858	12,314,837
Heavy Engineering	841,912	775,944	19,938	13,512
Material Sales	145,635	125,406	-	-
Gross Revenue (Note 5.1, 5.2)	14,674,656	16,749,307	13,707,047	15,861,469
Turnover Tax	(8,864)	(7,466)	-	-
Total Revenue	14,665,792	16,741,841	13,707,047	15,861,469
Less: Cost of Sales	(13,220,726)	(14,857,533)	(12,507,645)	(14,246,088)
Gross Profit / Operating Results (Note 5.3)	1,445,066	1,884,308	1,199,402	1,615,381

5.1 Project Types Segment Revenue (Business Segment)

Ship Repair				
Tankers	636,149	622,531	636,149	622,531
General Cargo	203,087	137,940	203,087	137,940
Container Carriers	845,073	656,141	845,073	656,141
Passenger Vessels	120,071	234,722	120,071	234,722
Fishing Trowlers	25,890	18,850	25,890	18,850
Tugs	184,600	156,488	184,600	156,488
LPG Tankers	340,341	-	340,341	-
Dredgers	324,945	165,920	324,945	165,920
Naval Vessels	248,789	231,500	248,789	231,500
Cement Carriers	-	100,770	-	100,770
Livestock Carriers	247,510	-	247,510	-
Offshore support Vessels	231,371	649,060	231,371	649,060
Barge	134,238	179,650	134,238	179,650
Bulk Carriers	172,696	196,910	172,696	196,910
Research Vessels	45,755	24,320	45,755	24,320
Others	95,736	158,318	95,736	158,318
	3,856,251	3,533,120	3,856,251	3,533,120

Shipbuilding				
Passenger Vessels	2,606,340	4,018,988	2,606,340	4,018,988
Supply Vessels	7,224,518	8,295,849	7,224,518	8,295,849
	9,830,858	12,314,837	9,830,858	12,314,837

Heavy Engineering				
Heavy Fabrication	799,817	739,363	19,938	6,896
Services	25,257	24,222	-	6,616
Power Generation	16,838	12,359	-	-
	841,912	775,944	19,938	13,512

Material Sales				
Material Sales	145,635	125,406	-	-
	145,635	125,406	-	-
	14,674,656	16,749,307	13,707,047	15,861,469

For the Year Ended 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

5.2 Geographical Segment Revenue

France	65,122	3,839	65,122	3,839
India	4,311,799	5,674,338	4,311,799	5,674,338
Korea	54,711	78,640	54,711	78,640
Maldives	239,212	301,790	239,212	301,790
Canada	-	10,120	-	10,120
Belgium	-	8,687	-	8,687
China	30,881	33,810	30,881	33,810
Netherlands	-	94,800	-	94,800
Sri Lanka	1,483,229	1,359,394	515,619	502,085
Singapore	7,710,440	8,551,102	7,710,440	8,528,039
Japan	24,610	47,330	24,610	47,330
Germany	29,223	9,537	29,223	9,537
Greece	136,133	154,020	136,133	154,020
USA	-	20,844	-	20,844
Norway	-	77,960	-	77,960
Poland	-	85,940	-	85,940
Cyprus	24,301	-	24,301	-
Hong Kong	41,710	-	41,710	-
Kuwait	245,420	-	245,420	-
Marshall Islands	32,760	-	32,760	-
Philippines	23,931	-	23,932	-
Seychelles	89,110	-	89,110	-
Others	132,064	237,156	132,064	229,690
	14,674,656	16,749,307	13,707,047	15,861,469

5.3 Segmental Operating Results

Ship Repairs	781,927	718,663	781,927	718,663
Shipbuilding	413,005	891,376	413,005	891,376
Heavy Engineering	201,841	239,191	4,470	5,342
Material Sales	48,293	35,078	-	-
	1,445,066	1,884,308	1,199,402	1,615,381

Notes to the Financial Statements

For the Year Ended 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

6. OTHER INCOME

Exchange Gain (both realised and unrealised)	168,358	392,823	168,358	392,823
Scrap sales	119,535	132,840	119,535	132,840
Dividend Income	189	194	9,396	6,284
Profit on disposal of Property, Plant and Equipment	1,893	8,776	1,825	8,776
Management Fees	-	-	918	918
Amortisation of Corporate Guarantees	-	-	329	156
Amortisation of Government Grants	-	697	-	697
Lease Rental	321	-	1,668	1,347
Miscellaneous Income	15,193	16,647	14,862	15,338
	305,489	551,977	316,891	559,179

7. NET FINANCE INCOME

Interest Expense				
Unwinding of Grant	-	(697)	-	(697)
Interest on Bank Overdrafts and Short Term Loans	(20,613)	(18,928)	(20,352)	(18,903)
	(20,613)	(19,625)	(20,352)	(19,600)

Interest Income				
Interest Income from Investments	122,346	192,832	108,518	183,402
Other Interest Income	44,854	43,939	44,179	43,116
Amortisation of prepaid staff cost (Note 19.2)	26,197	21,627	25,612	21,261
Net Change in fair value of financial instrument at fair value through profit or loss	123,038	50,746	123,038	50,746
	316,435	309,144	301,347	298,525
Net Finance Income	295,822	289,519	280,995	278,925

For the Year Ended 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

8. PROFIT BEFORE TAX

Is stated after charging all expenses including the following,

Directors' Emoluments	20,777	21,818	20,468	21,509
Auditors Remuneration - On statutory audit	4,854	4,802	2,000	2,000
- For other services	60	60	60	60
Business Promotion Expenses	29,225	44,289	22,595	37,142
Depreciation of Property Plant & Equipment	412,452	410,453	398,137	397,240
Amortisation of Intangible Assets	6,988	5,336	6,771	5,335
Provision for/ (Reversal of)				
- Bad and Doubtful Debts	(7,041)	480	(7,969)	1,684
- Obsolete and Slow Moving Stocks	(31,539)	7,586	(32,830)	8,617
Staff Related Cost				
- Salaries and Wages	3,002,446	3,057,999	2,937,273	2,992,472
- Defined Benefit Plan Cost - Gratuity	136,657	157,637	134,099	154,732
- Defined Contribution Plan Cost - EPF	147,974	147,112	142,869	143,253
- ETF	36,993	36,778	35,717	35,813
Donations	477	6,452	477	6,452
Amortisation of Pre-paid Staff Cost	26,197	21,627	25,612	21,261

9. INCOME TAX EXPENSE / (REFUND)

On the Current years Profit (Note 9.4)	29,320	37,243	-	635
Under / (over) Provision in previous year	(2,818)	(78,801)	(635)	(79,003)
Deferred Taxation (Note 9.6, 16.3)	13,353	7,110	8,299	3,587
Tax on Total Comprehensive Income	39,854	(34,448)	7,664	(74,781)
Deferred Tax on Other Comprehensive Income	2,561	(16,565)	3,297	(16,485)
Total Tax Expense / (Refund) on Profit or loss	42,415	(51,013)	10,961	(91,266)

Notes to the Financial Statements

9. INCOME TAX EXPENSE (Contd.)

9.1 Taxation on Profits

(i) Income Tax in Sri Lanka

Company

In accordance with the Inland Revenue Act No. 10 of 2006 and subsequent amendments there on, the Company is liable to income tax at the following rates,

Shipbuilding (As per section 52 and 60 of the above act)	12%
Others	28%

(Further refer 9.3 for applicable tax exemptions and concessions)

Subsidiary

Dockyard General Engineering Services (Pvt) Ltd

In accordance with the Inland Revenue Act No. 10 of 2006 and subsequent amendments there on, the Company is liable to income tax at the following rates,

Construction (As per section 46 of the above act)	12%
Others	28%

(ii) Income Tax on Overseas Operations

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

9.2 Economic Service Charge

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

9.3 Tax Exemptions and Concessions

As per the Section 13 (ddd) of the Inland Revenue Act No 10 of 2006, profits attributable to "ship repairs" which received in foreign currency are exempted from income tax commencing from the year of assessment 2011/2012.

Profits attributable to "Qualified Exports" are chargeable to income tax at the rate of 12% as per the section 52 in conjunction with section 60 of the Inland Revenue Act No 10 of 2006.

Profits attributable to local turnover which are received in foreign currency are chargeable to income tax at the concessionary rate of 12% under the section 52 of Inland Revenue Act No. 10 of 2006.

For The Year Ended 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)
9.4 Reconciliation between current tax expense and the accounting profit				
Profit before tax	344,871	878,119	220,250	732,495
Disallowable Expenses for Taxation	819,429	645,249	805,697	622,217
Allowable Expenses for Taxation	(1,160,893)	(1,395,601)	(1,127,515)	(1,366,394)
Profit Exempt from Tax	(829,204)	(811,047)	(829,204)	(811,047)
Statutory Profit/(Loss) from Business	(825,797)	(683,280)	(930,771)	(822,729)
Statutory Profit / (Loss) from Colombo Dockyard PLC	(930,771)	(822,729)	(930,771)	(822,729)
Statutory Profit / (Loss) from				
Dockyard General Engineering Services (Pvt)Ltd	101,839	130,317	-	-
Statutory Profit / (Loss) from Ceylon Shipping Agency (Pte) Ltd	3,135	9,132	-	-
Other sources of Income	3,269	3,488	3,269	3,488
Tax loss claimed during the year	(1,144)	(7,424)	(1,144)	(1,221)
Qualifying Payments	(2,125)	-	(2,125)	-
Taxable Income / (Loss)	(104,974)	135,513	-	2,267
Tax at the Rate of 12% (2012 - 12%)	970	283	-	-
Tax at the Rate of 17% (2013 - 17%)	533	498	-	-
Tax at the Rate of 28% (2013 - 28%)	27,817	36,462	-	635
Provision for Taxation on Current Year Profit	29,320	37,243	-	635

9.5 Reconciliation of Tax Loss

Tax Loss Brought Forward	1,926,847	1,157,197	1,926,847	1,157,197
Tax Loss for the year of assessment	930,770	822,729	930,770	822,729
Setoff against the current taxable income	(1,144)	(1,221)	(1,144)	(1,221)
Adjustment for the year of assessment 2013/14	(334,013)	(51,858)	(334,013)	(51,858)
Tax Loss Carried Forward	2,522,460	1,926,847	2,522,460	1,926,847

Notes to the Financial Statements

9. INCOME TAX EXPENSE (Contd.)

9.6 Deferred Taxation

Company

Since the Company's income is liable for income tax at different rates, the deferred tax asset is arrived at by applying the income tax rates of 28%, 12% and 0% applicable for different sources of profits. The effective tax rate (Weighted Average) applicable is 9.38%. (2013 - 10%)

Subsidiaries

Dockyard General Engineering Services (Pvt) Ltd.

The deferred tax asset is arrived at by applying the income tax rate of 28% to the temporary differences of Dockyard General Engineering Services (Pvt.) Ltd. as at 31st December 2014.

Ceylon Shipping Agency (Pvt) Ltd.

The deferred tax liability is arrived at by applying the income tax rate of 17% to the temporary differences of CSA as at 31st December 2014.

10. EARNINGS PER SHARE / DIVIDEND PER SHARE / FOREIGN CURRENCY TRANSLATION

10.1 Earnings per Share

The Earnings per share has been derived by dividing profit attributable to equity shareholders of Company by weighted average number of ordinary shares outstanding during the year and calculated as follows:

	Group		Company	
	2014	2013	2014	2013
Amount used as the Numerator				
Profit for the period (Rs.'000)	292,456	929,132	209,289	823,761
Non Controlling Interests (Rs.'000)	(1,588)	(3,053)	-	-
Profit Attributable to Equity Shareholders of Colombo Dockyard PLC (Rs.'000)	290,868	926,079	209,289	823,761
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 Per Share (Rs.) based on weighted average number of shares in 2014	4.05	12.89	2.91	11.46

10.2 Dividend per Share

The calculation of the dividend per share is based on the dividends authorised for the year divided by number of ordinary shares in issue as at the reporting date and calculated as follows;

	Group		Company	
	2014	2013	2014	2013
Dividends Authorised (Rs.'000)	215,577	287,436	215,577	287,436
Number of Ordinary Shares ('000)	71,859	71,859	71,859	71,859
Dividend Per Share (Rs.)	3.00	4.00	3.00	4.00

In accordance with Sri Lanka Accounting Standards - LKAS 10 - "Events after the Reporting Period", this proposed final dividend has not been recognised as a liability in the Financial Statements for the year ended 31st December 2014.

10.3 Foreign Currency Translations

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

	Average Rate		Closing Rate			
	2014	2013	2014		2013	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)		
			Selling	Buying	Selling	Buying
U. S. Dollar	130.66	129.06	133.00	130.00	132.50	129.50
Euro	174.40	171.30	162.80	156.95	183.75	177.60
Singapore Dollars	103.48	103.34	101.45	97.93	24.79	23.70
Danish Kroners	23.41	23.13	21.99	20.99	105.23	101.78
Japanese Yen	1.25	1.34	1.13	1.08	1.27	1.23

Notes to the Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Group

	Drydocks	Lands	Roadways	Buildings	Plant, Machinery & Equipment	Freehold Electrical Installations
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost						
Balance as at 1st of January 2013	1,085,998	43,123	13,132	769,326	3,207,081	289,426
Additions during the year	4,083	19,827	-	159,193	1,052,690	3,411
Disposals during the year	-	-	-	-	(46,644)	-
Transfers during the year	11,155	-	-	-	(10,605)	-
Exchange Gain / (Loss)	-	-	-	(14)	-	-
Balance as at 31st December 2013	1,101,236	62,950	13,132	928,505	4,202,522	292,837
Additions during the year	-	-	-	351,885	432,326	-
Disposals during the year	-	-	-	-	(23,034)	-
Transfers during the year	-	-	-	(18,970)	(3,895)	-
Exchange Gain / (Loss)	-	-	-	(20)	-	-
Balance as at 31st December 2014	1,101,236	62,950	13,132	1,261,400	4,607,918	292,837
Accumulated Depreciation						
Balance as at 1st of January 2013	515,160	-	3,579	370,965	1,661,759	185,804
Charge for the year	22,817	-	1,813	30,982	253,739	16,566
Disposals during the year	-	-	-	-	(45,194)	-
Transfers during the year	-	-	-	(605)	605	-
Exchange Gain / (Loss)	-	-	-	(14)	-	-
Balance as at 31st December 2013	537,977	-	5,392	401,328	1,870,909	202,370
Charge for the year	22,549	-	1,332	38,386	222,213	16,888
Disposals during the year	-	-	-	-	(22,958)	-
Transfers during the year	-	-	-	(10,368)	3,843	-
Exchange Gain / (Loss)	-	-	-	(20)	-	-
Balance as at 31st December 2014	560,526	-	6,724	429,326	2,074,006	219,258
Carrying Amount						
As at 31st December 2014	540,710	62,950	6,407	832,074	2,533,912	73,579
As at 31st December 2013	563,259	62,950	7,739	527,177	2,331,613	90,467

Motor Vehicles	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
141,070	320,628	287,615	6,494	1,141,810	7,305,702
27,967	30,111	58,705	-	590,909	1,946,895
(16,538)	(771)	(28,562)	-	-	(92,515)
-	-	-	-	(1,288,691)	(1,288,140)
-	(84)	-	-	-	(98)
152,499	349,884	317,757	6,494	444,028	7,871,844
12,217	19,720	45,041	-	477,108	1,338,297
-	(4,073)	(31,359)	-	-	(58,467)
(4,041)	19,314	8,472	-	(814,308)	(813,428)
-	(122)	-	-	-	(142)
160,676	384,722	339,911	6,494	106,828	8,338,104
105,107	236,818	234,696	3,473	-	3,317,360
14,387	21,594	47,628	567	-	410,453
(14,424)	(751)	(28,562)	-	-	(88,931)
-	-	-	-	-	-
-	(66)	-	-	-	(79)
105,070	257,955	253,761	4,040	-	3,638,802
16,111	34,597	59,952	567	-	412,452
-	(4,039)	(31,359)	-	-	(58,356)
(3,792)	10,419	466	-	-	710
-	(115)	-	-	-	(135)
117,390	298,817	282,820	4,606	-	3,993,474
43,286	85,905	57,091	1,888	106,828	4,344,630
47,429	91,928	63,996	2,455	444,028	4,233,042

Notes to the Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT (Contd.)

11.2 Company

	Drydocks	Lands	Roadways	Buildings	Plant, Machinery & Equipment	Freehold Electrical Installations
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost						
Balance as at 1st of January 2013	1,085,998	25,958	13,132	751,172	3,144,689	289,425
Additions during the year	4,083	19,827	-	159,193	1,046,409	3,411
Disposals during the year	-	-	-	-	(46,644)	-
Transfers during the year	11,155	-	-	-	(10,605)	-
Balance as at 31st December 2013	1,101,236	45,785	13,132	910,365	4,133,848	292,836
Additions during the year	-	-	-	351,885	429,404	-
Disposals during the year	-	-	-	-	(23,034)	-
Transfers during the year	-	-	-	(18,970)	-	-
Balance as at 31st December 2014	1,101,236	45,785	13,132	1,243,280	4,540,218	292,836
Accumulated Depreciation						
Balance as at 1st of January 2013	515,160	-	3,579	352,810	1,652,981	185,803
Charge for the year	22,817	-	1,813	30,983	247,380	16,566
Disposals during the year	-	-	-	-	(45,194)	-
Transfers during the year	-	-	-	(605)	605	-
Balance as at 31st December 2013	537,977	-	5,392	383,187	1,855,772	202,369
Charge for the year	22,549	-	1,332	38,386	215,999	16,888
Disposals during the year	-	-	-	-	(22,958)	-
Transfers during the year	-	-	-	(10,368)	-	-
Balance as at 31st December 2014	560,526	-	6,724	411,205	2,048,813	219,257
Carrying Amount						
As at 31st December 2014	540,710	45,785	6,408	832,075	2,491,405	73,579
As at 31st December 2013	563,259	45,785	7,740	527,177	2,278,076	90,467

Motor Vehicles	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
113,972	307,794	270,495	6,495	1,141,810	7,150,939
25,289	28,183	57,964	-	590,909	1,935,268
(16,538)	(771)	(28,563)	-	-	(92,516)
-	-	-	-	(1,288,691)	(1,288,141)
122,723	335,206	299,896	6,495	444,028	7,705,550
7,617	18,265	35,122	-	477,060	1,319,352
-	(3,919)	(31,032)	-	-	(57,985)
-	19,876	-	-	(814,308)	(813,403)
130,340	369,428	303,985	6,495	106,779	8,153,514
88,558	229,798	218,439	3,473	-	3,250,601
9,955	20,445	46,715	567	-	397,240
(14,424)	(751)	(28,562)	-	-	(88,931)
-	-	-	-	-	-
84,089	249,492	236,592	4,040	-	3,558,910
11,862	32,902	57,794	567	-	398,137
-	(3,885)	(31,032)	-	-	(57,874)
-	10,960	-	-	-	735
95,952	289,470	263,354	4,607	-	3,899,907
34,388	79,958	40,631	1,888	106,779	4,253,606
38,633	85,714	63,304	2,455	444,028	4,146,640

Notes to the Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT (Contd.)

11.3 The lands of the Group have been revalued by an independent chartered valuation firm, Sunil Fernando & Associates (Pvt) Ltd, as at 31st December 2014. This valuation had been carried out for the purpose of disclosing the market value of lands owned by the Group. Valuation details of the lands of the Group are as follows,

- (a) Land depicted as Lot No.01 in plan No. LS/P/223 at Colombo Dockyard PLC, Port of Colombo, Colombo 15. This land is situated within the Port of Colombo, adjoining the Sri Lanka Port Authority.
Extent of the Land - 5 Acres 1 Root and 12.5 Perches
Cost Rs. 20,931,444/-
Valuation Rs. 2,344,375,000/-
- (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
Cost Rs. 1,807,000/-
Valuation Rs. 36,090,500/-
- (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 - 2 Roots and 9.62 Perches
Cost Rs. 3,219,000/-
Valuation Rs. 65,000,000/-
- (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 - 2 Roots and 23.75 Perches
Cost Rs. 2,865,000/-
Valuation Rs. 41,500,500/-
Extent of the building is above freehold lands 25,134 sqm (2010- 25,134 sqm)
- (e) Land depicted as Lot No. A in plan No. 3247 at No. 2, Srimath Bandaranayaka Mawatha, Colombo 12
This land is use for Dockyard General Engineering Services (Private) Limited's Materials Sales Center
Extent of the Land - 7.15 Perches
Cost Rs. 14,300,000/-
Valuation Rs. 17,900,000/-
- (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
Cost Rs. 19,829,000/-
Valuation Rs. 23,800,000/-

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

As at 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)
Freehold Dry docks	5,215	5,215	5,215	5,215
Freehold Buildings	130,731	126,617	112,176	108,049
Roadways	147	147	147	147
Plant, Machinery and Equipment	940,012	857,037	932,105	854,405
Electrical Installation	132,802	124,905	132,802	124,905
Motor Vehicles	89,839	79,435	77,607	68,691
Office Equipment, Furniture and Fittings	200,041	186,413	199,082	184,432
Boats / Launches	2,717	2,717	2,717	2,717
	1,501,504	1,382,486	1,461,851	1,348,561

As at 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

12. INVESTMENT PROPERTY

Land rented to Dockyard General Engineering Services (Pvt) Ltd	-	-	2,865	2,865
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Land depicted as Lot No.01 in Plan No.250 at Mahawatte, Colombo 14, which is leased to Dockyard General Engineering Services (Pvt.) Limited, has been revalued by an independent Chartered Valuation firm, Sunil Fernando & Associates (Pvt.) Ltd., as at 31st December 2014. Valuation details of the land is as follows,

Extent of the Land - 2 Roots and 23.75 Perches
 Cost Rs. 2,865,000/-
 Valuation Rs. 41,500,000/-

Notes to the Financial Statements

As at 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

13. INTANGIBLE ASSETS

Cost

Balance at the beginning of the year	40,883	26,614	40,249	26,614
Additions during the year	4,578	14,268	2,578	13,635
Transfers during the year	(880)	-	(905)	-
Balance at the end of the year	44,581	40,882	41,922	40,249

Amortisation

Balance at the beginning of the year	28,514	23,178	28,513	23,178
Charge for the year	6,988	5,335	6,771	5,335
Transfers during the year	(710)	-	(735)	-
Balance at the end of the year	34,792	28,513	34,549	28,513
Carrying Amount	9,788	12,369	7,373	11,736

The above intangible assets totally consist of the computer software acquired by the Company/Group and those softwares are used for more than one year. Those softwares are amortised over the period of three years or licence period provided by the vendors (Which ever is lower).

14. INVESTMENTS IN SUBSIDIARIES

As at 31st December,	No of Shares	Percentage Holding	Company	
			2014 (Rs.'000)	2013 (Rs.'000)
Dockyard General Engineering Services (Pvt) Limited - Incorporated in Sri Lanka	61,999	100%	500	500
Add: Fair Value of Financial Guarantees	-	-	1,226	735
Ceylon Shipping Agency (Pte) Limited - Incorporated in Singapore	25,500	51%	357	357
			2,083	1,592

14.1 The Director's Assessment of the Fair Value of Investments

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

As at 31st December,	2014 (Rs.'000)	2013 (Rs.'000)
Dockyard General Engineering Services (Pvt) Limited	542,863	460,544
Ceylon Shipping Agency (Pte) Ltd	55,739	56,142
	598,602	516,686

As at 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

15. OTHER INVESTMENTS

15.1 Investments in Shares

Sri Lanka Port Management and Consultancy Services Limited	14,209	12,718	14,209	12,718
Associated Newspapers of Ceylon Limited	1,095	926	1,095	926
	15,304	13,644	15,304	13,644

16. DEFERRED TAXATION

16.1 Deferred Tax Asset

Balance at the beginning of the year	114,290	117,877	114,290	117,877
(Provision) /Reversal during the year (Note 16.3)	(8,299)	(3,587)	(8,299)	(3,587)
Balance at the end of the year	105,991	114,290	105,991	114,290

16.2 Deferred Tax Liability

Balance at the beginning of the year	4,888	1,365	-	-
Provision/(Reversal) during the year (Note 16.3)	5,054	3,523	-	-
Balance at the end of the year	9,942	4,888	-	-

16.3 Provision for the year

(Provision) /Reversal during the year recognised in Comprehensive Income	(15,914)	9,455	(11,596)	12,898
(Provision) /Reversal during the year recognised in Other Comprehensive Income	2,561	(16,565)	3,297	(16,485)
	(13,353)	(7,110)	(8,299)	(3,587)

Notes to the Financial Statements

16. DEFERRED TAXATION (Contd.)

	2014		2013	
	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	(2,434,063)	(236,874)	(1,856,302)	(194,960)
Temporary Difference on Employee Benefit Obligations	867,319	83,271	829,281	87,007
Temporary Difference on Stock General Provision	43,495	4,080	76,326	7,789
Temporary Difference on Forward Contracts	19,747	1,852	1,448	148
Temporary Difference on Warranty Provision	75,545	7,087	125,320	12,788
Temporary Difference on Tax Losses carried forward	2,522,460	236,633	1,926,848	196,630
	1,094,504	96,049	1,102,922	109,402
Company				
Temporary Difference on Property Plant & Equipment	(2,388,463)	(224,063)	(1,825,719)	(186,311)
Temporary Difference on Retirement Benefit Obligations	857,072	80,402	815,746	83,245
Temporary Difference on Stock General Provision	43,495	4,080	76,326	7,789
Temporary Difference on Forward Contracts	19,747	1,852	1,448	148
Temporary Difference on Warranty Provision	75,545	7,087	125,320	12,788
Temporary Difference on Tax Losses carried forward	2,522,460	236,633	1,926,848	196,630
	1,127,247	105,991	1,119,969	114,290

As at 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

17. INVENTORIES

Raw Materials	1,082,909	889,078	965,893	791,256
Goods in Transit	33,308	37,616	33,073	37,616
	1,116,217	926,694	998,966	828,872
Less: Provision for Slow Moving Inventories (Note 17.1)	(46,611)	(78,150)	(43,495)	(76,326)
	1,069,606	848,544	955,471	752,546

17.1 Movement in Provision for Slow Moving Inventories

Balance at the beginning of the year	78,150	70,564	76,326	67,709
Provision/(Reversal) made during the year	(31,539)	7,586	(32,830)	8,617
Balance at the end of the year	46,611	78,150	43,495	76,326

As at 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

18. TRADE AND OTHER RECEIVABLES

Trade Receivables	2,580,099	1,279,470	2,431,694	1,159,649
Less: Provision for Bad and Doubtful Debts (Note 18.1)	(928)	(38,217)	-	(38,217)
	2,579,171	1,241,253	2,431,694	1,121,432
Accrued Revenue	3,151,660	3,576,223	2,954,266	3,382,787
VAT Recoverable	224,926	255,547	224,926	252,870
Deposits and Prepayments	2,014,042	2,269,756	2,011,113	2,267,289
Economic Service Charges	120,145	123,959	120,145	123,722
Other Receivables	215,120	247,017	129,643	130,017
	8,305,064	7,713,755	7,871,787	7,278,117

18.1 Movement in Provision for Bad and Doubtful Debts

Balance at the beginning of the year	38,217	37,737	38,217	36,533
Provision/(Reversal) made during the year	(7,041)	480	(7,969)	1,684
Bad debt write-offs	(30,248)	-	(30,248)	-
Balance at the end of the year	928	38,217	-	38,217

19. OTHER FINANCIAL ASSETS INCLUDING DERIVATIVES

Non Current

Loans given to employees (Note No. 19.1)	371,416	344,090	365,770	337,297
Prepaid Staff Benefits (Note No. 19.2)	48,703	51,454	47,904	50,519
	420,119	395,543	413,674	387,816

Current

Loans given to employees (Note No. 19.1)	134,264	116,520	132,659	114,835
Prepaid Staff Benefits (Note No. 19.2)	15,583	23,312	15,395	23,086
Derivatives	19,747	2,236	19,747	2,236
	169,595	142,068	167,801	140,157
	589,714	537,611	581,475	527,973

19.1 Loans given to employees

Balance at the beginning of the year	535,376	481,263	525,737	475,004
Loans Granted during the year	200,326	202,709	197,901	197,118
Loans Recovered during the year	(165,736)	(148,596)	(161,911)	(146,385)
	569,966	535,376	561,727	525,737

Transfer to Prepaid Staff Benefits	(64,286)	(74,766)	(63,298)	(73,605)
Balance at the end of the year	505,680	460,610	498,429	452,132

Non Current	371,416	344,090	365,770	337,297
Current	134,264	116,520	132,659	114,835

Notes to the Financial Statements

As at 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

19. OTHER FINANCIAL ASSETS INCLUDING DERIVATIVES (Contd.)

19.2 Prepaid Staff Benefits

Balance at the beginning of the year	74,766	56,097	73,605	55,785
Additions during the year	16,644	41,645	16,232	40,431
Transfers due to early settlements	(927)	(1,350)	(927)	(1,350)
Amortisation of Prepaid Staff Cost	(26,197)	(21,627)	(25,612)	(21,261)
Balance at the end of the year	64,286	74,766	63,298	73,605
Non Current	48,703	51,453	47,904	50,519
Current	15,583	23,313	15,394	23,086

The Group provides loans to employees at concessionary rates. These loans are fair valued at initial recognition using level 2 inputs. The fair value of the employee loans are determined by discounting expected future cash flows using market related rates for the similar loans. The difference between the cost and fair value of employee loans is recognised as prepaid staff costs. The employee loans are classified as loans and receivables and subsequently measured at amortised cost.

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

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

As at 31st December,	Relationship	Group		Company	
		2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

20. AMOUNTS DUE FROM RELATED PARTIES

Dockyard General Engineering Services (Pvt) Limited	Subsidiary	-	-	12,160	8,789
		-	-	12,160	8,789

As at 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

21. CASH AND CASH EQUIVALENTS

21.1 Favourable Balances

Fixed Deposits	2,608,326	3,291,035	2,376,302	3,192,729
Repurchase Agreement	-	17,000	-	-
Call Deposits	77,931	75,248	77,931	75,248
Cash at Bank	312,879	139,445	172,537	54,535
Cash in Hand	5,750	8,080	5,033	6,912
	3,004,886	3,530,808	2,631,803	3,329,424

21.2 Unfavourable Balances

Bank Overdraft	(43,194)	(10,924)	(1,691)	(4,426)
Cash and Cash Equivalents for the purpose of the Statement of Cash Flows	2,961,692	3,519,884	2,630,112	3,324,998

22. STATED CAPITAL

Issued and Fully paid

71,858,924 Ordinary Shares (2013 - 71,858,924)	714,896	714,396	714,396	714,396
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23. INTEREST-BEARING BORROWINGS

Payable within one year

Short Term Loans (Note No. 23.1)	3,221,441	2,140,589	3,221,441	2,140,589
	3,221,441	2,140,589	3,221,441	2,140,589

23.1 Short Term Loans

Balance at the beginning of the year	2,140,589	1,633,005	2,140,589	1,633,005
Loans obtained during the year	6,675,866	6,939,531	6,675,866	6,939,531
Loan re-payments during the year	(5,705,213)	(6,738,885)	(5,705,213)	(6,738,885)
Adjustment in respect of Exchange Rate Fluctuations	110,199	306,938	110,199	306,938
Balance at the end of the year	3,221,441	2,140,589	3,221,441	2,140,589

Notes to the Financial Statements

As at 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

24. OTHER FINANCIAL LIABILITIES INCLUDING DERIVATIVES

Current

Grant	-	163	-	163
Danida Loan (Note 24.1)	-	14,713	-	14,713
Derivatives	-	3,685	-	3,685
Corporate Guarantees	-	-	491	329
	-	18,561	491	18,890

24.1 Movement in DANIDA Loan

Balance at the beginning of the year	14,876	41,616	14,876	41,616
Effect of Exchange Fluctuations	(442)	730	(442)	730
	14,434	42,346	14,434	42,346
Loan Re-payments during the year	(14,434)	(27,470)	(14,434)	(27,470)
	-	14,876	-	14,876
Recognition of Fair Value of Grant	-	(163)	-	(163)
Balance at the end of the year	-	14,713	-	14,713
Payable within one year	-	14,713	-	14,713
Payable after one year	-	-	-	-
	-	14,713	-	14,713

Grant

Balance at the beginning of the year	163	860	163	860
Recognition of Fair Value of Grant	(163)	(697)	(163)	(697)
Balance at the end of the year	-	163	-	163

As at 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

25. EMPLOYEE BENEFITS

Balance at the beginning of the year	829,024	942,437	815,745	930,593
Provision made in the profit/(loss) during the year (Note 25.3)	136,657	157,637	134,099	154,732
Payments made during the year	(130,820)	(108,419)	(127,926)	(108,041)
Actuarial (gain)/loss recognised in Other Comprehensive Income (Note 25.4)	32,523	(162,631)	35,153	(161,539)
Balance at the end of the year (Note 25.1)	867,384	829,024	857,071	815,745

25.1 The amount recognised in the Statement of Financial Position are as follows;

Present value of unfunded obligations	867,384	829,024	857,071	815,745
Present value of funded obligations	-	-	-	-
Total present value of obligations	867,384	829,024	857,071	815,745
Fair value of plan assets	-	-	-	-
Present value of net obligations	867,384	829,024	857,071	815,745
Unrecognised net actuarial gains/ (losses)	-	-	-	-
Recognised liability for defined benefit obligations	867,384	829,024	857,071	815,745

25.2 Movement in the present value of defined benefit obligations

Liability for defined benefit obligations as at 1st January	829,024	942,437	815,745	930,593
Actuarial (gains)/ losses	32,523	(162,631)	35,153	(161,539)
Benefit paid by the plan	(130,820)	(108,419)	(127,926)	(108,041)
Current service costs	51,337	63,475	49,546	61,664
Interest Cost	85,320	94,162	84,553	93,068
Liability for defined benefit obligations as at 31st December	867,384	829,024	857,071	815,745

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

Current service costs	51,337	63,475	49,546	61,664
Interest on obligation	85,320	94,162	84,553	93,068
	136,657	157,637	134,099	154,732

25.4 Gain / (Loss) recognised in Other Comprehensive Income

Actuarial (gain) / loss recognised in Other Comprehensive Income	(32,523)	162,631	(35,153)	161,539
	(32,523)	162,631	(35,153)	161,539

Notes to the Financial Statements

25. EMPLOYEE BENEFITS (Contd.)

Colombo Dockyard PLC

The actuarial valuations carried out by M/s Piyal S. Goonetilleke and Associates for retiring gratuity for employees as at 31st December 2014 amounts to Rs. 857 Mn and used the following key assumptions.

	2014	2013
Rate of Interest	9.50%	10%
Rate of Salary Increment	7.50%	7.50%
Rate of Cost of Living Allowances (COLA) Increment	6%	7%
Staff Turnover Factor	1%	1%
Retiring Age (Years) - Male	55	55
- Female	50	50

Dockyard General Engineering Services (Pvt) Ltd

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

	2014	2013
Rate of Interest	9.50%	10%
Rate of Salary Increment	14%	16%
Staff Turnover Factor	1%	1%
Retiring Age (Years) - Male	55	55
- Female	50	50

25.5 Sensitivity of Assumptions Used

A quantitative sensitivity analysis for significant assumptions used by the Company as at 31st December 2014 is as follows:

Resulting Employee Benefit Obligation	Discount Rate (Rs.'000)	Rate of Salary Increment (Rs.'000)
As per the Current Assumptions	857,071	857,071
Increase by one percentage point	813,234	894,537
Decrease by one percentage point	905,827	822,714

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.

As at 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)
26. TRADE AND OTHER PAYABLES				
Trade Payables	416,540	524,624	235,161	375,508
Subcontract Payables	1,053,127	1,170,636	1,053,127	1,170,636
Progress Bills	77,561	400,136	77,561	400,136
Provision for Warranty Claims (Note 26.1)	72,888	122,655	72,888	122,655
Accrued Expenses and Other Provisions	418,935	487,291	386,606	449,957
Other Payables	177,837	186,854	33,920	82,832
ESC Payable	7,410	36,751	7,410	36,751
VAT Payable	1,647	35	62	35
	2,225,945	2,928,982	1,866,735	2,638,510

26.1 Provision for Warranty Claims

Balance at the beginning of the year	122,655	106,587	122,655	106,587
Provision made during the year	42,813	109,946	42,813	109,946
Claims/ Reversal made during the year	(92,580)	(93,878)	(92,580)	(93,878)
Balance at the end of the year	72,888	122,655	72,888	122,655

27. AMOUNTS DUE TO RELATED PARTIES

Ceylon Shipping Agency (Pte) Ltd	-	-	77,018	88,427
Dockyard General Engineering Services (Pvt) Ltd	-	-	13,648	14,802
	-	-	90,665	103,229

28. INCOME TAX PAYABLE / (REFUND)

Balance at the beginning of the year	(7,767)	43,143	(40,854)	15,833
Provision for Income Tax on current year's profits	29,320	37,243	-	635
Under / (Over) provision of Income Tax in respect of prior year	(2,818)	(78,801)	(635)	(79,003)
Tax (paid) / refund during the year	10,420	(31,032)	41,489	-
Transfer from VAT Payable	-	21,681	-	21,681
Balance at the end of the year	29,154	(7,767)	-	(40,854)
Income Tax Payable	29,154	33,087	-	-
Income Tax Refund	-	(40,854)	-	(40,854)
Net Payable / (Refund)	29,154	(7,767)	-	(40,854)

Notes to the Financial Statements

As at 31st December,	Group		Company	
	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

29. DIVIDENDS PAYABLE

Balance at the beginning of the year	23,278	19,049	23,278	19,049
Dividends declared during the year	287,436	574,871	287,436	574,871
Payments during the year	(284,350)	(570,642)	(284,350)	(570,642)
Balance at the end of the year	26,364	23,278	26,364	23,278

30. FINANCIAL INSTRUMENTS

30.1 Financial Instruments - Statement of Financial Position (SOFP)

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

As at 31st December,	Note	Group		Company	
		2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)

FINANCIAL ASSETS

Fair value through profit and loss

SOFP Line Item:

Other financial assets including derivatives - Current	19	19,747	2,236	19,747	2,236
Total		19,747	2,236	19,747	2,236

Loans and receivables

SOFP Line Item:

Other financial assets including derivatives - Non Current	19	420,119	395,453	413,674	387,816
Trade and other receivables	18	2,791,278	1,654,525	2,554,839	1,241,662
Other financial assets including derivatives - Current	19	149,847	139,832	148,053	137,921
Amounts due from related parties	20	-	-	12,160	8,789
Cash and cash equivalents	21	3,004,886	3,530,808	2,631,803	3,329,424
Income tax refunds	28	-	40,854	-	40,854
Total		6,366,130	5,761,472	5,760,529	5,145,966

Available-for-sale

SOFP Line Item:

Investment in subsidiaries	14	-	-	2,083	1,592
Other Investments	15	15,304	13,644	15,304	13,644
Total		15,304	13,644	17,387	15,236
		6,401,181	5,777,353	5,797,663	5,163,438

As at 31st December,		Group		Company	
	Note	2014 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2013 (Rs.'000)
FINANCIAL LIABILITIES					
Fair value through profit and loss					
SOFP Line Item:					
Other financial liabilities including derivatives - Current	24	-	3,685	-	3,685
Total		-	3,685	-	3,685
Other Financial Liabilities					
SOFP Line Item:					
Bank overdrafts	21	43,194	10,924	1,691	4,426
Interest bearing borrowings - Current	23	3,221,441	2,140,589	3,221,441	2,140,589
Trade and other payables	26	1,967,524	2,228,798	1,642,230	2,007,429
Other financial liabilities including derivatives - Current	24	-	14,876	491	15,205
Amounts due to related parties	27	-	-	90,665	103,229
Income tax payable	28	29,154	33,087	-	-
Dividends payable	29	26,364	23,278	26,364	23,278
Total		5,287,677	4,511,552	4,982,882	4,294,156
		5,287,677	4,515,237	4,982,882	4,297,841

30.2 Financial Instruments Carried at Fair Value

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

Level 01 : Quoted (unadjusted) prices in active market for identical 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 a significant effect on the recorded fair value that are not based on observable market data

Notes to the Financial Statements

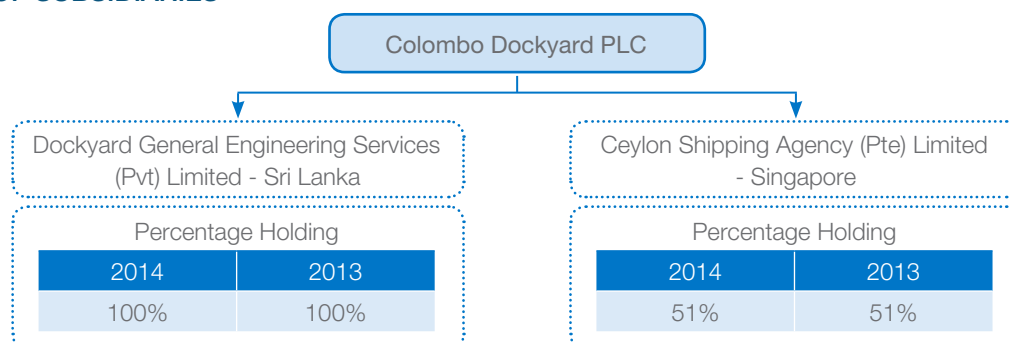
30. FINANCIAL INSTRUMENTS (Contd.)

30.2 Financial Instruments Carried at Fair Value (Contd.)

The Group/ Company held the following financial instruments carried at fair value in the statement of financial position.

	Level 01 (Rs.'000)	Group Level 02 (Rs.'000)	Level 03 (Rs.'000)	Level 01 (Rs.'000)	Company Level 02 (Rs.'000)	Level 03 (Rs.'000)
As at 31.12.2014						
Financial Assets						
Unquoted equity investments	-	-	15,304	-	-	15,304
Foreign exchange forward contracts	-	19,747	-	-	19,747	-
	-	19,747	15,304	-	19,747	15,304
Financial Liabilities						
Foreign exchange forward contracts	-	-	-	-	-	-
	-	-	-	-	-	-
As at 31.12.2013						
Financial Assets						
Unquoted equity investments	-	-	13,644	-	-	13,644
Foreign exchange forward contracts	-	2,236	-	-	2,236	-
	-	2,236	13,644	-	2,236	13,644
Financial Liabilities						
Foreign exchange forward contracts	-	3,685	-	-	3,685	-
	-	3,685	-	-	3,685	-

31. LIST OF SUBSIDIARIES



32. NON-CONTROLLING INTEREST

	Principal place of business	Operating segment	Ownership interest held by NCI	
			2014	2013
Ceylon Shipping Agency (Pte) Ltd	Singapore	Trading agent	49%	49%

The following is summarised 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 inter-company eliminations.

31st December,	2014	2013
Statement of Profit or Loss and Other Comprehensive Income		
Revenue	607,653	733,668
Profit	3,240	6,230
Profit attributable to NCI	1,588	3,053
Other comprehensive income	(10,740)	8,993
Total comprehensive income	(7,500)	15,223
Total comprehensive income attributable to NCI	(3,675)	7,460
Statement of Financial Position		
Current assets	185,340	211,019
Non-current assets	151	283
Current liability	(81,155)	(99,462)
Non-current liability	(44)	(44)
Net asset	104,292	111,796
Net asset attributable to NCI	51,103	54,780
Statement of Cash Flows		
Cash flow from operating activities	42,289	(17,820)
Cash flow from investing activities	(41)	72
Cash flow from financing activities	-	(1,033)
Net increase in cash and cash equivalents	42,248	(18,782)
Dividend paid to NCI during the year	-	507

Notes to the Financial Statements

33. CONTINGENT LIABILITIES

- (a) On behalf of Colombo Dockyard PLC banks have given Bank Guarantees to the Company's customers amounting to Rs. 4,109,812,000/- (2013 - Rs. 6,111,879,000/-) as at the reporting date.

Bank	Letter of Credit (Rs.'000)	Performance & Bid Retention Bonds (Rs.'000)	Miscellaneous Bonds (Rs.'000)	Total (Rs.'000)
Bank of Ceylon PLC	23,339	23,138	2,776,756	2,823,233
National Development Bank PLC	170,541	-	10,600	181,141
Hongkong & Shanghai Banking Corp.	733,027	21,450	-	754,477
Hatton National Bank	216,169	-	-	216,169
Sampath Bank PLC	133,613	-	1,178	134,791
	1,276,689	44,588	2,788,534	4,109,812

- (b) Colombo Dockyard PLC has issued Corporate Guarantees on behalf of its Subsidiary amounting to Rs. 527,000,000/- (2013 - Rs. 1,209,375,000/-) as at the reporting date.

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

- (c) i. An arbitration between Nautical Lines Ltd and Colombo Dockyard PLC (CDPLC).
The case bearing No. HC(ARB) 1515/2003 filed in respect of the Arbitration Award made against CDPLC, on a claim of US\$ 3,027,493/- together with interest at 9% per annum from 26th November 2002 for violating the copyrights and sum of US\$ 316,440/- as the cost of arbitration made by Nautical Lines Ltd. It was concluded in June 2004 in favour of CDPLC.

However, Nautical Lines Ltd has instituted a fresh action in the Commercial High Court of Colombo bearing No. HC (Civil) 266/04 (I) on 29th November 2004, against CDPLC, based on the same Arbitration Award, claiming the identical sums.

The order was delivered on 4th December 2007 in favour of CDPLC dismissing the action of Nautical Lines Ltd., Subsequently on 17th December 2007, Nautical Lines Ltd., appealed on the said order to the Supreme Court. (SC CHC 05/2008)

After hearing the parties, the Appeal filed by Nautical Lines Ltd bearing no. SC CHC 05/2008 was dismissed on 04/06/2014. Accordingly the case stands concluded now.

- ii. A case filed by the Company against bonded employee to recovery of bond in District Court: DC Colombo 39481/MR.
- iii. High Court appeals filed against the LT orders: HCALT 37/2010, HCALT 29/2011 & HCALT 101/2011
- iv. Appeal filed against the High Court orders made in HCALT 35/2010 & HCALT 40/2010 on 20/06/2014 to Court of Appeal : SC SPL 131/2014

(d) The Company has entered into the forward rate agreements to purchase currency as follows,

The total value of the transactions are Rs. 3,531,179,894/- (2013 - Rs. 223,937,500/-) as at the reporting date.

		Rs.
USD	12,750,000	1,657,500,000
EURO	10,000,000	1,636,141,000
JPY	100,000,000	118,272,783
SGD	1,200,000	119,266,111
		3,531,179,894

34. CAPITAL COMMITMENTS

There was no contracted capital expenditure approved by the Board of Directors at the end of 31st December 2014.

35. TRANSACTIONS WITH RELATED PARTIES

Company	Name of Director	Nature of Interest	Particulars of Financial Dealings	Value of Transaction Rs.'000'
Dockyard General Engineering Services (Pvt) Ltd	Mr. Ranil Wijegunawardana Dr. T. Takehara Mr. Y. Kijima	Subsidiary	Purchase of Material	(2,243)
			Management Services	918
			Lease Rental Received	1,346
			Subcontractor Services	(85,772)
			Heavy Engineering	12,964
			Dividend Received	9,207
			Bond Handling	(5,104)
			Transportation	(5,304)
			Miscellaneous	2,000
Ceylon Shipping Agency (Pvt) Ltd	Dr. T. Takehara Mr. Ranil Wijegunawardana Mr. Sarath De Costa	Subsidiary	Purchase of Material	607,653
Onomichi Dockyard Company Ltd	Mr. T. Nakabe	Parent	Technical services	(79,290)

This note should be read in conjunction with Note Nos. 8, 14, 20, 27, and 35(a) to these Financial Statements.

Notes to the Financial Statements

35. TRANSACTIONS WITH RELATED PARTIES (Contd.)

(a) Transactions with key managerial personnel

According to Sri Lanka Accounting Standards 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, General Manager and Chief Financial Officer 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

	2014 Rs.'000	2013 Rs.'000
Short Term Employment Benefit	62,334	70,222
Long Term Employment Benefit	32,909	39,420

(iii) Other Transactions with Key Management Personnel

There were no other transactions with Key Managerial Personnel other than those disclosed in Note 35(a) to these Financial Statements.

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Directors have authorised the payment of Rs. 3.00 per share as first and final dividend for the year ended 31st December 2014 (Rs. 4.00 - 2013).

In accordance with Sri Lanka Accounting Standards - LKAS 10 - "Events after the Reporting Period", this proposed final dividend has not been recognised as a liability in the Financial Statements for the year ended 31st December 2014.

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

37. COMPARATIVE INFORMATION

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

38. FINANCIAL RISK MANAGEMENT

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 available-for-sale investments and enters into derivative transactions. The Group's principal financial liabilities comprise of short term borrowings, trade and other payables and other financial liabilities.

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

- Credit Risk
- Liquidity Risk
- Market Risk (Including currency risk and interest rate risk)

The Board of Directors have the overall responsibility of establishing and overlooking the Group's Risk Management Framework. The Groups' risk management policies are established to identify and analyses the risk faced by the Group, to set appropriate risk limits and to 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.

37.1 Credit Risk

Credit risk is the risk that a counter party will not meets its obligation under a financial instrument and leading to 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 recognised, credit worthy 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 carrying amount of financial assets represent the maximum credit exposure. The maximum credit risk, without considering collateral (if any), at the reporting date was as follows:

As at 31st December	Group		Company	
	2014	2013	2014	2013
Trade and other receivables	2,792,206	1,654,525	2,554,838	1,241,662
Other financial assets	64,286	74,676	63,298	73,105
Loans give to employees	505,680	460,610	498,429	452,132
Short term investments	2,686,257	3,383,283	2,454,233	3,267,977
Cash at bank and in hand	318,629	147,525	177,570	61,447
Amount due from related parties	-	-	12,160	8,789
Income tax refunds	-	40,854	-	40,854
Other investments	-	-	-	-
Foreign exchange forward contracts	19,747	2,236	19,747	2,236
Available-for-sale investments	15,304	13,644	17,387	15,236
Total exposure to the credit risk	6,401,181	5,777,353	5,797,663	5,163,438
Trade and Other Receivables				
Gross amount	2,790,349	1,616,308	2,554,838	1,204,445
Provision for impairment	(928)	(38,217)	-	(37,217)
Carrying value as at reporting date	2,791,278	1,654,525	2,554,838	1,241,662

Notes to the Financial Statements

38. FINANCIAL RISK MANAGEMENT (Contd.)

37.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligation associate 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 appropriate level of cash and cash equivalents and secured committed funding facilities from financial institutions.

Following are the contractual maturity of financial liabilities as at 31 December 2014

Financial Liability	Less than one year	Group More than one year	Total	Less than one year	Company More than one year	Total
Other financial liabilities	5,244,483	-	5,244,483	4,981,191	-	4,981,191
Bank overdrafts	43,194	-	43,194	1,691	-	1,691
	5,287,677	-	5,287,677	4,982,882	-	4,982,882

Following are the contractual maturity of financial liabilities as at 31 December 2013

Financial Liability	Less than one year	Group More than one year	Total	Less than one year	Company More than one year	Total
Fair value through profit or loss	3,685	-	3,685	3,685	-	3,685
Other financial liabilities	4,500,628	-	4,500,628	4,289,730	-	4,289,730
Bank overdrafts	10,924	-	10,924	4,426	-	4,426
	4,515,237	-	4,515,237	4,297,841	-	4,297,841

37.3 Market Risk

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

37.3.1 Currency Risk

The group 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. The risk is minimised by hedging the currency either by forward foreign exchange contracts in respect of actual or forecast 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 is as follows:

Currency	Average rate	Closing rate Selling	Buying
U. S. Dollar	130.66	133.00	130.00
Euro	174.40	162.80	156.95
Singapore Dollars	103.48	101.45	97.93
Danish Kroner	23.41	21.99	20.99
Japanese Yen	1.25	1.13	1.08

37.3.2 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 floating interest rates. The Group does not have any floating rate long term borrowings or investments as at the reporting date, which results in material interest rate risk.

Ten Years Financial Summary

For the year ended 31st December	2014 Rs. Mn	2013 Rs. Mn	2012 Rs. Mn	2011 Rs. Mn	2010 Rs. Mn	2009 Rs. Mn	2008 Rs. Mn	2007 Rs. Mn	2006 Rs. Mn	2005 Rs. Mn
Statement Profit and Loss										
Revenue	13,707	15,861	15,728	12,195	14,057	13,160	10,929	8,621	7,333	5,916
Cost of Production	(12,508)	(14,246)	(13,028)	(10,164)	(10,978)	(9,798)	(8,428)	(6,496)	(5,831)	(5,250)
Gross Profit	1,199	1,615	2,700	2,031	3,079	3,362	2,501	2,125	1,502	666
Other Expenses	(1,607)	(1,697)	(1,411)	(1,193)	(1,579)	(1,349)	(1,110)	(1,029)	(832)	(669)
Profit before Other Income	(408)	(82)	1,289	838	1,500	2,013	1,391	1,096	670	(3)
Other Operating Income	347	536	470	641	147	128	123	195	209	91
Profit from Operation	(61)	454	1,759	1,479	1,647	2,141	1,514	1,291	879	88
Net Interest Costs	281	279	144	(83)	174	183	161	(5)	(57)	(52)
Profit before Tax	220	733	1,903	1,396	1,821	2,324	1,675	1,286	822	36
Taxation	(11)	91	(14)	43	193	(199)	(252)	(203)	(215)	21
Net Profit For The Year	209	824	1,889	1,439	2,014	2,125	1,423	1,083	607	57
Retained Profit b/f	9,724	9,507	7,829	6,937	5,363	3,717	2,522	1,635	1,109	1,176
Profit available for Appropriation	9,933	10,331	9,718	8,376	7,377	5,842	3,945	2,718	1,716	1,233
Issue of Bonus Shares	-	-	(34)	-	-	-	(32)	-	(31)	-
Final Dividends	(287)	(575)	(411)	(547)	(547)	(479)	(196)	(196)	(50)	(124)
	9,646	9,756	9,273	7,829	6,830	5,363	3,717	2,522	1,635	1,109
As at 31st December										
Statement of Financial Position										
ASSETS										
Non Current Assets										
Property Plant & Equipment	4,281	4,147	3,900	2,514	2,254	2,051	2,146	1,826	1,607	1,363
Investments & Taxes	520	532	522	486	131	112	77	1	1	1
	4,801	4,679	4,422	3,000	2,385	2,163	2,223	1,827	1,608	1,364
Current Assets										
Inventories	956	753	1,202	638	624	754	937	887	486	546
Trade & Other Receivables	8,052	7,467	8,051	6,684	5,251	6,893	5,642	7,175	2,007	1,791
Cash & Short - term funds	2,631	3,329	3,864	3,892	5,933	3,880	3,606	1,683	1,740	1,678
	11,639	11,549	13,117	11,214	11,808	11,527	10,185	9,745	4,233	4,015
Total Assets	16,440	16,228	17,539	14,214	14,193	13,690	12,408	11,572	5,841	5,379
EQUITY & LIABILITIES										
Stated Capital	714	714	714	684	684	684	684	652	652	621
Available for Re-sale Reserves	15	14	10	9	-	-	-	-	-	-
Revenue Reserves	9,646	9,756	9,362	7,829	6,830	5,363	3,717	2,522	1,635	1,109
Share Holders Fund (Net Worth)	10,375	10,484	10,086	8,522	7,514	6,047	4,401	3,174	2,287	1,730
Non-Current Liabilities										
Interest Bearing Borrowings	-	-	52	161	61	94	148	227	253	286
Deferred Taxation	-	-	-	-	-	-	-	62	103	119
Retirement benefit Obligation	857	816	931	963	951	786	689	468	393	334
	857	816	983	1,124	1,012	880	837	757	749	739
Current Liabilities										
Trade & Other Payables	1,958	2,760	4,548	3,920	4,732	6,048	5,435	5,341	1,147	981
Interest Bearing Borrowings	3,221	2,141	1,880	538	897	315	1,246	1,676	1,102	1,472
Income Tax Payable	-	-	16	46	-	305	329	319	193	4
Dividends Payable	27	23	19	17	15	13	7	6	5	4
Bank Overdraft	2	4	7	47	23	82	153	299	358	449
	5,208	4,928	6,470	4,568	5,667	6,763	7,170	7,641	2,805	2,910
	16,440	16,228	17,539	14,214	14,193	13,690	12,408	11,572	5,841	5,379
Key Indicators										
Earnings per Share (basic) (Rs.)	2.91	11.46	26.58	21.03	29.44	31.05	20.80	16.60	9.31	0.94
Net Assets per Share (Rs.)	144.39	145.90	140.36	124.40	109.81	88.37	64.31	48.69	35.10	27.87
Market Price per Shares (Rs.)	193.00	189.60	224.00	238.80	275.00	244.75	50.00	53.00	36.00	22.25
Return on Capital Employed (%)	1.50	4.3	17.6	17.3	21.7	35.0	33.3	37.9	34.6	4.4
Dividend Paid per Share (Rs.)	3.00	4.00	8.00	6.00	8.00	7.00	3.00	3.00	0.80	1.50
Current Ratio (Times)	2.23	2.34	2.07	2.45	2.08	1.70	1.43	1.28	1.51	1.38
Interest Cover (Times)	-0.70	4.53	14.32	20.10	29.78	31.2	21.66	10.65	8.34	1.06

Notice of Annual General Meeting

COLOMBO DOCKYARD PLC

(Company Registration No. PQ 50)

P.O. Box 906, Graving Docks, Port of Colombo, Colombo 15

NOTICE IS HEREBY GIVEN that the Thirty Second 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 07th day of April 2015 for the following purposes.

1. 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 2014 and the Report of the Auditors.
2. To re-elect Mr. Lalith Ganlath in terms of Article 87 of the Articles of Association of the Company.
3. To re-elect Mr. H . A .R. K . Wickramathilake in terms of Article 87 of the Articles of Association of the Company.
4. To re-appoint Messrs. KPMG, the retiring Auditors and authorise the Directors to fix their remuneration.
5. To authorise the Directors to determine donations for the year 2015 and up to the date of the next Annual General Meeting.

By order of the Board
COLOMBO DOCKYARD PLC



Manori P. Mallikarachchi
Company Secretary

2nd March 2015
Colombo, Sri Lanka

Notes

1. Any member, entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of him/her.
2. A proxy need not be a member of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. 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 of

(NIC No.)..... of being a member/members of

..... being a member/members of

Colombo Dockyard PLC, hereby appoint, of

..... of

..... (or failing him/her)

Dr. T. Takehara	of Colombo (or failing him)
Sarath de Costa	of Colombo (or failing him)
Ranil Wijegunawardane	of Colombo (or failing him)
T. Nakabe	of Colombo (or failing him)
Y. Kijima	of Colombo (or failing him)
G.A.D.L.H. Ganlath	of Colombo (or failing him)
H.A.R.K. Wickramathilake	of Colombo (or failing him)
Janaki Kuruppu	of Colombo

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Thirty Second Annual General Meeting of the Company to be held on 07th April 2015 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereon.

In witness my/our* hands thisday ofTwo Thousand Fifteen.

.....

Signature

Notes:

*Delete what is not applicable.

Instructions as to completion appear overleaf.

Instructions for Completion

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

Please fill the details

Share Certificate No. :

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
Income tax	-	124085896-0000
ESC	-	124085896-8000
NBT	-	124085896-9000

Directors

Dr. T. Takehara - Chairman
Sarath De Costa - Vice-Chairman
Ranil Wijegunawardana - Managing Director/CEO
Lalith Ganlath
H. A. R. K. Wickramathilake
Y. Kijima
T. Nakabe
Janaki Kuruppu
Piyadasa Kudabalage (Resigned)
Y. Imai - Alternate Director
Kentaro Usu - Alternate Director

Audit & Remuneration Committee

H. A. R. K. Wickramathilake - Chairman
Lalith Ganlath
Sarath De Costa

Auditors

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

Company Secretary

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

Key Management

Ranil Wijegunawardana - Managing Director/CEO
D. V. Abeysinghe - General Manager (Projects & Engineering)
N.M.K.B. Nayakarathna - General Manager (Commercial)
H.S. Perera - General Manager (Production)
Mangala De Silva - General Manager
(Human Recourse Development & Administration)
T.G. Weerasinghe - General Manager
(Dockyard General Engineering Services (Pvt) Ltd.)
R.M.V. Rathnayake - General Manager (Logistic)
P.D. Gihan Ravinatha - Chief Financial Officer (CFO)
Manori P. Mallikarachchi - Manager (Legal)/ Company Secretary

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. Tel: 0112 527980

Ceylon Shipping Agency (Pte) Ltd
No. 35, Selegie Road # 09-16, Parklane Shopping Mall
Singapore - 188307. Tel: 0065 63377751

Bankers

Bank of Ceylon
People's Bank
Commercial Bank of Ceylon PLC
State Bank of India
Sampath Bank PLC
National Development Bank PLC
The Hongkong & Shanghai Banking Corporation Limited
Hatton National Bank PLC

Contact Details

P.O. Box 906 Port of Colombo,
Colombo 15, Sri Lanka
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Internet : www.cdl.lk



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

Sailing Ahead with Quality and Efficacy

