

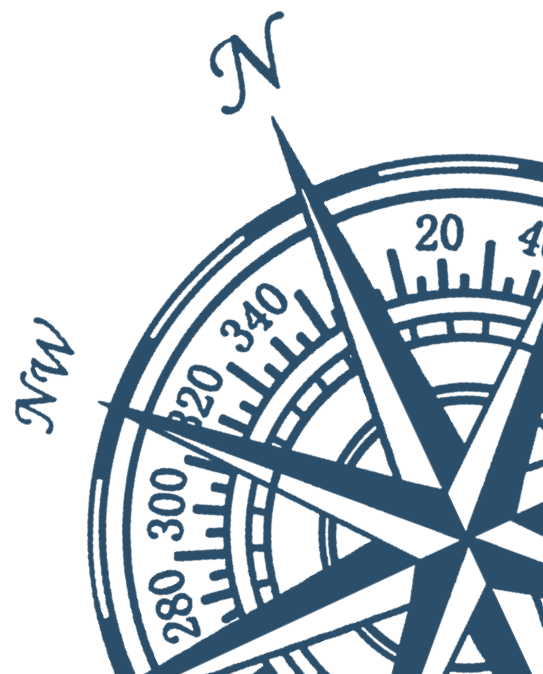


COLOMBO DOCKYARD PLC
"...an Odyssey of Excellence"

STAYING ON COURSE

r e s i l i e n t • u n d e t e r r e d

ANNUAL REPORT 2017



The background features a stylized compass rose at the top center, with a star-like design. Below it, curved lines represent nautical chart scales, with numbers ranging from 0 to 50 and 60. The overall color scheme is a gradient of blue.

STAYING ON COURSE

resilient • undeterred

Our journey began four decades ago, with a vision to forge a brighter tomorrow by becoming the foremost shipbuilder in Sri Lanka. In spite of the challenges we faced in the period under review, Colombo Dockyard has upheld its place as a formidable competitor, symbol and moniker of strength, unparalleled quality and unrivalled excellence.

Stellar craftsmanship, punctual delivery of projects sans setbacks and a dynamic team who embody our core values and ethos are the strengths we've leveraged to provide top calibre services in shipbuilding and ship repair. The future will see us sail ahead, on course, in our odyssey of excellence; resilient; undeterred and continuing our trajectory of achieving stability and consistent growth.

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VISION

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

MISSION

We strive:

- To be the most competitive and viable business entity in South Asia in Shipbuilding, Shiprepairs, Heavy Engineering and allied activities:
- To efficiently and effectively manage all our resources:
- To achieve sustainable growth:
- To enhance the interests of our Stakeholders, and thereby contribute to the pursuit of our vision:

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, 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,
Environmentally Friendly,
People Focused.**

Colombo Dockyard's niche position in building some of the world's most unique vessels holds the Company in good stead. The emphasis on absolute quality and the infusion of green initiatives (some of them, pioneering features in this region) as well as our processes, give us a competitive stance that is far ahead of those established in the South Asian region.

This has resulted in improving our capabilities of effecting difficult and sometimes unique processes, building techniques and repairs, that have helped us carve out our own niche in this industry.

QUALITY POLICY

We are committed to

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

HEALTH, SAFETY AND ENVIRONMENTAL POLICY

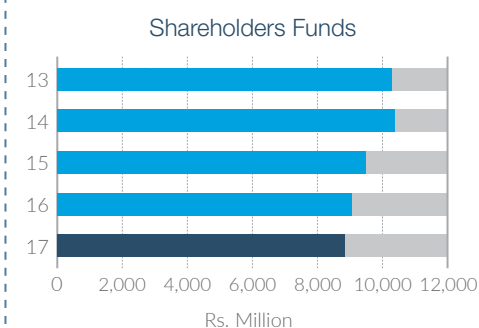
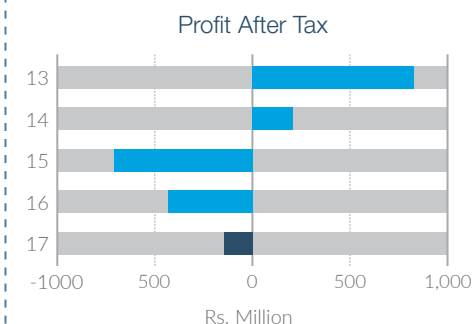
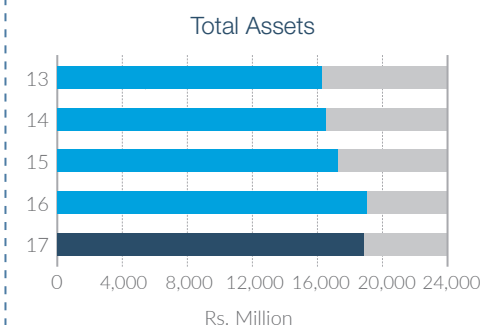
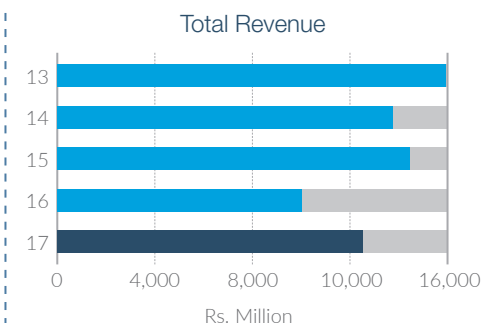
Colombo Dockyard PLC is committed to provide a healthy and safe working environment at its every work location and strive to protect the environment in accordance with applicable Legal & other requirements.

Colombo Dockyard PLC shall:

- Provide safe machinery, plant, equipment and competencies to prevent injury, ill health and environmental impacts
- Minimize probable impacts to the environment through pollution prevention and other specific commitments including reduction of natural resource consumption through reduction, recycle and reuse of waste
- Set Health Safety and Environmental objectives, analyze outcomes and continually improve processes through an effective management system.

FINANCIAL HIGHLIGHTS (COMPANY)

	2017 Rs. Mn	2016 Rs. Mn	Change	
			Rs. Mn	%
Results for the Year				
Revenue				
Shiprepairs	5,943	4,560	1,383	30.33
Shibuildings	6,038	5,374	664	12.36
Heavy Engineering	71	39	32	82.05
	12,052	9,973	2,079	20.85
Profit				
Export Revenue	11,614	9,410	2,204	23.4
Local Revenue	438	563	(125)	(22.2)
Gross Profit	1,445	1,237	208	16.8
Operating Profit	(73)	(438)	365	83.3
Taxation	(69)	6	(75)	1,250.0
Net Profit after Tax	(143)	(432)	289	66.9
Profit Available for Appropriation	8,108	8,302	(194)	(2.34)
Company Value Addition	4,193	3,870	323	8.34
Company Value Addition %	34	38	(4)	(10.5)
Local Value Addition	6,102	5,556	546	9.83
Employees Salaries & Benefits	3,716	3,507	(209)	(5.96)
Balance Sheet				
Total Assets	16,705	18,982	(2,227)	(12.0)
Total Liabilities	7,867	9,950	2,083	20.9
Shareholders' Funds	8,838	9,031	(193)	(2.14)
Net Cash & Cash Equivalent	4,642	2,109	2,533	120.10
Information Per Ordinary Share				
Earnings (Rs.)	(1.98)	(6.01)	4.03	(67.05)
Net Assets (Rs.)	122.99	125.68	(2.7)	(2.14)
Market Value (Rs.)	88.50	78.60	9.90	12.60
Market Capitalisation Rs. Mn	6,359	5,648	711	12.58
Financial Ratios				
Net Profit after Tax (%)	(1.2)	(4.3)	3.1	(72.61)
Return on Investment (%)	(0.9)	(1.7)	0.9	(55.24)
Return on Assets (%)	(4.0)	(1.6)	(2.4)	150.00
Interest Cover (Times)	(1.8)	(1.4)	(0.4)	(28.0)
Return on Equity (%)	(1.6)	(3.2)	4.8	66.6



CHAIRMAN'S REVIEW



“ Company achieved a 20.8% growth on its total revenue volume during 2017 corresponding to last year total revenue recorded. ”

Dear Shareholders,

I am pleased to present the Annual Report and the Financial Statements of Colombo Dockyard PLC (CDPLC) for the financial year ended 31 December 2017 for the 35th Annual General meeting of the Shareholders.

Global Shipbuilding Outlook

Despite an uptick in ordering, 2017 was another difficult year for the shipbuilding industry, with contracting remaining well below trend and most shipyards continuing to feel the pressure. Some sectors saw improved contracting activity, while deliveries remained relatively firm, but shipbuilders will be looking to see more positive changes before predicting a return to better times.

The Offshore Support Vessel (OSV) Sector is not active caused by the long term recession of the Crude Oil production industry. Taking into consideration of the laid-up OSVs worldwide, it will take another 1 or 2 years for demand's to become active again.

Colombo Dockyard PLC (CDPLC) Performances Financial Results

Notwithstanding the difficult business conditions, which led to a lower the overall value addition, Company achieved a 20.8% growth on its total revenue volume during 2017 corresponding to last year total revenue recorded.

Chairman's Review

Through the prudent management and improved efficiencies, we are pleased to report that the Group returned to net profit in 2017 improved 109% to Rs. 26.0 Mn, against Rs. 289.0 Mn net loss in financial year 2016. This comeback is after negative financial results recorded for two consecutive years due to cancellation of one shipbuilding contract and discounted price we had to offer for three more contracts due to global oil price fall historically.

Dividend

The Group's dividend payment is guided by its earnings performance. We seek to reward shareholders with a sustainable and consistent dividend, while taking into consideration the need to reinvest for long-term sustainable growth.

For the year under review, the CDPLC Board has approved a final ordinary cash dividend of Rs. 1.50 per share.

Shipbuilding Sector

In the face of a global vessel glut and fiercer competition from regional rivals, we were struggling to set our order targets for the year under review and for next year. In spite of challenging market conditions in 2017, we are pleased to announce that we were successful in signing a major shipbuilding contract with Japan for Construction of a Cable Laying Vessel to KOKUSAI CABLE SHIP Co, Japan on the 7th of April, 2017. The Vessel boasts of European design and high performance features with Japanese Flag. This is first and largest Shipbuilding Contract undertaken by CDPLC in its history.

We are also confident of being awarded another two more shipbuilding projects from Middle East customer and waiting contract signing in 2Q 2018.

Ship-repair Sector

We have outperformed in achieving significant revenue growth from Ship-repairs with 30.3% to Rs. 5,943.1 Mn during the year under review compared to Rs. 4,559.6 Mn recorded for 2016. This is the highest ship repair volume we have recorded since 2009. We are focused on to keeping this momentum growing with necessary marketing and resource allocation considering its significance to both total revenue volume and higher value additions for the Group.

Heavy Engineering Sector

This sector has been focused on capturing higher opportunities with upcoming local infrastructure and port developments projects through our fully owned Subsidiary and direct approach where applicable. During 2017, the sector has been able to grow its total volume up to Rs. 71.3 Mn up 85% against last year revenue.

Subsidiary Companies

Both fully owned Subsidiary Dockyard General Engineering Services (Pvt) Ltd and 51% holding Ceylon Shipping Agency (Pte) Ltd (Singapore) have been recorded with positive financial results with growth prospects over the last few years.

Our Future Vision

Shipbuilding

As a short and middle term strategy, we are aiming at the medium sized, highly specialised, technology driven, complex Vessels with high value addition, that will keep all engineering departments of our shipyard engaged. These are niche markets, and ordinary shipyards in the region are not capable of undertaking such construction work due to its complexity and customized nature. Vessels targeted under this category are the Cable Laying Vessels for the telecommunication (optical cables) and power transmission, Wind-farm Support Vessels, Pilot Station Vessels, Buoy Tender Vessels, etc.

As part of our long term strategy, we plan to enter the small-scale gas storage/ bunkering vessels also known as Floating Storage Re-gasification Units (FSRU's) as we foresee a heavy demand for LNG powered power plants and LNG powered ships in the world.

Ship Repair Sector

The ship owners/managers with vessels trading in global waters will have to comply to this convention requirements of installing ballast water treatment system by the year 2019/2020. Thus creating an opportunity for technical/ shipyard services for installation of the systems. Our technical teams are in the process of identifying suitable solutions to meet the upcoming market requirements.

Heavy Engineering Sector

We are focusing heavy demand on Environmental mitigation projects and high-tech infrastructure projects underway in Sri Lanka as well as the region.

Our fully owned Subsidiary, the Dockyard General Engineering Services (Pvt) Ltd (DGES) is guided on innovation and adherence to the highest quality standards to every minute aspect of our business. DGES engineering teams continually focus on introducing latest technological advances and explore avenues to provide 'cutting – edge' solutions and service excellence to our stakeholders.

Under DGES operations, we expect the demand for marine grade paints in addition to our sale of high – tech engineering products and advices for correct professional use, to grow strong with double digit growth in the coming years.

Corporate Governance

I am of the view that CDLC Board is strongly committed towards maintaining high standards in governance for the creation of long term shareholder value and sustainable growth. In addition to complying with the requirements outlined in the Listing Rules of the Colombo Stock Exchange (CSE) and other relevant regulations, the Company complies with internally developed procedures and best practices and governs the activities of the Board.

Acknowledgements

I would like to extend my gratitude and warm appreciation to all the Board of Directors, employees, customers and the national authorities for the support of the Company during the year and I look forward to their continuous support and cooperation as we continue to channel local efforts into globally renowned products and services.



Dr. Toru Takehara
Chairman

27th February, 2018
Colombo

MANAGING DIRECTOR / CEO'S REVIEW



“With the aim of establishing our operations, we strive to strengthen our capabilities, seize more opportunities and explore innovation and new technology to become stronger in this downturn while positioning ourselves for the future.....”

Dear Stakeholders

I take pleasure in welcoming you to the 35th annual general meeting of Colombo Dockyard PLC (CDPLC) and wish to present you the annual report with operational performance and audited Financial Statements for the year ended 31st December, 2017. Let me furnish a brief summary of the performance over the course of the last year and offer an outline of our strategic direction and vision for the year 2018 and onwards.

Backdrop to Performance

Beholding the year 2017, it was yet another challenging one for CDPLC than initially thought of. Although the global crisis which emerged due to volatile and depressed oil prices, the adverse situation started slowly recovering from the beginning of 2017, no one in the offshore sector achieved a quick turnaround, which continued to suffer from low charter rates, weak utilization of the existing fleet and continuing layup of vessels. Therefore, we had to take more efforts to remain resilient encountering these stiff challenges while navigating through rough seas. As such, we are now leveraging synergies across the Company to streamline processes to utilize resources effectively and efficiently while reducing cost and eliminating waste. Further, the importance of ensuring greater level of employee discipline and working culture across all facets of yard operations has been highly emphasized and exerted by all to reach higher productivity and quality levels aimed at attracting more business opportunities in 2018 and beyond.

Even with the difficult conditions, CDPLC achieved a credible revenue Rs. 12,052.6 Mn and recorded an improvement on year on year with Rs. 2,079.9 Mn (20.8%), although, we reported a loss of Rs. 142.5 Mn after tax for the year 2017. This is a satisfactory performance by the CDPLC team despite strong competition across Ship repair, Shipbuilding and Offshore Engineering sectors.

Shipbuilding Business and its Challenges

The year was remarkable for Shipbuilding sector due to some key achievements which were accomplished despite the grueling market conditions. One of the significant milestones achieved was the ability to penetrate in to the Japanese market and securing an inspiring contract to build a 113 m long Cable Laying Vessel for one of the premier cable ship owning companies in Japan. The Company considers this as a major breakthrough in terms of market development, entering in to a high-tech and superior quality conscious market segment. This admission to a highly complex and specialized area of building vessels for the telecommunication and power transmission cable laying and repairing sector is also an important expansion of our product portfolio. This is a remarkable leap from our previous focus on offshore vessels for the Oil and Gas exploration and production domain. Also, the Company was able to deliver 2 vessels built for the offshore support sector and delivered a passenger ferry to the Northern Province during the year.

As stated earlier the offshore market is still in a bad shape though a slight recovery of oil prices and any immediate investments in the oil exploration and production is yet doubtful. Therefore, even with a slight spike in the market, the laid up (off hire) vessels tend to secure such short term charters at low rates, which doesn't make investment on new shipbuilding attractive to the owners. Banks are still not convinced enough to offer loan or financing facilities for the industry making the owners reluctant to take high involvement decisions.

Also, the demand for other commercial vessels is going to be dreary due to oversupply of vessels or low shipping rates and volumes and it is under such circumstances that the Company has been focusing towards acquiring highly specialized areas of shipbuilding such as; Cable Laying Vessels, LNG Storage, Bunkering and Re-gasification Vessels, Wind farm Support Vessels, Offshore Patrol Vessels, Pilot Station Vessels, and Buoy Tender Vessels etc. These are particularly specialized and customized vessels in niche markets, where ordinary shipbuilders find it difficult to handle due to its complexity and high compliance demands.

As the Company has built up a track record of delivering a high quality product, on time and within the budget, we are confident of continuing our performance on future projects as well, focusing on diversified products, stepping in to new geographic markets and offering our products in conformance with high ethical standards and compliance to all rules and regulations.

It is within this challenging backdrop, that the company could generate a revenue of Rs. 6,038.1 Mn from shipbuilding in 2017 with a 12% (Rs. 663.7 Mn) growth over the 2016 revenue of Rs. 5,374. Mn.

Ship Repair Business and its Challenges

At a glance, the ship repair sector has performed relatively well in this challenging year. This sector is matured and experienced to take on the market challenges head on with an optimistic mind set and searching for return of "good times". In that sense, the year 2017 can be termed as a "year of recovery" in terms of global/regional economic condition and was slowly recuperating back from the continuous negative trends.

The bulk carrier segment performed positively, in which the Company was able to accommodate eight Panamax size bulk carriers (accumulative tonnage of 543,685 DWT) for

major layup and dry-docking repairs. Including that almost 77 number of vessels repaired in Dry-docks and 70 number of vessels repaired afloat during the year. In the years 2017 and 2016 the number of repaired vessels is similar, however, the dead weight handled during 2017 is significantly higher (3,298,953 tons) compared to 2016 (2,854,574 tons).

The biggest challenge of the Ship repair sector is the heavy competition from new yards that have gained momentum in their operations. The owners demand speedier turnaround times on tighter budgets as competition levels are tighter. The yards have become increasingly hungrier for business, as the available business opportunities are shared amongst newcomers and the old players on the block. To face this challenge we need to move for a cost effective production process and lowering of overheads cost. Also the mobilizing of a new marketing network has a similar importance in succeeding future business in the company.

However, the Ship Repair sector outperformed during 2017 with revenue of Rs. 5,943.1 Mn as against last year's revenue of Rs. 4,559.6 indicating a 30.3% (1,383.5 Mn.) growth momentum.

Heavy Engineering

Our fully-owned subsidiary, Dockyard General Engineering Services (Pvt) Ltd, DGES, has also become a trusted partner in the fields of Mechanical and Civil engineering in Sri Lanka having successfully tackled several large-scale infrastructure projects. The Heavy Engineering sector was able to achieve a 85% growth on revenue to stand at Rs. 71.3 Mn during the year under review when compared to the Rs. 38.5 Mn recorded for 2016 financial year. Furthermore, it is our plan to enhance the sector within the DGES capabilities and therefore obtained CIDA certifications for Mechanical & Civil sectors while forming a separate section in CDPLC to improve the revenue generation from heavy engineering.

Infrastructure Developments

Having had a tough time in the business, we still work towards developing our infrastructure facilities to meet future demands. Since our subcontract partners require suitable facilities to maintain and retain their workforce in the field, a new building is under construction to occupy their workers with acceptable standards. It is again benefiting the company to use the present scattered places occupied by them converting to more production oriented spaces and to improve the revenue by way of shortening certain working times which have been hampered by space constraints.

Managing Director / CEO'S Review

The present dry-dock 2 which is capable of holding vessels up to 18.5 m breadth is being converted to 23 m that enables us to build the Cable Laying Vessel with a width of 21.5 in dock 2 while continuing ship repairs in dock 1. We are expecting to make further greater improvements in the utilization of our available yard space for production in the future.

Committed to Health, Safety and Environment

Reflecting a strong commitment to safety by the management, we continuously strive to inculcate a culture of discipline across all levels of the organization and we have closely focused on maintaining the highest safety standards and improving awareness of best practices. We have improved our overall safety performance by achieving a low accident severity rate. In 2016 the rate was recorded as 0.902 and in 2017 it dropped to 0.671 which is also below the targeted level of 0.85. Towards this end we are continually upgrading our workplace safety and health by strengthening accountability and promoting safety ownership. The journey to an accident free workplace demands strong determination and unwavering commitment to stay focused. We will continue to foster open communication, support one another and share best practices. Company started implementation of Japanese 5 S concept in the yard, with the participation of all employees specially focusing to attract high-end ship owners.

Training

We believe that the company needs to continuously train its employees to bridge the talent and skill gaps occurring due to the retirements of experienced workforce. The company has recognized the demand for new technological enhancements to counter the foreseen scarcity of manpower in certain physically demanding jobs. In this we strongly endorse that the company must align its operations along with the new technology identifying the capabilities of young employees entering to the relevant engineering fields. Having this in mind we constantly focus on improving industrial training within the yard and overseas while acquiring new technology.

Outlook

Although the year 2017 has recorded a negative financial result, there are many positive aspects that could soon turn the company around. When going back to the year 2017, there were many steps taken that will form to be the corner stones in the enhancement of employee productivity and company performance in future. Undoubtedly, the major pillar of our business is our customer. Providing internationally approved, certified reliable high quality service at a reasonable price is the obvious target of CDPLC. With this greater

objective we always strive to enhance our compliance in every aspect of our business. In this, we are already qualified to the latest versions of ISO QMS, OHSAS and EMS certifications. Establishing 5S culture in the company will boost productivity enhancement further while minimizing any operational risks. Along with those achievements we have been successful in a range of divergent initiatives from qualitative aspects such as improving employee discipline and yard cleanliness, to key operational aspects such as efforts to increase Ship repair revenue generation with afloat repairs, more attention on Heavy Engineering projects and NC jobs specialization. Also, there is a huge support and advice extended from Onomichi Dockyard Co Ltd Japan, our parent company to improve the Shipbuilding as well as Ship Repair business during the year.

We trust that the year 2018 will be a significant year for us in terms of some positive changes in world trade. According to research reports, global demand for oil is projected to continue to rise. Colombo Dockyard is focusing on executing the orders that have been secured maintaining on time delivery of the projects, within budget and extracting maximum value from each project. Therefore, looking in to the near term, the next few years will be a busy period for us as we have to deliver our contracted shipbuilding projects meeting the delivery milestones. Meeting this demanding work load will require us to raise our productivity through technology and new methods in parallel with changing attitudes of employees, based on which we are confident of achieving our future goals.

Acknowledgements

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



D. V. Abeyasinghe
Managing Director/ CEO

27th February 2018
Colombo

BOARD OF DIRECTORS



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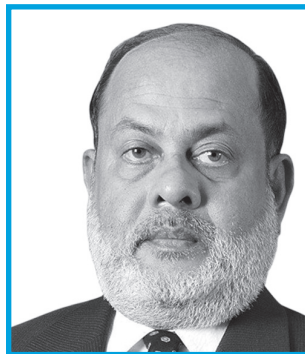
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- 01. Dr. Toru Takehara - *Chairman*
- 02. Sarath De Costa - *Vice Chairman*
- 03. D. V. Abeysinghe - *Managing Director/CEO*
- 04. T. Nakabe - *Director*
- 05. Mr. K. Utsumi - *Director*
- 06. H. A. R. K. Wickramathilake - *Director*
- 07. Lalith Ganlath - *Director*
- 08. Mr. C. J. P. Siriwardana - *Director*
- 09. Mr. M. Saadi A. Wadood - *Director*

Board of Directors

Dr. Toru Takehara

Chairman

Ph.D. in Mechanical Engineering, Nagaoka University of Technology, Japan. Bachelor - Engineering Science, Osaka University, Japan.

He has worked over 25 years as the engineer of Sea Container Transportation Machinery and Systems at Mitsui Engineering & Shipbuilding Co., Ltd, in Japan, and 12 years as the President & CEO of PACECO CORP. in California, USA.

He has 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.

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., Director Ceylon Shipping Agency (Pte) Ltd Singapore and Director Waters Edge Limited. Also serves as Vice President of Sri Lanka - Japan Business Cooperation Committee, Life Member - Japan Sri Lanka Technical Co-operation and Member - Sri Lanka Japan Friendship Society.

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

D. V. Abeysinghe

Managing Director/CEO

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

Appointed to Colombo Dockyard PLC (CDPLC) Board on 08/11/2016 as the Managing Director/CEO.

Currently holds positions as the Chairman of Dockyard General Engineering Services (Pvt) Ltd, Director of Ceylon Shipping Agency Singapore, Director of Sri Lanka Port Management & Consultancy Services, Member of the Advisory Committee on Boating Industry formed by Export Development Board Sri Lanka. He is a member of LR South Asia Advisory Committee, the Indian Technical Committee of NKK and DNV GL South Asia Committee.

T. Nakabe

Director

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

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

He has worked for Fuji Xerox from 1994-2001 and joined Onomichi Dockyard as Deputy Branch Manager in 2001. During his overall career in Onomichi Dockyard he has served as Deputy Branch Manager (2001), Director/Branch Manager (2003), Managing Director (2005), Senior Managing Director (2007) and finally as the President of Onomichi Dockyard Co., Ltd from 2009 to up to date.

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

H. A. R. K. Wickramathilake

Director

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

Appointed to the CDPLC Board in 1995. Chairman Mercantile Shipping Company PLC. Mercantile Marine Management Ltd, Mercantile Emerald Shipping (Pvt) Ltd, Royal Power (Pvt) Ltd and Royal Homes and Lands (Pvt) Ltd and several Other Companies in the Mercantile Group.

Lalith Ganlath

Director

*Attorney-at-Law and NP, Solicitor (England and Wales)
Barrister and Solicitor (ACT Australia)*

Appointed to CDPLC Board in June 1993 and is the Proprietor of GANLATHS and Chairman of Ganlaths Secretarial Services (Pvt) Ltd, Foreign Investment Facilitators (Pvt) Ltd., Migration Facilitators (Pvt) Ltd.

Mr. C. J. P. Siriwardana

Director

*B.Sc. Agriculture University of Ruhuna, MSc & PGD in
Quantitative Development Economics from the University of
Warwick U.K*

Mr. C.J.P. Siriwardana is a Deputy Governor of the Central Bank from August 2017. He is in-charge of Financial Sector Regulation and Supervision Cluster of the Central Bank. He has over 31 years of experience in the Central Bank especially in the areas of Economic and Price Stability, Financial System Stability and other Agency Functions carried out by the Bank. Prior to the appointment as a Deputy Governor, He held the position of the Assistant Governor in-charge of Public Debt, Information Technology, Legal and Compliance, Macprudential Surveillance, Human Resources, Policy Review and Monitoring, Payments and Settlement and Risk Management Departments.

Mr. Siriwardana holds a M.Sc Degree and a Postgraduate Diploma in Quantitative Development Economics from the University of Warwick, U.K. and a B.Sc Degree in Agriculture from the University of Ruhuna. He has served as the Secretary to the Monetary Board of the Central Bank of Sri Lanka. Mr. Siriwardana, currently serves as a Chairman of the Credit Information Bureau, Director of Colombo Dockyard PLC., Director of Insurance Board of Sri Lanka, Commission Member of Securities Exchange Commission and Chairman of National Payment Council. He has also served as Chairman of Domestic Debt Management Committee, Chairman of Market Operations Committee, Chairman of Foreign Reserve Management Committee, Director of Ceylon Electricity Board, Provident Property Lanka Ltd., and Kandurata Development Bank; and an Observer of the Board of Directors of the Board of Investments (BOI). Further, Mr. Siriwardana has participated in various national and international fora representing the Government and CBSL. Mr. Siriwardana has also participated in a number of international training programmes in the areas of Risk Management, Debt Management, Investment Management, Financial Stability, Monetary Policy, Leadership

and Rural Development during his long career in the Central Bank. Mr. Siriwardana has made special contributions and innovations for the improvement of standards, especially in the fields of debt management and investments. Being a member of the Monetary Policy Committee (MPC), Financial System Stability Committee (FSSC), Inter Regulatory Institutions Committee (IRIC) and Non-Financial Risk Management Committee (NFRMC), Mr. Siriwardana has made a significant contribution towards achieving core objectives of the CBSL.

Mr. Siriwardana has authored many articles in reputed international and local journals in the fields of Public Finance, Debt Management and Bond Market Development. He is also a regular speaker at various forums in different capacities and was a faculty member of the South East Asian Central Banks (SEACEN) Research and Training Centre, Malaysia.

Mr. M. Saadi A. Wadood

Director

*LLM (Corporate Law) King's College, University of London.
Attorney-at-Law of Supreme Court of Sri Lanka.*

Currently, he practices as a Corporate / Civil lawyer in Colombo and functions as a Director of numerous companies including SMB Leasing PLC, Sri Lanka Insurance Corporation Ltd, Lanka Hospitals Corporation PLC.

Mr. K. Utsumi

Director

Mr. Utsumi holds a Bachelor's Degree in Department of Mechanical Engineering, Faculty of Engineering, Hiroshima Institute of Technology (University) in Japan.

He has been employed Onomichi Dockyard Co.,Ltd. for 29 years since 1989, and worked as manager of Machinery & Electric Design Section for 5 years up to this appointment.

CORPORATE MANAGEMENT



D. V. Abeysinghe
Managing Director/CEO



Shantha Rathnayake
*General Manager
(Production)*



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



K. B. P. Fernando
*General Manager
(Ship Repair Business)*



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



Lal Hettiarachchi
*General Manager
(Ship Buildings)*



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



P. D. Gihan Ravinatha
Chief Financial Officer



Manori Mallikarachchi
*Legal Consultant /Company
Secretary*



Ranil Wijeygunawardane
*Managing Director/CEO
(DGES)*

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

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

Appointed to Colombo Dockyard PLC (CDPLC) Board on 08/11/2016 as the Managing Director/CEO.

Graduated from the University of Moratuwa, Sri Lanka in the field of Mechanical Engineering in 1985 and joined Colombo Dockyard (Pvt) Ltd (today, Colombo Dockyard PLC) on 02/12/1985.

He has acquired qualifications and experiences with several overseas trainings including JICA training on Shipbuilding, Repairing, Maintenance and Naval Architecture and a Shipyard Practical Training at Hitachi Zosen Innoshima Shipyard Japan.

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

In his overall carrier in the Company, has served in Ship Repair division, Shipbuilding and Projects & Engineering division holding managerial positions and has directly contributed for enhancing Shipbuilding and Heavy Engineering capabilities. He was positioned as the Senior General Manager/ Chief Operating Officer in June 2016 before appointing as MD/CEO in November 2016.

Shantha Rathnayake**General Manager (Production)**

B.Sc(Eng), C.Eng. CMarEng, M.I.Mar. EST(UK), MBA

Over 30 years' experience in the field of Heavy Engineering, ship building and ship repairs and held management positions in Quality Management, Project Management and Production Management.

Currently he serves as board Member of Faculty of Engineering Technology of Open University of Sri Lanka.

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

MBA (USJ), M LRHRM (Col), Dip.M. CIM(UK), MABE (UK), Attorney-At -Law

Has over 27 years of experience at Colombo Dockyard Plc in the feild of Human Resource Management and Administration. A life member of the Bar Association of Sri Lanka, PIM Alumni Association and member of the Association of Business Executives (UK). Qualified as a Lead Auditor certified by LRQA. Trained in Solving Human & Organizational Problems, under AOTS in Nagoya, Japan

K. B. P. Fernando**General Manager (Ship Repair Business)**

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

He is having over 32 years of exposure in this field. Out of which, 07 years had been at sea as a qualified Marine Engineer & the rest at Colombo Dockyard Plc in the sectors of Ship Repairs, Ship Management, Invoicing & Commercial. He holds the position of General member (Ship Repair Business) since 2015.

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

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

Joined Colombo Dockyard Plc in 1996. Has over 21 years of experience in the field of the Supply Chain Management. Served 03 Years as Manager of the Ceylon Shipping Agency (PVT) Ltd., Singapore.

Currently serving as an external board member of the Faculty of the Computing and Technology of the University of Kelaniya, Sri Lanka and also a member of the Industry Advisory Board of the same faculty. Associate Member of the Singapore Institute of Management.

Corporate Management

Lal Hettiarachchi

General Manager (Ship Buildings)

B.Sc. Eng (Hons), C.Eng, MIE (Sri Lanka), MBA (PIM-USJ)

He has served over 23 years in the fields of Ship Repair, Ship Design and Ship Building as an engineer as well as a senior manager.

Underwent a 10 months training at Onomichi Shipyard Co.,Ltd Japan in 1999. Currently serves as a Member of South Asia Technical Committee of Lloyds Register and visiting lecturer of kothalawala Defense University.

M. Rohan De Silva

General Manager (Finance & System Implementation)

MBA University of India, Dip MA (CIMA),MABE (UK), MCPM

Joined Colombo Dockyard PLC in 1988 and has over 29 years of experience in the field of Finance and Management Accounting. Master of Business Management from Institute of Chartered Financial Analyst India. Member of the Association of Business Executives (UK), Member of Certified Professional Managers. Trained in General Management at National University of Singapore (NUS).

P. D. Gihan Ravinatha

Chief Financial Officer

FCA, MBA (PIM - USJ)

Over 15 years' experience in the field of Finance, with 8 years at audit sector and 7 years at CDPLC. Fellow member of the Institute of Chartered Accountants of Sri Lanka. He has completed his MBA from Postgraduate Institute of Management, University of Sri Jayawardenapura (PIM)

Manori Mallikarachchi

Legal Consultant /Company Secretary

Attorney-at-Law & Notary Public

Joined CDPLC in 1996. Has over 20 years of experience at CDPLC in the field of Legal, Secretarial & Compliance.

Ranil Wijeygunawardane

Managing Director/CEO (DGES)

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

Over 33 Years' experience in the field of Finance & General Management of which 20 years at Colombo Dockyard PLC. Served as Managing Director /CEO of Colombo Dockyard PLC, 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).

FINANCIAL REVIEW

Group Financial Highlights

For the Year (Rs. Mn)	2017	2016	Change	%
Income Statement				
Revenue	12,929.0	10,735.6	2,193.4	20%
Gross Operating Profit	1,766.8	1,570.3	196.5	13%
Profit after Tax	26.0	(289.0)	315.0	109%
Balance Sheet				
Total Assets	18,202.4	20,394.1	(2,191.7)	11%
Total Liabilities	8,251.9	10,432.2	2,180.3	20%
Shareholders' Funds	9,950.4	9,962.0	(11.6)	0%
Net Cash & Cash Equivalent	5,058.6	2,652.3	2,406.3	91%
Interest bearing borrowings	3,496.6	7,422.5	3,925.9	53%
Financial Ratios				
Earning Per Share (Rs.)	0.35	(3.99)	4.3	109%
Dividend Per Share (Rs.)	1.50	-	1.50	100%
Net Assets Per Share (Rs.)	138.6	138.7	(0.10)	(0%)
Gearing Ratio (%)	0.0	0.0	0.0	0%
Return on Total Assets (%)	0.1	(1.4)	1.5	109%
Working Capital to Assets (%)	34.8	29.1	5.7	20%

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

With total assets of Rs. 18,202.4 Mn (2016 - Rs. 20,394.1 Mn) as at end 2017, 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 Performance Group Revenue

The Group achieved a total revenue of Rs. 12,929.0 Mn (2016 - Rs. 10,735.6 Mn) for the financial year 2017 showing a

growth of 20.4% (Rs.2,193.4 Mn) against last year was mainly attributed to 30% increase on Shiprepair revenue and 12% increase on Shipbuilding revenue.

Segment Contribution to the Group Revenue

Group revenue includes the Company's core activity of ship repairs, shipbuilding, heavy engineering & material sales from subsidiary companies. The major revenue contributor for the group has become shipbuilding with 46.7% compared to 50.1% 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 2017 was Rs. 11,614.0 Mn compared to Rs. 9,410.0 Mn showing a growth of 23%.

The major overseas market of the Group during the year becomes Singapore with 44.3% (Rs. 5,334.3 Mn) of the total export revenue followed by India with 34.0% (Rs. 4,097.0 Mn). However, the Indian market continued to be the major overseas market for the ship repair sector, with a contribution of 67.8% (Rs. 4,030.9.Mn) of the total export ship repair revenue under 2017.

Financial Review

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

Earnings Before Tax and Depreciation

The Group's earnings before tax, depreciation and amortization recorded as Rs. 555.0 Mn during the year compared to last year's profit of Rs. 211.4 Mn. The improvement during 2017 was primarily due to the positive contribution recorded mainly from ship repair and Subsidiary Companies performances compared to 2016.

Other Operating Income

Other operating income of the Group excluding interest income has increased to Rs. 190.4 Mn during the year from Rs 133.5 Mn recorded for last year. The improvement of 42.7% (Rs. 56.9 Mn) was mainly due to the increase on exchange gain and sale of steel scrap income compared to 2016.

Profit After Tax

The Company recorded a loss after tax of Rs.142.5 Mn during the year under review representing a 66.9% growth compared to the year 2016 loss of Rs. 432.1 Mn . The Company continued to record losses during 2017 for the 3rd consecutive years after 23 years since its collaboration with parent Company Onomichi Dockyard Ltd Japan since 1993. This was mainly due to the impact of cancellation of one out of four shipbuilding contract and offer discounted price for balance three projects in 2015. We were compelled go ahead with such agreement due to the adverse global crude oil prices crash during late 2015 where , offshore drilling industry has gone into deep recession, which has significantly impacted the entire shipbuilding operations globally particularly in offshore sector for which we were focused on our shipbuilding orders.

Contribution to Sri Lankan Economy.

The Colombo Dockyard PLC has generated direct foreign revenue of 11,614 (over US\$ 76 Mn) and generated further Rs. 439.5 Mn as import substitutes The direct value addition generated by the Company was Rs. 3,716.8 Mn, (2016- Rs. 3,507.0 Mn). This is mainly comprised of revenue generated from shipbuilding, ship repairs, heavy engineering and other non-operating income.

The local value addition generated by the Company was Rs. 6,460.6 Mn (53.6%) compared to Rs. 5,556.1 Mn (55.7%) recorded for 2016. Company provides over 3,000 direct employments and over 350 on the job training facilities for National Institutes such as NAIT, ATI, IET and local Universities.

Colombo Dockyard PLC as a single business entity contributes average 1.10% to Sri Lankan annual industrial export earnings.

Exchange Rates

As stated in the Road Map 2017, the Central Bank implemented a more market based exchange rate policy during the year, which limited the Central Bank intervention in the foreign exchange market only to build-up international reserves with a minimal impact on the exchange rate . Accordingly, the external value of the Sri Lankan rupee remained relatively stable during the year up to end September 2017 amidst substantial absorption of foreign exchange liquidity by the Central Bank. The significant depreciation pressure on the rupee that existed particularly during the first quarter of 2017, was mainly due to continued outflows in terms of import expenditure, debt service payments and unwinding of foreign investments in the government securities market. The depreciation pressure that prevailed during the first two months of the year necessitated the Central Bank to supply foreign currency liquidity to the domestic foreign exchange market to defend the external value of the Sri Lankan rupee. However, this situation turned around since March 2017, particularly with increased foreign investments in the CSE and the government securities market and the conversion of export proceeds, and provided an opportunity for the Central Bank to absorb foreign exchange liquidity from the market.

This contributed towards the relative stability of the rupee against the US dollar during the period March to September 2017. The depreciation pressure on the rupee further eased gradually from May onwards with the issuance of the ISB, the receipt of the foreign currency term financing facility and the disbursement of the third tranche of the IMF-EFF programme, which helped improve investor confidence. Overall, the Sri Lankan rupee depreciated by 2.2 per cent against the US dollar during 2017 up to end September. The Sri Lankan rupee also depreciated by 10.4 per cent against the pound sterling, 5.3 per cent against the Japanese yen, 12.5 per cent against the euro and 5.7 per cent against the Indian rupee, based on cross currency movements.

Financial Position

Total Assets

The Company's total assets as at 31 December 2017 were Rs. 16,705.0 Mn and dropped by 12.0% from Rs. 18,982.1 Mn. recorded for 2016. This reduction is mainly due to decline on Trade and Other Receivable by Rs. 4,097 Mn (38%) again last year.

Current Assets

Current assets of the Company has decreased to Rs. 12,291.3 in 2017 compared to Rs. 14,350.5 Mn in 2016, the 14.3% (Rs. 2,059.2 Mn) increase against last year is mainly attributed to the increase on Cash and Cash Equivalents.

Working Capital

The net working capital shows a marginal reduction during the year to stand at Rs. 5,323.6 Mn under review as against last year figure of Rs. 5,238.4 Mn.

Cash flow

Cash generated from the Group's operations before working capital changes stood at Rs. 575.5 Mn in 2017 compared with Rs. 375.7 Mn in the previous year. Cash generated from operations increased compared to the previous year, due to positive working capital changes when compared with last year.

Net cash used in investment activities was Rs. 141.8 Mn during 2017, as against Rs. 229.0 Mn the previous year. The Group invested a total of Rs. 208.9 Mn in yard development and productivity improvement related investments.

The Group's cash and cash equivalents at the end of 31st December 2017 was Rs. 5,058.6 Mn, which is a 70.7% (Rs. 2,406.3 Mn) improvement over last year.

Net Assets Value per Share

In line with capacity and facility expansion, the net assets value per share of the Company dropped to Rs. 122.99 as at 31st December 2017 compared to Rs. 125.68 recorded for last year.

Capital Structure

Total assets of the Group stands at Rs. 18,202.4 Mn as at 31st December 2017, compared with Rs. 20,394.1 Mn in the previous year. Assets were funded by shareholders funds (54.6 per cent), non-current liabilities (5.0 per cent) and current liabilities (40.4 per cent).

Debt

Group's total debt was Rs. 3,496.4 Mn as at balance sheet date, a 52.9% (Rs. 3,926.1 Mn) decline than 2016. This was primarily due to the re-payment of substantial amount of short-term loans during the year. Group's long-term debts continued to main at zero level as at 31st December 2017. The Company gearing level continues to be at zero level points, from 2013.

Performance of the Share

The share price of the Company as at 31st December 2017 recorded at Rs. 88.50, an improvement of 12.6% compared to last year's closing price of 78.60. A 3.5.0% increasing trend is noted in All Share Price Index in the Colombo Stock Exchange as at 2017-12-31 compared with 2016-12-31. The share price recorded the highest price of Rs. 110.00 on 27th July 2017 and lowest of price of 65.30 on 21st February 2017.

Financial Reporting

Colombo Dockyard Plc is committed to adopting the best practices in financial reporting with providing the most updated developments in financial reporting and disclosure. The financial reports on page 46 to 93 have been prepared in compliance with Sri Lanka Accounting Standards.

Our Achievement

The Company gives high priority to timely delivery of both quarterly and annual financial statements. Our comprehensive reporting has enabled shareholders and all other stakeholders to make a fair assessment of the company's performance.

Subsidiaries Performance

The total revenue from subsidiary companies recorded as Rs. 1,490.0 Mn of which represented by Rs. 973.1 Mn from wholly owned Subsidiary of Dockyard General Engineering Services (Pvt) Ltd. (DGES), and Rs. 517.9 Mn (SGD 4.6 Mn) from Ceylon Shipping Agency (Pte) Ltd (CSA) with 51% holding.

DGES has recorded a net profit of Rs. 180.0 Mn for 2017 compared to Rs. 169.5 Mn profit reported for 2016. The CSA recorded a net profit of SGD 13,681/- against net loss of SGD 44,423/- for 2016.

Financial Review

Statement of Value Addition (Company)

	2017 Rs. 000	2016 Rs. 000
Ship Repairs	5,943,130	4,559,697
Shipbuildings	6,038,106	5,374,446
Heavy Engineering	71,392	38,586
Operating Revenue	12,052,628	9,972,729
Other Income	201,816	143,186
Total Revenue	12,254,444	10,115,915
Less: Cost of Materials & Services purchased from External Sources	8,061,568	6,245,915
Value Addition	4,192,876	3,870,000
Value Addition as a % on Revenue	34.2%	38.3%
Distributed as Follows:		
To Employees as Remuneration & Benefits	3,716,520	3,507,129
To Shareholders as Dividends	107,788	-
To Lenders as Interest	153,209	235,167
To Government Taxes	53,935	125,874
Retained in the Business		
-as Depreciation	414,732	433,932
-as Revenue Reserves	(250,309)	(432,102)
Value Distribution	4,192,876	3,870,000
Value Distribution %		
To Employees as Remuneration & Benefits	88.6%	90.6%
To Shareholders as Dividends	2.6%	0.0%
To Lenders as Interest	3.7%	6.1%
To Government Taxes	3.9%	3.3%
To Retained in the Business	(3.9%)	(22.3%)

CORPORATE GOVERNANCE

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

Overview

Under the guidance of its Board, Colombo Dockyard PLC (CDPLC) is committed to achieving high standards of corporate governance to protect shareholder value. The Company 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 2017 with reference to the Code of Best Practice of the

Institute of Chartered Accountant Sri Lanka, the requirements of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

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

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

Board of Directors

The core responsibility of the directors is to exercise their judgment to act in what they reasonably believe to be the best interests of the Company and for the creation of long-term value and return for shareholders. The Board is responsible for the Group's overall performance objectives, financial plans and annual budget, major investments, divestment and funding proposals, financial performance reviews, risk management and corporate governance practices. To ensure the efficient discharge of its responsibilities and to provide Independent oversight of Management, the Board has established Board Sub Committees, including the Audit Committee, Remuneration Committee and Related Party Transaction Review Committee. These committees are primarily made up with Non-Executive Directors. The respective roles and responsibilities of each of the Board sub Committees are included in this report.

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

The current Board comprises of nine Directors; six of them are Non-Executive Directors. The Board's Chairman, Dr. T. Takehara and Mr. Utsumi are Executive Directors. Mr. D. V. Abeysinghe who is the Managing Director & CEO, of Colombo Dockyard PLC is also an Executive Director. All Non Executive Directors submit a Declaration annually to the Board regarding their independence. Non-Executive Directors, Mr. H. A. R. K. Wickramathilake and Mr. Lalith Ganlath are independent except for the fact that they hold offices over nine consecutive years, which has been duly ratified and determined by the Board that they are nevertheless independent for the current year, as provided under the Listing Rules of CSE, as they have been duly re elected by the shareholders at the Annual General Meeting of each year.

Corporate Governance

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 Sep. 2014	Executive/Nominee Director
Sarath De Costa	Vice Chairman	21 June 1993	Non-executive/Nominee Director
D. V. Abeysinghe	Managing Director/CEO	08 Nov 2016	Executive/Nominee Director
K. Utsumi	Director		Executive/Nominee Director
T. Nakabe	Director	24 March 2010	Non-executive/Nominee Director
L. Ganlath	Director	21 June 1993	Non-executive/Public Director (Independent)
H. A. R. K. Wickramathilake	Director	28 April 1995	Non-executive/Public Director (Independent)
M. S. A. Wadood	Director		Non-executive/Nominee Director
C. P. J. Siriwardane	Director	10 Nov 2016	Non-executive/Nominee Director

The composition of the Board Sub Committees ensures an equitable distribution of responsibilities among Board Members to maximize the effectiveness of the Board and foster active participation and contribution. Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances between the different committees with its greater involvement in key business and executive decisions, and membership of the Audit, Remuneration and Related Party Transactions Review Committees, with their respective oversight roles, is mutually exclusive.

To focus on a director's attendance at formal meetings alone may lead to a narrow view of a director's contribution.

Contributions from each director can be made in many forms, such as bringing strategic relationships to the Group and providing guidance to Management or exchanging of views outside the formal environment of the Board and/or Board Sub Committee meeting.

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

Board meeting attendance details are given in below table

Name	Mar	Apr	Jul	Sep	Nov
Dr. Toru Takehara	✓	✓	✓	✓	✓
Mr. Sarath De Costa	✓	✓	✓	-	✓
Mr. D. V. Abeysinghe	✓	✓	✓	✓	✓
Mr. T. Nakabe or Alternate	✓	✓	✓	✓	✓
Mr. M. Koshi (Res - 28/09/2017)	✓	✓	✓	✓	-
Mr. K. Utsumi (app - 28/09/2017)	-	-	-	✓	✓
Mr. Lalith Ganlath	✓	✓	✓	✓	-
Mr. H. A. R. K. Wickremathilake	✓	✓	✓	✓	✓
Mr. C. J. P. Siriwardena	✓	✓	-	-	✓
Mr. T. M. M. R. Bangsa Jayah (Res - 12/10/2017)	✓	✓	✓	✓	-
Mr. M. S. A. Wadood (App - 08/11/2017)	-	-	-	-	✓

Audit Committee

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

Report of the Audit Committee

In terms of the Listing Rules of the Colombo Stock Exchange the Audit Committee will assist the Board to improve the existing system to be more transparent. It will focus on system of internal control financial reporting process compliance with the laws and regulations and other best practices for Corporate Governance. The Committee examined the independence of the External Auditors and satisfied with the information provided to independence of the Auditors and further recommend reappointment of the Auditors. The Committee has reviewed internal control systems of all the areas and recommendations received were submitted to the Board for implementation. As a result the following areas were reviewed and shortcomings were rectified and systems were improved by obtaining services of experts in relevant Fields.

- Risk assessment for shipbuilding contracts & customer selecting criteria
- Marketing plan of the company
- Insurance aspect of the Company
- Purchase, repair, maintenance, and disposal of fixed assets
- Procedure and control over sub contractors
- Yard Maintenance and Implementation of Yard Development activities

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

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

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

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

Quarterly financial highlights performance and developments of the Group are presented at Board Meetings. The General Manager (Finance and System Implementation) and senior managers if necessary are also present at the meeting to address queries the Board may have.

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

Audit Committee meeting attendance details are given in below table

Name	Jan	Mar	Jul	Sep	Nov
Mr. H. A. R. K. Wickremathilake	✓	✓	✓	✓	✓
Mr. Sarath De Costa	✓	✓	✓	-	✓
Mr. Lalith Ganlath	✓	✓	✓	✓	-
Mr. D. V. Abeysinghe	✓	✓	✓	✓	✓

Corporate Governance

Remuneration Committee

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

Report of the Remuneration Committee Policy

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

Functions

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

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

The aggregate remuneration paid to the executive and non-executive Directors are given in Note 08 to the Financial Statements.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee comprises of three NonExecutive Directors, namely Mr. H. A. R. K. Wickramatileka, Chairman, and Mr. L. Ganlath, who are independent, and Mr. Sarath De Costa, who has been nominated to the Board by a major shareholder and one Executive Director namely Mr. D. V. Abeysinghe, Managing Director/CEO who has been nominated to the Board by a major shareholder. During the period under review the Committee met on 03 occasions and the Committee discussed and reviewed the related party transactions and found that during the year under review none of the transactions were needed to be referred to the Board since the value of transactions were far below the required norms.

Related party transactions review committee meeting attendance details are given in below table

Name	Jan	Jul	Nov
Mr. H. A. R. K. Wickremathilake	✓	✓	✓
Mr. Sarath De Costa	✓	✓	✓
Mr. Lalith Ganlath	✓	✓	-
Mr. D. V. Abeysinghe	✓	✓	✓

Annual General Meeting

The Company's 34th Annual General Meeting (AGM) was held on 18th day of April 2017. At the AGM 170 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 2016 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 2017 and to authorize the Directors to approve their remuneration.
- To authorise the Directors to determine donations for the year 2017 and up to the date of the next AGM.

Company Compliance with Corporate Governance Rules as per Section 7.10 of the Listing Rules of the Colombo Stock Exchange and discloses the level of compliance in this report as appropriate.

The Management of the Company is committed to assist the Board to implement and strengthen good corporate governance practices. The Board exercises its discretion to seek independent professional advice if deemed necessary to ensure that full information and advice is available before any important decision is made.

Independent Internal Audit Function

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

Following a satisfactory Technical Review, Colombo Dockyard PLC has been approved by LRQA (Lloyd's Register Quality Assurance Limited) as meeting the requirements of ISO 14001:2015 (Environmental Management System – EMS). To the scope detailed on the approved certificate.

Accordingly, the Colombo Dockyard PLC is the first organization in Sri Lanka to get certified by LRQA Mumbai office for ISO 14001:2015.

The Company Secretary

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

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

Communication with Shareholders

All CDPLC price-sensitive information is disseminated to its shareholders via the Colombo Stock Exchange (CSE). Disclosure is never done on a selective basis. Financial and other performance data is given where appropriate, to give shareholders a better insight into the Company's performance. The Annual Report and Quarterly Report produced with group information and as per the rules of the Securities & Exchange Commission and Colombo Stock Exchange are produced to the CSE and then to the shareholders. The website (www.cdli.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 stability and growth of the Company. Generally, this involves reviewing operations of the organization, identifying potential risks and the likelihood of their occurrence, and taking appropriate actions to address them, in order to prevent most likely threats.

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

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

Today, risk management has become an integral part of most of the international management systems including ISO 9001, 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 Managers 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.

Thus, we as a responsible business entity, focus on long term sustainable value to all our stakeholders by identifying the risks, both existing and potential: the objective being, to assess all the risks identified determine their most probable impact, and take precautions as far as reasonably practicable by taking prompt actions to mitigate them. The following Key Risks are identified as existing risks, to which we are exposed, on our core and related businesses and have categorized them as Internal and external, for assessment and to facilitate taking adequate precautionary measures. Risk Assessment can include both qualitative and quantitative assessments of the likelihood of the various risks occurring and the impact of these in terms of cost, schedule and/or performance. The assessment of such risks and the related responses are set out below:

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

Internal Risks

Operational Risk Management

Our Concern

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

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

Our core business activities are in keeping to international standards, compliance to such international conventions and regulatory procedures, is required. In addition, the framework under ISO 9001-2015 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 OHSAS 18001.

In addition, the framework under ISO 9001 : 2015 Quality Management System audited and certified by an accredited International Agency; namely, Lloyd's Register of Quality Assurance provides a prudent framework for encompassing all operational procedures to an integrated management System, giving sound control to the Management of what is being done in the Organization.

Risk of fire and potential damage is mitigated by taking proactive measures such as identifying potential fire risks, checking on combustible gases, both using Company Experts and third party inspectors; i.e., the Analysts of the Government Analyst Department, development of fire guards, fire prevention and control equipment etc In addition, employee training, on good housekeeping, continuous training, and systematic monitoring and control measures are taken to create a risk-free working environment.

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

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

Prudent Communication being identified as an important aspect in creating better understanding amongst different groups and levels, the CDPLC Management pays very special attention to inculcate an organization culture that allows a

two-way communication process, free debate and discussion, consensus decision making process and transparency, resulting in creating sustainable industrial harmony.

The assignment of the internal audit to a third party is another step taken to improve transparency and accountability.

Thus, both the Quality Management Systems Procedures are subject to independent, competent auditors improving the overall control over these processes and transparency.

In addition, where applicable, the risk mitigation actions are supported by risk transfer mechanisms such as insurance. Safety & Health of all engaged in the yard, including our visitors, are our prime concern and we address this thoroughly, with the continuous education, compliance and audits, carried out by our own Health, Environment & Safety Advisory Committee, the importance of which is now ingrained in to each individual.

Information Technological Risk & Management

Our Concern

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

Our Impact

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

Our Response

This has been addressed by way of daily backups, standby file servers, regularized maintenance etc. Insurance cover is also taken to safeguard unforeseen losses. Our ICT Department has formulated a strategy for 2014- 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

Risk Management

addition, both Dubai and Singapore, which are larger players, can impact on the upper levels of the pricing. In view of these market pressures, it is essential that CDPLC focuses on providing competitive products and services, irrespective of the fact that our competitors continue to benefit from lower wage costs (in comparison with efficiency and productivity), flexible labor laws, supportive tariff structure, comparatively low energy costs and Government subsidies amongst others.

Our Impact

The pressure from international price competition on our Ship repairs, Shipbuilding and Offshore Engineering market share too will have a serious impact on business generation. The absence of protectionism in the local market and severe competition on Heavy Engineering business by other local contenders too affect the generation of business volumes and price. The country risk, attributed by the security situation, though completely beyond the control of the company, is covered by financial instruments, satisfying and easing the prospective customers, where eventually, the payments made are refundable, on demand.

Our Response

Capitalizing on the current market circumstances and its futuristic forecasts, globally and regionally, the Company has adopted strategies to diversify its products portfolio and position itself in a niche market, based on competitive advantage.

We are adopting new marketing strategies focusing on new geographical markets, new market segments and new channels. Focused yard expansion projects are in the pipeline, to attract available opportunities as much as possible, conquering the space limitations.

Financial Risk Management

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

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

Interest Rate Risk

Our Concern

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

Our Impact

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

Our Response

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

Foreign Exchange Risk

Our Concern

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

Our Impact

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

Our Response

This risk is minimized by hedging the currency: either by forward foreign exchange contracts in respect of actual or forecasted currency exposures or hedged naturally by matching sales or purchase of matching assets or liability of the same currency and amount.

Where feasible, contracts are executed on a basket of currencies, minimizing the potential risks.

Liquidity Risk

Our Concern

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

Our Impact

Inadequate net working capital would lead to unnecessary financing costs to the bottom line.

Our Response

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

Credit Risk

Our Concern

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

Our Impact

Possibility of incurring bad and doubtful debts and cost increases.

Our Response

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

Product Risk Management

Our Concern

Our core business operations, of building ships, repairing ships, offshore and heavy engineering, is to acceptable quality and to international standards.

As such, we have to align ourselves continually with new technological developments and other requirements, rules and regulations, for our products to be marketable and services acceptable.

Our Impact

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

Our Response

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

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

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

SHAREHOLDER INFORMATION

Our Shareholders

Colombo Dockyard PLC (CDPLC) takes a proactive approach in reaching out to its institutional and retail shareholders, by providing shareholders access to management and adopting a policy of regular, fair, timely and open communications with investors, the Group aims to improve the investing community's understanding of its business and strategies.

Investor Communication

The Group's investor relationship is an important and integral part of its commitment to high standards of corporate governance and transparency.

The Legal Consultant / Company Secretary have been dedicatedly assigned to maintain long-term relationships with the investors and analysts and address their queries on the Group's business activities.

CDPLC is committed to have a proper communication with its shareholders and other investors too. Thus, during the year 2017 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 2017 has been made available to CSE within six months of the Balance Sheet date.

Financial Performance

During the year under review, the Company achieved total revenue of Rs. 12,052.6 Mn (2016 - Rs. 9,972.7 Mn) and net loss of Rs. 142.5 Mn. (2016 - Net Loss Rs. 432.1 Mn) leaving the shareholders' value with Rs. 8,838.3 Mn (2016 - Rs. 9,031.1 Mn).

Dividend Approved

Directors have approved a first and final dividend of Rs. 1.50 per share (2016 - Nil).

Dividend Pay Out Ratio

As per Colombo Stock Exchange Listing Rule No: 7.6 (xi), Company Dividend Payout Ratio was (76%) during 2017 (2016 - 0%).

Financial Reporting

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

	1st Quarter Rs. Mn	2nd Quarter Rs. Mn	3rd Quarter Rs. Mn	4th Quarter Rs. Mn	2017 Rs. Mn	2016 Rs. Mn
Revenue	3,850	2,904	2,949	2,350	12,053	9,973
Gross Operating Profits	517	336	221	371	1,445	1,237
Profit after Tax	106	(84)	(114)	(51)	(143)	(432)
Shareholders' Fund	9,137	9,053	8,838	8,838	8,838	9,031
Total Assets	15,923	16,194	17,702	16,705	16,705	18,982

Shareholders Information

Share Capital

	31/12/2017	31/12/2016
Stated Capital Rs.	718,589,242	718,589,240
Number of Shares	71,858,924	71,858,924
Number of Shareholders	4,922	4,833
Voting Rights	1 Vote per Share	1 Vote per Share
Class of Shares	Ordinary Share	Ordinary Share

Distributing of Shareholding as at 31st December 2017

(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	3,890	664,893	0.93
1,001	10,000	885	2,701,725	3.76
10,001	100,000	123	3,749,607	5.21
100,001	1,000,000	17	4,007,536	5.58
1,000,001 above		7	60,735,163	84.52
		4,922	71,858,924	100.00

Public Shareholding

As per Rule No: 7.6 (iv) of the Colombo Stock Exchange, percentage of shares held by the Public as at December 2017 is 48.94% (2016 – 48.94%)

List of Largest 20 Shareholders as at 31st December 2017

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

	Name	2017-12-31	%	2016-12-31	%
01	Onomichi Dockyard Company Ltd	36,648,051	51.000	36,648,051	51.000
02	Employees Provident Fund	11,744,009	16.343	11,744,009	16.343
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	1,736,660	2.417	1,736,660	2.417
07	National Savings Bank	1,234,706	1.718	1,234,706	1.718
08	Bank of Ceylon No. 1 Account	897,622	1.249	897,622	1.249
09	Mellon Bank N.A. Florida Retirement System	480,580	0.669	480,580	0.669
10	Bank of Ceylon No. 2 Account	335,900	0.467	335,900	0.467
11	Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	266,700	0.371	277,827	0.387
12	Star Packaging (Pvt) Ltd	235,000	0.327	235,000	0.327
13	Lanka Milk Foods (CWE) Limited	219,948	0.306	219,948	0.306
14	Mr. S M B Obeysekera and Mrs. C N Obeysekera	200,000	0.278	-	-
15	Mercantile Investments and Finance PLC	169,050	0.235	169,050	0.235
16	DFCC Bank PLC A/C 1	160,000	0.223	160,000	0.223
17	Associated Electrical Corporation Ltd	154,210	0.215	-	-
18	Askold (Private) Limited	150,000	0.209	-	-
19	Sri Lanka Export Development Board	138,760	0.193	-	-
20	Confifi Management Services (Private) Ltd	131,250	0.183	-	-

Shareholder Information

Composition of Shareholding

The total number of shareholders of CDPLC is 4,922 as at 31st December 2017, which is 1.84% increase compared to 4,833 as at 31st December 2016

	No of Shareholders	No of Shares	%
Local Individuals	4,625	5,257,547	7.32
Local Institutions	208	28,403,981	39.53
Foreign individuals	78	550,637	0.77
Foreign institutions	11	37,646,759	52.39
	4,922	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 2017, the share price of Colombo Dockyard PLC recorded a positive growth of 12.6% (Rs. 9.90) compare to the previous year's closing price.

Market price per Share	As at 31/12/2017	As at 31/12/2016
Highest during the year	110.00 (26/07/2017)	153.00 (04/01/2016)
Lowest during the year	65.30 (21/02/2017)	71.00 (28/11/2016)
As at end of the year	88.50 (31/12/2017)	78.60 (31/12/2016)

Market Capitalization

CDPLC has recorded its market capitalization as at the balance sheet date of 31st December 2017 as Rs. 6,354.3 Mn. (2016 – Rs. 5,648.0 Mn.). CDPLC represent 0.21% (2015 – 0.24%) of the total market capitalization.

Shares Trading

	As at 31-12-2017	As at 31-12-2016
No of Transaction	4,766	2,388
No of Shares traded	3,674,381	732,816
Value of Share traded (Rs.)	313,523,478	71,416,457

Earnings per Share

The Earning per share (EPS) of Rs. (1.98) in the year 2017 recorded a growth of 67% compare to the last year EPS value of Rs. (6.01) 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.

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FINANCIAL CALENDER 2017/2018

2017		
Interim Report - 4th Quarter-2016	February 28	2017
Approval of Financial Statements	March, 09	2017
Despatch of Annual Report - 2016	Mar 22	2017
34th Annual General Meeting - 2016	April 18	2017
Interim Report - 1st Quarter-2017	May 15	2017
Interim Report - 2nd Quarter-2017	August 15	2017
Interim Report - 3rd Quarter-2017	November 15	2017
Financial Year-end	December 31	2017

2018		
Approval of Financial Statements	February 27	2018
Interim Report - 4th Quarter-2017	February 28	2018
Despatch of Annual Report - 2017	March 06	2018
Ex-Dividend Date	March 09	2018
Payment of Dividend	March 20	2018
35th Annual General Meeting - 2017	March 27	2018
Interim Report - 1st Quarter-2018	May 15	2018
Interim Report - 2nd Quarter-2018	August 15	2018
Interim Report - 3rd Quarter-2018	November 15	2018
Financial Year-end	December 31	2018

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 2017, 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 27th February 2018. 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 Review on page 07 to 09 and Managing Director/CEO's Review on page 10 to 12 in this Annual Report. These reports form an integral part of the Report of the Directors'.

Future Developments

An overview of the future prospects of the Company is covered in the Chairman's Review (page 07 to 09), and the Managing Director/CEO's Review (page 10 to 12).

Financial Statements

The Financial Statement of the Company and the Group for the year ended 31st December 2017 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 46 to 93 of this Annual Report.

Auditors' Report

Company Auditors, KPMG, performed the audit on the Consolidated Financial Statements for the year end 31st December 2017, and the Auditors' Report issued thereon is given on page 45 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 52 to 62 of the Annual Report as required by Section 168 (1) (d) of the Companies Act

Principal Activities

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

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

Going Concern

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

Gross Income

The revenue of the Group during the year was Rs. 12,929 Mn (2016 - Rs. 10,375.6 Mn), while the Company's revenue was Rs. 12,052.6 Mn (2016 - Rs. 9,972.7) Mn. Analysis of the revenue is given in Note 05 to the Financial Statement on pages 63 to 64 of this Annual Report.

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

	2017 Rs'000	2016 Rs'000
Profit for the year:		
Group post -tax profit	26,094	(289,063)
Amount attributable to Minority Interest	(740)	2,283
Profit attributable to the Shareholders of Colombo Dockyard PLC	25,354	(286,780)
Other Comprehensive Income	(50,455)	11,401
Retained Profit B/F	9,162,035	9,437,414
Available for Sale of Financial Assets	12,352	-
Retained Profit C/F	9,149,286	9,162,035

Reserves

Total Group Retained Earning Reserves at 31st December 2017, was amounted to Rs. 9,149.2 Mn (2016 - Rs. 9,162.0 Mn). The movements of the Reserves during the year are shown in the Statements of Changes in Equity on pages 48 to 49 on this Annual Report.

Taxation

It is the Company policy to provide for deferred taxation based on the liability method, on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Further details are given in taxation note 09 on page 66.

Dividends

The Board of Directors have authorised the payment of the first and final Dividend of Rs. 1.50 per share for the year ended 31st December 2017 (2016 - Nil).

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. 5,323.6 Mn (2016 – Rs. 5,238.5 Mn) and the value of the Company's assets less liabilities and stated capital was Rs. 8,123.9 Mn (2016 - Rs. 8,316.7 Mn).

The loss of the company attributable to the equity holders of the company was Rs. 142.5 Mn (2016 - Loss Rs. 432.1 Mn).

Amount set aside out of retained earnings for dividend has been Rs. 107.8 Mn (2016 - Nil).

Shareholder Information

Information relating to earnings, dividends, and net assets per share and market value per share is given in from pages 32 to 34.

Property, Plant & Equipment

The Group's total capital expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 224.1 Mn (2016 - Rs. 191.0 Mn). The extent of the freehold lands held by the Group as at the balance sheet date is 1,103.7 perch (2016 - 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 71.

Market Value of Freehold Properties

The net book value of freehold properties owned by the Group as at 31st December 2017 is included in the accounts at Rs. 3,912.4 Mn (2016 - Rs. 4,126.6 Mn).

An Independent Chartered Valuer/Licensed Surveyors carried out a market value assessment of the Group's freehold lands as at 31st December 2017. The details of freehold lands owned by the Group are given in Note 11 of the Financial statement.

Statutory Payments

The Directors, to the best of their knowledge and belief, confirmed that all payments in respect of statutory liabilities to Employees and the Government have been made within the stipulated period during the financial year 2017.

Pending Litigation

In the opinion of the Directors and the Company Lawyer, pending litigation against the Company is disclosed in Note 34 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. 706,290/- (2016 - Rs. 1,086,986/-) 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 2017 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 46 to 93 have been prepared in conformity with the requirement of the Sri Lanka Accounting Standards (SLFRSs/LKASs), Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange.

The Board of Directors

The Board of Directors of the Company consist of Nine (2016-9) Directors with a wide range of Engineering, Financial, Legal and Commercial knowledge and experience. The following Directors held office as at the Balance Sheet date and their profiles appear on pages 13 to 15 of this Annual Report.

Executive Directors

Dr. T. Takehara - Chairman
Mr. D. V. Abeysinghe - Managing Director/CEO
Mr. Kiyohide Utsumi

Non-Executive Directors

Mr. Sarath De Costa - Vice Chairman
Mr. T. Nakabe
Mr. Lalith Ganlath
Mr. H. A. R. K. Wickramathilake
Mr. M. S. Abdul Wadood
Mr. C. J. P. Siriwardana

Alternate Directors

Mr. Y. Imai
Mr. K. Kanaya

Directorate

The Board of Directors of Colombo Dockyard PLC as at the date of report are given on page 13 to 15 of the Annual Report. The change in the directorate from the date of the last report to this report is as follows.

- Mr. Masayuki Koshi who was appointed as a Nominee Director of Onomichi Dockyard Co., Ltd., Japan on 07/04/2015 resigned from his services on 28/09/2017 and Mr. Kiyohide Utsumi was appointed in place of Mr. Koshi as its new Nominee Director in terms of Articles of the Company, effective from 28/09/2017.
- Mr. Tuan Mohamed Ramazan Bangsa Jayah, Nominee Director of the Sri Lanka Insurance Corporation Ltd resigned effective from 12/10/2017 and Mr. Muhammad Saadi Abdul Wadood (Attorney-at-Law) non executive Director of Sri Lanka Insurance Corporation Ltd. was appointed as its new Nominee Director effective from 08/11/2017 in place of Mr. Bangsa Jayah.
- Mr. Upul Dhanuka Liyanagamage who was the Alternate Director to Mr. Bangsa Jayah too resigned effective from 12/10/2017.

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

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, D.V. Abeysinghe, T. Nakabe and K. Utsumi and the Nominee Directors of Employees Provident Fund and Sri Lanka Insurance Corporation Ltd namely Mr. C.J.P. Siriwardana and Mr. M.S.A. Wadood respectively continue to hold office.

Board Sub-Committees

The Board of Directors have formed three Board subcommittees and attendances is given in page 24 to 26 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 2017:

	2017-12-31	2016-12-31
D. V. Abeysinghe	733	733
L. Ganlath	578	578
H. A. R. K. Wickramathilake	1,103	1,103
M. S. Abdul Wadood	231	-

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.

Environmental Protection

The Company and Group, to the best of its knowledge have not engaged in activity, which is detrimental to the environment.

Following a satisfactory Technical Review, Colombo Dockyard PLC has been approved by LRQA (Lloyd's Register Quality Assurance Limited) as meeting the requirements of ISO 14001:2015 (Environmental Management System – EMS) to the scope detailed on the approved certificate.

Group Employment

The number of persons employed by Colombo Dockyard PLC and its Subsidiaries as at 31st December 2017 was as follows:

	2017-12-31	2016-12-31
Group	1,600	1,600
Colombo Dockyard PLC	1,553	1,573

Directors' Interest in Contracts and Related Party Transactions

Directors' interest in contracts of the Company is disclosed in Note 36 to the Financial Statement on page 92, and has been declared at meetings of the Directors and entered in the Interest Register of the Company. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Directors' Meetings

Details of Directors' meetings which comprise of Board Meetings, and Board sub Committee meetings of the Audit Committee, Remuneration Committees and Related Party Transaction Review Committees are presented on pages 23 to 26 this Annual Report.

Corporate Governance

The Board of Directors of the Company have acknowledged the adoption of good governance practices; an essential factor in today's corporate culture. The policies followed by the Company are explained in the Corporate Governance Statement on page 23 of this Annual Report. The Company confirms the compliance with the Corporate Governance Rules of the Colombo Stock Exchange as at the date of this Annual Report.

Substantial Share Holdings

The twenty major shareholders of the Company and the percentage held by each as at 31st December 2017 are given on page 33 of this report.

Contingent Liabilities and Commitments

There are no contingencies or commitments other than those disclosed in the Note 34 to the Financial Statements.

Events after Balance Sheet Date

Please refer Note 37 for circumstances have arisen during the period between the Balance Sheet date and Directors signing of Accounts, that require disclosure or adjustment to the Financial Statements together with those disclosed in the Note 37 to the Financial Statements on page 93 of this Annual Report.

Annual General Meeting

The Annual General Meeting of Colombo Dockyard PLC, will be held at the Grand Ballroom, Galadari Hotel, No. 64, Lotus Road, Colombo 01, Sri Lanka at 10.00 a.m. on the 27th day of March 2018. The Notice to the Annual General Meeting is given on page 95.

Auditors

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

For and on behalf of the Board,
Colombo Dockyard PLC



Dr. T. Takehara
Chairman



D. V. Abeysinghe
Managing Director/CEO



Manori Mallikarachchi
Company Secretary/Legal Consultant

27th February 2018
Colombo, Sri Lanka

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Adoption of the Code of Best Practices on Related Party Transactions

The Committee & its Composition

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

The Composition of the Committee is as follows:

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

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

Mr. P. D. Gihan Ravinatha - Chief Financial Officer
Ms. Manori P. Mallikarachchi - Company Secretary

In addition, the Committee summoned other relevant officials of the Company to participate in the committee proceedings when required.

Terms of Reference and Scope of Operations

The Committee operates in accordance with the guidelines set by the board of directors on monitoring Related Party Transactions.

The principal functions of the Committee are the scrutiny of all Related Party Transactions with Directors, Key Management Personnel (KMPs), substantial shareholders, Subsidiaries and Associate Companies of the Company and such other related parties as defined in the Code with a view to determining that they have not received any favorable nor preferential consideration vis a vis the other shareholders and customers of the Company as well as to ascertain that their transactions and dealings are in strict conformity with statutory and regulatory requirements which the Company is obliged to adhere to. The Committee relies on the integrity of periodically reportable Related Party Transactions data sourced via a comprehensive list of Related Parties based on latest available Declarations, signed off by the responsible Directors/ KMPs. This review is carried out by comparing Related

Party Transactions with benchmarked criteria applicable for comparable Non Related Party Transactions, to determine that Related Parties have not received any favorable nor preferential consideration.

Wherever necessary, the Committee resorts to obtaining legal, financial & technical advice from competent authorities in such fields, to review transactions. Further the Committee has the right of access as well as the power to call for clarification and explanation from Management & Auditors (External & Internal).

In addition, the Committee will share information with the Board Audit Committee as necessary and appropriate to facilitate the Audit Committee to conduct its Statutory & Regulatory responsibilities with regard to Related Party Transactions

Meetings

Meetings are held mandatory, during 2017, 3 such meetings were held and the minutes were circulated to the Board of Directors for their information and review. In the opinion of the Committee there were no transactions with the related parties that were more favorable or preferential during the period under review and the Company had been compliant with the Code. Attendance details are given in the page 26.

Self-Appraisal of Committee Functions

A self-evaluation of the effectiveness of the Committee was conducted by the Chairman of the Committee with contributions from the individual assessments by the members of the committee, Managing Director/CEO, participating KMPs referred to at the outset of this Report and the review concluded that the Committee continues to operate effectively.

Review of TOR

The TOR/Policy on "Related Party" Transactions is subject to periodic review based on Regulatory as well as operational requirements.



H. A. R. K. Wickramathilake
Chairman

Related Party Transaction Review Committee

Colombo, Sri Lanka
27th February 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible to ensure compliance with the provisions of the Companies Act No 07 of 2007 and applicable laws and other regulations in preparing the Company's and Group Financial Statements.

The Directors are equally responsible to maintain accounting records of the Company and its subsidiaries, with reasonable accuracy to disclose the financial position.

The Directors accept the responsibility for the integrity and objectivity of the Financial Statements presented and also confirms compliance in preparing each of the Group and Company's Financial Statements, which are based on:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (SLFRSs/LKASs).
- Appropriate accounting policies selected and applied consistently.
- Estimates and judgments relating to the Financial Statements made on a prudent and reasonable basis to reflect the true and fair view of the Financial Statements.
- Required information by the Listing Rules of the Colombo Stock Exchange

Stock Exchange

Further, the Board of Directors wishes to confirm that the Company has met all the requirements under the Section 07 Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange. Company has taken proper and sufficient internal controls and accounting records for safeguarding assets. The applications of the internal controls are monitored through a independent Financial & Management System Review Team contracted with B. R. De Silva & Co, Chartered Accountants.

The Board also wishes to confirm that, as required by the Section 166(1) and 167(1) of the Company Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent 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 45, set out their responsibilities in relation to the Financial Statements.

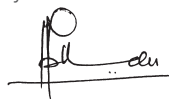
Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues and payable by the Company and its subsidiaries as at the Balance Sheet date have been paid or provided where relevant except as specified in Note No. 34 to the Financial Statements on Contingent Liabilities on page 91.

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

27th February 2018
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 2017 are prepared and presented in compliance with the following:

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

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

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

The Financial Statements were audited by Messrs KPMG Chartered Accountants, the Company's External Auditors.

The Audit Committee of the Company meets periodically with the Internal Auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

It is also declared and confirmed that the Company has complied with and ensured compliance by the Auditor with the guidelines for the audit of listed companies where mandatory compliance is required. It is further confirmed that all the other guidelines have been complied with.

We confirm that:

- the Company and its Subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- there are no material non compliances ; and
- there are no material litigations that are pending against the Group other than those disclosed in the Note No. 34 to the Financial Statements in the Annual Report.



D. V. Abeysinghe
Managing Director/CEO



P. D. Gihan Ravinatha
Chief Financial Officer

27th February 2018
Colombo, Sri Lanka

INDEPENDENT AUDITORS' REPORT



KPMG
(Chartered Accountants)
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Internet : www.kpmg.com/lk

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 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on Pages 46 to 93 of the annual report .

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is 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 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 of the financial statements that give a true and fair view 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 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 31 December 2017, 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 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards,
 - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo
27th February 2018

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. Abeyratne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
Ms. C.T.K.N. Perera ACA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st December,	Note	Group		Company	
		2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)
Revenue	5	12,929,096	10,735,674	12,052,630	9,972,729
Cost of Sales		(11,162,224)	(9,165,303)	(10,607,143)	(8,735,583)
Gross Profit		1,766,872	1,570,371	1,445,487	1,237,146
Other Income	6	190,033	133,583	201,816	143,186
Distribution Expenses		(30,859)	(27,303)	(21,814)	(20,927)
Administrative Expenses		(2,050,177)	(1,971,192)	(1,866,251)	(1,802,428)
Other Operating Income/(Expenses)		(29,972)	(4,929)	(29,972)	(4,929)
Net Finance Income	7	289,767	51,130	197,631	9,838
Profit / (Loss) before Tax	8	135,664	(248,340)	(73,103)	(438,114)
Income Tax Expenses	9	(109,570)	(40,723)	(69,417)	6,012
Profit / (Loss) for the Year		26,094	(289,063)	(142,520)	(432,102)
Other Comprehensive Income					
Items that will not be reclassified to profit or loss					
Defined benefit plan actuarial gains / (losses)		(58,920)	12,238	(60,252)	12,783
Tax on Other Comprehensive Income - Reversal / (Expenses)		8,465	(837)	8,839	(990)
Items that are or may be reclassified subsequently to profit or loss					
Fair value change of Available for Sale Financial Assets		1,129	12,149	1,129	(203)
Foreign currency translation differences - foreign operations		11,633	2,390	-	-
Other Comprehensive Income for the year, net of tax		(37,693)	25,940	(50,284)	11,590
Total Comprehensive Income/(Expense) for the year		(11,599)	(263,123)	(192,804)	(420,512)
Profits / (Losses) attributable to;					
Owners of the Company		25,354	(286,780)	(142,520)	(432,102)
Non - Controlling Interests		740	(2,283)	-	-
Profit / (Loss) for the year		26,094	(289,063)	(142,520)	(432,102)
Total Comprehensive Income attributable to;					
Owners of the Company		(18,040)	(262,011)	(192,804)	(420,512)
Non - Controlling Interests		6,441	(1,112)	-	-
Total Comprehensive Income/(Expense) for the year		(11,599)	(263,123)	(192,804)	(420,512)
Earnings/(Loss) per Share (Rs.)	10.1	0.35	(3.99)	(1.98)	(6.01)

The Accounting Policies and Explanatory Notes on pages 52 to 93 form an integral part of these Financial Statements.
(Figures in brackets indicate deductions)

STATEMENT OF FINANCIAL POSITION


As at 31st December,	Note	Group		Company	
		2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	3,912,488	4,126,068	3,806,437	4,038,397
Investment Property	12	-	-	2,865	2,865
Intangible Assets	13	25,039	38,213	22,886	36,243
Investment in Subsidiaries	14	-	-	3,816	3,141
Investments Classified as Available for Sale	15.1	16,191	175,367	16,191	15,062
Deferred Tax Assets	16	107,006	134,018	107,006	127,795
Other Financial Assets Including Derivatives	19	465,689	417,203	454,568	408,108
		4,526,413	4,890,869	4,413,769	4,631,610
Current Assets					
Inventories	17	745,516	1,310,425	647,489	1,234,514
Trade and Other Receivables	18	7,179,216	11,228,832	6,755,487	10,825,984
Other Financial Assets Including Derivatives	19	164,764	150,648	159,999	148,796
Amounts due from Related Parties	20	-	-	86,052	31,692
Investments Classified as Fair Value through Profit or Loss	15.2	525,685	148,255	-	-
Cash and Cash Equivalents	21	5,060,826	2,665,157	4,642,295	2,109,540
		13,676,007	15,503,317	12,291,322	14,350,526
Total Assets		18,202,420	20,394,186	16,705,091	18,982,136
EQUITY AND LIABILITIES					
Stated Capital	22	714,396	714,396	714,396	714,396
Exchange Equalization Reserve	22.1	10,790	4,857	-	-
Available for Sale Reserve	22.2	16,082	27,305	16,082	14,953
Retained Earnings		9,149,286	9,162,035	8,107,851	8,301,784
Equity Attributable to Equity holders of the Parent		9,890,554	9,908,593	8,838,329	9,031,133
Non-Controlling Interest		59,873	53,432	-	-
Total Equity		9,950,427	9,962,025	8,838,329	9,031,133
Non-Current Liabilities					
Deferred Tax Liabilities	16	1,053	-	-	-
Employee Benefits	25	915,103	854,257	899,062	838,925
		916,156	854,257	899,062	838,925
Current Liabilities					
Interest Bearing Borrowings	23	3,494,446	7,409,743	3,494,446	7,409,743
Other Financial Liabilities including Derivatives	24	-	18,617	675	19,256
Trade and Other Payables	26	3,778,412	2,054,263	3,333,156	1,554,086
Amounts due to Related Parties	27	-	-	113,271	102,802
Income Tax Payable	28	34,623	56,286	-	-
Dividends Payable	29	26,152	26,191	26,152	26,191
Bank Overdrafts	21	2,204	12,804	-	-
		7,335,837	9,577,904	6,967,700	9,112,078
Total Equity and Liabilities		18,202,420	20,394,186	16,705,091	18,982,136

The Accounting Policies and Explanatory Notes on pages 52 to 93 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 is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board of Directors of Colombo Dockyard PLC.



Dr. Toru Takehara
Chairman



D. V. Abeysinghe
Managing Director/CEO



Manori P. Mallikarachchi
Company Secretary

27th February 2018
Colombo, Sri Lanka.

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to Equity Holders of Parent				Total	Non-Controlling Interest	Total Equity
	Stated Capital	Retained Earnings	Available for Sale Reserve	Exchange Equalization Reserve			
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
Balance as at 01st January 2016	714,396	9,437,414	15,156	3,637	10,170,603	54,544	10,225,147
Total Comprehensive income for the year							
Profit / (Loss) for the year	-	(286,780)	-	-	(286,780)	(2,283)	(289,063)
Other comprehensive income							
- Actuarial gain/(loss) on Retirement Benefit Obligations	-	12,238	-	-	12,238	-	12,238
- Deferred tax effect on Actuarial gain/(loss) on Retirement Benefit Obligation	-	(837)	-	-	(837)	-	(837)
- Fair Value gain/(loss) of Available for sale Financial Assets	-	-	12,149	-	12,149	-	12,149
- Foreign Currency translation differences - Foreign operations	-	-	-	1,219	1,219	1,171	2,390
Transactions with owners of the Company							
Contributions by and distributions							
- Dividend Paid	-	-	-	-	-	-	-
Balance as at 31st December 2016	714,396	9,162,035	27,305	4,857	9,908,593	53,432	9,962,025
Total Comprehensive income for the year							
Profit / (Loss) for the year	-	25,354	-	-	25,354	740	26,094
Other comprehensive income							
- Actuarial gain/(loss) on Retirement Benefit Obligations	-	(58,920)	-	-	(58,920)	-	(58,920)
- Deferred tax effect on Actuarial gain/(loss) on Retirement Benefit Obligation	-	8,465	-	-	8,465	-	8,465
- Fair Value gain/(loss) of Available for sale Financial Assets	-	-	1,129	-	1,129	-	1,129
- Foreign Currency translation differences - Foreign operations	-	-	-	5,933	5,933	5,701	11,633
- Available-for-sale financial assets - reclassified to profit or loss	-	12,352	(12,352)	-	-	-	-
Transactions with owners of the Company							
Contributions by and distributions							
- Dividend Paid	-	-	-	-	-	-	-
Balance as at 31st December 2017	714,396	9,149,286	16,082	10,790	9,890,554	59,873	9,950,427

Company	Stated Capital (Rs.'000)	Retained Earnings (Rs.'000)	Available for Sale Reserve (Rs.'000)	Total (Rs.'000)
Balance as at 01st January 2016	714,396	8,722,093	15,156	9,451,645
Total Comprehensive income for the year				
Profit / (Loss) for the year	-	(432,102)	-	(432,102)
Other comprehensive income				
- Actuarial gain/(Loss) on Retirement Benefit Obligation	-	12,783	-	12,783
- Deferred tax effect on Actuarial gain/(loss) on Retirement Benefit Obligation	-	(990)	-	(990)
- Fair Value gain/(loss) of Available for sale Financial Assets	-	-	(203)	(203)
Transactions with owners of the Company				
Contributions by and distributions				
- Dividends Paid	-	-	-	-
Balance as at 31st December 2016	714,396	8,301,784	14,953	9,031,133
Total Comprehensive income for the year				
Profit / (Loss) for the year	-	(142,520)	-	(142,520)
Other comprehensive income				
- Actuarial Gain/(Loss) on Retirement Benefit Obligation	-	(60,252)	-	(60,252)
- Deferred tax effect on Actuarial gain/(loss) on Retirement Benefit Obligation	-	8,839	-	8,839
- Fair Value gain/(loss) of Available for sale Financial Assets	-	-	1,129	1,129
Transactions with owners of the Company				
Contributions by and distributions				
- Dividends Paid	-	-	-	-
Balance as at 31st December 2017	714,396	8,107,851	16,082	8,838,329

The Accounting Policies and Explanatory Notes on pages 52 to 93 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	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)
Cash Flow from Operating Activities				
Profit/(Loss) Before Tax	135,664	(248,340)	(73,103)	(438,114)
Adjustments for,				
Depreciation of Property, Plant and Equipment	420,232	454,195	401,376	428,871
Amortization of Intangible assets	13,883	5,597	13,357	5,060
Provision for Retirement Benefit Obligations (Excluding Actuarial Gains/Losses)	148,128	138,763	143,602	135,111
Provision/(reversal) for Bad and Doubtful Debts	(7,825)	12,208	-	-
Bad debt written-off	6,861	-	3,686	-
Provision for/(Reversal) of Obsolete Stocks	29,101	7,428	29,972	2,691
(Profit)/Loss on Disposal of Property, Plant and Equipment	(5,244)	1,529	(5,659)	3,790
Provision for/(Reversal) of Warranty Provision	1,076	-	6,150	-
Foreign Exchange (Gain)/Loss (Unrealized)	117,037	69,575	105,416	66,401
Net Change in Fair Value of Financial Instruments	(34,372)	(7,339)	(18,617)	(9,084)
(Profit) on sale of investments valued at available for sale	(3,614)	-	-	-
Amortization of Corporate Guarantees	-	-	(639)	(419)
Interest Income	(320,886)	(158,091)	(244,911)	(115,516)
Dividend Income	-	(32)	(12,958)	(9,892)
Interest Expenses	91,788	100,244	91,740	100,235
Operating Profit/(Loss) Before Working Capital Changes	591,829	375,737	439,412	169,134
(Increase)/Decrease in Inventory	535,808	(259,924)	557,053	(252,655)
(Increase)/Decrease in Trade and Other Receivables	4,106,578	(1,545,284)	4,163,774	(1,427,291)
(Increase)/Decrease Amounts Due from Related Parties	-	-	(54,360)	(836)
Increase/(Decrease) Trade and Other Payables	1,723,073	(498,882)	1,733,132	(711,477)
Increase/(Decrease) Amounts Due to Related Parties	-	-	10,469	16,558
Cash Generated from/(used in) Operating Activities	6,957,288	(1,928,353)	6,849,480	(2,206,567)
Interest Paid	(91,788)	(100,244)	(91,740)	(100,235)
Gratuity Paid	(146,202)	(154,359)	(143,717)	(153,805)
Tax / ESC paid	(114,185)	(108,802)	(59,278)	(44,657)
Net Cash Generated from/(used in) Operating Activities	6,605,113	(2,291,758)	6,554,745	(2,505,264)

For The Year Ended 31st December	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)
Cash Flow from Investing Activities				
Purchases of Property, Plant and Equipment	(208,974)	(191,052)	(169,432)	(169,643)
Proceeds from Disposal of Property, Plant and Equipment	7,579	8,763	5,675	3,981
Interest Received	284,369	154,249	208,394	119,320
Staff Loans granted during the year	(248,851)	(165,585)	(241,357)	(158,518)
Staff Loans recovered during the year	186,249	179,056	183,694	174,996
Investments in FVTPL Financial Assets	(361,673)	(150,000)	-	-
Proceeds on Maturity of AFS Financial Assets	163,918	-	-	-
Investments in AFS Financial Assets	-	(25,000)	-	-
Acquisition of Intangible Assets	(709)	(39,445)	-	(39,298)
Dividend Received	-	-	11,788	7,198
Net Cash Generated from/(used in) Investing Activities	(178,092)	(229,014)	(1,238)	(61,964)
Cash Flow from Financing Activities				
Short Terms Loans Obtained during the period	6,489,451	11,583,387	6,489,451	11,583,387
Repayment of Short Term Loans	(10,510,164)	(8,753,642)	(10,510,164)	(8,753,642)
Dividend Paid	(39)	(13,397)	(39)	(13,397)
Net Cash Generated from/(used in) Financing Activities	(4,020,752)	2,816,348	(4,020,752)	2,816,348
Net Increase/(Decrease) in Cash and Cash Equivalents during the period	2,406,269	295,576	2,532,755	249,120
Cash and Cash Equivalents at the beginning of the period (Note 21)	2,652,353	2,356,777	2,109,540	1,860,420
Cash and Cash Equivalents at the end of the period (Note 21)	5,058,622	2,652,353	4,642,295	2,109,540

The Accounting Policies and Explanatory Notes on pages 52 to 93 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 Port of Colombo.

The consolidated financial statements of the Company as at and for the year ended 31st December 2017 comprise 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 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 is 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 the Sri Lanka Accounting Standards.

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 recognized based on actuarial valuation. (LKAS 19)

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 different economic environment (See Note 32). 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 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 all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights or otherwise has a controlling interest. All financial statements of subsidiaries prepared for the same reporting period as the parent company which is 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 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 measures 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.

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 income statement 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 recognize in other comprehensive income relating to that particular foreign operation is recognized in the income statement.

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 recognized in the income statement 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 realized in cash, during the normal operating cycle of the Company's business, or within one year from the reporting date, whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the reporting date.

3.3.1 Property, Plant & Equipment

3.3.1.1 Recognition and Measurement

Property, plant and equipment are recognized if it is probable that future economic benefit associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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 comprise 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

Notes to the Financial Statements

materials, direct labor, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs that are directly attributable to the qualifying assets.

3.3.1.3 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 recognized 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 derecognized.

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 other amount substituted for cost, less its residual value.

Depreciation is recognized 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%
Inventory Items	6.6	15%
Loose Tools	2	50%

Group – Dockyard General Engineering Services (Private) Limited

Asset Category	Useful Life (Years)	Depreciation Rate (%)
Buildings	10	10%
Plant & Machinery	10	10%
Motor Vehicles	4	25%
Furniture Fittings & Office Equipment	6.6	15%
Inventory Items	6.6	15%
Loose Tools	2	50%

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

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

Amortization is recognized 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 the lower of cost and net realizable value. The cost of inventories is comprised 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 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 is 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.

Notes to the Financial Statements

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

A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the income statement.

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 recognized 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 recognized 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 recognized in finance income or finance costs in the income statement.

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 amortized cost using the effective interest rate method (EIR), less impairment. Amortized 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 amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement 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 amortized cost using the effective interest method (EIR), less impairment. Amortized 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 amortization is included in finance

income in the income statement. The losses arising from impairment are recognized in the income statement 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 unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement 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 recognized in income statement.

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 recognized in equity is amortized to the income statement over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized 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 income statement.

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 recognized 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.

Notes to the Financial Statements

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 recognized in the income statement.

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 amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized 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 amortization is included in finance costs in the income statement.

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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.5 Post Employment Benefits

3.5.1 Defined Benefit Plan

Company

The liability recognized 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 recognize in other comprehensive income.

Local Subsidiary

The liability recognized 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 recognized 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 recognized as an expense in profit or loss when incurred.

3.6 Provisions

A provision is recognized 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 Income Statement

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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized when the group's right to receive the payment is established.

Profits or losses from disposal of property, plant and equipments recognized 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 recognized 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 recognized on an accrual basis.

Notes to the Financial Statements

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 income statement 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 recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received may recognized 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 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 recognized as it accrues, using the effective interest method.

Finance costs comprise 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 recognized on financial assets (Other than trade receivable). Interest expenses are recognized 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 recognized 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.

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 recognized to the extent that it is probable that future taxable profits will be available against

which the deductible temporary differences and carry forward of unused tax losses / credits can be utilized.

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

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 Transaction

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

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

3.10 Cash Flow

The cash flow statement 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 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 Earning 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 authorized 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 (SLFRSs/ LKASs) Issued But Not Yet Effective

Standard issued but not yet effective up to the reporting date 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 brings together all three aspects of the accounting for the financial instruments i.e. classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application is permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting the requirements are generally applied prospectively with some limited exceptions.

Notes to the Financial Statements

The Directors of the Group and of the Company anticipate that the application of SLFRS 9 in the future may have no major impact on the amounts reported and disclosures made in these financial statements. This assessment is based on currently available information and may be subject to changes arising from further analysis.

The Company plans to adopt the new standard on the required effective date.

b) SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard will supersede the current revenue recognition guidance including LKAS 18 'Revenue' and LKAS 11 'Construction Contracts' and the related Interpretations when they become effective.

The core principle of SLFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

- Step 1 : Identify the contract(s) with a customer
- Step 2 : Identify the performance obligations in the contract
- Step 3 : Determine the transaction price
- Step 4 : Allocate the transaction price to the performance obligations in the contract
- Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation

Under SLFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SLFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SLFRS 15.

The Directors of the Group and of the Company anticipate that the application of SLFRS 15 in the future may have an impact on the amounts reported and disclosures made in these financial statements. Therefore, the management is in the process of reviewing all the contracts to ascertain a reasonable estimate of the effects of SLFRS 15.

The Group plans to apply the cumulative effect method when transitioning to the new standard without restating the comparative period amounts.

C). SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, presentation and disclosures of leases.

SLFRS 16 is effective for annual reporting periods beginning on or after 01st January 2019, 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 JUDGEMENTS

The preparation of financial statements in conformity with SLFRSs requires management to make judgements, 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 judgements 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 recognized 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	9	66
Property, plant and equipment	11	71
Intangible assets	13	75
Deferred tax assets / liabilities	16	76
Retirement Benefits Obligation	25	81
Provision for warranty claims	26	83

For the Year Ended 31st December,	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)
5. REVENUE				
Ship Repair	5,943,131	4,559,697	5,943,131	4,559,697
Ship Building	6,038,107	5,374,446	6,038,107	5,374,446
Heavy Engineering	678,680	541,680	71,392	38,586
Material and Other Sales	275,071	267,487	-	-
Gross Revenue (Note 5.1 , 5.2)	12,934,989	10,743,310	12,052,630	9,972,729
Sales Taxes	(5,893)	(7,636)	-	-
Total Revenue	12,929,096	10,735,674	12,052,630	9,972,729
Less: Cost of Sales	(11,162,224)	(9,165,303)	(10,607,143)	(8,735,583)
Gross Profit / Operating Results (Note 5.3)	1,766,872	1,570,371	1,445,487	1,237,146

5.1 Project Types Segment Revenue (Business Segment)

Ship Repair				
Tankers	1,175,695	1,270,360	1,175,695	1,270,360
General Cargo	649,084	298,090	649,084	298,090
Container Carriers	678,952	482,920	678,952	482,920
Passenger Vessels	116,426	203,190	116,426	203,190
Fishing Trawlers	13,999	5,030	13,999	5,030
Tugs	71,720	51,780	71,720	51,780
LPG Tankers	96,488	286,382	96,488	286,382
Dredgers	502,020	367,400	502,020	367,400
Navel Vessels	308,505	216,690	308,505	216,690
Cement Carriers	53,816	106,850	53,816	106,850
Livestocks Carriers	73,530	-	73,530	-
Offshore Support Vessels	891,203	296,506	891,203	296,506
Barge	10,256	139,160	10,256	139,160
Bulk Carriers	1,042,964	535,303	1,042,964	535,303
Research Vessel	199,165	224,520	199,165	224,520
Others	59,308	75,516	59,308	75,516
	5,943,131	4,559,697	5,943,131	4,559,697
New Construction				
Cable Laying Vessel	578,832	-	578,832	-
Passenger Vessels	173,880	137,444	173,880	137,444
Supply Vessels	5,285,395	5,237,002	5,285,395	5,237,002
	6,038,107	5,374,446	6,038,107	5,374,446

Notes to the Financial Statements

For the Year Ended 31st December,	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)
Heavy Engineering				
Heavy Fabrication	405,801	512,082	15,600	38,586
Services	83,113	29,598	26,310	-
Repairs & Maintenance	29,482	-	29,482	-
Power Generation	160,284	-	-	-
	678,680	541,680	71,392	38,586
Material and Other Sales				
Material and Other Sales	275,071	267,487	-	-
Total Revenue	12,934,989	10,743,310	12,052,630	9,972,729

5.2 Geographical Segment Revenue

India	4,097,015	2,651,090	4,097,015	2,651,090
France	117,745	1,680	117,745	1,680
Maldives	121,650	161,470	121,650	161,470
China	383,405	122,430	383,405	122,430
UAE	12,410	189,150	12,410	189,150
Sri Lanka	1,552,175	1,363,181	684,910	595,790
Singapore	5,349,456	5,348,752	5,334,362	5,345,562
Japan	578,831	121,530	578,831	121,530
Germany	520	28,586	520	28,586
Greece	50,281	84,532	50,281	84,532
Hong Kong	45,033	69,531	45,033	69,531
USA	69,325	8,480	69,325	8,480
Seychelles	50,940	-	50,940	-
Vietnam	-	24,510	-	24,510
Cyprus	116,190	224,805	116,190	224,805
Belgium	147,720	155,705	147,720	155,705
Denmark	-	83,150	-	83,150
Netherlands	-	21,490	-	21,490
Philippines	-	28,750	-	28,750
Qatar	106,070	-	106,070	-
Others	136,223	54,488	136,223	54,488
	12,934,989	10,743,310	12,052,630	9,972,729

5.3 Segmental Operating Results

Ship Repair	1,262,110	998,958	1,262,110	998,958
Shipbuilding	184,543	225,226	184,543	225,226
Heavy Engineering	201,301	252,616	(1,166)	12,962
Material and other Sales	118,918	93,571	-	-
	1,766,872	1,570,371	1,445,487	1,237,146

For the Year Ended 31st December,	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)
6. OTHER INCOME				
Exchange Gain (both realized and unrealized)	76,572	30,952	76,572	30,952
Scrap Sales	90,478	78,084	89,693	78,084
Dividend Income	-	32	12,958	9,892
Profit/(Loss) on disposal of Property, Plant and Equipment	5,244	(1,529)	5,659	(3,790)
Management Fees	-	-	918	918
Amortization of Corporate Guarantees	-	-	639	419
Lease Rental	-	248	1,751	1,999
Miscellaneous Income	14,125	25,796	13,626	24,712
Profit on sale of investments valued at Available-for-sale	3,614	-	-	-
	190,033	133,583	201,816	143,186

7. NET FINANCE INCOME /(EXPENSE)

Interest Expense				
Net Change in fair value of FVTPL financial instrument	-	(30,154)	-	(28,409)
Interest on Bank Overdrafts and Short Term Loans (Note 7.1)	(91,788)	(100,244)	(91,740)	(100,235)
	(91,788)	(130,398)	(91,740)	(128,644)
Interest Income				
Interest Income from Investments	272,924	110,434	197,207	68,643
Other Interest Income	47,962	47,657	47,704	46,873
Amortization of Pre paid staff cost (Note 19.2)	26,297	23,437	25,843	22,966
Net Change in fair value of financial instrument at Fair value through profit or Loss	34,372	-	18,617	-
	381,555	181,528	289,371	138,482
	289,767	51,130	197,631	9,838

7.1 In accordance with LKAS 23 Borrowing cost, Company has incurred an interest costs amounting to Rs.61.47 Mn (2016 - Rs.133.72 Mn) which was related to the shipbuilding projects which were fallen under the definition of 'qualifying assets'. Company treated interest cost on such loans, which were directly attributable to the acquisition, construction or production of a qualifying asset as part of project cost and not as an interest cost, and charge to the Cost of Sales

Notes to the Financial Statements

For the Year Ended 31st December,	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

8. PROFIT BEFORE TAX

Is stated after charging all expenses including the following;

Directors' Emoluments	25,530	17,828	16,880	17,828
Auditors Remuneration - On statutory audit	3,690	5,187	2,190	2,190
- For other services	75	-	75	-
Business Promotion Expenses	30,859	27,303	21,814	20,927
Depreciation on Property Plant & Equipment	420,232	454,195	401,376	428,871
Amortization of Intangible Assets	13,883	5,597	13,357	5,060
Donations	706	1,086	706	1,086
Bad debt written-off	6,861	-	3,686	-
Provision for/ (Reversal of)				
- Bad and Doubtful Debts	(7,825)	12,208	-	-
- Obsolete and Slow Moving Stocks	29,101	7,428	29,972	2,691

Staff Related Cost

- Salaries and Wages	3,459,492	3,272,455	3,347,162	3,175,070
- Defined Benefit Plan Cost - Gratuity	148,128	138,763	143,602	135,111
- Defined Contribution Plan Cost - EPF	170,917	166,609	164,593	161,997
- ETF	42,729	41,652	41,148	40,499
Amortization of Pre-paid Staff Cost	26,297	23,437	25,843	22,966

For the Year Ended 31st December,	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

9. INCOME TAX EXPENSE

On the Current years Profit (Note 9.5)	41,947	73,193	533	9,062
Under/ (over) Provision in previous year	(8,163)	(18,308)	-	(8,254)
Unrecoverable ESC	39,255	20,897	39,255	20,897
Deferred Taxation (Note 16.3)	36,531	(35,060)	29,629	(27,717)
Total Tax expense on profit / (loss)	109,570	40,723	69,417	(6,012)

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 sections 52 and 60 of the above Act)	12%
Others	28%

(Further refer 9.3 for applicable tax exemptions and concessions)

Group

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 foreign 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.

Notes to the Financial Statements

9.4 Analysis on Newly Enacted Inland Revenue Act

Company

As per the Inland Revenue Act, No 24 of 2017 which will be effective from year of assessment 2018/19., the Company will be liable to pay income tax at following rates, with effect from year of assessment 2018/19.

	Inland Revenue Act	
	No 10 of 2006 (Existing)	No 24 of 2017 (New)
Foreign ship repair	0%	14%
Foreign shipbuilding	12%	14%
Local businesses	28%	28%
Dividend tax	10%	14%
Other income	0% & 28%	28%
Deduction of tax losses against total statutory income	35%	100%
Tax losses - carrying forward	Indefinite	6 years

Group

Dockyard General Engineering Services (Pvt) Ltd

As per the Inland Revenue Act effective from year of assessment 2018/19., the Company will be liable to pay income tax at 28% on profits from construction contracts instead of at the current income tax rate of 12%, with effect from year of assessment 2018/19.

For the Year Ended 31st December,	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

9.5 Reconciliation between current tax expense and the accounting profit

Profit / (Loss) before tax	135,664	(248,340)	(73,103)	(438,114)
Disallowable Expenses for Taxation	617,015	603,888	588,746	547,537
Allowable Expenses for Taxation	(385,432)	(673,077)	(312,392)	(641,751)
Profit Exempt from Tax	(534,222)	(81,453)	(517,348)	(81,453)
Statutory Profit/(Loss) from Business	(166,976)	(398,982)	(314,097)	(613,782)
Statutory Profit/(Loss) from Colombo Dockyard PLC	(314,097)	(613,782)	(314,097)	(613,782)
Statutory Profit/(Loss) from Dockyard General Engineering Services (Pvt)Ltd	158,567	229,337	-	-
Other sources of Income	2,931	49,790	2,931	49,790
Tax loss claimed during the year	(1,026)	(17,427)	(1,026)	(17,427)
Qualifying Payments	-	-	-	-
Taxable Income	160,472	261,700	1,905	32,363
Tax at the Rate of 12%	2,246	-	-	-
Tax at the Rate of 28%	39,701	73,193	533	9,062
Provision for Taxation on Current Year Profit	41,947	73,193	533	9,062

For the Year Ended 31st December,	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

9.6 Reconciliation of Accumulated Tax Loss

Tax Loss Brought Forward	3,867,663	3,152,225	3,867,663	3,152,225
Tax Loss for the year of assessment	314,097	613,782	314,097	613,782
Setoff against the current taxable income	(1,026)	(17,427)	(1,026)	(17,427)
Adjustment for the previous years of assessment	(414,344)	119,083	(414,344)	119,083
Unclaimable Tax Losses resulting due to newly enacted Inland Revenue Act No.24 of 2017	(1,045,625)	-	(1,045,625)	-
Tax Loss Carried Forward for the purpose of deferred tax	2,720,765	3,867,663	2,720,765	3,867,663

9.7 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% and 14% applicable for different sources of profit. The effective tax rate (Weighted Average) applicable is 14.67 %. (2016 - 7.74%)

Further, management has derived at the deferred tax asset by applying the tax rates which have been enacted by the Inland Revenue Act, No 24 of 2017 as at the end of reporting period. (Analysis on the applicable tax rates are given on Note 9.4)

Subsidiaries

Dockyard General Engineering Services (Pvt) Ltd.

The deferred tax liability 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 2017.

Ceylon Shipping Agency (Pte) Ltd. (CSA)

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 2017.

Notes to the Financial Statements

10. EARNINGS/(LOSS) PER SHARE

10.1 Earnings/ (Loss) Per Share

The calculation of the earnings/(loss) per share has been derived by dividing profit/(loss) attributable to equity shareholders of Company/Group by the weighted average number of ordinary shares in issue during the year and calculated as follows :

	Group		Company	
	2017	2016	2017	2016
Amount used as the Numerator				
Profit/ (Loss) for the period (Rs.'000)	26,094	(289,063)	(142,520)	(432,102)
Non Controlling Interest (Rs.'000)	(740)	2,283	-	-
Profit Attributable to Equity Shareholders of Colombo Dockyard PLC (Rs.'000)	25,354	(286,780)	(142,520)	(432,102)
Number of Ordinary Shares used as the Denominator				
Number of Ordinary Shares	71,858,924	71,858,924	71,858,924	71,858,924
Earnings/(Loss) Per Share (Rs.) based on weighted average number of shares in 2017	0.35	(3.99)	(1.98)	(6.01)

10.2 Foreign Currency Translations

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

	Annual Average Rate		Closing Rate (Spot)	
	2017	2016	2017	2016
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
U. S. Dollar	152.45	145.85	152.78	149.85
Euro	172.98	161.21	187.27	157.92
Singapore Dollars	111.06	105.79	114.38	103.93
Danish Kroners	23.29	21.69	24.52	21.28
Japanese Yen	1.36	1.34	1.36	1.30

* Company uses exchange rates (average) published by Bank of Ceylon (BOC), for the conversion of foreign currency transactions and balances.

11 PROPERTY, PLANT AND EQUIPMENT

11.1 Group

FREEHOLD													
	Drydocks	Land	Road ways	Building	Plant, Machinery Installation & Equipment	Electrical	Motor Vehicles	Inventory Items	Office Equipment, Furniture & Fittings	Loose Tools	Boats & Launches	Capital Work In Progress	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
COST													
Balance as at 01st January 2017	1,102,160	62,950	14,190	1,297,428	5,072,525	293,893	182,536	71,202	366,938	335,474	6,494	105,734	8,911,523
Additions during the year	-	-	-	-	17,535	-	32,615	4,437	38,185	9,298	-	122,047	224,117
Transfers/Adjustments during the year	57,035	-	-	21,816	14,096	-	34,837	-	909	-	-	(143,836)	(15,143)
Disposals during the year	-	-	-	-	(4,287)	-	(11,898)	(6)	(8,957)	(26,945)	-	-	(52,093)
Exchange Gain /Loss	-	-	-	-	-	-	-	-	270	-	-	44	314
Balance as at 31st December 2017	1,159,195	62,950	14,190	1,319,244	5,099,869	293,893	238,090	75,633	397,345	317,827	6,494	83,989	9,088,718
Accumulated Depreciation													
Balance as at 1st January 2017	605,670	-	9,093	532,222	2,591,071	248,947	133,700	49,339	293,126	316,525	5,740	22	4,785,454
Charge for the year	22,702	-	1,043	51,941	267,408	12,015	21,078	5,341	22,982	15,153	568	-	420,232
Disposals	-	-	-	-	(3,111)	-	(10,860)	(6)	(8,906)	(26,875)	-	-	(49,758)
Exchange Gain/Loss	-	-	-	-	-	-	-	-	258	-	-	44	302
Balance as at 31st December 2017	628,372	-	10,136	584,163	2,855,368	260,962	143,918	54,674	307,460	304,803	6,308	66	5,156,230
Carrying Amount													
As at 31st December 2017	530,823	62,950	4,054	735,081	2,244,500	32,931	94,172	20,959	89,885	13,024	186	83,923	3,912,488
As at 31st December 2016	496,490	62,950	5,097	765,206	2,481,455	44,946	48,836	21,863	73,812	18,949	755	105,712	4,126,068

Notes to the Financial Statements

11.2 Company

FREEHOLD

	Drydocks	Land	Road ways	Building	Plant, Machinery & Equipment	Electrical Installation	Motor Vehicles	Inventory Items	Office Equipment, Furniture & Fittings	Loose Tools	Boats & Launches	Capital Work In Progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January 2017	1,102,160	45,785	14,190	1,273,828	5,002,967	294,199	136,324	71,205	350,693	291,730	6,495	105,560	8,695,134
Additions during the year	-	-	-	-	14,322	-	20,464	4,437	36,609	5,682	-	103,060	184,574
Transfers/Adjustments during the year	57,035	-	-	21,816	14,096	-	34,837	-	909	-	-	(143,836)	(15,143)
Disposals during the year	-	-	-	-	(94)	-	(10,407)	(6)	(8,824)	(24,466)	-	-	(43,797)
Balance as at 31st December 2017	1,159,195	45,785	14,190	1,295,644	5,031,293	294,199	181,218	75,636	379,387	272,946	6,495	64,784	8,820,768

Accumulated Depreciation

Balance as at 01st January 2017	605,670	-	9,093	514,101	2,555,858	248,946	105,032	49,332	282,182	280,781	5,742	-	4,656,737
Charge for the year	22,702	-	1,043	51,941	260,388	12,015	14,462	5,341	21,392	11,524	568	-	401,376
Disposals during the year	-	-	-	-	(94)	-	(10,407)	(6)	(8,809)	(24,466)	-	-	(43,782)
Balance as at 31st December 2017	628,372	-	10,136	566,042	2,816,152	260,961	109,087	54,667	294,765	267,839	6,310	-	5,014,331

Carrying Amount

As at 31st December 2017	530,822	45,785	4,053	729,590	2,215,141	33,237	72,131	20,964	84,635	5,107	187	64,785	3,806,437
As at 31st December 2016	496,489	45,785	5,099	759,727	2,447,109	45,253	31,292	21,873	68,511	10,949	753	105,560	4,038,396

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 2017. 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/223at Colombo Dockyard PLC,Port of Colombo, Colombo 15. This land is situated within the Port of Colombo, adjoining the Sri Lanka Port Authority.
- | | |
|---------------------|---------------------|
| Extent of the Land- | 852.5 perches |
| No. of Buildings | 02 |
| Cost | Rs.20,931,444/- |
| Valuation | Rs. 3,836,250,000/- |
- (b) Land depicted as allotment of land in Plan No.562 dated 27th August 1960 at Nuwara Eliya Holiday Bungalow of the Company is built on this land.
- | | |
|---------------------|------------------|
| Extent of the Land- | 37.99 perches |
| No. of Buildings | 01 |
| Cost | Rs.1,807,000/- |
| Valuation | Rs. 60,784,000/- |
- (c) Land depicted as Lot A in Plan No.1347 dated 6th June 1981 at Colombo 15. Executive quarters of the Company is built on this land.
- | | |
|---------------------|------------------|
| Extent of the Land- | 89.62 Perches |
| No. of Buildings | 01 |
| Cost | Rs.3,219,000/- |
| Valuation | Rs. 85,100,000/- |
- (d) Land depicted as Lot No.01 in Plan No. 250 at Colombo 14, this land is leased to Dockyard General Engineering Services (Private) Limited as an operating lease.
- | | |
|---------------------|------------------|
| Extent of the Land- | 103.75 Perches |
| No. of Buildings | 02 |
| Cost | Rs.2,865,000/- |
| Valuation | Rs. 77,800,000/- |
- (e) Land depicted as Lot No is plan No. 3347 at No. 2, Srimath Bandaranayaka Mawatha, Colombo 12. The land is used for Dockyard General Engineering Services (Private) Limited's Materials Sales Center.
- | | |
|---------------------|------------------|
| Extent of the Land- | 7.15 Perches |
| No. of Buildings | 01 |
| Cost | Rs. 14,300,000/- |
| Valuation | Rs. 35,800,000/- |
- (f) Land depicted as Lot No. 3B in plan No. 2579 at Colombo 15. This land is kept for the purpose of constructing office spaces.
- | | |
|---------------------|------------------|
| Extent of the Land- | 12.69 Perches |
| No. of Buildings | 01 |
| Cost | Rs. 19,829,000/- |
| Valuation | Rs. 27,600,000/- |

Notes to the Financial Statements

11.4 Gross Carrying Amount of Fully Depreciated Property Plant and Equipment.

As at 31st December	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)
Freehold Drydocks	5,215	5,215	5,215	5,215
Freehold Buildings	156,999	156,824	138,844	138,669
Roadways	3,784	3,784	3,784	3,784
Plant, Machinery and Equipment	1,492,392	1,330,209	1,486,252	1,286,768
Electrical Installation	190,094	172,406	190,094	172,406
Motor Vehicles	94,840	94,262	72,411	66,213
Inventory Items	38,830	35,776	38,830	35,776
Office Equipment, Furniture and Fittings	225,185	207,624	218,920	205,140
Boats / Launches	2,717	2,717	2,717	2,717
	2,210,056	2,008,817	2,157,067	1,916,688

As at 31st December,	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (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 2017. Valuation details of the land is as follows,

Extent of the Land-	103.75 Perches
No. of Buildings	02
Cost	Rs. 2,865,000/-
Valuation	Rs. 77,800,000/-

As at 31st December	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

13. INTANGIBLE ASSETS

Cost

Balance at the beginning of the year	84,911	45,490	81,766	42,468
Additions during the year	709	39,446	-	39,298
Disposal	-	(25)	-	-
Balance at the end of the year	85,620	84,911	81,766	81,766

Amortization

Balance at the beginning of the year	46,698	41,126	45,523	40,463
Charge for the year	13,883	5,597	13,357	5,060
Disposal	-	(25)	-	-
Balance at the end of the year	60,581	46,698	58,880	45,523
Carrying Amount	25,039	38,213	22,886	36,243

Intangible Assets of the Group/Company consist of acquired computer software, which are amortized over an estimated useful life of 3 years.

	No of Shares	Percentage Holding	Company	
			2017 (Rs.'000)	2016 (Rs.'000)

14. INVESTMENTS IN SUBSIDIARIES

Dockyard General Engineering Services (Private) Limited

- Incorporated in Sri Lanka	61,999	100%	2,785	2,146
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Add: Fair Value of Financial Guarantees			675	639
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Ceylon Shipping Agency (Private) Limited

- Incorporated in Singapore	25,500	51%	357	357
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3,816 3,141

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.

	2017 (Rs.'000)	2016 (Rs.'000)
Dockyard General Engineering Services (Private) Limited	992,690	823,954
Ceylon Shipping Agency (Pte) Ltd	62,845	56,140
	1,055,535	880,094

Notes to the Financial Statements

	Group				Company			
	No of Shares / Units	Cost (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)	No of Shares / Units	Cost (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

15. OTHER INVESTMENTS

15.1 Investments Classified as Available for Sale

15.1.1 Investments in shares

Sri Lanka Port Management and Consultancy

Services Limited	1,002	10	14,591	13,661	1,002	10	14,591	13,661
Associated Newspapers of Ceylon Limited	10,000	100	1,600	1,401	10,000	100	1,600	1,401
		110	16,191	15,062		110	16,191	15,062

15.1.2 Investment in Unit Trusts

NDB Wealth Money Plus	-	-	-	83,905	-	-	-	-
First Capital Money Market Fund	-	-	-	76,400	-	-	-	-
		-	-	160,305		-	-	-
	110	16,191	175,367		110	16,191	15,062	

15.2 Investments Classified as Fair Value through Profit or Loss

15.2.1 Investment in Unit Trusts

NDB Wealth Money Plus	6,214,384	100,000	106,838	-	-	-	-	-
First Capital Money Market Fund	131,012	132,054	140,303	-	-	-	-	-
Capital Alliance Money Market Fund	3,592,269	50,000	51,524	-	-	-	-	-
	282,054	298,665	-	-	-	-	-	-

15.2.2 Investment in Quoted Debentures

Sampath Bank PLC	50,000	50,630	49,453	-	-	-	-	-
Citizens Development Business Finance PLC	150,032	146,961	98,802	-	-	-	-	-
Merchant Bank of Sri Lanka & Finance PLC	14,326	14,254	-	-	-	-	-	-
People's Leasing & Finance PLC	15,262	15,175	-	-	-	-	-	-
	229,620	227,020	148,255	-	-	-	-	-
	511,673	525,685	148,255	-	-	-	-	-

	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

16. DEFERRED TAXATION

16.1 Deferred Tax Asset

Balance at the beginning of the year	134,019	101,069	127,796	101,069
Provision /(Reversal) during the year (Note No. 16.3)	(28,066)	26,727	(20,790)	26,727
Transferred from Deferred Tax liability	-	6,223	-	-
Transferred to Deferred Tax liability	1,053	-	-	-
Balance at the end of the year	107,006	134,018	107,006	127,795

	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)
16.2 Deferred Tax Liability				
Balance at the beginning of the year	-	1,273	-	-
Provision/(Reversal) during the year (Note 16.3)	-	(7,496)	-	-
Transferred to Deferred Tax Asset	-	6,223	-	-
Transferred from Deferred Tax Asset	1,053	-	-	-
Balance at the end of the year	1,053	-	-	-

16.3 Provision /(Reversal) for the year

Provision/(Reversal) during the year recognized in Profit / (Loss)	36,531	(35,060)	29,629	(27,717)
Provision /(Reversal) during the year recognized in Other Comprehensive Income	(8,465)	837	(8,839)	990
Revision/(Reversal) during the year recognized in Comprehensive Income	28,066	(34,223)	20,790	(26,727)

	2017		2016	
	Temporary Difference (Rs.'000)	Tax Effect on Temporary Difference (Rs.'000)	Temporary Difference (Rs.'000)	Tax Effect on Temporary Difference (Rs.'000)
Group				
Temporary Difference on Property Plant & Equipment	(3,071,749)	(459,467)	(3,205,280)	(257,393)
Temporary difference on Retirement Benefit Obligations	915,103	136,380	854,257	69,239
Temporary Difference on Stock Provision	88,368	14,422	62,707	7,249
Temporary Difference on Forward Contracts	-	-	18,617	1,441
Temporary Difference on Warranty Provision	73,181	15,493	75,023	14,064
Temporary Difference on Tax Losses carried forward	2,720,765	399,125	3,867,663	299,419
	725,667	105,953	1,672,986	134,018
Company				
Temporary Difference on Property Plant & Equipment	(3,005,325)	(440,869)	(3,159,603)	(244,604)
Temporary difference on Retirement Benefit Obligations	899,062	131,889	838,925	64,946
Temporary Difference on Stock Provision	77,420	11,357	50,888	3,940
Temporary Difference on Forward Contracts	-	-	18,617	1,441
Temporary Difference on Warranty Provision	37,505	5,502	34,273	2,653
Temporary Difference on Tax Losses carried forward	2,720,765	399,125	3,867,663	299,419
	729,428	107,006	1,650,763	127,795

Management has measured the deferred tax assets and liabilities by applying the tax rates which have been enacted by the Inland Revenue Act, No 24 of 2017 as at the end of reporting period, in accordance with LKAS 12 paragraph 46. (Analysis on the applicable tax rates in the future periods are given on Note 9.4)

Notes to the Financial Statements

As at 31st December	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)
17. INVENTORIES				
Raw Materials	652,175	1,359,682	543,217	1,271,952
Goods in Transit	181,709	13,450	181,692	13,450
	833,884	1,373,132	724,909	1,285,402
Less: Provision for Inventories (Note:17.1)	(88,368)	(62,707)	(77,420)	(50,888)
	745,516	1,310,425	647,489	1,234,514

17.1 Movement in Provision for Inventories

Balance at the beginning of the year	62,707	55,279	50,888	48,197
Provision/(Reversal) made during the year	29,101	7,428	29,972	2,691
Amounts written off during the year	(3,440)	-	(3,440)	-
Balance at the end of the year	88,368	62,707	77,420	50,888

18. TRADE AND OTHER RECEIVABLES

Trade Receivables	1,986,752	5,256,164	1,825,528	4,979,515
Less: Provision for Bad and Doubtful Debts (Note No 18.1)	(19,578)	(30,578)	-	-
	1,967,174	5,225,586	1,825,528	4,979,515
Accrued Revenue	3,843,301	3,723,448	3,697,621	3,642,514
VAT Recoverable	239,652	229,408	239,652	229,408
Deposits and Prepayments	563,271	1,628,480	542,052	1,626,212
Economic Service Charges	207,883	150,720	206,471	150,720
Other Receivables	357,935	271,190	244,163	197,615
	7,179,216	11,228,832	6,755,487	10,825,984

18.1 Movement in Provision for Bad and Doubtful Debts

Balance at the beginning of the year	30,578	18,370	-	-
Provision made during the year	1,210	12,208	-	-
Reversals made during the year	(9,035)	-	-	-
Bad debts written off during the year	(3,175)	-	-	-
Balance at the end of the year	19,578	30,578	-	-

As at 31st December	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

19. OTHER FINANCIAL ASSETS INCLUDING DERIVATIVES

Non Current

Loans given to employees (Note No. 19.1)	414,813	376,499	404,337	368,588
Pre paid Staff Benefits (Not No. 19.2)	50,876	40,703	50,231	39,520
	465,689	417,203	454,568	408,108

Current

Loans given to employees (Note No. 19.1)	145,309	137,256	142,319	135,725
Pre paid Staff Benefits (Note No. 19.2)	19,455	13,392	17,680	13,071
	164,764	150,648	159,999	148,796
	630,453	567,850	614,568	556,904

19.1.Loans Given to Employees

Balance at the beginning of the year	567,851	581,322	556,904	573,382
Loans Granted during the year	248,851	165,585	241,357	158,518
Loans Recovered during the year	(186,249)	(179,056)	(183,694)	(174,996)
	630,453	567,851	614,567	556,904

Transfer to Pre Paid Staff Benefits	(70,331)	(54,096)	(67,911)	(52,591)
Balance at the end of the year	560,122	513,755	546,656	504,313

Non Current	414,813	376,499	404,337	368,588
Current	145,309	137,256	142,319	135,725

19.2.Prepaid Staff Benefits

Balance at the beginning of the year	54,096	53,688	52,591	52,895
Additions during the year	42,532	23,844	41,163	22,662
Amortization	(26,297)	(23,437)	(25,843)	(22,966)
Balance at the end of the year	70,331	54,096	67,911	52,591

Non Current	50,876	40,703	50,231	39,520
Current	19,455	13,392	17,680	13,071

The loans given to employees are secured and interest is charged at the following rates:

	Housing Loans	Vehicle Loans	Wedding loan
Colombo Dockyard PLC	6.5%	10%	0%
Dockyard General Engineering Services (Private) Limited	7.5%	10%	-
Ceylon Shipping Agency (Private) Limited	3.0%	-	-

Notes to the Financial Statements

As at 31st December	Relationship	Group		Company	
		2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

20. AMOUNTS DUE FROM RELATED PARTIES

Dockyard General Engineering Services (Pvt) Ltd	Subsidiary	-	-	86,052	31,692
		-	-	86,052	31,692

21. CASH AND CASH EQUIVALENTS

21.1 Favorable Balances

Fixed Deposits	4,455,960	2,312,675	4,141,394	1,891,538
Repurchase Agreement	19,000	-	-	-
Call Deposits	400,051	448	400,051	448
Cash at Bank	177,398	343,502	93,167	209,809
Cash in Hand	8,417	8,532	7,683	7,745
	5,060,826	2,665,157	4,642,295	2,109,540

21.2 Unfavorable Balances

Bank Overdrafts	(2,204)	(12,804)	-	-
Cash and Cash Equivalents for the purpose of the Cash Flow Statement	5,058,622	2,652,353	4,642,295	2,109,540

22. STATED CAPITAL

Issued and Fully paid

71,858,924 Ordinary Shares (2016 - 71,858,924)	714,396	714,396	714,396	714,396
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The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meeting of the shareholders or one vote per share in the case of a poll.

22.1 Exchange Equalization Reserve

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

22.2 Available-For-Sale Reserve

Available-for-sale reserve includes changes of fair value of financial instruments designated as available for sale financial assets.

As at 31st December,	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

23. LOANS AND BORROWINGS

Payable within one year

Short Term Loans (Note No. 23.1)	3,494,446	7,409,743	3,494,446	7,409,743
	3,494,446	7,409,743	3,494,446	7,409,743

23.1 Short Term Loans

Balance at the beginning of the year	7,409,743	4,506,916	7,409,743	4,506,916
Loans obtained during the year	6,489,451	11,583,387	6,489,451	11,583,387
Loan Re-payments during the year	(10,510,164)	(8,753,642)	(10,510,164)	(8,753,642)
Adjustment in respect of Exchange Rate Fluctuations	105,416	73,082	105,416	73,082
Balance at the end of the year	3,494,446	7,409,743	3,494,446	7,409,743

Group/Company does not have any loans and borrowings which are payable after one year, as at the balance sheet date.

As at 31st December,	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

24. OTHER FINANCIAL LIABILITIES INCLUDING DERIVATIVES

Current

Derivatives	-	18,617	-	18,617
Corporate Guarantees	-	-	675	639
	-	18,617	675	19,256

25. EMPLOYEE BENEFITS

Balance at the beginning of the year	854,257	882,093	838,925	870,402
Provision made in the profit / (loss) during the year (Note No. 25.3)	148,128	138,763	143,602	135,111
Payments made during the year	(146,202)	(154,359)	(143,717)	(153,805)
Actuarial (gain) / loss recognized in Other Comprehensive Income	58,920	(12,238)	60,252	(12,783)
Balance at the end of the year (Note No.s 25.1, 25.2)	915,103	854,257	899,062	838,925

25.1 The Amount Recognized in the Statement of Financial Position are as Follows;

Present value of unfunded obligations	915,103	854,257	899,062	838,925
Present value of funded obligations	-	-	-	-
Total present value of obligations	915,103	854,257	899,062	838,925
Fair value of plan assets	-	-	-	-
Present value of net obligations	915,103	854,257	899,062	838,925
Unrecognized net actuarial gains/ (losses)	-	-	-	-
Recognized liability for defined benefit obligations	915,103	854,257	899,062	838,925

Notes to the Financial Statements

As at 31st December,	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

25.2 Movement in the present value of defined benefit obligations

Liability for defined benefit obligations as at 1st January	854,257	882,093	838,925	870,402
Actuarial (gains)/ losses	58,920	(12,238)	60,252	(12,783)
Benefit paid by the plan	(146,202)	(154,359)	(143,717)	(153,805)
Current service costs	53,957	54,853	50,615	52,423
Interest Cost	94,171	83,910	92,987	82,688
Liability for defined benefit obligations as at 31st December	915,103	854,257	899,062	838,925

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

Current service costs	53,957	54,853	50,615	52,423
Interest on obligation	94,171	83,910	92,987	82,688
	148,128	138,763	143,602	135,111

25.4 Gain / (Loss) recognized in Other Comprehensive Income

Gain / (Loss) recognized in Other Comprehensive Income	(58,920)	12,238	(60,252)	12,783
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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 2017 amounting to Rs. 899.06 Mn and used the following key assumptions.

	2017	2016
Rate of Interest	10.50%	10.50%
Rate of Salary Increment	8%	8%
Rate of COLA Increment	6%	6%
Staff Turnover Factor	1%	1%
Retiring Age (Years) - Male	55	55
- Female	50	50

Dockyard General Engineering Services (Pvt) Ltd

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

	2017	2016
Rate of Interest	10.50%	11%
Rate of Salary Increment	13.00%	14%
Staff Turnover Factor	1%	1%
Retiring Age (Years) - Male	60	55
- Female	50	50

25.5 Sensitivity of Assumptions Used

Colombo Dockyard PLC

A quantitative sensitivity analysis for significant assumptions used by the Company as at 31st December 2017 is as shown below:

Effect on the Employee Benefit Obligation	Discount Rate (Rs.'000)	Salary Escalation Rate (Rs.'000)
As per the current assumptions	899,062	899,062
Increase by one percentage point	854,486	937,938
Decrease by one percentage point	948,724	863,506

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

Group

Dockyard General Engineering Services (Pvt) Ltd

A quantitative sensitivity analysis for significant assumptions used by the Company as at 31st December 2017 is as shown below:

Effect on the Employee Benefit Obligation	Discount Rate (Rs.'000)	Salary Escalation Rate (Rs.'000)
As per the current assumptions	16,041	16,041
Increase by one percentage point	13,897	18,545
Decrease by one percentage point	18,633	13,923

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	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

26. TRADE AND OTHER PAYABLES

Trade Payables	509,731	380,264	396,154	285,410
Subcontract Payables	357,932	405,731	357,932	405,731
Progress Bills	2,023,905	5,239	2,023,905	5,239
Provision for Warranty Claims (Note 26.1)	73,181	75,023	37,505	34,273
Accrued Expenses and Other Provisions	541,655	967,860	382,586	801,753
Other Payables	244,630	204,098	108,264	21,680
ESC Payable	26,810	-	26,810	-
VAT Payable	568	16,048	-	-
	3,778,412	2,054,263	3,333,156	1,554,086

Notes to the Financial Statements

As at 31st December,	Group		Company	
	2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

26.1 Provision for Warranty Claims

Balance at the beginning of the year	75,023	104,917	34,273	75,516
Provision/(Reversals) made during the year	1,076	(3,425)	6,150	(30,086)
Claims made during the year	(2,918)	(26,469)	(2,918)	(11,157)
Balance at the end of the year	73,181	75,023	37,505	34,273

27. AMOUNTS DUE TO RELATED PARTIES

Ceylon Shipping Agency (Pvt) Ltd	-		99,131	85,324
Dockyard general Engineering Services (Pvt) Ltd	-		14,140	17,478
	-	-	113,271	102,802

28. INCOME TAX PAYABLE

Balance at the beginning of the year	56,286	66,354	-	-
Provision for Income Tax on current year's profits	41,947	73,193	533	9,062
Under/(Over) provision of Income Tax in respect of prior year	(8,163)	(18,308)	-	(8,254)
Tax paid/ESC Setoff during the year	(55,447)	(64,953)	(533)	(808)
Balance at the end of the year	34,623	56,286	-	-

29. DIVIDENDS PAYABLE

Balance at the beginning of the year	26,191	39,588	26,191	39,588
Payments during the year	(39)	(13,397)	(39)	(13,397)
Balance at the end of the year	26,152	26,191	26,152	26,191

As at 31st December,	Note	Group		Company	
		2017 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2016 (Rs.'000)

30. FINANCIAL INSTRUMENTS

30.1 Financial Instruments - Statement of Financial Position (SOFP)

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

Financial Assets

Fair Value Through Profit and Loss

SOFP Line Item:

Investments classified as Fair Value Through Profit or Loss	15.2	525,685	148,255	-	-
		525,685	148,255	-	-

Loans and Receivables

SOFP Line Item:

Other financial assets including derivatives - Non Current	19	465,689	417,203	454,568	408,108
Trade and other receivables	18	2,458,072	5,662,193	2,056,974	5,397,223
Other financial assets including derivatives - Current	19	164,764	150,648	159,999	148,796
Amounts due from related parties	20	-	-	86,052	31,692
Cash and cash equivalents	21	5,060,826	2,665,157	4,642,295	2,109,540
		8,149,351	8,895,201	7,399,888	8,095,359

Available-for-Sale

SOFP Line Item:

Investment in subsidiaries	14	-	-	3,816	3,141
Available-for-sale Investments	15	16,191	175,367	16,191	15,062
		16,191	175,367	20,007	18,203
Total		8,691,228	9,218,823	7,419,895	8,113,562

Financial Liabilities

Fair Value Through Profit and Loss

SOFP Line Item:

Other financial liabilities including derivatives - Current	24	-	18,617	-	18,617
		-	18,617	-	18,617

Other Financial Liabilities

SOFP Line Item:

Bank Overdrafts	21	2,204	12,804	-	-
Loans and borrowings- Current	23	3,494,446	7,409,743	3,494,446	7,409,743
Trade and other payables	26	1,478,529	1,122,327	1,033,841	842,720
Other financial liabilities including derivatives - Current	24	-	-	675	639
Amounts due to related parties	27	-	-	113,271	102,802
Income Tax payable	28	34,623	56,286	-	-
Dividends payable	29	26,152	26,191	26,152	26,191
		5,033,750	8,627,351	4,668,385	8,382,095
Total		5,035,954	8,645,968	4,668,385	8,400,712

Notes to the Financial Statements

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 assets or liabilities.
 Level 02 : Other techniques for which all inputs with significant effect on the recorded fair values are observable either directly or indirectly.
 Level 03 : Techniques that use inputs that have significant effect on the recorded fair value that are not based on observable market data.

	Group			Company		
	Level 01 (Rs. '000)	Level 02 (Rs. '000)	Level 03 (Rs. '000)	Level 01 (Rs. '000)	Level 02 (Rs. '000)	Level 03 (Rs. '000)
As at 31.12.2017						
Financial Assets						
Unquoted equity investments - Unquoted shares	-	-	16,191	-	-	16,191
Available-for-Sale Investments	-	-	-	-	-	-
Fair Value Through Profit or Loss Investments	-	525,685	-	-	-	-
	-	525,685	16,191	-	-	16,191
Financial Liabilities						
Corporate Guarantee	-	-	-	-	-	675
	-	-	-	-	-	675
As at 31.12.2016						
Financial Assets						
Unquoted equity investments - Unquoted shares	-	-	15,063	-	-	15,063
Available-for-Sale Investments	-	175,367	-	-	-	-
Fair Value Through Profit or Loss Investments	-	148,255	-	-	-	-
	-	323,622	15,063	-	-	15,063
Financial Liabilities						
Foreign exchange forward contracts	-	18,617	-	-	18,617	-
Corporate Guarantee	-	-	-	-	-	639
	-	18,617	-	-	18,617	639

31. FINANCIAL RISK MANAGEMENT

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

- Credit Risk
- Liquidity Risk
- Market Risk
 - (i) Currency risk
 - (ii) Interest Rate risk

The Group has trade and other receivables, other financial assets including loans given to employees and cash and short term investments that arise directly from its operations. The Group also holds available-for-sale investments and enter into derivative transactions. The Group's principal financial liabilities comprise of short term borrowings, trade and other payables and other financial liabilities.

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

Risk Management Framework

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

31.1 Credit Risk

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

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

Notes to the Financial Statements

31.1.1 Exposure to Credit Risk

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

	Group		Company	
	2017 (Rs. '000)	2016 (Rs. '000)	2017 (Rs. '000)	2016 (Rs. '000)
Trade and other receivables	2,458,072	5,662,193	2,056,974	5,397,223
Other financial assets including derivatives	630,453	567,851	614,567	556,904
Investments classified as Fair Value Through Profit or Loss	525,685	148,255	-	-
Cash at bank and in hand	5,060,827	2,665,157	4,642,295	2,109,540
Amount due from related parties	-	-	86,052	31,692
Available-for-sale Investments	16,191	175,368	20,007	18,203
Total exposure to the credit risk	8,691,228	9,218,823	7,419,895	8,113,562

Impairment Losses

The Company and the Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of Trade and Other Receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incur but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The aging of trade receivables at the reporting date was:

Age	Group			Company		
	Gross Impairment		Net	Gross Impairment		Net
Within 30 Days	158,490	-	158,490	112,782	-	112,782
31-365 Days	1,709,775	-	1,709,775	1,617,903	-	1,617,903
More than 365 Days	118,487	(19,578)	98,909	94,843	-	94,843
	1,986,752	(19,578)	1,967,174	1,825,528	-	1,825,528

31.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or another financial asset.

To measure and mitigate liquidity risk, the Group monitor its net operating cash flow, maintain a sufficient level of cash and cash equivalents and secured committed funding facilities from financial institutions.

Followings are the contractual maturity of financial liabilities as at 31st December 2017:

	Group			Company		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Financial Liabilities						
Other Financial Liabilities	5,033,750	-	5,035,954	4,668,385	-	4,668,385
Bank overdrafts	2,204	-	2,204	-	-	-
	5,035,954	-	5,038,158	4,668,385	-	4,668,385

Following are the contractual maturity of financial liabilities as at 31st December 2016:

	Group			Company		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Fair value through profit or loss	18,617	-	18,617	18,617	-	18,617
Other Financial Liabilities	8,614,547	-	8,614,547	8,382,095	-	8,382,095
Bank overdrafts	12,804	-	12,804	-	-	-
	8,645,968	-	8,645,968	8,400,712	-	8,400,712

31.3 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 optimizing the returns.

(i) Currency Risk

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

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

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

Currency	Average Rate	Closing Rate
U. S. Dollar	152.45	152.78
Euro	172.98	187.27
Singapore Dollars	111.06	114.38
Danish Kroner	23.29	24.52
Japanese Yen	1.36	1.36

Sensitivity Analysis

A strengthening of the major foreign currencies as indicated below, against the Sri Lankan Rupees as at 31st December 2017 would have increased/(decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Increase/(Decrease) in Principal Exchange rates

5% movement	Effect on Profit before Tax	
	Strengthen (Rs. '000)	Weakening (Rs. '000)
U. S. Dollar	108,262	(108,262)
Euro	8,901	(8,901)
SGD	(3,656)	3,656

Notes to the Financial Statements

(ii) Interest Rate Risk

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

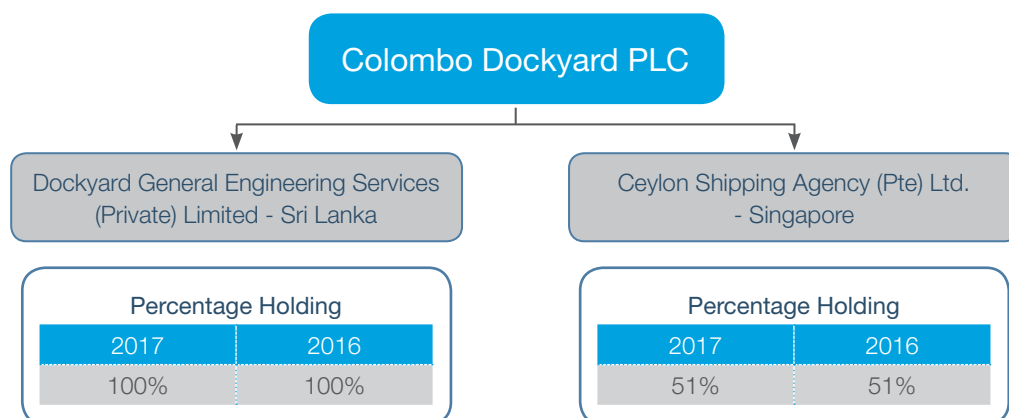
The Group utilize various strategies to manage exposures to interest rate risks arising due to financial instruments.

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

Increase/(Decrease) in Variable Interest Rates

(100 Basis Points movement)	Effect on Profit before Tax	
	Increase	Decrease
On Variable Rate Instruments- USD	(12,346)	12,346
- EURO	(9,989)	9,989

32. LIST OF SUBSIDIARIES



33. NON-CONTROLLING INTEREST

	Principal place of business	Operating segment	Ownership interest held by Non Controlling Interest	
			2017	2016
Ceylon Shipping Agency (Private) Limited	Singapore	Trading agent	49%	49%

The following is summarized financial information of Ceylon Shipping Agency (Private) Limited, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The information is before inter company eliminations.

31st December,	2017 (Rs.'000)	2016 (Rs.'000)
Revenue	517,998	405,203
Profit/(loss)	1,511	(4,660)
Profit/(loss) attributable to Non Controlling Interest	740	(2,283)
Other comprehensive income	11,633	2,390
Total comprehensive income	13,144	(2,270)
Total comprehensive income attributable to Non Controlling Interest	6,441	(1,112)
Current assets	175,983	176,588
Non-current assets	112	121
Current liability	(53,904)	(67,634)
Non-current liability	-	-
Net asset	122,191	109,045
Net asset attributable to Non Controlling Interest	59,873	53,432
Cash flow from operating activities	(39,463)	(25,295)
Cash flow from investing activities	77	74
Cash flow from financing activities	-	-
Net increase in cash and cash equivalents	(39,386)	(25,221)
Dividend paid to Non Controlling Interest during the year	-	-

34. CONTINGENT LIABILITIES

- (a) On behalf of Colombo Dockyard PLC, banks have given Bank Guarantees to the Company's suppliers / customers amounting to Rs. 451,075,000/- (2016 - Rs. 198,234,000/-) as at the reporting date.

Bank	Letter of Credit (Rs.'000)	Performance & Bid Bonds (Rs.'000)	Advance and Retention Bonds (Rs.'000)	Miscellaneous Bonds (Rs.'000)	Total (Rs.'000)
Bank of Ceylon PLC	389,098	260	5,117	51,900	446,375
Hongkong & Shanghai Banking Corp.	-	-	-	4,700	4,700
	389,098	260	5,117	56,600	451,075

Notes to the Financial Statements

34. Contingent Liabilities (Contd.)

- (b) Colombo Dockyard PLC has issued Corporate Guarantees behalf of its Subsidiary amounting to Rs. 527,000,000/- (2016- Rs. 527,000,000/-) 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) Legal Cases

- An Application filed by a custom officer seeking a writ against the inquiring officer and several other and the order made with regard to conclusion / finalisation of custom inquiry in which Colombo Dockyard PLC was a Party. CA 487/2015 order declined on 2018/01/11 in favour of the Company and proceedings were terminated.
- Appeal filed against the High Court order to Supreme Court in respect of termination of employment - SC/CA/LA/3/15 and SPL/LA/49/2015 (Pending Proceedings).

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

35. CAPITAL COMMITMENTS

There was no contracted capital expenditure approved by the Board of Directors as at 31st December 2017.

36. TRANSACTIONS WITH RELATED PARTIES

Company	Name of Common Directors	Nature of Interest	Particulars of Financial Dealings	Value of Transaction (Rs.'000')
Dockyard General Engineering Services (Pvt) Ltd	Mr. D. V. Abeysinghe	Subsidiary	Purchase of Material	1,659
	Dr. Toru Takehara		Management Services	918
	Mr. K. Utsumi		Lease Rental Received	1,751
			Subcontractor Services	33,624
			Heavy Engineering	70,852
			Dividend Received	12,958
			Bond Handling	1,212
			Transportation	6,075
Ceylon Shipping Agency (Pte) Ltd	Dr. Toru Takehara	Subsidiary	Purchase of Material	501,245
	Mr. D. V. Abeysinghe			
	Mr. C. S. W. De Costa			
Onomichi Dockyard Company Ltd	Mr. T. Nakabe	Parent	Technical services	91,327

This note should be read in conjunction with Note Nos. 8, 14, 20, 27, and 36(A) to these Financial Statements.

(A) Transactions With Key Managerial Personnel

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

(i) Loans to the Directors

No loans have been granted to the Directors of the Company

(ii) Compensation paid to Key Management Personnel

	2017 Rs.'000	2016 Rs.'000
Short Term Employment Benefit	55,268	58,903
Total Employment Benefit	60,607	66,879

(iii) Other Transactions with Key Management Personnel

There were no other transactions with key Managerial Personnel other than those disclosed in Note 36(A) to these Financial Statements.

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Company

The Directors of the Company have approved the payment of dividend of Rs 1.50 /- per share on ordinary shares amounting to Rs. 107,788,386 /- for the year ended 31st December 2017 at the meeting held on 27th February 2018.

"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."

38. COMPARATIVE INFORMATION

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

TEN YEARS FINANCIAL SUMMARY

For the year ended 31st December	2017 Rs. Mn	2016 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn	2013 Rs. Mn	2012 Rs. Mn	2011 Rs. Mn	2010 Rs. Mn	2009 Rs. Mn	2008 Rs. Mn
Income Statement										
Revenue	12,052	9,973	14,407	13,707	15,861	15,728	12,195	14,057	13,160	10,929
Cost of Production	(10,607)	(8,736)	(13,616)	(12,508)	(14,246)	(13,028)	(10,164)	(10,978)	(9,798)	(8,428)
Gross Profit	1,445	1,237	791	1,199	1,615	2,700	2,031	3,079	3,362	2,501
Other Expenses	(1,918)	(1,828)	(1,714)	(1,607)	(1,697)	(1,411)	(1,193)	(1,579)	(1,349)	(1,110)
Profit before Other Income	(473)	(591)	(923)	(408)	(82)	1,289	838	1,500	2,013	1,391
Other Operating Income	202	143	170	347	536	470	641	147	128	123
Profit From Operation	(271)	(448)	(753)	(61)	454	1,759	1,479	1,647	2,141	1,514
Net Finance Income	197	10	59	281	279	144	(83)	174	183	161
Profit before Tax	(74)	(438)	(694)	220	733	1,903	1,396	1,821	2,324	1,675
Taxation	(69)	6	(14)	(11)	91	(14)	43	193	(199)	(252)
Net Profit for the Year	(143)	(432)	(708)	209	824	1,889	1,439	2,014	2,125	1,423
Retained Profit b/f	8,302	8,722	9,646	9,724	9,507	7,829	6,937	5,363	3,717	2,522
Profit available for Appropriation	8,159	8,290	8,938	9,933	10,331	9,718	8,376	7,377	5,842	3,945
Issue of Bonus Shares	-	-	-	-	-	(34)	-	-	-	(32)
Final Dividends/ Other Comprehensive income	(51)	12	(216)	(287)	(575)	(411)	(547)	(547)	(479)	(196)
	8,108	8,302	8,722	9,646	9,756	9,273	7,829	6,830	5,363	3,717
As at 31st December										
	2017	2016	2014	2014	2013	2012	2011	2010	2009	2008
Balance Sheet										
ASSETS										
Property Plant & Equipment	3,806	4,038	4,328	4,281	4,147	3,900	2,514	2,254	2,051	2,146
Investments & Taxes	608	594	523	520	532	522	486	131	112	77
	4,414	4,632	4,851	4,801	4,679	4,422	3,000	2,385	2,163	2,223
Current Assets										
Inventories	647	1,235	985	956	753	1,202	638	624	754	937
Trade & Other Receivables	7,002	11,005	9,503	8,052	7,467	8,051	6,684	5,251	6,893	5,642
Cash & Short -term funds	4,642	2,110	1,870	2,631	3,329	3,864	3,892	5,933	3,880	3,606
	12,291	14,350	12,358	11,639	11,549	13,117	11,214	11,808	11,527	10,185
Total Assets	16,705	18,982	17,209	16,440	16,228	17,539	14,214	14,193	13,690	12,408
EQUITY & LIABILITIES										
Stated Capital	714	714	714	714	714	714	684	684	684	684
Available for Re-sale Reserves	16	15	15	15	14	10	9	-	-	-
Revenue Reserves	8,108	8,302	8,722	9,646	9,756	9,362	7,829	6,830	5,363	3,717
Share Holders Fund (Net Worth)	8,838	9,031	9,451	10,375	10,484	10,086	8,522	7,514	6,047	4,401
Non-Current Liabilities										
Interest bearing Borrowings	-	-	-	-	-	52	161	61	94	148
Retirement benefit Obligation	899	839	870	857	816	931	963	951	786	689
	899	839	870	857	816	983	1,124	1,012	880	837
Current Liabilities										
Trade & Other Payables	3,448	1,676	2,332	1,958	2,760	4,548	3,920	4,732	6,048	5,435
Interest bearing Borrowings	3,494	7,410	4,507	3,221	2,141	1,880	538	897	315	1,246
Income Tax Payable	-	-	-	-	-	16	46	-	305	329
Dividends Payable	26	26	40	27	23	19	17	15	13	7
Bank Overdraft	-	-	9	2	4	7	47	23	82	153
	6,968	9,112	6,888	5,208	4,928	6,470	4,568	5,667	6,763	7,170
Total Liabilities	16,705	18,982	17,209	16,440	16,228	17,539	14,214	14,193	13,690	12,408

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 Fifth 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 27th day of March 2018 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 2017 and the Report of the Auditors.
2. To re-elect Mr. Lalith Ganlath in terms of Article 87 of the Articles of Association of the Company.
3. To re-elect Mr. H. A. R. K. Wickramathilake in terms of Article 87 of the Articles of Association of the Company.
4. To re-appoint Messrs. KPMG, the retiring Auditors and authorize the Directors to fix their remuneration.
5. To authorize the Directors to determine donations for the year 2018 and up to the date of the next Annual General Meeting.

By order of the Board

COLOMBO DOCKYARD PLC



Manori P. Mallikarachchi
Company Secretary

27 February 2018
Colombo, Sri Lanka

Notes

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

Please bring your National Identity Card when attending the meeting.

NOTES

NOTES

FORM OF PROXY

COLOMBO DOCKYARD PLC

(Company Registration No. PQ 50)

P.O. Box 906, Graving Docks, Port of Colombo, Colombo 15

I/We
(NIC No.)..... of
being a member/members of Colombo Dockyard PLC, hereby appoint,
..... of
(or failing him/her)

Dr. T. Takehara	of Colombo (or failing him)
Mr. Sarath de Costa	of Colombo (or failing him)
Mr. D. V. Abeysinghe	of Colombo (or failing him)
Mr. T. Nakabe	of Colombo (or failing him)
Mr. K. Utsumi	of Colombo (or failing him)
Mr. Lalith Ganlath	of Colombo (or failing him)
Mr. H. A. R. K. Wickramathilake	of Colombo (or failing him)
Mr. C. J. P. Siriwardana	of Colombo (or failing him)
Mr. M. S. A. Wadood	of Colombo

as my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the Thirty Fifth Annual General Meeting of the Company to be held on 27th March 2018 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereon.

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

.....
Signature

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

INSTRUCTIONS FOR COMPLETION

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

Please fill the details :

Share Certificate No./CDS Account No :

Name :

Address :

Jointly with :

CORPORATE INFORMATION

Name of Company

Colombo Dockyard PLC

Legal Form

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

Company Registration Number

PQ 50 Founded 1974

BOI Registration Number

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

Tax Registration Numbers

VAT - 124085896-7000
SVAT - SVAT 000846
Income tax - 124085896-0000
ESC - 124085896-8000
NBT - 124085896-9000

Directors

Dr. T. Takehara
- Chairman
Sarath de Costa
- Vice-Chairman
D. V. Abeysinghe
- Managing Director/ CEO
T. Nakabe
K. Utsumi
Lalith Ganlath
H. A. R. K. Wickramathilake
C. J. P. Siriwardana
M. S. A. Wadood
Y. Imai
- Alternate Director
K. Kanaya
- Alternate Director

Audit & Remuneration Committee

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

Related Party Transaction Committee

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

Company Secretary

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

Corporate Management

D. V. Abeysinghe
- Managing Director/CEO
Shantha Rathnayake
- General Manager (Production)
K. B. P. Fernando
- General Manager (Ship Repair Business)
W. M. De Silva
- General Manager (Human Recourse Redevelopment & Administration)
R. M. V Rathnayake
- General Manager (Supply Chain Management)
Lal Hettiarachchi
- General Manager (Ship Building)
M. Rohan De Silva
- General Manager (Finance & System Implementation)
Gihan Ravinatha
- Chief Financial Officer
Manori Mallikarachchi
- Legal Consultant/Company Secretary

Auditors

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

Accounting Year End

31st December

Registrars

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

Subsidiary Companies

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

Ceylon Shipping Agency (Pte) Ltd

No. 35, Selegie Road # 09-16,
Parklane Shopping Mall
Singapore – 188307.

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 Cor
Hatton National Bank PLC

Contact Details

P O Box 906 Port of Colombo
Colombo 15 Sri Lanka

Tele : 94 112429000,
Fax : 94 11 2446441,
: 94 11 2471335
Email : coldock@cdl.lk
Internet : www.cdl.lk



www.cdl.lk



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